NEW ISSUE **RATING: (BAM Insured) S&P: "AA"**
BOOK-ENTRY ONLY

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

$10,470,000
CITY OF ARKADELPHIA, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2023

Dated: Date of Delivery Due: December 1, as described below

The Bonds will not be general obligations of the City of Arkadelphia, Arkansas (the "City") but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water and sewer system, which pledge is subordinate to the pledge in favor of the Senior Bonds (as defined herein) and is on a parity with the pledge in favor of the Parity Bond (as defined herein). See **THE BONDS**, Security.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2024, and the Bonds mature (on December 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

$1,430,000 Serial Bonds

YEAR	AMOUNT	RATE(%)	YIELD(%)
2028	$210,000	5.00	3.95
2029	220,000	5.00	4.00*
2030	230,000	5.00	4.05*
2031	245,000	5.00	4.10*
2032	255,000	5.00	4.15*
2033	270,000	5.00	4.20*

$1,535,000 4.50% Term Bonds due December 1, 2038 to Yield 4.75%
$1,930,000 4.75% Term Bonds due December 1, 2043 to Yield 4.99%
$2,450,000 5.00% Term Bonds due December 1, 2048 to Yield 5.15%
$3,125,000 5.00% Term Bonds due December 1, 2053 to Yield 5.17%

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

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

BAM
GREENSTAR

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

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

Stephens Inc.

Dated: October 24, 2023

* Priced to first optional redemption date, June 1, 2029

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City 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 Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

Build America Mutual Assurance Company (the "Insurer" or "BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer, supplied by the Insurer and presented under **BOND INSURANCE** and Exhibit C - Specimen Municipal Bond Insurance Policy.

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$10,470,000
CITY OF ARKADELPHIA, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2023

INTRODUCTION TO THE OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Arkadelphia, Arkansas (the "City") of its Water and Sewer Revenue Bonds, Series 2023, in the aggregate principal amount of $10,470,000 (the "Bonds"). The Bonds are being issued to finance all or a portion of the costs of acquiring, constructing and equipping betterments and improvements to the City's water and sewer system (the "System"), to provide a debt service reserve and to pay expenses of issuing and insuring the Bonds. See **THE BONDS,** Purposes for Bonds.

The City is a city of the first class organized under the laws of the State of Arkansas (the "State") located in Clark County, Arkansas, which is in southwest Arkansas. See **THE CITY AND THE COUNTY**. The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2 and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes.

The Bonds are not general obligations of the City but are special obligations payable solely from the revenues derived from the operation of the System (the "Revenues"). The pledge of Revenues in favor of the Bonds is subordinate to the pledge of Revenues in favor of the City's Water and Sewer Revenue Bonds, Series 2004 (the "Series 2004 Bonds") and its Water and Sewer Revenue Bond, Series 2016 (collectively with the Series 2004 Bonds, the "Senior Bonds") and is on a parity with the pledge in favor of its Water and Sewer Revenue Bond, Series 2021A (the "Parity Bond"). See **THE BONDS,** Security. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. O-23-07, adopted on October 17, 2023 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or any integral multiple thereof. Interest is payable June 1, 2024, and semiannually thereafter on each June 1 and December 1. Principal is payable at the principal office of Simmons Bank, Pine Bluff, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of $5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS,** Generally and Book- Entry Only System.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Bonds. A specimen Insurance Policy is attached hereto as Exhibit C. It is expected that, based upon the commitment of the Insurer to insure the Bonds, S&P Global Ratings ("S&P") will assign a rating of "AA" (stable outlook) to the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **MISCELLANEOUS**, Rating.

The Bonds are subject to optional redemption on and after June 1, 2029 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on December 1 in the years 2038, 2043, 2048 and 2053 are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS,** Redemption.

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

It is expected that the Bonds will be available for delivery on or about November 29, 2023, through the facilities of the Depository Trust Company in New York, New York.

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

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

THE BONDS

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Closing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Generally. The Bonds shall be dated, mature and bear interest, and interest is payable on the Bonds as set forth on the cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

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

No charge shall be made to any owner of any Bond for the privilege of registration, but any owner of any Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

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

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

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

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

(2) Optional Redemption. The Bonds are subject to redemption at the option of the City from funds from any source, in whole or in part at any time, on and after June 1, 2029, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on December 1 in the years 2038, 2043, 2048 and 2053 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on December 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing December 1, 2038

Year	Principal Amount
2034	$280,000
2035	295,000
2036	305,000
2037	320,000
2038 (maturity)	335,000

Bonds Maturing December 1, 2043

Year	Principal Amount
2039	$350,000
2040	370,000
2041	385,000
2042	405,000
2043 (maturity)	420,000

Bonds Maturing December 1, 2048

Year	Principal Amount
2044	$445,000
2045	465,000
2046	490,000
2047	510,000
2048 (maturity)	540,000

Bonds Maturing December 1, 2053

Year	Principal Amount
2049	$565,000
2050	595,000
2051	625,000
2052	655,000
2053 (maturity)	685,000

The provisions for mandatory sinking fund redemption of the Bonds are subject to the provisions of the Authorizing Ordinance which permit the City to receive credit for Bonds previously redeemed.

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

In the case of any redemption of Bonds prior to maturity, the Trustee shall mail, or send via other acceptable standard means, including facsimile or electronic communication, a copy of the redemption notice to the registered owners of the Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds**.

Purposes for Bonds. The Bonds are being issued to finance all or a portion of the costs of acquiring, constructing and equipping betterments and improvements to the System (the "Project"), to provide a debt service reserve and to pay expenses of issuing and insuring the Bonds.

The Project is expected to be completed by May 1, 2025. The Project includes improvements to both the water facilities and sewer facilities of the System.

Improvements to the water facilities of the System include particularly, without limitation, the relocation of water lines and water meters in connection with the Arkansas Department of Transportation's efforts to widen and improve Highway 51 in the City (the "ARDOT Project").

Improvements to the sewer facilities of the System include particularly, without limitation, the relocation of sewer mains in connection with the ARDOT Project and improvements to the wastewater collection system, which include a new concrete pump station with wet well, three new pumps and associated controls, and the replacement of approximately 2,800 linear feet of existing 14-inch diameter concrete lined ductile iron force main.

The sources and uses of funds are estimated by the City as follows:

SOURCES:	
Principal Amount of Bonds	$10,470,000
Net Original Issue Discount	(167,772)
Total Sources	$10,302,228
USES:	
Project Costs	$10,000,000
Costs of Issuance and Insurance Policy and Reserve Policy Premiums	171,353
Underwriter's Discount	130,875
Total Uses	$10,302,228

The payment of Underwriter's discount, premiums for the Insurance Policy and the Reserve Policy (defined below) and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS**, Underwriting for a description of the Underwriter's discount. The City will deposit the net proceeds of the Bonds (principal amount plus any original issue premium less any original issue discount and less Underwriter's discount, premiums for the Insurance Policy and Reserve Policy and issuance costs) into a special fund established with the Trustee designated "2023 Water and Sewer Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed solely in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE**, Investments.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of Revenues. The pledge of Revenues in favor of the Bonds is subordinate to the pledge in favor of the Senior Bonds and is on a parity with the pledge in favor of the Parity Bond. For a schedule of annual debt service requirements for the Bonds, the Senior Bonds and the Parity Bond, see **DEBT SERVICE REQUIREMENTS**.

There is a debt service reserve that will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by the Insurer. The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual principal and interest requirement on the Bonds. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE**, Parity Bonds.

THE CITY AND THE COUNTY

Location. The City is located on Interstate Highway No. 30 in Clark County (the "County") in southwest Arkansas, approximately 63 miles southwest of Little Rock, Arkansas.

Population. The population trend for the County and City, according to the U.S. Census Bureau, is set forth below:

Year	County	City
1970	21,537	9,841
1980	23,326	10,005
1990	21,437	10,014
2000	23,546	10,912
2010	22,995	10,714
2020	21,446	10,380
2022*	21,250	10,258

*Estimate

Transportation. The City is served by U.S. Highway No. 67 and Interstate Highway No. 30.

A municipal airport with a 5,000-foot, paved and lighted runway serves public aircrafts. Charter service is available. The nearest commercial airport is 63 miles away in Little Rock, Arkansas.

Approximately eight motor freight carriers make daily shipments from the City to major cities across the United States. Rail service is provided by the Union Pacific Railroad. An intermodal facility is located at the Clark County Industrial Park, which is four miles south of the City.

Government. The City has the City Manager form of government under which the City is governed by a Board of Directors consisting of seven elected directors, including an elected Mayor. The current City Manager is Gary Brinkley who has served in that capacity for over six years.

Members of the Board of Directors of the City, their principal occupations and their terms are as follows:

Name	Occupation	Term Expires
Dr. Scott Byrd, Mayor	Dentist	12/31/26
Taylor Chaney	Attorney	12/31/26
Chris Porter	Psychotherapist	12/31/24
Keith Crews	Business Owner	12/31/24
Reo Cummings	Education Specialist	12/31/26
Jason Jones	Arkadelphia Promise Director	12/31/24
Roland Gosey	Funeral Home Director	12/31/26

Medical Facilities. The City is served by Baptist Medical Center which has approximately 57 beds. Approximately 16 doctors have offices in the City.

Financial Institutions. The City is served by Southern Bancorp Bank, which has its principal office in the City. The following financial intuitions have branches in the City: Bank OZK, The Citizens Bank, Regions Bank, and U. S. Bank, N.A.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system which is fully accredited by the North Central Association of Secondary Schools and Colleges. Henderson State University and Ouachita Baptist University are both located in the City.

Economy. The economy of the City is a mixture of industry, agriculture and commercial trade. Set forth below are the characteristics of the major employers within or near the City:

Company	Business or Product	Number of Employees
Georgia Pacific	Pulp and Paper	650
Henderson State University	Education	444
Ouachita Baptist University	Education	365
Walmart Stores, Inc	Retail	300
Baptist Health Medical Center	Healthcare	237
Arkadelphia Public School District	Education	230
Arkadelphia Human Development Center	Healthcare	165
Veolia ES Technical Solutions	Hazardous Waste Disposal	119
Hostess Brands	Food (Bakery)	100
Siplast	Commercial Roofing Materials	85
M & M Enterprises	Wood Pallet & Fence Post Mfct.	82
Allcare & W.P. Malone Inc.	Pharmacies	80
Container Life Cycle Management	Remanufactured Steel Drums	63
SGL Carbon	Graphite/Composite Materials	35

In March 2022, Hostess Brands announced that it will invest $120,000,000 to $140,000,000 to renovate an existing facility in Clark County in order to construct a new state-of-the-art bakery to meet increased demand. This is expected to create 150 jobs over a three-year period.

Litigation. There is no material litigation or administrative proceeding pending or threatened against the City.

County Economic Data. Per capita personal income estimates for the County are as follows:(1)

Year	Per Capita Personal Income
2021	$42,664
2020	41,306
2019	38,155
2018	36,540
2017	35,568

Total personal income estimates for the County are as follows:(1)

Year	Total Personal Income
2021	$906,641,000
2020	882,377,000
2019	827,436,000
2018	794,821,000
2017	771,973,000

(1) Source: Bureau of Economic Analysis, United States Department of Commerce; data for 2022 is not yet available.

Set forth below are the annual average unemployment rates for the County and the State since 2018, according to the Arkansas Department of Workforce Services:

	Annual Average Unemployment Rate (%)	
Year	County	State
2018	3.7	3.7
2019	3.8	3.5
2020	6.1	6.2
2021	4.8	4.1
2022	4.5	3.3

THE SYSTEM

General. The City's source of water is surface water from the Ouachita River. The firm capacity of the water treatment plant is 10 million gallons per day (MGD), the recorded maximum daily demand of the system is 4.76 MGD, and the total usable storage capacity is 3 million gallons. The storage facilities consist of three elevated water tanks and two standpipe water tanks.

The wastewater system includes 11 pump stations, force mains, gravity sewers, and a wastewater treatment facility with a permitted design capacity of 3 MGD, a recorded peak flow of 4.04 MGD, and a total lagoon storage volume of 337 million gallons. The average daily flow of the wastewater treatment facility is 1.31 MGD.

Management. The System is owned and operated by the City and employs approximately 24 persons. David Green is the manager of the System. He has 26 years of experience in utility work and management.

Rates. On November 1, 2022, the Board of Directors of the City approved increases to the water and sewer rates charged by the System. The rate increases became effective on January 1, 2023 with subsequent increases effective on January 1 of each of the four subsequent years through January 1, 2027. The monthly sewer rates and monthly water rates are described in Exhibit A attached hereto.

Customers. The City currently serves approximately 4,654 water users. The water users by category for each of the past five years are as follows:

Year	Residential	Commercial	Industrial	Wholesale	Total
2022	4,066	460	13	3	4,542
2021	4,087	447	12	3	4,549
2020	4,073*	431*	12	3*	4,519*
2019	3,688	426	12	4	4,130
2018	3,661	440	12	4	4,117

The City supplies water to all residents of the City. There are approximately 250 users located outside the City. The City sells water wholesale to the City of Caddo Valley, Arkansas ("Caddo Valley"), the Clark County River Valley Public Water Facilities Board ("River Valley") and Country Water Association ("Country Water"). The wholesale water users serve approximately 2,000 retail customers.

*On February 18, 2020, the City acquired the water system of the Town of Gum Springs, Arkansas ("Gum Springs"), which was previously a wholesale water customer of the City. The City operates the Gum Springs water system and bills customers of the Gum Springs system directly.

The City currently serves approximately 4,000 sewer users. The sewer users by category for each of the last five years are as follows:

Year	Residential	Commercial	Industrial	Total
2022	3,676	454	12	4,142
2021	3,584	434	12	4,030
2020	3,592	420	12	4,024
2019	3,572	426	12	4,010
2018	3,545	440	12	3,997

The average and maximum daily water use in gallons and the total water use for the year in gallons for each of the past five (5) years is as follows:

Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons
2022	1,809,369	4,120,000	660,419,600
2021	1,764,889	4,013,000	644,189,400
2020	1,593,430	3,477,000	581,602,100
2019	1,947,480	4,101,000	710,830,030
2018	1,871,604	4,090,000	683,135,400

Two users of the System account for more than 5% of the revenues of the System. Set forth below is a chart reflecting the percentage of total gross revenues received in 2022 for each entity:

User	Percentage of Total Gross Revenues
Caddo Valley	7%
Country Water	6

The five largest users (wholesale and retail) of the System for the year ended December 31, 2022 are as follows:

1. Caddo Valley
2. Country Water
3. River Valley
4. Ouachita Baptist University
5. Henderson State University

Litigation. There is no litigation or administrative proceeding pending or threatened against the City involving the System.

Capital Improvement Plans. The City has been approved for a loan (the "SRF Loan") to be purchased by the Arkansas Development Finance Authority as part of the Clean Water State Revolving Loan Fund administered by the Arkansas Natural Resources Commission. The SRF Loan will be in the maximum principal amount of $1,917,030 and will be secured by a pledge of water and sewer revenues. The SRF Loan approval is for a term of 20 years with a combined interest rate of 1.75% per annum. Proceeds of the SRF Loan will finance betterments and improvements to the City's wastewater facilities. The SRF Loan may be issued on a parity of security with the Bonds.

BOND INSURANCE

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

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

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 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. An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. 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 City on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $486 million, $204.5 million and $281.5 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".

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

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

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

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

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

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the City or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website https://buildamerica.com/greenstar and https://buildamerica.com/terms-of-use and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the City or the Underwriter, and the City and the Underwriter assume no responsibility for such designation.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at 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 City or the Underwriter, and the City and the Underwriter assume no responsibility for their content.

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

THE AUTHORIZING ORDINANCE

The Bonds are being issued and secured pursuant to the Authorizing Ordinance, to which reference may be had in its entirety for a detailed statement of its provisions, the description set forth below being a summary of certain provisions. The City will covenant as set forth below in the Authorizing Ordinance.

Rates and General Covenants to Operate. The City covenants that the rates shall never be reduced so long as any of the Bonds are outstanding, unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the Net Revenues of the System ("Net Revenues" being defined as gross revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses), with the reduced rates, will equal the amount required to be set aside for the Depreciation Fund (hereinafter described) and the debt service reserves for all bonds or other obligations payable from the revenues of the System ("System Obligations") and to pay the Insurer and the insurers of System Obligations for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Obligations and leave a balance equal to 110% of the aggregate maximum annual principal and interest requirements on all outstanding System Obligations (including any servicing fees or financing fees owed in connection with the System Obligations). The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net Revenues at least sufficient to provide the required deposits into the Depreciation Fund and the debt service reserves and to pay the Insurer and the insurers of System Obligations for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Obligations and to leave a balance equal to 110% of the aggregate maximum annual principal and interest requirements on all the outstanding System Obligations (including any servicing fees or financing fees owed in connection with System Obligations).

The City covenants that it will continuously operate the System as a revenue-producing undertaking and will not sell or lease the same, or any substantial portion thereof; provided, however, that nothing shall be construed to prohibit the City from making such dispositions of properties of the System and such replacements and substitutions for properties of the System as shall be necessary or incidental to the efficient operation of the System as a revenue-producing undertaking.

Funds and Disposition of Revenues. (a) All Revenues shall be deposited into a special fund, in the name of the City, heretofore created and designated "Water and Sewer Fund" (the "Revenue Fund"). All moneys at any time in the Revenue Fund shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the System, to the payment of the principal of and interest on outstanding System Obligations, to the maintenance of the debt service reserves at the required level, to the providing of the Depreciation Fund, to the payment of the Trustee's fees and otherwise as described herein.

(b) There shall first be paid from the Revenue Fund into a fund heretofore created and designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges, such as insurance premiums and the cost of major repair and maintenance expenses, 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 Operation and Maintenance 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 System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred and deposited in the Depreciation Fund and the Revenue Fund.

(c) After making the monthly deposit into the Operation and Maintenance Fund and into the bond funds for the Senior Bonds (the "Senior Bond Funds"), there shall be paid, contemporaneously and on a parity with the deposit into the bond fund for the Parity Bond (the "Parity Bond Fund") and any bond funds being maintained in connection with additional parity bonds, from the Revenue Fund into a special fund designated "2023 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and the times set forth below for the purpose of providing funds for the payment of the principal of and interest on the Bonds.

There shall be paid into the Bond Fund, beginning on the first business day of January, 2024, and continuing on the first business day of each month thereafter while any of the Bonds shall be outstanding, a sum equal to 1/6 of the next installment of interest and 1/12 of the next installment of principal on all outstanding Bonds; provided, however, that monthly payments to be made through May 2024 shall be in an amount equal to 1/5 of the installment of interest due June 1, 2024, and monthly payments into the Bond Fund for the purpose of making the first principal payment on the Bonds due December 1, 2028, shall not commence until December 2027.

There shall be maintained, as a part of the Bond Fund, a debt service reserve (the "Debt Service Reserve"). There shall be deposited into the Debt Service Reserve the Reserve Policy issued by the Insurer, which shall be in the face amount of one-half of the maximum annual debt service requirement on the Bonds.

Repayment to the Insurer of draws pursuant to the Reserve Policy shall be made after the required payments into the Senior Bond Funds, the Bond Fund, the Parity Bond Fund and the bond funds for any additional parity bonds, but prior to any payments into any other fund or account. Repayment to the Insurer of draws pursuant to the Insurance Policy are on a parity with debt service on the Bonds.

The City shall also pay into the Bond Fund such additional sums as necessary to provide for Trustee's fees and expenses and any arbitrage rebate due the United States Treasury under Section 148(f) of the Code. The City shall receive a credit against monthly payments to the extent of interest earnings on moneys in the Bond Fund.

If the Revenues are insufficient to make the required payment, on the first business day of the month, into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

When the moneys held in the Bond Fund shall be and remain sufficient to pay the principal of and interest on all Bonds then outstanding, any arbitrage rebate due and the Trustee's fees, there shall be no further obligation to make further payments into the Bond Fund. If for any reason the City shall fail at any time to make any of the required payments into the Bond Fund, any sums received from the Reserve Policy in the Debt Service Reserve shall be used to the extent necessary in the payment of the principal of and interest on the Bonds.

The Bonds shall be specifically secured by a pledge of all the Revenues required to be placed into the Bond Fund. The pledge in favor of the Bonds is irrevocably made according to the terms of the Authorizing Ordinance.

(d) If the City issues any additional parity bonds, the obligation to make payments into the bond funds and debt service reserve funds for those bonds shall rank on a parity of security with the obligation to make payments into the Bond Fund and the Parity Bond Fund. In the event the

Revenues remaining after the required monthly deposit into the Operation and Maintenance Fund are insufficient to make the full monthly deposits into the Bond Fund, the Parity Bond Fund and the bond funds for any additional parity bonds, the amount deposited into each shall be reduced proportionately.

(e) After making the monthly deposits into the Operation and Maintenance Fund, the Senior Bond Funds, the Bond Fund, the Parity Bond Fund and the bond funds for any additional parity bonds, there shall be paid when due from the Revenue Fund any servicing fees or other financing fees owed in connection with System Obligations.

(f) There shall next be paid from the Revenue Fund into a fund heretofore created and designated "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the fifth business day of each month while any of the Bonds are outstanding, an amount equal to five percent (5%) of the Revenues for the preceding month or such other amount as is required by State law. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of necessary repairs or replacements made necessary by the depreciation of the System.

(g) Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above shall be used for the payment of amounts owed the Insurer and the insurers of System Obligations and may be used, at the option of the City, for the redemption of System Obligations, for extensions, betterments and improvements to the System, or for any other lawful municipal purpose authorized by the City.

Parity Bonds. So long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on the revenues of the System over the lien securing the Bonds.

The City reserves the right to issue additional bonds to finance or pay the cost of future extensions, betterments or improvements to the System or to refund outstanding System Obligations, but the City shall not authorize or issue any such additional bonds ranking on a parity with the Bonds unless there has been procured and filed with the Trustee a statement by an Accountant reciting the opinion, based upon necessary investigation, that the Net Revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 110% of the aggregate maximum annual principal and interest requirement on all the then outstanding System Obligations (including any servicing fees or financing fees owed in connection with System Obligations) and the additional bonds then proposed to be issued. The term "Net Revenues" means gross revenues of the System less the amounts required to pay the costs of operation, maintenance and repair of the System determined in accordance with generally accepted accounting principals applicable to municipal water and sewer utilities, excluding depreciation, interest and bond amortization expenses. In making the computation set forth above, the City, and the Accountant on behalf of the City, may, based upon the opinion or report of a registered professional engineer not in the regular employ of the City, treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in gross revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year.

Accounts and Records. The City shall cause proper books of accounts and records to be kept (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year. The Authorizing Ordinance provides that a copy of the audit shall be delivered to the Trustee and made available to the registered owners of the Bonds. In the event that the City fails or refuses to make the audit, any registered owner of the Bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Maintenance; Insurance. The City covenants that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees that it will insure and at all times keep insured, in the amount of the actual value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in the State. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from available moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee.

Defeasance. Any Bond shall be deemed paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond, either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash fully insured by the FDIC and/or fully collateralized with Investment Securities (as hereinafter defined) sufficient to make such payment and/or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Investment Securities") (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of all the Bonds within the meaning of the Authorizing Ordinance, the Trustee will hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Investment Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if the Trustee has been paid its fees and expenses and if any arbitrage rebate due the United States Treasury has been paid or provided for to the satisfaction of the Trustee, the Trustee will take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and canceled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Investment Securities there will be considered the principal amount of such Investment Securities and interest to be earned thereon until the maturity of such Investment Securities.

Default and Remedies. (a) Subject to the provisions of subparagraph (f) below, if there be any default in the payment of the principal of or interest on any of the Bonds, or if the City defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of the State. And in the case of a default in the payment of the principal of and interest on any of the Bonds, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners of the Bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the revenues in conformity with the laws of the State and with the Authorizing Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

(b) No registered owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any power or right unless (1) such owner or the Trustee shall have given written notice of such default to the Insurer and (2) such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more registered owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder except in the manner described in the Authorizing Ordinance. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding Bonds.

(c) No remedy conferred upon or reserved to the Trustee, the Insurer or to the registered owners of the Bonds is intended to be exclusive of any other remedy or remedies, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Authorizing Ordinance or by law.

(d) Subject to the provisions of subparagraph (f) below, the Trustee may, and upon the written request of the registered owners of not less than fifty percent (50%) in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(e) In any proceeding to enforce the provisions of the Authorizing Ordinance, the Trustee or any plaintiff Bondholder shall be entitled to recover costs of such proceeding, including reasonable attorneys' fees.

(f) Notwithstanding the above, the Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Bonds are entitled to take pursuant to the Authorizing Ordinance.

Amendment of Authorizing Ordinance. The Authorizing Ordinance provides that it shall constitute a contract between the City and the registered owners of the Bonds and no variation or change shall be made while any of the Bonds are outstanding except as provided below.

The Trustee may consent to any variation or change in the Authorizing Ordinance without the consent of the owners of the outstanding Bonds (1) in order to cure any ambiguity or correct any defect therein as the City may deem necessary or desirable and not inconsistent therewith or (2) with the prior written consent of the Insurer, in order to make any other variation or change which the Trustee determines shall not materially adversely affect the interests of the owners of the Bonds.

The Insurer and owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of such ordinance supplemental to the Authorizing Ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance, except that there shall not be permitted (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 or a pledge superior to the lien and pledge created by the Authorizing Ordinance, 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 ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Insurer or by the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by sixty (60) days' notice in writing to the City Clerk, the Insurer and the registered owners of the outstanding Bonds. The Insurer, the majority in value of the registered owners of the outstanding Bonds or the City, so long as it is not in default under the Authorizing Ordinance, at any time, with our without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk and with the Insurer. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee, acceptable to the Insurer, shall have been appointed.

Investments. (a) Moneys held for the credit of the Bond Fund shall be continuously invested pursuant to direction of the City, or in the absence of such direction by the Trustee in its discretion, in Permitted Investments (as hereinafter defined), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the payment date for interest or principal and interest on the Bonds.

(b) Moneys held for the credit of the Construction Fund may be invested and reinvested pursuant to direction of the City, or in the absence of such direction by the Trustee in its discretion, in Permitted Investments or other investments as may, from time to time, be permitted by law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(c) Moneys held for the credit of any other fund shall be continuously invested and reinvested by the City in Permitted Investments or other investments as may, from time to time, be permitted by law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

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

(e) "Permitted Investments" are defined as (i) direct or fully guaranteed non-callable obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) ("Government Securities"), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds or (iv) money market funds, including funds managed by the Trustee, invested exclusively in Government Securities or investments described in (ii) above.

(f) All investments and deposits shall have a par value (or market value when less than par), exclusive of accrued interest at all times at least equal to the amount of money credited to such funds and shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times.

(g) Investments of moneys in all funds shall be valued in terms of current market value as of the last day of each year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at par or face principal amount.

Nonarbitrage. The City covenants that it shall not take any action or suffer or permit any action to be taken or conditions to exist which causes or may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the Bonds and System revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants to pay to the United States Treasury any arbitrage rebate due at the time and in the amounts required by Section 148(f) of the Code.

CONTINUING DISCLOSURE AGREEMENT

The City has not failed, in the previous five years, to materially comply with any prior continuing disclosure undertaking.

The City will enter into a Continuing Disclosure Agreement with the Trustee in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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 the provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the City 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 City 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 City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2023 fiscal year, provide to the Insurer and the MSRB through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. 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 City. If the System's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) No later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

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

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

(a) Information of the type set forth in this Official Statement under the caption **THE SYSTEM** with respect to (i) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (ii) the water and sewer users by category for the fiscal year then ended and the four previous fiscal years; and (iii) the top five users of the System for the previous fiscal year and a statement as to which users accounted for 5% or more of Revenues for the preceding fiscal year.

(b) The annual 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.

Any or all of the items above may be incorporated by specific reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission. The City 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 obligated person.

13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 an event described in (a)8 above), the City shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence.

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

<u>Termination of Reporting Obligation</u>. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

<u>Dissemination Agent</u>. The City 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 City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

<u>Amendment; Waiver</u>. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City 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 City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. 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 City 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 City 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 City 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 City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Insurer, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Trustee 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 Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City 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 City, the Trustee, the Dissemination Agent, the Insurer, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

FINANCIAL INFORMATION

Generally. Set forth in Exhibit B to this Official Statement are the audited financial statements for the System for the fiscal years ended December 31, 2022 and 2021. Such audited financial statements were prepared using accounting principles generally accepted in the United States of America and were 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 affixed thereto.

Historical Revenues and Expenses. Revenues and expenses of the System are summarized as follows for the preceding five (5) years:

	2022	2021	2020	2019	2018
Operating Revenues	$2,938,769	$2,808,830	$2,761,704	$2,700,177	$2,813,645
Operating Expenses	(2,150,665)	(2,110,435)	(2,243,565)	(2,250,681)	(2,099,966)
Income Before Depreciation and Amortization	788,104	698,395	518,139	449,496	713,679
Depreciation and Amortization	(695,163)	(714,099)	(731,329)	(884,649)	(924,803)
Operating Income (Loss)	92,941	(15,704)	(213,190)	(435,153)	(211,124)
Other Expenses	(135,382)	(155,189)	(170,072)	(220,420)	(147,831)
Net Loss	($42,441)	($170,893)	($383,262)	($655,573)	($358,955)

Forecasted Revenues and Expenses. Operating revenues and expenses of the System for the fiscal years ending December 31, 2024 – 2033 have been projected below by Crist Engineers, Inc., Little Rock, Arkansas ("Crist"). The information in (a), (b) and (c) below has been provided by Crist and was used by Crist in making the projections below.

(a) The Board of Directors of the City adopted Ordinance No. O-22-13 (the "Water Rate Ordinance") on November 1, 2022, which increased water rates charged by the City. The Water Rate Ordinance implemented rate increases over a five-year period, with the first rate increase effective January 1, 2023. Rate adjustments were calculated after constructing a computer model of the historical trends of the water system operation and maintenance costs and a water rate customer base revenue model. Given a five-year implementation period as Board guidance, increases were calculated to maintain rising operation and maintenance and future debt service costs with future revenue generating capabilities with the verified base revenue model.

(b) The Board of Directors of the City adopted Ordinance No. O-22-14 (the "Sewer Rate Ordinance") on November 1, 2022, which increased sewer rates charged by the City. The Sewer Rate Ordinance implemented rate increases over a five-year period, with the first rate increase effective January 1, 2023. Rate adjustments were calculated after constructing a computer model of the historical trends of the sewer system operation and maintenance costs and a sewer rate customer base revenue model. Given a five-year implementation period as Board guidance, increases were calculated to maintain rising operation and maintenance and future debt service costs with future revenue generating capabilities with the verified base revenue model.

(c) Operating expense forecast is based on FY 2022 approved budget for the System. Most expenses are adjusted annually by 3% for inflation. Certain expenses such as chemicals and health insurance are adjusted at a higher than inflation rate to reflect typically larger increases and growth in customer use. Volumes (gallons) used to determine rate revenue estimates are based on actual historical use for the twelve months ending 2022. To be conservative in the rate adjustment calculations, no population growth increases were built into the rate model. Operating expenses, as presented in the table below and used to determine debt service coverage, exclude depreciation, and capital outlays, to remain consistent with the American Water Works Association-approved Cash Basis methodology.

While Crist believes the assumptions upon which these estimates are based are reasonable and the methodology valid, actual results may differ materially from those forecasts, as influenced by the conditions, events and circumstances which may actually occur.

	Fiscal Years Ending December 31									
	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030	Projected 2031	Projected 2032	Projected 2033
Operating Revenues	$3,619,502	$3,830,310	$4,053,238	$4,285,835	$4,285,835	$4,285,835	$4,285,835	$4,285,835	$4,285,835	$4,285,835
Operating Expenses (Excluding Depreciation and Amortization)	(2,275,891)	(2,352,001)	(2,430,538)	(2,511,578)	(2,595,201)	(2,681,486)	(2,770,516)	(2,862,376)	(2,975,155)	(3,054,944)
Net Revenues Available for Debt Service	$1,343,611	$1,478,310	$1,622,700	$1,774,257	$1,690,634	$1,604,350	$1,515,320	$1,423,459	$1,328,680	$1,230,892

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for each calendar year:

Year (December 31)	Bond Principal	Bond Interest	Total Debt Service
2024	--	$ 513,838.89	$ 513,838.89
2025	--	511,000.00	511,000.00
2026	--	511,000.00	511,000.00
2027	--	511,000.00	511,000.00
2028	$ 210,000	511,000.00	721,000.00
2029	220,000	500,500.00	720,500.00
2030	230,000	489,500.00	719,500.00
2031	245,000	478,000.00	723,000.00
2032	255,000	465,750.00	720,750.00
2033	270,000	453,000.00	723,000.00
2034	280,000	439,500.00	719,500.00
2035	295,000	426,900.00	721,900.00
2036	305,000	413,625.00	718,625.00
2037	320,000	399,900.00	719,900.00
2038	335,000	385,500.00	720,500.00
2039	350,000	370,425.00	720,425.00
2040	370,000	353,800.00	723,800.00
2041	385,000	336,225.00	721,225.00
2042	405,000	317,937.50	722,937.50
2043	420,000	298,700.00	718,700.00
2044	445,000	278,750.00	723,750.00
2045	465,000	256,500.00	721,500.00
2046	490,000	233,250.00	723,250.00
2047	510,000	208,750.00	718,750.00
2048	540,000	183,250.00	723,250.00
2049	565,000	156,250.00	721,250.00
2050	595,000	128,000.00	723,000.00
2051	625,000	98,250.00	723,250.00
2052	655,000	67,000.00	722,000.00
2053	685,000	34,250.00	719,250.00
Total	$10,470,000	$10,331,351.39	$20,801,351.39

Set forth below are the debt service requirements for the Bonds, the Parity Bond and the Senior Bonds (including any servicing fees of financing fees in connection therewith) for each calendar year:

Year (December 31)	Bonds	Parity Bond	Senior Bonds	Total
2024	$ 513,838.89	$ 92,040.00	$ 428,686.00	$ 1,034,564.89
2025	511,000.00	92,040.00	428,686.00	1,031,726.00
2026	511,000.00	92,040.00	428,686.00	1,031,726.00
2027	511,000.00	92,040.00	428,678.32	1,031,718.32
2028	721,000.00	92,040.00	238,698.00	1,051,738.00
2029	720,500.00	92,040.00	238,698.00	1,051,238.00
2030	719,500.00	92,040.00	238,698.00	1,050,238.00
2031	723,000.00	92,040.00	238,698.00	1,053,738.00
2032	720,750.00	92,040.00	238,698.00	1,051,488.00
2033	723,000.00	92,040.00	238,698.00	1,053,738.00
2034	719,500.00	92,040.00	238,698.00	1,050,238.00
2035	721,900.00	92,040.00	238,698.00	1,052,638.00
2036	718,625.00	92,040.00	238,698.00	1,049,363.00
2037	719,900.00	92,040.00	238,698.00	1,050,638.00
2038	720,500.00	92,040.00	238,698.00	1,051,238.00
2039	720,425.00	92,040.00	238,698.00	1,051,163.00
2040	723,800.00	92,040.00	238,698.00	1,054,538.00
2041	721,225.00	92,040.00	238,698.00	1,051,963.00
2042	722,937.50	92,040.00	238,698.00	1,053,675.50
2043	718,700.00	92,040.00	238,698.00	1,049,438.00
2044	723,750.00	92,040.00	238,698.00	1,054,488.00
2045	721,500.00	92,040.00	238,698.00	1,052,238.00
2046	723,250.00	92,040.00	238,698.00	1,053,988.00
2047	718,750.00	92,040.00	238,698.00	1,049,488.00
2048	723,250.00	92,040.00	238,698.00	1,053,988.00
2049	721,250.00	92,040.00	119,349.00	932,639.00
2050	723,000.00	92,040.00		815,040.00
2051	723,250.00	92,040.00		815,290.00
2052	722,000.00	92,014.00		814,014.00
2053	719,250.00			719,250.00
Total	$20,801,351.39	$2,669,134.00	$6,846,743.32	$30,317,228.71

ESTIMATED DEBT SERVICE COVERAGE

The following table shows the estimated net revenues available for debt service through the 2033 fiscal year, the amount of current and maximum annual debt service expected to be due, and the extent to which debt service is covered by such funds:

	Projected 2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030	Projected 2031	Projected 2032	Projected 2033
Net Revenues Available for Debt Service (A)	$1,343,611	$1,478,310	$1,622,700	$1,774,257	$1,690,634	$1,604,350	$1,515,320	$1,423,459	$1,328,680	$1,230,892
Current Year Debt Service for Senior Bonds, Parity Bond and Bonds [1] (B)	1,034,565	1,031,726	1,031,726	1,031,718	1,051,738	1,051,238	1,050,238	1,053,738	1,051,488	1,053,738
Debt Service Coverage (A/B)	1.30x	1.43x	1.57x	1.72x	1.61x	1.53x	1.44x	1.35x	1.26x	1.17x
Maximum Annual Debt Service for Senior Bonds, Parity Bond and Bonds [1] [2] (C)	1,054,538	1,054,538	1,054,538	1,054,538	1,054,538	1,054,538	1,054,538	1,054,538	1,054,538	1,054,538
Debt Service Coverage (A/C)	1.27x	1.40x	1.54x	1.68x	1.60x	1.52x	1.44x	1.35x	1.26x	1.17x

[1] Does not include debt service anticipated to be due on the SRF Loan. See **THE SYSTEM**, Capital Improvement Plans.
[2] Maximum annual debt service for the Senior Bonds and the Parity Bond occurs in 2040.

[Remainder of page intentionally left blank]

LEGAL MATTERS

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

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

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

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law 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; provided, however, that with respect to certain corporations, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds 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 retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

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

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

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.

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.

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

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

MISCELLANEOUS

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of $10,171,353.30 (principal amount less net original issue discount of $167,771.70 and less Underwriter's discount of $130,875). 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.

Mark C. Doramus, Chief Financial Officer of Stephens Inc., the Underwriter, serves on the Board of Directors of the Trustee.

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

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

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

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

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

CITY OF ARKADELPHIA, ARKANSAS

By /s/ Scott Byrd
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

Arkadelphia Water and Sewer System
Rate Schedule

Basic Water Rates

Minimum Monthly Charge. The following are the minimum rates charged for the first 2,000 gallons of water furnished and services provided by the City:

Meter Size	2023	2024	2025	2026	2027
5/8"	$ 17.30	$ 18.60	$ 19.99	$ 21.49	$ 23.10
3/4"	20.66	22.21	23.88	25.67	27.59
1"	27.22	29.26	31.46	33.82	36.35
1-1/2"	43.71	46.99	50.51	54.30	58.37
2"	58.58	62.97	67.70	72.77	78.23
3"	101.34	108.94	117.11	125.89	135.34
4"	159.00	170.93	183.74	197.53	212.34
6"	284.19	305.50	328.42	353.05	379.53

Additional Monthly Charge. In addition to the minimum monthly charge, the following rates per thousand gallons apply to the amount of used water in excess of 2,000 gallons per month:

Amount	2023	2024	2025	2026	2027
Next 8,000 gal.	$2.16	$2.26	$2.38	$2.50	$2.62
Next 40,000 gal.	1.85	1.94	2.04	2.14	2.25
Over 50,000 gal.	1.31	1.37	1.44	1.52	1.59

The charge for services to premises beyond the City limits (not within a wholesale customers territory) who purchase from the City, are charged a rate 25% greater than the charges shown above.

Wholesale Customer Charges. Those systems who are wholesale customers to the City are charged rates as follows:

Water System	2023	2024	2025	2026	2027
River Valley	$2.00	$2.10	$2.21	$2.32	$2.43
Caddo Valley	2.00	2.10	2.21	2.32	2.43
Country Water	2.00	2.10	2.21	2.32	2.43

Basic Sewer Rates

All users of City owned wastewater treatments systems are charged monthly as follows:

Usage/Base Rate	2023	2024	2025	2026	2027
0-2,000 gallons	$10.40	$10.91	$11.46	$12.03	$12.64
Next 8,000 gal. (per 1,000 gal.)	3.11	3.27	3.43	3.60	3.78
Next 40,000 gal. (per 1,000 gal.)	2.60	2.73	2.86	3.01	3.16
Next 100,000 gal. (per 1,000 gal.)	2.08	2.18	2.29	2.41	2.53
Next 350,000 gal. (per 1,000 gal.)	1.30	1.36	1.43	1.50	1.58
Over 500,000 gal. (per 1,000 gal.)	1.16	1.21	1.27	1.34	1.40

EXHIBIT B

Audited Financial Statements of the System for the
Fiscal Years Ended December 31, 2022 and 2021

ARKADELPHIA WATER AND SEWER SYSTEM

==========

ARKADELPHIA, ARKANSAS

DECEMBER 31, 2022

ARKADELPHIA WATER AND SEWER SYSTEM
ARKADELPHIA, ARKANSAS

AUDIT REPORT - TABLE OF CONTENTS
DECEMBER 31, 2022

TURNER, RODGERS, MANNING & PLYLER, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors / Advisory Committee
Arkadelphia Water and Sewer System

Opinions

We have audited the accompanying financial statements of Arkadelphia Water and Sewer System, a component unit of the City of Arkadelphia, Arkansas as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Arkadelphia Water and Sewer System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Arkadelphia Water and Sewer System, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Arkadelphia Water and Sewer System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud

P.O. Box 768 305 Professional Park Drive Arkadelphia, AR 71923 Telephone (870) 246-4563 Fax (870) 246-6114
Member American Institute of Certified Public Accountants Private Companies Practice Section

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arkadelphia Water and Sewer System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arkadelphia Water and Sewer System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arkadelphia Water and Sewer System's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, Arkansas
July 10, 2023

ARKADELPHIA WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 476,073	$ 851,042
Certificates of Deposit	601,870	608,969
Accounts Receivable - Trade	577,774	503,451
Unbilled Revenue	97,973	70,105
Materials and Supplies	163,024	114,245
Accrued Interest Receivable	3,881	566
TOTAL CURRENT ASSETS	1,920,595	2,148,378
RESTRICTED ASSETS (Schedule I)	985,825	936,854
PLANT AND EQUIPMENT:		
Water Plant	24,047,251	23,163,013
Sewer Plant	9,036,687	8,894,417
Operating Equipment	2,078,197	2,078,197
Office Equipment	64,267	64,267
Construction in Progress	1,611,454	1,099,390
	36,837,856	35,299,284
Less: Accumulated Depreciation	(21,569,930)	(20,885,997)
TOTAL PLANT AND EQUIPMENT	15,267,926	14,413,287
OTHER ASSETS:		
Land	215,060	215,060
Water and Sewer Master Plan		
(Net of Amortization of $120,799 and $109,569)	16,540	27,771
TOTAL OTHER ASSETS	231,600	242,831
TOTAL ASSETS	18,405,946	17,741,350
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	384,402	138,313
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 18,790,348	$ 17,879,663

The accompanying notes are an integral part of these financial statements.

ARKADELPHIA WATER AND SEWER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET POSITION

	2022	2021
CURRENT LIABILITIES:		
Accounts Payable	$ 98,904	$ 58,029
Accrued Salaries	79,285	64,131
Sales Tax Payable	12,848	-
Notes Payable - Current Portion	280,650	226,313
TOTAL CURRENT LIABILITIES	471,687	348,473
LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Schedule I)	529,898	518,054
LONG-TERM LIABILITIES:		
Notes Payable, Less Current Maturity $319,566 ($263,884 in 2021)	6,497,609	6,311,949
Net Pension Liability	1,200,272	347,092
TOTAL LONG-TERM LIABILITIES	7,697,881	6,659,041
TOTAL LIABILITIES	8,699,466	7,525,568
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	27,898	660,976
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	8,727,364	8,186,544
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	5,973,108	5,560,803
Restricted	455,927	418,800
Unrestricted	3,633,949	3,713,516
TOTAL NET POSITION	10,062,984	9,693,119
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$18,790,348	$17,879,663

The accompanying notes are an integral part of these financial statements.

ARKADELPHIA WATER AND SEWER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUE:		
Water Revenue	$ 1,818,931	$ 1,690,603
Sewer Revenue	960,279	927,343
Penalties	51,593	49,210
Tie-On Fees	14,900	8,765
Other Income	93,066	132,909
TOTAL OPERATING REVENUE	2,938,769	2,808,830
OPERATING EXPENSES:		
Personnel	1,068,563	1,110,822
Supplies	359,403	253,954
Maintenance	136,964	202,982
Miscellaneous	585,735	542,677
Depreciation and Amortization	695,163	714,099
TOTAL OPERATING EXPENSES	2,845,828	2,824,534
OPERATING INCOME (LOSS)	92,941	(15,704)
OTHER INCOME (EXPENSES):		
Interest Income	26,501	16,013
Interest Expense	(161,883)	(171,202)
TOTAL OTHER INCOME (EXPENSES)	(135,382)	(155,189)
NET INCOME (LOSS)	(42,441)	(170,893)
NET POSITION AT BEGINNING OF YEAR	9,693,119	9,792,653
CAPITAL CONTRIBUTED DURING THE YEAR	412,306	71,359
NET POSITION AT END OF YEAR	$ 10,062,984	$ 9,693,119

The accompanying notes are an integral part of these financial statements.

ARKADELPHIA WATER AND SEWER SYSTEM
COMBINED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 2,836,578	$ 2,683,315
Cash Payments for Goods and Services	(1,103,143)	(1,243,866)
Cash Payments to Employees	(1,053,409)	(929,106)
NET CASH PROVIDED BY OPERATING ACTIVITIES	680,026	510,343
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase in Meter Deposits	12,252	24,991
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(1,126,267)	(1,099,390)
Proceeds from Long-Term Debt	512,064	1,099,390
Principal Paid on Long-Term Debt	(270,722)	(255,766)
Interest Paid on Long-Term Debt	(163,636)	(172,901)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,048,561)	(428,667)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(1,101,930)	(600,151)
Proceeds from Sale and Maturity of Investments	1,109,070	600,580
Interest Received on Investments	21,476	16,698
NET CASH FLOW FROM INVESTING ACTIVITIES	28,616	17,127
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(327,667)	123,794
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	1,287,495	1,163,701
CASH AND RESTRICTED CASH - END OF YEAR	$ 959,828	$ 1,287,495

The accompanying notes are an integral part of these financial statements.

ARKADELPHIA WATER AND SEWER SYSTEM
COMBINED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

Reconciliation of operating income to net cash provided by operating activities:

	2022	2021
OPERATING INCOME	$ 92,941	$ (15,704)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Bad Debt Expense	-	896
Depreciation and Amortization	695,163	714,099
Pension Related Adjustments	(25,987)	(148,919)
Change in Assets and Liabilities:		
Accounts Receivable	(102,191)	57,713
Inventory of Supplies	(48,779)	(44,997)
Prepaid Expenses	-	-
Accounts Payable	40,875	(51,781)
Other Accrued Expenses	28,004	(964)
TOTAL ADJUSTMENTS	587,085	526,047
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 680,026	$ 510,343

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

None

The accompanying notes are an integral part of these financial statements.

Note 1. Significant Accounting Policies:

The Arkadelphia Water and Sewer System is an Enterprise Fund of the City of Arkadelphia, Arkansas and is governed by the Board of Directors of the City of Arkadelphia, Arkansas. The accompanying financial statements and other information reflect the Arkadelphia Water and Sewer System fund only and do not include other funds of the City of Arkadelphia, Arkansas.

The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The System applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The System applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

Bad debts, which are immaterial in amount after applying customer's meter deposits, are recognized based on the direct charge-off of individual accounts considered uncollectible.

Material and supplies inventories are stated at the current costing of physical inventory counts.

Plant and equipment are stated at cost or customer cost of construction on contributed assets, and depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Water Plant and Distribution	10 - 50 Years
Sewer Plant and Collection System	25 - 40 Years
Vehicles and Equipment	4 - 10 Years

Depreciation is partially funded by transfers to the depreciation fund at the rate of 5% of gross revenues of the System.

Bond discount and expense are amortized based on the ratio of bonds outstanding at the end of the year.

The System requires every customer to pay a cash meter deposit before service is provided. Concentrations of credit risk with respect to trade receivables are limited because a large number of diverse customers make up the System's customer base, thus spreading the trade risk.

For purposes of the Statement of Cash Flows, the System considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1. Significant Accounting Policies: (Continued)

Management submits to the City Board of Directors, for its approval, an executive budget for operation of the System. The Board of Directors approves the budget amounts to an appropriation of funds that are lawfully applicable to items therein.

Management has evaluated subsequent events through July 10, 2023, the date the financial statements were available for issuance.

Note 2. Current Assets:

The operation and maintenance fund and other current assets are available to meet the existing current liabilities and provide working capital for the System. Ordinance No. 457 provides that any excess accumulation in the Combined Waterworks and Sewer Revenue Fund may be used for bond redemption, financing extensions or improvements to the System, or for any other lawful purpose. The balance in the Combined Waterworks and Sewer Revenue Fund is shown as a current asset since its use is not restricted. Of this amount, $134,783 is invested in money market checking, $281,164 in savings, and $608,969 in certificates of deposit. Interest rates on certificates of deposit held at December 31, 2022 ranged from 0.20% – 2.76%.

An aged analysis of accounts receivable from water and sewer customers as of December 30, 2022 is as follows:

Current	$ 385,417
Past Due	164,221
Overpayments	(16,362)
Total	$ 533,276

Unbilled water revenue of $97,973 was computed for water sold from the last meter reading date until the end of December. This amount is computed by allocating water used based on the last meter reading date.

Note 3. Restricted Assets:

Restricted accounts are segregated on the balance sheet in accordance with the requirements of bond obligation agreements.

Schedule I of this report shows an analysis of restricted assets and liabilities at December 31, 2022, compared with those balances at December 31, 2021. Restricted cash is invested in certificates of deposit and savings accounts that are earning interest at rates of 0.51% – 3.76%.

The System maintains cash equal to customers' meter deposits in a certificate of deposit and a meter deposit checking account. These accounts are reflected as restricted assets and the corresponding liability as a liability payable from restricted assets.

Note 4. Capital Assets:

Capital Asset activity for the years ending December 31, 2022 and 2021 was as follows:

	12/31/2021 BALANCE	INCREASES	DECREASES	TRANSFERS	12/31/2022 BALANCE
Capital Assets:					
Water Plant	$ 23,163,013	$ 884,238	$ -	$ -	$ 24,047,251
Sewer Plant	8,894,417	142,270	-	-	9,036.687
Operating Equipment	2,078,197	-	-	-	2,078,197
Office Equipment	64,267	-	-	-	64,267
Construction in Progress	1,099,390	512,064	-	-	1,611,454
Total Capital Assets	35,299,284	1,538,572	-	-	36,837,856
Less Accumulated Depreciation:					
Water Plant	(10,930,478)	(580,982)	-	-	(11,511,460)
Sewer Plant	(7,943,911)	(96,148)	-	-	(8,040,059)
Operating Equipment	(1,949,639)	(6,803)	-	-	(1,956,442)
Office Equipment	(61,969)	-	-	-	(61,969)
Total Accumulated Depreciation	(20,885,997)	(683,933)	-	-	(21,569,930)
NET	$ 14,413,287	$ 854,639	$ -	$ -	$ 15,267,926

	12/31/2020 BALANCE	INCREASES	DECREASES	TRANSFERS	12/31/2021 BALANCE
Capital Assets:					
Water Plant	$ 23,163,013	$ -	$ -	$ -	$ 23,163,013
Sewer Plant	8,894,417	-	-	-	8,894,417
Operating Equipment	2,078,197	-	-	-	2,078,197
Office Equipment	64,267	-	-	-	64,267
Construction in Progress	-	1,099,390	-	-	1,099,390
Total Capital Assets	34,199,894	1,099,390	-	-	35,299,284
Less Accumulated Depreciation:					
Water Plant	(10,349,315)	(581,163)	-	-	(10,930,478)
Sewer Plant	(7,841,130)	(102,781)	-	-	(7,943,911)
Operating Equipment	(1,936,779)	(12,860)	-	-	(1,949,639)
Office Equipment	(60,980)	(989)	-	-	(61,969)
Total Accumulated Depreciation	(20,188,204)	(697,793)	-	-	(20,885,997)
NET	$ 14,011,690	$ 401,597	$ -	$ -	$ 14,413,287

Note 5. Current Liabilities:

Liabilities due upon demand or within one year from the balance sheet date, with the exception of liabilities payable out of special purpose funds, have been classified as current liabilities on Page 5.

Note 6. Compensated Absences:

Vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees. In accordance with the provisions of Accounting Standards Codification Topic 710, Compensated Absences, no liability is recorded for nonvesting, accumulating rights to receive sick pay benefits.

Vacations are earned at twelve days per year after the first year of employment plus an additional day each year after five years of employment with a maximum of twenty days. Sick leave is earned at the rate of fifteen working days per year for a maximum of sixty-six days. Expenses related to compensated absences of $41,012 and $33,048 have been accrued as of December 31, 2022 and 2021, respectively.

Note 7. Liabilities Payable from Restricted Assets:

Interest accrued but unpaid and a portion of the current maturity on the outstanding revenue bond is reflected as liabilities to be liquidated with the revenue bond funds. The additional current maturity is reflected as a liability to be liquidated with current assets.

Note 8. Long-Term Debt:

Long-Term Debt consists of the following:

	12/31/2022	12/31/2021
Revenue Bond, Series 2016, semi-annual payments of $119,349 including interest at 2.0% plus a 1% service fee, maturing in April 2049.	$ 4,342,279	$ 4,448,318
Revenue Bond, Series 2004, semi-annual payments of $189,988 including interest at 2.25% plus a 1% service fee, maturing in 2027.	870,272	1,028,125
Revenue Bond, Series 2020, semi-annual payments of $46,020, including interest at 1.25% plus a 1% service fee, secured by the Gum Springs Division's revenue. Maturing in 2052.	1,604,624	1,099,390
	6,817,175	6,575,833
Less portion considered current	(319,566)	(263,884)
Total long-term debt	$ 6,497,609	$ 6,311,949

The Water and Sewer Revenue Bonds are secured by a pledge of the funds in the combined waterworks and sewer revenue bond fund and revenues derived from the Water and Sewer System. Schedules of debt service requirements are shown on Schedules VII and VIII.

Note 9. Contributed Capital:

The balance in this account represents the value of System additions paid for by customers, other outside sources, and grants received to assist in financing construction of new additions to the System.

Note 10. Retained Earnings:

Retained earnings consist of the accumulated earnings of the water and sewer system in prior years and the net income as shown by Page 6 of this report.

Reserved retained earnings are stated based on the excess of restricted assets over the related liabilities payable from the restricted assets. An analysis of restricted assets and liabilities is presented in Schedule I.

Note 11. Other:

Transfers to the Depreciation Fund exceeded the amounts required by Ordinances No. 331 and No. 457. The Ordinances state that 2% of gross revenues are to be transferred to the depreciation fund on the first business day of each month the bonds are maintained. The System is making monthly transfers equal to 5% of gross revenues.

Note 12. Public Fund Deposits and Investments:

State law generally requires that City funds be deposited in federally insured banks located within the State of Arkansas. The deposits may be in the form of checking accounts, savings accounts, and/or time deposits.

Public funds may also be invested in direct obligations of the United States of America and obligations where the principal and interest on which are fully guaranteed by the United States of America. All cash funds of the System, except bonds funds held by the trustees of prior bond issues, are deposited in accounts in the name of Arkadelphia Water and Sewer System in financial institutions permitted by law.

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. Arkadelphia Water and Sewer System does not have a policy for custodial credit risk. The carrying value of the System's accounts and investments at December 31, 2022 was $2,061,758. On that date, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had bank balances of $2,808,973 before reduction of outstanding items. Securities with a total market value of $1,308,500 were pledged as collateral by the depository institution and held by the pledging institution's agent in the System's name.

Federal Deposit Insurance Corporation coverage allows for $250,000 of coverage on all accounts deposited within each financial institution participating in the FDIC program. We were unable to determine the amount of FDIC coverage for Arkadelphia Water and Sewer System's accounts and investments. FDIC coverage is provided on an entity level to be shared jointly by all City of Arkadelphia accounts and investments at a financial institution.

Note 12. Public Fund Deposits and Investments: (Continued)

Investment Interest Rate Risk: Arkadelphia Water and Sewer System does not have an investment interest rate risk. All investments are twelve to thirty-six-month certificates of deposit and the System is under no obligation to renew upon maturity.

Investment Credit Risk: Arkadelphia Water and Sewer System does not have a formal investment policy. All investments are short-term certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the System has a collateral agreement.

Foreign Currency Risk: Arkadelphia Water and Sewer System has no exposure to foreign currency risk.

Note 13. Fair Value of Financial Instruments:

The System's financial instruments, none of which are held for trading purposes, include cash, certificates of deposit, and revenue bonds payable. The System estimates that the fair value of all financial instruments at December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Note 14. Risk Management:

The Arkadelphia Water and Sewer System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System maintains commercial insurance coverage covering each of those risks of loss.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the System. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 15. Major Customers:

The System sells water to four wholesale customers which accounts for approximately 24.07% of total water revenue.

	Sales	Percent
Caddo Valley	$ 203,364	10.09%
Country Water	166,634	8.32%
River Valley	99,718	5.66%
	$ 469,716	

Note 16. Arkansas Public Employees Retirement System:

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective for fiscal years beginning after June 15, 2015. The Statement establishes standards for public pension plan obligations for participating employers.

Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return.

Plan Description

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 Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for the 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.

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the year ended 6/30/2022. The rate remained unchanged for the fiscal year beginning 7/1/2022. Contributions made by the Utility were $130,451 and $126,718 for the years ended December 31, 2022 and 2021, respectively.

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 07/01/2005	2.07%
Contributory, on or after 07/01/2005, but prior to 07/01/2007	2.03%
Contributory, on or after 07/01/2007	2.00%
Non-Contributory	1.72%

Note 16. Arkansas Public Employees Retirement System: (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 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 adjusting 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. 24-2-703(c)(3). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2022. The contribution rate was unchanged for the fiscal year beginning July 1, 2022.

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 was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Note 16. Arkansas Public Employees Retirement System: (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions (Continued)

Actuarial Cost Method	Entry Age Normal
Discount rate	7.15%
Wage inflation rate	3.25%
Salary Increases	3.25 – 9.85%
Investment Rate of Return	7.15% (net of investment and administrative expenses)
Mortality Table	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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2022 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	

Note 16. Arkansas Public Employees Retirement System: (Continued)

Discount Rate

A 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.

At December 31, the Utility reported deferred outflows of resources and deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	2022	2021	2020	2019	2018
Deferred Outflows of Resources:					
Differences between expected and actual experience	$ 28,811	$ 7,944	$ 16,745	$ 26,345	$ 15,685
Changes in proportion and differences between employer contributions and proportionate share of contribution	37,505	68,479	83,688	32,500	56,768
Changes in assumptions	-	-	15,803	52,540	112,218
Utility contributions subsequent to measurement date	64,887	61,890	66,063	64,619	62,115
Net difference between projected and actual earnings on pension plan investments	253,199	-	133,465	-	-
Deferred Inflows of Resources:					
Differences between expected and actual experience	(14,492)	(22,260)	(835)	(1,438)	(10,354)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(13,407)	(27,021)	(50,659)	(75,535)	(4,001)
Changes in assumptions	-	(2,431)	(21,611)	(37,211)	(60,993)
Utility contributions subsequent to measurement date	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(609,264)	-	(7,353)	(24,957)
Totals	$ 356,503	$ (522,663)	$ 242,659	$ 54,467	$ 146,481

Note 16. Arkansas Public Employees Retirement System: (Continued)

$64,887 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. 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,	Differences in Experience	Changes in Assumptions	Differences in Earnings	Changes in Contribution Proportion	Net Reduction in Pension Expense
2023	$ 3,114	$ -	$ 50,640	$ 5,241	$ 58,995
2024	3,114	-	50,640	5,241	58,995
2025	3,114	-	50,640	5,241	58,995
2026	3,114	-	50,640	5,241	58,995
2027	1,863	-	50,639	3,134	55,636
	$ 14,319	$ -	$ 253,199	$ 24,098	$ 291,616

Note 17. Gum Springs Water Acquisition:

Effective June 1, 2020, Arkadelphia Water and Sewer System acquired Gum Springs Water System. All assets of Gum Springs Water System were transferred to Arkadelphia Water and Sewer System. All liabilities were assumed by Arkadelphia Water and Sewer System. The net result of the acquisition was the recording of contributed capital in the amount of $85,109. Arkadelphia Water and Sewer System also obtained approval from Arkansas Natural Resource Commission for a loan in the amount of $2,766,900 which will be used for improvements/repairs to the Gum Springs system. Of this amount, $766,900 will be forgiven by ANRC upon completion. In addition, ANRC agreed to forgive the outstanding loan owed by Gum Springs that was assumed by Arkadelphia Water and Sewer System. The loan in the amount of $23,471 was forgiven in 2021.

All inter-division transactions from June 1, 2020 forward have been eliminated from the financial statements. Sales from Arkadelphia to the Gum Springs division are not included in revenue and water purchases by Gum Springs from Arkadelphia are not included in operating expenses.

TURNER, RODGERS, MANNING & PLYLER, PLLC
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 / Advisory Committee
Arkadelphia Water and Sewer System

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 Arkadelphia Water and Sewer System as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated July 10, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arkadelphia Water and Sewer System'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 Arkadelphia Water and Sewer System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arkadelphia Water and Sewer System'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arkadelphia Water and Sewer System'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.

P.O. Box 768 305 Professional Park Drive Arkadelphia, AR 71923 Telephone (870) 246-4563 Fax (870) 246-6114
Member American Institute of Certified Public Accountants Private Companies Practice Section

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering an entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner, Rodgers, Manning & Plyler, PLLC
Arkadelphia, Arkansas
July 10, 2023

Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the financial statements of Arkadelphia Water and Sewer System ("the System").

No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

No instances of noncompliance material to the financial statements of the System were disclosed by during the audit.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

N/A

SUPPLEMENTARY INFORMATION

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULES OF RESTRICTED ASSETS AND LIABILITIES
DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUE BOND FUND:		
Cash and Cash Equivalents	$ 72,364	$ 71,460
Bond Escrow	13,705	-
TOTAL REVENUE BOND FUND	86,069	71,460
DEPRECIATION FUND:		
Cash and Cash Equivalents	89,515	63,384
Accrued Interest	573	253
Certificate of Deposit	400,060	400,000
TOTAL DEPRECIATION FUND	490,148	463,637
CUSTOMERS' METER DEPOSITS:		
Cash and Cash Equivalents	308,171	301,609
Accrued Interest	1,437	47
Certificate of Deposit	100,000	100,101
TOTAL CUSTOMERS' METER DEPOSITS	409,608	401,757
TOTAL RESTRICTED ASSETS	985,825	936,854
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued Interest on Bonds - Combined Water and Sewer	33,448	35,201
Notes Payable - Current Maturity	38,916	37,571
Customers' Meter Deposits	457,534	445,282
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	529,898	518,054
NET RESTRICTED ASSETS	$ 455,927	$ 418,800

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY DIVISION
FOR YEAR ENDED DECEMBER 31, 2022

	Division		
	Arkadelphia	Gum Springs	Total
OPERATING REVENUES:			
Sales and Services	$ 2,558,703	$ 220,507	$ 2,779,210
Penalties	46,315	5,278	51,593
Tie-on Fees	14,900	-	14,900
Other Income	69,378	23,688	93,066
TOTAL OPERATING REVENUES	2,689,296	249,473	2,938,769
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	1,037,626	30,937	1,068,563
Chemicals and Supplies	274,199	33,576	307,775
Vehicle Operating	41,292	7,126	48,418
Office Expense	13,359	7,461	20,820
Postage	23,662	-	23,662
Uniforms	14,607	-	14,607
Insurance	57,714	-	57,714
Maintenance	131,928	5,036	136,964
Special Services	80,242	-	80,242
Utilities and Telephone	344,434	11,733	356,167
Miscellaneous	1,639	14,446	16,085
Depreciation	692,548	2,615	695,163
FSDW - Fee	19,648	-	19,648
TOTAL OPERATING EXPENSES	2,732,898	112,930	2,845,828
OPERATING INCOME (LOSS)	$ (43,602)	$ 136,543	$ 92,941

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES - BY DEPARTMENT
(ARKADELPHIA DIVISION)
FOR YEAR ENDED DECEMBER 31, 2022

	Department		
	Water	Sewer	Total
OPERATING REVENUES:			
Sales and Services	$ 1,598,424	$ 960,279	$ 2,558,703
Penalties	23,158	23,157	46,315
Tie-on Fees	10,025	4,875	14,900
Other Income	51,244	18,134	69,378
TOTAL OPERATING REVENUES	1,682,851	1,006,445	2,689,296
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	664,830	372,796	1,037,626
Chemicals and Supplies	208,886	65,313	274,199
Fuel	20,646	20,646	41,292
Office Expense	6,679	6,680	13,359
Postage	11,831	11,831	23,662
Uniforms	7,303	7,304	14,607
Insurance	28,857	28,857	57,714
Maintenance	107,937	23,991	131,928
Special Services	40,069	40,173	80,242
Utilities and Telephone	287,463	56,971	344,434
Miscellaneous	325	1,314	1,639
Depreciation	587,302	105,246	692,548
FSDW - Fee	19,648	-	19,648
TOTAL OPERATING EXPENSES	1,991,776	741,122	2,732,898
OPERATING INCOME (LOSS)	$ (308,925)	$ 265,323	$ (43,602)

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND OPERATING EXPENSES - BY OPERATING AREA (WATER) (ARKADELPHIA DIVISION)
FOR YEAR ENDED DECEMBER 31, 2022

	Water Treatment	Water Distribution	Total Water
OPERATING REVENUES:			
Sales and Services			$ 1,598,424
Penalties			23,158
Tie-on Fees			10,025
Other Income			51,244
TOTAL OPERATING REVENUES			1,682,851
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	$ 212,133	$ 249,531	461,664
Chemicals and Supplies	208,886	-	208,886
Maintenance	29,076	63,829	92,905
Special Services	7,767	5,551	13,318
Utilities and Telephone	231,055	51,641	282,696
Miscellaneous	82	243	325
Depreciation	401,907	179,165	581,072
FSDW - Fee	19,648	-	19,648
TOTAL OPERATING EXPENSES	$ 1,110,554	$ 549,960	1,660,514
COMMON AND ADMINISTRATIVE EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)			203,166
Fuel			20,646
Office Expense			6,679
Postage			11,831
Uniforms			7,303
Insurance			28,857
Maintenance			15,032
Special Services			26,751
Utilities and Telephone			4,767
Miscellaneous			-
Depreciation			6,230
TOTAL COMMON AND ADMINISTRATIVE EXPENSES			331,262
TOTAL EXPENSES			1,991,776
OPERATING INCOME (LOSS)			$ (308,925)

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF OPERATING REVENUES AND
OPERATING EXPENSES - BY OPERATING AREA (SEWER)
(ARKADELPHIA DIVISION)
FOR YEAR ENDED DECEMBER 31, 2022

	Sewer Treatment	Sewer Collection	Total Sewer
OPERATING REVENUES:			
Sales and Services			$ 960,279
Penalties			23,157
Tie-on Fees			4,875
Other Income			18,134
TOTAL OPERATING REVENUES			1,006,445
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	$ 72,773	$ 96,857	169,630
Chemicals and Supplies	65,313	-	65,313
Maintenance	3,288	5,671	8,959
Special Services	9,816	3,606	13,422
Utilities and Telephone	4,064	48,140	52,204
Miscellaneous	1,121	193	1,314
Depreciation	15,563	83,453	99,016
FSDW - Fee	-	-	-
TOTAL OPERATING EXPENSES	$ 171,938	$ 237,920	409,858
COMMON AND ADMINISTRATIVE EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)			203,166
Fuel			20,646
Office Expense			6,680
Postage			11,831
Uniforms			7,304
Insurance			28,857
Maintenance			15,032
Special Services			26,751
Utilities and Telephone			4,767
Miscellaneous			-
Depreciation			6,230
TOTAL COMMON AND ADMINISTRATIVE EXPENSES			331,264
TOTAL EXPENSES			741,122
OPERATING INCOME			$ 265,323

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
BUDGETARY COMPARISON SCHEDULE
FOR YEAR ENDED DECEMBER 31, 2022

	Budget	Actual	Variance
OPERATING REVENUES:			
Sales and Services	$ 2,980,000	$ 2,779,210	$ (200,790)
Penalties	48,100	51,593	3,493
Tie-on Fees	13,500	14,900	1,400
Other Income	109,550	93,066	(16,484)
TOTAL OPERATING REVENUES	3,151,150	2,938,769	(212,381)
OPERATING EXPENSES:			
Personnel (Salaries/Payroll Taxes/Employee Benefits)	1,364,193	1,068,563	295,630
Chemicals and Supplies	318,300	307,775	10,525
Fuel	40,000	48,418	(8,418)
Office Expense	27,400	20,820	6,580
Postage	22,200	23,662	(1,462)
Uniforms	15,000	14,607	393
Insurance	71,000	57,714	13,286
Maintenance	301,250	136,964	164,286
Special Services	116,300	80,242	36,058
Utilities and Telephone	338,200	356,167	(17,967)
Miscellaneous	51,300	16,085	35,215
Depreciation	695,163	695,163	-
FSDW - Fee	20,000	19,648	352
TOTAL OPERATING EXPENSES	3,380,306	2,845,828	534,478
OPERATING INCOME (LOSS)	(229,156)	92,941	322,097
OTHER INCOME (EXPENSES):			
Interest Income	20,675	26,501	5,826
Interest Expense	(428,686) *	(161,883)	266,803
TOTAL OTHER INCOME (EXPENSES)	(408,011)	(135,382)	272,629
NET INCOME (LOSS)	$ (637,167)	$ (42,441)	$ 594,726

* Budgeted amount includes principal and interest payments on bonds outstanding.

Note: Not included above, is $3,530,000 budgeted for capital expenditures in the current year.

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF DEBT SERVICE REQUIREMENTS
2.25% PLUS 1% SERVICE FEE WATER AND SEWER
REVENUE BOND, SERIES 2004
DECEMBER 31, 2022

For The Year Ended December 31	April 15 Principal	April 15 Interest	October 15 Principal	October 15 Interest	Total Principal and Interest
2023	$ 80,852	$ 14,142	$ 82,166	$ 12,828	$ 189,988
2024	83,501	11,493	84,858	10,136	189,988
2025	86,236	8,758	87,639	7,355	189,988
2026	89,062	5,932	90,509	4,485	189,988
2027	91,982	3,012	93,467	1,520	189,981
TOTALS	$ 431,633	$ 43,337	$ 438,639	$ 36,324	$ 949,933

See Independent Auditors' Report.

ARKADELPHIA WATER AND SEWER SYSTEM
SCHEDULE OF DEBT SERVICE REQUIREMENTS
2.00% PLUS 1% SERVICE FEE WATER AND SEWER
REVENUE BOND, SERIES 2016
DECEMBER 31, 2022

For The Year Ended December 31	April 15 Principal	April 15 Interest / Servicing Fee	October 15 Principal	October 15 Interest / Servicing Fee	Total Principal and Interest
2023	$ 54,215	$ 65,134	$ 55,028	$ 64,321	$ 238,698
2024	55,854	63,495	56,691	62,658	238,698
2025	57,542	61,807	58,404	60,945	238,698
2026	59,281	60,068	60,170	59,179	238,698
2027	61,073	58,276	61,989	57,360	238,698
2028	62,919	56,430	63,862	55,487	238,698
2029	64,820	54,529	65,793	53,556	238,698
2030	66,780	52,569	67,781	51,568	238,698
2031	68,798	50,551	69,830	49,519	238,698
2032	70,877	48,472	71,940	47,409	238,698
2033	73,020	46,329	74,115	45,234	238,698
2034	75,227	44,122	76,355	42,994	238,698
2035	77,500	41,849	78,663	40,686	238,698
2036	79,842	39,507	81,040	38,309	238,698
2037	82,256	37,093	83,490	35,859	238,698
2038	84,742	34,607	86,013	33,336	238,698
2039	87,303	32,046	88,613	30,736	238,698
2040	89,942	29,407	91,291	28,058	238,698
2041	92,661	26,688	94,050	25,299	238,698
2042	95,461	23,888	96,894	22,455	238,698
2043	98,346	21,003	99,822	19,527	238,698
2044	101,319	18,030	102,839	16,510	238,698
2045	104,382	14,967	105,948	13,401	238,698
2046	107,537	11,812	109,149	10,200	238,698
2047	110,787	8,562	112,449	6,900	238,698
2048	114,135	5,214	115,847	3,501	238,697
2049	117,594	1,764			119,358
TOTALS	$ 2,214,213	$ 1,008,219	$ 2,128,066	$ 975,007	$ 6,325,505

See Independent Auditors' Report.

ARKADELPHIA (GUM SPRINGS) WATER AND SEWER SYSTEM
SCHEDULE OF DEBT SERVICE REQUIREMENTS
1.25% PLUS 1% SERVICE FEE WATER AND SEWER
REVENUE BOND, SERIES 2020
DECEMBER 31, 2022

	April 15		October 15		
For The Year Ended December 31	Principal	Interest / Servicing Fee	Principal	Interest / Servicing Fee	Total Principal and Interest
2023	$ 23,520	$ 22,500	$ 23,785	$ 22,235	$ 92,040
2024	24,053	21,967	24,323	21,697	92,040
2025	24,596	21,424	24,873	21,147	92,040
2026	25,153	20,867	25,436	20,584	92,040
2027	25,722	20,298	26,011	20,009	92,040
2028	26,304	19,716	26,600	19,420	92,040
2029	26,899	19,121	27,201	18,819	92,040
2030	27,507	18,513	27,817	18,203	92,040
2031	28,130	17,890	28,447	17,573	92,040
2032	28,767	17,253	29,091	16,929	92,040
2033	29,417	16,603	29,748	16,272	92,040
2034	30,083	15,937	30,421	15,599	92,040
2035	30,764	15,256	31,110	14,910	92,040
2036	31,460	14,560	31,814	14,206	92,040
2037	32,172	13,848	32,534	13,486	92,040
2038	32,900	13,120	33,270	12,750	92,040
2039	33,645	12,375	34,023	11,997	92,040
2040	34,405	11,615	34,793	11,227	92,040
2041	35,184	10,836	35,580	10,440	92,040
2042	35,980	10,040	36,385	9,635	92,040
2043	36,795	9,225	37,208	8,812	92,040
2044	37,627	8,393	38,050	7,970	92,040
2045	38,478	7,542	38,911	7,109	92,040
2046	39,349	6,671	39,792	6,228	92,040
2047	40,239	5,781	40,692	5,328	92,040
2048	37,560	4,871	-	-	42,431
TOTALS	$ 816,709	$ 376,222	$ 787,915	$ 362,585	$ 2,343,431

See Independent Auditors' Report

ARKADELPHIA WATER AND SEWER SYSTEM
REQUIRED SUPPLEMENTAL INFORMATION
FOR COST-SHARING PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	2022	2021	2020	2019	2018
System's proportion of the net pension liability (asset) per APERS	0.0445141%	0.0451453%	0.0440473%	0.0401235%	0.0447101%
System's proportionate share of the net pension liability - per APERS	$ 1,200,272	$ 347,092	$ 1,261,333	$ 967,992	$ 986,275
System's covered-employee payroll	$ 851,508	$ 827,141	$ 796,351	$ 827,644	$ 808,117
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.96%	41.96%	158.39%	116.96%	122.05%
Plan fiduciary net position as a percentage of the total pension liability	78.31%	93.57%	75.38%	78.55%	79.59%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	$ 130,451	$ 126,718	$ 122,001	$ 126,795	$ 121,328
Contributions in relation to the contractually required contribution	(130,451)	(126,718)	(122,001)	(126,795)	(121,328)
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll	$ 851,508	$ 827,141	$ 796,351	$ 827,644	$ 808,117
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.01%

See Independent Auditors' Report.

EXHIBIT C

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)