

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 3, 2025

NEW ISSUE BOOK ENTRY ONLY

RATINGS: (AG Insured) S&P: AA (stable outlook)¹
(Underlying) S&P: A+ (Stable)

*In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must have been or must be satisfied prior to or subsequent to the issuance of the Bonds, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations, (iii) interest on the Bonds is exempt from State of Arkansas income tax, and (iv) the Bonds are exempt from property taxes in the State of Arkansas. (See **TAX MATTERS**.)*

\$25,250,000*
COMMUNITY WATER SYSTEM PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE BONDS,
SERIES 2025

Dated: Date of Delivery

Due: October 1, as shown on the inside front cover

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2026, and the Bonds mature (on October 1 of each year), bear interest and are priced to yield as shown on the inside front cover.

The Bonds are obligations only of the Authority and are not obligations of the State of Arkansas or any political subdivision thereof. The Authority has no taxing power. The Bonds are secured pursuant to the terms of a Trust Indenture dated as of the dated date of the Bonds (the "Indenture") between the Authority and Regions Bank, with offices in Little Rock, Arkansas, as Trustee (the "Trustee") as described herein. In the Indenture, the Authority grants a lien and security interest in certain of its property and pledges its revenues as security for the payment of principal of and interest on the Bonds. Such pledge of revenues and lien and security interest are on a parity with the Parity Bonds (as defined herein) and senior to the Subordinate Obligation (as defined herein) as described herein.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.** See **BOND INSURANCE** herein.



The Bonds are offered when, as and if issued, subject to approval as to the legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. Delivery of the Bonds is expected in New York, New York, on or about December 17, 2025.

Stephens Inc.

Dated: _____, 2025

¹ See **RATINGS** herein.

* Preliminary; subject to change.

\$25,250,000*
COMMUNITY WATER SYSTEM PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE BONDS,
SERIES 2025

MATURITY SCHEDULE*

\$8,590,000 Serial Bonds

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>
2026	\$250,000		
2027	430,000		
2028	450,000		
2029	475,000		
2030	495,000		
2031	520,000		
2032	550,000		
2034	575,000		
2035	605,000		
2036	635,000		
2037	665,000		
2038	690,000		
2039	720,000		
2040	750,000		

\$4,405,000 _____% Term Bonds due October 1, 2045 to Yield _____%
\$5,455,000 _____% Term Bonds due October 1, 2050 to Yield _____%
\$6,800,000 _____% Term Bonds due October 1, 2055 to Yield _____%

* Preliminary; subject to change.

No dealer, broker, salesman or any other person has been authorized by the Authority 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 Authority. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

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

Assured Guaranty Inc. (the "Insurer") 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 the heading **BOND INSURANCE** and Appendix C, Specimen Municipal Bond Insurance Policy.

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OFFICIAL STATEMENT

\$25,250,000*
COMMUNITY WATER SYSTEM PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE BONDS,
SERIES 2025

INTRODUCTION

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, the inside cover page hereof, and the appendices hereto. A full review should be made of the entire Official Statement, as well as the Indenture described herein.

This Official Statement is furnished to prospective investors in connection with the sale by the Community Water System Public Water Authority of the State of Arkansas (the "Authority") of its Water Revenue Bonds, Series 2025 in the aggregate principal amount of \$25,250,000* (the "Bonds"), dated as of the date of delivery thereof. The Bonds mature and bear interest as shown on the inside front cover of this Official Statement.

The Bonds are being issued to provide funds to be used to finance costs of acquiring, constructing and equipping betterments and improvements to the Authority's water facilities. See **PURPOSES FOR THE BONDS** herein. The Bonds are issued under and are secured by a Trust Indenture dated as of the delivery date of the Bonds (the "Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee"). See **THE INDENTURE**.

The Bonds will be issued pursuant to a Resolution adopted by the Board of Directors of the Authority.

Payment of principal of the Bonds will be made at the designated corporate trust office of the Trustee in Little Rock, Arkansas. Payment of interest on the Bonds shall be by check or draft to the registered owner of the Bonds.

In the Indenture, the Authority grants a lien and security interest in certain of its property and pledges its revenues as security for the payment of principal and interest on the Bonds. Such pledge of revenues and lien and security interest are on a parity with the Parity Bonds (as defined in **OUTSTANDING OBLIGATIONS**) and senior to the Subordinate Obligation (as defined in **OUTSTANDING OBLIGATIONS**). (See **SECURITY FOR THE BONDS, THE AUTHORITY** and **THE ENTITIES AND THE SERVICE AREA**.)

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 Assured Guaranty Inc. ("AG" or the "Insurer") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Appendix C. It is expected that, based upon the issuance and delivery of the Insurance Policy to be issued by the Insurer at the time of delivery of the Bonds, S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign an insured rating of "AA" (stable outlook) to the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **RATINGS** herein. So long as the Insurer is not in default under the Insurance Policy, it is subrogated to, and may

* Preliminary; subject to change.

enjoy and exercise, all rights and remedies of the owners of the Bonds and may direct the Trustee in the exercise of any remedies set forth herein. No remedy set forth herein may be exercised by the Trustee or by any owner of any of the Bonds without the prior written approval of the Insurer. See **THE INDENTURE** herein.

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

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BOOK ENTRY 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 such maturity and series and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to

Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, 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 Authority 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 Authority 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 Authority make any representation or warranty regarding the accuracy or completeness thereof.

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

PURPOSES OF BONDS

The Bonds are being issued (i) to finance costs of acquiring, constructing, and equipping betterments and improvements to the Authority's water facilities, including particularly, without limitation, expansion of the Authority's treatment plant (collectively, the "Project"), (ii) to provide a debt service reserve, and (iii) to pay costs of issuing and insuring the Bonds.

The expansion of the Authority's treatment plant comprising the Project is a multi-phase project, with the Project being phase 2. On May 22, 2024, the Authority issued its \$5,000,000 Water Revenue Bonds, Series 2024, a portion of the proceeds of which paid engineering costs related to the plant expansion. The Authority anticipates that it will issue approximately \$20,000,000 in revenue bonds in 2027 in order to finance the remainder of the costs of expanding the treatment plant; provided, however, there can be no assurance that this amount will not increase in the future due to any number of factors (see also **THE AUTHORITY, Water System Facilities and Water Purchase Contracts** herein).

Engineering work on the Project has commenced. The Project is expected to be completed in 2028.

The uses of proceeds to finance costs of the Project are estimated to be as follows:

PROCEEDS:*

Principal Amount of Bonds	\$25,250,000
Net Original Issue Premium	<u>181,754</u>
TOTAL	\$25,431,754

USES:*

Project Costs	\$25,003,632
Costs of Issuance, Reserve Policy and Insurance Policy Premiums, and Underwriter's Discount	<u>428,122</u>
TOTAL	\$25,431,754

The payment of Underwriter's discount, Insurance Policy premium, Reserve Policy (as hereinafter defined) premium, and the costs of issuing and insuring the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **UNDERWRITING** for a description of the Underwriter's discount. The Authority will deposit the principal amount of the Bonds plus original issue premium and less Underwriter's discount, original issue discount, and the premiums for the Insurance Policy and the Reserve Policy into a special fund in the Trustee designated "2025 Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be expended for expenses of issuing the Bonds and for the Project. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and a statement to the effect that the disbursement is for a proper expense of or pertaining to the Project or expenses of issuing the Bonds. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE INDENTURE, Investment of Funds**.

* Preliminary; subject to change.

THE BONDS

Generally. The Bonds are dated, mature, bear interest and interest is payable on the Bonds as set forth on the cover page and inside front cover hereof. Payment of each installment of interest shall be made to the person in whose name a Bond is registered on the registration books of the Authority maintained by the Trustee at the end of the 15th day (whether or not a business day) of the month next preceding each interest payment date (the "Record Date") irrespective of any transfer or exchange of a Bond subsequent to such Record Date and prior to such interest payment date. Such interest payments shall be by check of the Trustee mailed to such registered owner at the address appearing on such registration books.

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

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

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

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

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

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

(1) Optional Redemption.* The Bonds are callable at the option of the Authority on and after October 1, 2032, in whole or in part at any time at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed

* Preliminary; subject to change.

shall be selected by the Authority 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.

(2) Mandatory Sinking Fund Redemption. * To the extent not previously redeemed, the Bonds maturing on October 1 in the years 2045, 2050 and 2055 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on October 1 of each year as follows:

Bonds Maturing October 1, 2045

<u>Year</u>	<u>Principal Amount</u>
2041	\$810,000
2042	845,000
2043	880,000
2044	915,000
2045 (maturity)	955,000

Bonds Maturing October 1, 2050

<u>Year</u>	<u>Principal Amount</u>
2046	\$ 995,000
2047	1,040,000
2048	1,090,000
2049	1,140,000
2050 (maturity)	1,190,000

Bonds Maturing October 1, 2055

<u>Year</u>	<u>Principal Amount</u>
2051	\$1,245,000
2052	1,300,000
2053	1,355,000
2054	1,420,000
2055 (maturity)	1,480,000

Notice of Redemption. The Trustee shall give notice of the call for redemption by first class mail placed in the mails, postage prepaid, or other acceptable standard means of delivery, including facsimile or electronic communications, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner or any Bond called for redemption, addressed to such registered owner's registered address. After the date specified in such call, the Bonds or portions thereof (which must be integral multiples of \$5,000) so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

* Preliminary; subject to change.

SECURITY FOR THE BONDS

In the Indenture, the Authority grants a lien on and security interest in certain of its property and pledges its revenues as security for the payment of principal of and interest on the Bonds. The property on which a mortgage lien and security interest is granted is part of the Trust Estate. Such pledge of revenues and lien and security interest in certain of the Authority's property is on a parity with the Parity Bonds and senior to the Subordinate Obligation. See **THE INDENTURE, Security for the Bonds** and **OUTSTANDING OBLIGATIONS**. See **THE AUTHORITY** and **THE ENTITIES AND THE SERVICE AREA** for a list of current wholesale customers and information about such wholesale customers and retail customers.

The resolution securing the Subordinate Obligation (the "2005 Resolution") contains a provision that bonds cannot be issued with a pledge and lien senior to or on a parity with that securing the Subordinate Obligation unless an independent certified public accountant certifies that (i) net revenues of the Authority's water system (gross revenues less operation and maintenance expenses, but not including depreciation) for the fiscal year preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 115% of the maximum annual debt service on all the outstanding obligations secured by a pledge of revenues of the Authority's water system and the proposed additional bonds or (ii) net revenues of the Authority's water system (gross revenues less operation and maintenance expenses, but not including depreciation) for the fiscal year succeeding the year in which such additional bonds are to be issued are projected to be sufficient in amount, taking into consideration any enacted increase in revenues, to be not less than 115% of the maximum annual debt service on all the outstanding obligations secured by a pledge of revenues of the Authority's water system and the proposed additional bonds (the "2005 Test"). The Authority is able to meet the 2005 Test with respect to the issuance of the Bonds, and the Bonds are secured by a pledge and lien senior to that securing the Subordinate Obligation. See **FINANCIAL INFORMATION, OUTSTANDING OBLIGATIONS** and **ESTIMATED DEBT SERVICE COVERAGE** herein.

The Authority has no taxing power. The resources of the Authority are limited to the water facilities and the revenues derived from the sale of water produced by said facilities including payments made by wholesale water purchasers pursuant to wholesale water purchase contracts and payments made by retail customers.

The Authority is a public water authority organized for the purpose of providing treated drinking water on a regional basis (see **THE AUTHORITY**). Specifically, the Authority takes water from Greers Ferry Lake and treats it for sale to its wholesale and retail customers. In order to accomplish this purpose, the Authority issued certain obligations to finance the construction of intake, treatment and distribution facilities. The Authority has entered into a water supply contract with the United States Corps of Engineers which entitles the Authority to withdraw municipal and industrial water from the Greers Ferry Lake in specified amounts and obligates the Authority to make certain payments (see **THE AUTHORITY**).

A debt service reserve will be provided 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 requirements for the Bonds. See **THE INDENTURE, Debt Service Reserve Fund**.

The payment of the principal of and interest on the Bonds when due is guaranteed under the Insurance Policy. See **BOND INSURANCE** herein.

Additional Bonds. The Authority has reserved the right to issue additional bonds under the Indenture. Before any Additional Bonds can be issued on a parity with the Bonds, there must be filed with the Trustee the following:

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

(2) A certificate of the President of the Authority stating that no event of default specified in the Indenture has happened and is then continuing;

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

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

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

(b) to leave a balance equal to not less than 110% of the maximum annual principal and interest requirements during the current or any subsequent fiscal year of the Authority for (A) the then outstanding Bonds (exclusive of any Bonds to be deemed paid upon delivery of the Additional Bonds), (B) the Additional Bonds then held by the Trustee for delivery and (C) any then outstanding Parity Obligations (hereinafter defined) (exclusive of any Parity Obligations that are to be refunded upon delivery of the Additional Bonds and for which the holders of the Parity Obligations or their agent must have agreed to releasing the lien on revenues and the mortgaged properties securing the Parity Obligations as a result of the refunding). There shall be added to the amount of debt service requirements set forth in this paragraph any Reserve Policy Costs (as defined in **THE INDENTURE, Debt Service Reserve Fund** herein) due and owing the Insurer.

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

The term "adjusted gross revenues" means:

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

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

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

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

The Parity Bonds are the only currently outstanding Parity Obligations. See **OUTSTANDING OBLIGATIONS**.

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THE AUTHORITY

Generally. The Authority is a public water authority organized for the purpose, generally stated, of acquiring title to, treating, selling and distributing water stored in Greers Ferry Lake (which was constructed by the United States of America on the Little Red River in the State of Arkansas), and acquiring, constructing, equipping and operating improvements for the removal, storage, treatment and distribution of the water. The Authority is governed by a Board of Directors. The Authority was originally formed in 1970 as an Arkansas non-profit corporation (the "Corporation"). In 2002, pursuant to Act No. 115 of 2001 of the Acts of Arkansas, the Corporation was reorganized as the Authority.

Over time, the Authority has entered into contracts with the U.S. Army Corps of Engineers (the "Corps") to purchase water storage rights in Greers Ferry Lake. These contracts, which were entered into in 1971, 1995, and 1998, provide the Authority with a total of 8,284.4 acre-feet of storage allocation. In addition, the Authority is a member of the Mid-Arkansas Water Alliance ("MAWA"), which is an Arkansas non-profit corporation with membership comprised of eleven Arkansas water providers. MAWA, on behalf of its members, has entered into water storage agreements with the Corps in 2010 and 2020, under which MAWA, on behalf of its members, is entitled to a total of 44,225.05 acre-feet of storage allocation. The Authority is entitled to 7,861 acre-feet of the MAWA allocation. The Authority projects that its current storage allocation directly with the Corps and through MAWA will provide sufficient water to meet daily water system requirements through at least 2055. For water demand beyond 2055, the Authority, either on its own behalf or through MAWA, will initiate the water storage reallocation process with the Corps in order to increase its storage allocation from Greers Ferry.

Water System Facilities and Water Purchase Contracts. The Authority's existing water treatment and distribution system comprises two components, retail water distribution facilities and regional wholesale water transmission line facilities. All of the Authority's water facilities, including removal, treatment, storage and distribution facilities will collectively be referred to as the "System."

The Authority's intake facilities currently have a capacity of 11 million gallons-per-day ("MGD"). The Authority currently operates a 10 MGD treatment facility that consists of 7 MGD of conventional rapid sand filters and 3 MGD of ultrafiltration membranes. The treatment facility supplies both retail and wholesale customers. The Authority is currently undertaking a multi-phase project to expand its water treatment plant. A portion of the proceeds of the Authority's \$5,000,000 Water Revenue Bonds, Series 2024 were used to pay costs of engineering work for the plant expansion. The Bonds are anticipated to provide approximately 62% of the funds necessary to complete the treatment plant expansion. The Authority anticipates that it will issue approximately \$20,000,000 in revenue bonds in 2027 in order to finance the remainder of the costs of the Project; provided, however, there can be no assurance that this amount will not increase in the future due to any number of factors. See also **PURPOSES OF BONDS** herein. Once completed, the Authority anticipates that the expanded treatment plant will be capable of treating up to 15.5 MGD using conventional rapid sand filters (the ultrafiltration membranes are reaching the end of their useful life and will be decommissioned at some point after the treatment expansion construction is completed). The Authority's currently estimates that, absent unforeseen delays, the expanded water plant will become operational in the end of 2028.

The Authority's existing retail water distribution system consists of approximately 363 miles of 2 inch to 10 inch water lines, eleven (11) booster pump stations and sixteen (16) storage tanks (with a total capacity of 14,534,800 gallons).

Construction of the Authority's existing regional wholesale water transmission line system, known as the Faulkner/Cleburne Counties Water Transmission Line Project (the "Faulkner/Cleburne

Project"), was completed on October 3, 1996 and is comprised of a ductile iron transmission pipe ranging in size from eighteen (18) to twenty four (24) inches, which runs approximately sixty (60) miles from the Authority's intake structure on Greers Ferry Lake and which provides approximately 3.68 MGD in wholesale water service to certain of its wholesale water purchasers (the "Faulkner/Cleburne Entities") which in turn provide water service to approximately 21,024 water meters that represents a population of approximately 54,242. Additional appurtenances to the Faulkner/Cleburne Project include two (2) booster pump stations and five (5) water storage tanks. The costs of the Faulkner/Cleburne Project approximated \$30,000,000 and were financed through \$18,000,000 amount of loans and \$12,000,000 amount of grants from United States Department of Agriculture Rural Development, Arkansas Natural Resources Commission and Arkansas Industrial Development Commission.

The Authority has entered into a series of wholesale water purchase contracts with the wholesale water purchasers receiving water service from the Faulkner/Cleburne Project. The Faulkner/Cleburne Entities served by the Authority's existing transmission system have individually entered into a wholesale water purchase contract, the most recent version of which was entered into between the Authority and each Faulkner/Cleburne entity in October 2012 (collectively, the "2012 Faulkner/Cleburne Contracts" and each a "2012 Faulkner/Cleburne Contract").

The 2012 Faulkner/Cleburne Contracts provide that each purchaser agrees to pay the Authority a rate per 1,000 gallons of water taken. The rate under the 2012 Faulkner/Cleburne Contracts is currently \$4.53 per 1,000 gallons. The Authority's current rate under the 2012 Faulkner/Cleburne Contracts went into effect on January 1, 2025. The Authority has approved further increases in the 2012 Faulkner/Cleburne Contracts rates to become effective on January 1 of 2026, 2027, and 2028. The following is a schedule of rates under the 2012 Faulkner/Cleburne Contracts that were effective during 2023 and 2024, rates that are currently in effect, and rates that will become effective in 2026 through 2028.

<u>Effective Dates</u>	<u>Wholesale Rate</u>
January 1, 2023 to December 31, 2023	\$3.55 per 1,000 gallons
January 1, 2024 to December 31, 2024	\$4.01 per 1,000 gallons
January 1, 2025 to December 31, 2025	\$4.53 per 1,000 gallons
January 1, 2026 to December 31, 2026	\$4.67 per 1,000 gallons
January 1, 2027 to December 31, 2027	\$4.81 per 1,000 gallons
January 1, 2028 and thereafter	\$4.95 per 1,000 gallons

Each purchaser under a 2012 Faulkner/Cleburne Contract has agreed to purchase a minimum volume of water per month. In the event that a purchaser does not take the minimum volume of water during any billing month, such purchaser shall be invoiced for the minimum volume at the applicable rate per 1,000 gallons (currently \$4.53 per 1,000 gallons). The Authority has the right to adjust the rate so that the rate is sufficient to compensate the Authority for all costs involved in the production, treatment and delivery of the water, including any costs associated with financing of debt service, plus a factor of ten percent (10%) over and above the total costs. It is anticipated that the rate will be adjusted effective January 1 of each year, but it may also be adjusted as deemed necessary by the Authority during the course of any calendar year. The 2012 Faulkner/Cleburne Contracts will remain in full force and effect until the later of (i) December 31, 2042 or (ii) until any financing, replacement financing or additional financing obligations incurred by the Authority to provide water requirements for the Faulkner/Cleburne Entities is satisfied and paid in full. A portion of the Project being financed with proceeds of the Bonds is for the purpose of providing water requirements for the Faulkner/Cleburne Entities, and, as such, so long as the Bonds are

outstanding, the term of the 2012 Faulkner/Cleburne Contracts is extended to the maturity date for the Bonds (October 1, 2055*).

Except as hereafter set forth in this paragraph, the 2012 Faulkner/Cleburne Contracts provide that each Faulkner/Cleburne Entity shall consider the Authority as its sole and exclusive supplier of water to its customers and that it will not enter into any other agreements or arrangements to obtain water from any third parties, utilize existing water wells or supplemental water supplies or otherwise cease relying on the Authority as its sole and exclusive supplier of water. The Vilonia Waterworks Association ("Vilonia") has maintained and is anticipated to continue to maintain a secondary water connection with the Mid-Arkansas Utilities Public Water Authority, f.k.a. North Pulaski Water Association, and a tertiary connection with the Lonoke-White Public Water Authority with such water purchases being in addition to its obligations to obtain water from the Authority. Vilonia will still be required to take its contractual minimum amount of water (348,000,000 gallons per year) regardless of how much water it takes from the other suppliers. The City of Damascus, Arkansas has maintained and is authorized to maintain a connection to the City of Clinton, Arkansas (by virtue of Clinton's assumption of the Bee Branch water system) solely as an emergency source in the event the delivery of water by the Authority is interrupted.

The Authority has additionally entered into a wholesale water purchase contract with West Stone County Water Association Public Water Authority ("West Stone") and has agreed to supply it with an average daily flow of 0.204 million gallons of potable water per day at a current rate of \$2.84 per thousand (1,000) gallons of water sold. The Authority has approved further increases in the wholesale rate paid by West Stone. The current rate to be effective until January 31, 2026 is \$2.84 per 1,000 gallons, the rate to be effective from February 1, 2026 to January 31, 2027 is \$2.93 per 1,000 gallons, the rate to be effective from February 1, 2027 to January 31, 2027 is \$3.02 per 1,000 gallons, and the rate to be on February 1, 2028 is \$3.11 per 1,000 gallons.

See **THE ENTITIES AND THE SERVICE AREA** for a list of the current wholesale water purchasers.

In the Indenture, the Authority covenants to comply with the terms of each of its wholesale water purchase contracts and to take the necessary steps, including legal action, if necessary, to enforce the provisions thereof.

If a wholesale water purchase contract is terminated pursuant to court order or settlement of litigation involving the Authority and a wholesale water purchaser, the Authority agrees to make its best efforts to secure another wholesale water purchase contract from a new purchaser if the wholesale water purchaser whose wholesale water purchase contract is being terminated accounted for more than 5% of the revenue of the Authority for the prior fiscal year.

Each wholesale water purchaser's source of payment is limited to revenues from its respective water system. **FURTHER, THE REVENUES DERIVED FROM EACH WHOLESALE WATER PURCHASER'S WATER SYSTEM ARE NOT PLEDGED BY THE WHOLESALE WATER PURCHASERS TO THE REPAYMENT OF THE BONDS AND ARE SUBJECT TO THE DEBT REQUIREMENTS ON ANY OUTSTANDING BONDS OF THE WHOLESALE WATER PURCHASERS SECURED BY WATER REVENUES. PAYMENTS MADE TO THE AUTHORITY BY THE WHOLESALE WATER PURCHASERS ARE CONSIDERED BY THE WHOLESALE WATER PURCHASERS TO BE OPERATING EXPENSES. See SECURITY FOR THE BONDS and THE ENTITIES AND THE SERVICE AREA.**

* Preliminary; subject to change.

The System's existing retail water distribution and transmission lines extend into eastern Van Buren County, southern Stone County, western and southern Cleburne County and diagonally across Faulkner County. The Authority currently serves approximately 7,524 retail water meters representing a population of approximately 18,961. See Appendix B for a map of the Service Area.

Joint Undertaking with Conway Corporation. The Authority and Conway Corporation (a water provider that is outside of the Authority's immediate service area), entered into a Project Pre-Development Agreement in December 2024 (the "Pre-Development Agreement"). Under the Pre-Development Agreement, the parties have expressed a desire to jointly develop a transmission line and other necessary facilities to transmit raw water from the Authority's intake facilities to a treatment plant to be constructed by Conway Corporation. As part of the proposed project, the Authority would expand its intake capacity. The Pre-Development Agreement outlines the rights and obligations of each party in the collaborative design of the project. Particularly, the Pre-Development Agreement authorizes the engagement of design professionals to assist with development of the project, with costs to be shared 50/50 between the Authority and Conway Corporation. At this time, a final decision has not been made as to whether to pursue the joint undertaking, and the overall structure, scope, cost, feasibility, and infrastructure requirements of any undertaking have not yet been determined.

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Water Sales. The volume of water sold by the Authority for the past five years and the maximum available output for the past five years was as follows:

TOTAL GALLONS SOLD

<u>Year</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total</u>	<u>Available for Sale</u>
2020	269,397,600	1,347,840,000	1,617,237,600	3,650,000,000
2021	288,050,600	1,403,694,529	1,691,745,129	3,650,000,000
2022	297,791,400	1,453,395,116	1,751,186,516	3,650,000,000
2023	289,797,100	1,533,599,529	1,823,396,629	3,650,000,000
2024	288,206,400	1,543,151,000	1,831,357,400	3,650,000,000

The volume for water sold by the Authority to retail customers for each County in the Service Area (as defined in **THE ENTITIES AND THE SERVICE AREA**) for the past five years was as follows:

<u>Year</u>	<u>Cleburne County</u>	<u>Faulkner County</u>	<u>Stone County</u>	<u>Van Buren County</u>	<u>Total</u>
2020	126,745,520	30,754,416	817,094	111,080,570	269,397,600
2021	150,624,951	22,897,568	1,046,286	113,481,795	288,050,600
2022	157,829,442	22,810,821	1,012,491	116,138,646	297,791,400
2023	153,244,706	23,473,565	1,043,270	112,035,559	289,797,100
2024	153,095,240	22,797,126	1,268,108	111,045,926	288,206,400

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

<u>Year</u>	<u>Cleburne County</u>	<u>Faulkner County</u>	<u>Stone County</u>	<u>Van Buren County</u>	<u>Total</u>
2020	3,678	552	25	2,788	7,043
2021	3,743	569	26	2,820	7,158
2022	3,837	578	26	2,850	7,291
2023	3,927	602	26	2,871	7,426
2024	3,959	589	33	2,872	7,453

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

<u>Year</u>	<u>Cleburne County</u>	<u>Faulkner County</u>	<u>Stone County</u>	<u>Van Buren County</u>	<u>Total</u>
2020	57,515,000	1,177,280,000	52,680,000	60,365,000	1,347,840,000
2021	51,131,529	1,238,716,000	58,818,000	55,029,000	1,403,694,529
2022	48,862,058	1,276,251,000	61,840,000	66,442,058	1,453,395,116
2023	49,557,529	1,347,924,000	68,511,000	67,607,000	1,533,599,529
2024	63,368,000	1,335,926,000	75,182,000	68,675,000	1,543,151,000

The volume of water purchased by each wholesale water purchaser for the past five years is as follows:

<u>Entity</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Vilonia	349,795,000	348,000,000	354,456,000	354,776,000	331,335,000
Greenbrier	438,746,000	432,623,000	385,140,000	374,374,000	350,648,000
Mayflower	196,006,000	203,589,000	205,980,000	202,663,000	209,509,000
Wooster	152,642,000	139,856,000	127,891,000	114,782,000	111,860,000
Quitman	63,368,000	49,557,529	48,862,058	51,131,529	57,515,000
Beaverfork	120,176,000	138,634,000	120,678,000	115,031,000	104,958,000
Damascus	68,675,000	67,607,000	66,442,058	55,029,000	60,365,000
Guy	78,561,000	85,222,222	82,106,000	77,090,000	68,970,000
West Stone County	75,182,000	68,511,000	61,840,000	58,818,000	52,680,000

No retail user of the System accounted for more than 5% of gross water revenues for 2024. The following is a list of wholesale customers which accounted for more than 5% of gross water revenues for 2024.

<u>Wholesale Customer</u>	<u>% of Total Gross Water Revenues</u>
Greenbrier	17.40
Vilonia	13.87
Mayflower	7.77
Wooster	6.05
Beaverfork	4.77

Board of Directors and Administration. The Board of Directors of the Authority consists of 5 members who serve staggered three-year terms. The current members of the Board of Directors, their offices, their occupations and the year of their term expiration are as follows:

<u>Name</u>	<u>Office</u>	<u>Occupation</u>	<u>Term Expires</u>
John Buster	President	Marketing Executive	2026
Terry Robinson	Director	Municipal Government	2026
Brenda Smith	Treasurer	Retired, Manufacturing/Quality Control	2028
Brenda Bates	Director	Retired, School Teacher	2028
Jackie Melton	Vice President	Retired, Manufacturing	2027

Juanice Carr, an employee of the Authority, serves as Secretary of the Authority.

The general manager of the Authority's water system is Timothy Shaw. Mr. Shaw began service with the Authority in May 2001 and has been General Manager since February 2003. Prior to becoming General Manager of the Authority, he was a project manager for the Authority. Before coming to the Authority, Mr. Shaw received his Master of Environmental Science degree from the University of Wisconsin - Green Bay and was employed by the Wisconsin Department of Natural Resources, Division of Environmental Quality, as an environmental specialist in charge of enforcing Safe Drinking Water Act regulations in several counties of Wisconsin. Just prior to employment with the Authority, Mr. Shaw was Vice President of Shaw Builders, Inc., a custom home construction company. Mr. Shaw holds both Treatment and Distribution Class Four Operator's Licenses as issued by the Arkansas Department of Health.

The controller of the Authority is Diane Phillips. Ms. Phillips has been with the Authority since October 2009. Prior to becoming the controller, Ms. Phillips worked for Conestoga Wood Specialties, a cabinet manufacturer, in Mountain View, Arkansas for 18 years as Accounting Supervisor/Site Controller. Ms. Phillips earned her Associates degree in 2002 from Ozarka College and then her Bachelor of Science degree in Accounting from Lyon College in 2007.

The name and age of the executive officers of the Authority and how long each has served in such capacity are as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Length of Service</u>
Timothy Shaw	General Manager	60	25 years (23 in present position)
Diane Phillips	Controller	55	16 years (16 in present position)

The System has 35 full time employees.

Retail Water Rates. The Authority's current retail rates went into effect on January 1, 2025. The Authority has approved further increases in retail water rates to become effective on January 1 of 2026, 2027, and 2028. The following is a schedule of rates for retail customers of the System that were effective during 2023 and 2024, rates that are currently in effect, and rates that will become effective in 2026 through 2028.

Effective Dates (January 1 to December 31)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Main Retail System 3/4" Meter						
0 - 1,000 gallons (minimum)	\$27.75	\$31.40	\$35.45	\$36.50	\$37.60	\$38.75
All over 1,000 gallons (per 1,000 gallons)	5.00	5.65	6.38	6.57	6.77	6.97
Main Retail System 1 1/2" Meter						
0 - 10,000 gallons (minimum)	\$52.15	\$58.95	\$66.60	\$68.60	\$70.65	\$72.80
10,001 - 12,500 gallons (per 1,000 gallons)	5.15	5.82	6.58	6.78	6.98	7.19
12,501 - 20,000 gallons (per 1,000 gallons)	4.50	5.09	5.75	5.92	6.10	6.28
All over 20,000 gallons (per 1,000 gallons)	3.25	4.01	4.53	4.67	4.81	4.95
Main Retail System 2" Meter						
0 - 15,000 gallons (minimum)	\$63.70	\$72.00	\$81.35	\$83.80	\$86.30	\$88.90
15,001 - 20,000 gallons (per 1,000 gallons)	5.15	5.82	6.58	6.78	6.98	7.19
20,001 - 30,000 gallons (per 1,000 gallons)	4.50	5.09	5.75	5.92	6.10	6.28
All over 30,000 gallons (per 1,000 gallons)	3.25	4.01	4.53	4.67	4.81	4.95
Main Retail System 3" Meter						
0 - 20,000 gallons (minimum)	\$76.30	\$86.25	\$97.45	\$100.35	\$103.40	\$106.50
20,001 - 30,000 gallons (per 1,000 gallons)	5.15	5.82	6.58	6.78	6.98	7.19
30,001 - 40,000 gallons (per 1,000 gallons)	4.50	5.09	5.75	5.92	6.10	6.28
All over 40,000 gallons (per 1,000 gallons)	3.25	4.01	4.53	4.67	4.81	4.95

Main Retail System 4" Meter

0 - 25,000 gallons (minimum)	\$92.75	\$104.85	\$118.50	\$122.05	\$125.70	\$129.50
25,001 - 35,000 gallons (per 1,000 gallons)	5.15	5.82	6.58	6.78	6.98	7.19
35,001 - 45,000 gallons (per 1,000 gallons)	4.50	5.09	5.75	5.92	6.10	6.28
All over 45,000 gallons (per 1,000 gallons)	3.25	4.01	4.53	4.67	4.81	4.95

92/263 Project, Twin Cove/Budd Creek/Lexington 110, Faulkner/Cleburne/Tannenbaum, Silver Ridge/Tomahawk, Crossroads, Centerville, Lake Park/Circle Acres, Irish Hills, Ash Drive, Shirley (all 3/4" Meters)

0 - 1,000 gallons (minimum)	\$27.75	\$31.40	\$35.45	\$36.50	\$37.60	38.75
All over 1,000 gallons (per 1,000 gallons)	5.00	5.65	6.38	6.57	6.77	6.97

Leech Road

0 - 1,000 gallons (minimum)	\$46.05	\$52.05	\$58.85	\$60.60	\$62.40	\$64.30
All over 1,000 gallons (per 1,000 gallons)	5.00	5.65	6.38	6.57	6.77	6.97

Woolly Hollow

0 - 7,000 gallons (minimum)	\$93.70	\$105.90	\$119.65	\$123.25	\$126.95	\$130.75
7,001 - 12,000 gallons (per 1,000 gallons)	4.70	5.31	6.00	6.18	6.37	6.56
All over 12,000 gallons (per 1,000 gallons) ⁽¹⁾	3.50	4.01	4.53	4.67	4.81	4.95

Faulkner/Cleburne Retail 2" Meter

0 - 7,000 gallons (minimum)	\$79.00	\$89.30	\$100.90	\$103.95	\$107.05	\$110.25
7,001 - 12,000 gallons (per 1,000 gallons)	4.00	4.52	5.11	5.26	5.42	5.58
All over 12,000 gallons (per 1,000 gallons)	3.25	4.01	4.53	4.67	4.81	4.95

Hwy 92/263 2" Meter; Shirley 2" Meter

0 - 15,000 gallons (minimum)	\$63.70	\$72.00	\$81.35	\$83.80	\$86.30	\$88.90
15,001 - 20,000 gallons (per 1,000 gallons)	5.15	5.82	6.58	6.78	6.98	7.19
20,001 - 30,000 gallons (per 1,000 gallons)	4.50	5.09	5.75	5.92	6.10	6.28
All over 30,000 gallons (per 1,000 gallons)	3.25	4.01	4.53	4.67	4.81	4.95

Budd Creek/Twin Cove 3" Meter

0 - 20,000 gallons (minimum)	\$76.30	\$86.25	\$97.45	\$100.35	\$103.40	\$106.50
20,001 - 30,000 gallons (per 1,000 gallons)	5.15	5.82	6.58	6.78	6.98	7.19
30,001 - 40,000 gallons (per 1,000 gallons)	4.50	5.09	5.75	5.92	6.10	6.28
All over 40,000 gallons (per 1,000 gallons)	3.25	4.01	4.53	4.67	4.81	4.95

Litigation. There is no litigation or regulatory proceeding pending or threatened against the Authority or its water system that would have a material adverse financial impact on the Authority or the operation of its water system.

⁽¹⁾ Prior to 2024, Woolly Hollow had different rates for 12,001 to 17,000 gallons of water consumption and for all over 17,000 gallons of water consumption. For 2023, the rate for all over 17,000 gallons of water consumption was \$3.25 per 1,000 gallons.

FINANCIAL INFORMATION

Attached hereto as Appendix A are the financial statements of the Authority as of December 31, 2024 and 2023, and for the years then ended, which have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing therein. The notes set forth in Appendix A are an integral part of the financial statements, and the statements and the notes should be read in their entirety. Forvis Mazars, LLP, the Authority's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Forvis Mazars, LLP, is preparing a parity letter; no other procedures were performed related to this Official Statement.

The following is a summary of audited financial statements of the Authority for the fiscal years ended December 31, 2020 through 2024.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
OPERATING REVENUES	\$10,465,974	\$8,969,090	\$8,211,911	\$7,829,306	\$7,495,269
OPERATING EXPENSES	<u>(6,312,807)</u>	<u>(6,073,568)</u>	<u>(5,547,660)</u>	<u>(5,012,385)</u>	<u>(4,681,545)</u>
OPERATING INCOME (LOSS) (Before Depreciation and Amortization)	4,153,167	2,895,522	2,664,251	2,816,921	2,813,724
DEPRECIATION	(2,222,223)	(1,919,405)	(1,936,631)	(1,882,621)	(1,619,142)
NET NON-OPERATING REVENUES (EXPENSES)	<u>2,352,283⁽²⁾</u>	<u>(798,357)</u>	<u>(791,717)</u>	<u>(1,313,559)</u>	<u>(1,142,257)</u>
NET INCOME (LOSS)⁽¹⁾	<u>\$4,283,227</u>	<u>\$177,760</u>	<u>\$(64,097)</u>	<u>\$(379,259)</u>	<u>\$52,325</u>

⁽¹⁾ Amount does not include capital contributions.

⁽²⁾ Includes grant revenue in the amount of \$3,098,264, which consists of a grant from the State of Arkansas. The Authority used the grant funds to reimburse itself for costs of a project and to defease a portion of the Authority's Water Revenue Bonds, Series 2021A. See also footnote 1 under **OUTSTANDING OBLIGATIONS** herein.

OUTSTANDING OBLIGATIONS

The Bonds are secured by a pledge of the revenues of the Authority and a lien on and security interest in certain of the Authority's property, which pledge of revenues and lien and security interest are on a parity of security with the pledge in favor of the Parity Bonds and senior to the pledge in favor of the Subordinate Obligation. See **SECURITY FOR THE BONDS**. The "Parity Bonds" include the Authority's Water Revenue Bonds, Series 2018, the Authority's Water Revenue Refunding and Improvement Bonds, Series 2019, the Authority's Water Revenue Bonds, Series 2021A, and the Authority's Water Revenue Bonds, Taxable Refunding Series 2021B, and the Authority's Water Revenue Bonds, Series 2024. The "Subordinate Obligation" consists of the Authority's Water Refunding and Improvement Revenue Bond, Series 2005, dated September 27, 2005.

The following is the debt service schedule for the Parity Bonds.

<u>Year</u>	<u>Series 2024 Debt Service</u>	<u>Series 2021A Debt Service⁽¹⁾</u>	<u>Series 2021B Debt Service</u>	<u>Series 2018 Debt Service</u>	<u>Series 2019 Debt Service</u>	<u>Total Parity Bonds Debt Service</u>
2025	\$ 300,206.26	\$ 141,600.00	\$ 1,595,702.50	\$ 98,806.25	\$ 296,281.26	\$ 2,432,596.27
2026	302,231.26	144,200.00	1,594,103.00	103,562.50	292,781.26	2,436,878.02
2027	304,081.26	141,700.00	1,595,810.00	98,318.75	294,125.01	2,434,035.02
2028	300,993.76	134,200.00	1,604,439.00	98,156.25	295,250.01	2,433,039.02
2029	302,906.26	136,800.00	1,596,152.50	102,912.50	296,043.76	2,434,815.02
2030	299,656.26	139,300.00	1,594,273.50	102,587.50	296,156.26	2,431,973.52
2031	299,656.26	141,700.00	1,590,311.00	102,262.50	295,681.26	2,429,611.02
2032	304,406.26	134,000.00	1,599,777.50	101,912.50	295,056.26	2,435,152.52
2033	303,656.26	71,400.00	1,597,283.50	101,537.50	294,281.26	2,368,158.52
2034	302,656.26		1,593,002.00	106,068.75	293,356.26	2,295,083.27
2035	301,406.26		1,591,883.00	100,600.00	292,281.26	2,286,170.52
2036	301,043.76		1,598,745.00	129,662.50	295,981.26	2,325,432.52
2037	300,475.00		1,598,255.00	133,068.75	294,456.26	2,326,255.01
2038	299,700.00		1,593,205.00	136,287.50	292,781.26	2,321,973.76
2039	303,718.76		1,597,105.00	129,506.25	295,881.26	2,326,211.27
2040	302,325.00		1,589,655.00	289,725.00	293,756.26	2,475,461.26
2041	300,725.00		1,599,705.00	286,756.25	291,328.13	2,478,514.38
2042	303,918.76		1,598,050.00	288,506.25	293,515.63	2,483,990.64
2043	301,700.00			284,831.25	295,390.63	881,921.88
2044	304,275.00			285,725.00	292,031.25	882,031.25
2045	301,437.50			286,231.25	293,437.50	881,106.25
2046	302,906.26			286,350.00	294,531.25	883,787.51
2047	303,937.50			286,081.25		590,018.75
2048	304,531.26			285,425.00		589,956.26
2049	299,687.50					299,687.50
2050	299,625.00					299,625.00
2051	303,825.00					303,825.00
2052	302,350.00					302,350.00
2053	300,425.00					300,425.00
2054	303,050.00					303,050.00
TOTAL	\$9,061,512.66	\$1,184,900.00	\$28,727,457.50	\$4,224,881.25	\$6,474,384.55	\$49,673,135.96

⁽¹⁾ On April 2, 2024, the Authority used \$2,783,239.98 in grant funds received from the State of Arkansas, along with \$8,116.02 of available funds of the Authority, to reimburse costs of a project by accomplishing the defeasance of a portion of the Authority's Water Revenue Bonds, Series 2021A (the "Series 2021A Bonds"). The table reflects debt service on the non-defeased Series 2021A Bonds that remain outstanding.

The following is the debt service schedule for the Parity Bonds and the Subordinate Obligation.

<u>Year</u>	<u>Parity Bonds Debt Service</u>	<u>Subordinate Obligation Debt Service</u>	<u>Parity Bonds and Subordinate Obligation Total Debt Service</u>
2025	\$ 2,432,596.27	\$ 294,882	\$ 2,727,478.27
2026	2,436,878.02	294,882	2,731,760.02
2027	2,434,035.02	294,882	2,728,917.02
2028	2,433,039.02	294,882	2,727,921.02
2029	2,434,815.02	294,882	2,729,697.02
2030	2,431,973.52	294,882	2,726,855.52
2031	2,429,611.02	294,882	2,724,493.02
2032	2,435,152.52	294,882	2,730,034.52
2033	2,368,158.52	294,882	2,663,040.52
2034	2,295,083.27	294,882	2,589,965.27
2035	2,286,170.52	294,882	2,581,052.52
2036	2,325,432.52	147,415	2,472,847.52
2037	2,326,255.01		2,326,255.01
2038	2,321,973.76		2,321,973.76
2039	2,326,211.27		2,326,211.27
2040	2,475,461.26		2,475,461.26
2041	2,478,514.38		2,478,514.38
2042	2,483,990.64		2,483,990.64
2043	881,921.88		881,921.88
2044	882,031.25		882,031.25
2045	881,106.25		881,106.25
2046	883,787.51		883,787.51
2047	590,018.75		590,018.75
2048	589,956.26		589,956.26
2049	299,687.50		299,687.50
2050	299,625.00		299,625.00
2051	303,825.00		303,825.00
2052	302,350.00		302,350.00
2053	300,425.00		300,425.00
2054	303,050.00		303,050.00
TOTAL	\$49,673,135.96	\$3,391,117	\$53,064,252.96

The Authority has entered into an Allocation Agreement dated as of April 29, 2020 (the "MAWA Agreement") with MAWA relating to the purchase by the Authority of an undivided interest in the joint water storage space in Greers Ferry Lake reserved to MAWA by the United States of America. Pursuant to the MAWA Agreement, the Authority is paying MAWA a portion of MAWA's cost of acquiring such joint storage space in Greers Ferry Lake. The portion of the payment allocated to the Authority is approximately \$48,552 per year through 2049; provided, however, that such annual amount to be paid by the Authority may increase or decrease in the event that the Authority requests a reallocation of its share of the undivided interest in the future. The Authority must also pay a share of the operation and maintenance costs charged to MAWA by the United States of America. The Authority has not pledged its revenues to secure payment of amounts due under the MAWA Agreement.

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DEBT SERVICE SCHEDULES

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

<u>Year (Ending December 31)</u>	<u>Bonds Principal*</u>	<u>Bonds Interest</u>	<u>Total Bonds Debt Service</u>
2025	-		
2026	\$ 250,000		
2027	430,000		
2028	450,000		
2029	475,000		
2030	495,000		
2031	520,000		
2032	550,000		
2033	575,000		
2034	605,000		
2035	635,000		
2036	665,000		
2037	690,000		
2038	720,000		
2039	750,000		
2040	780,000		
2041	810,000		
2042	845,000		
2043	880,000		
2044	915,000		
2045	955,000		
2046	995,000		
2047	1,040,000		
2048	1,090,000		
2049	1,140,000		
2050	1,190,000		
2051	1,245,000		
2052	1,300,000		
2053	1,355,000		
2054	1,420,000		
2055	1,480,000		
TOTAL	\$25,250,000		

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* Preliminary; subject to change.

Set forth below are the debt service requirements for the Bonds, the Parity Bonds and the Subordinate Obligation (See **OUTSTANDING OBLIGATIONS**) during each year ending December 31:

<u>Year (Ending Dec. 31)</u>	<u>Bonds Debt Service*</u>	<u>Parity Bonds Debt Service</u>	<u>Subordinate Obligation Debt Service</u>	<u>Total Debt Service</u>
2025	-	\$ 2,432,596.27	\$ 294,882	\$ 2,727,478.27
2026	\$ 1,143,130.69	2,436,878.02	294,882	3,874,890.71
2027	1,549,637.50	2,434,035.02	294,882	4,278,554.52
2028	1,548,137.50	2,433,039.02	294,882	4,276,058.52
2029	1,550,637.50	2,434,815.02	294,882	4,280,334.52
2030	1,546,887.50	2,431,973.52	294,882	4,273,743.02
2031	1,547,137.50	2,429,611.02	294,882	4,271,630.52
2032	1,551,137.50	2,435,152.52	294,882	4,281,172.02
2033	1,548,637.50	2,368,158.52	294,882	4,211,678.02
2034	1,549,887.50	2,295,083.27	294,882	4,139,852.77
2035	1,549,637.50	2,286,170.52	294,882	4,130,690.02
2036	1,547,887.50	2,325,432.52	147,415	4,020,735.02
2037	1,546,287.50	2,326,255.01		3,872,542.51
2038	1,548,687.50	2,321,973.76		3,870,661.26
2039	1,549,887.50	2,326,211.27		3,876,098.77
2040	1,549,887.50	2,475,461.26		4,025,348.76
2041	1,548,687.50	2,478,514.38		4,027,201.88
2042	1,549,262.50	2,483,990.64		4,033,253.14
2043	1,548,350.00	881,921.88		2,430,271.88
2044	1,545,950.00	882,031.25		2,427,981.25
2045	1,547,062.50	881,106.25		2,428,168.75
2046	1,546,475.00	883,787.51		2,430,262.51
2047	1,546,700.00	590,018.75		2,136,718.75
2048	1,549,900.00	589,956.26		2,139,856.26
2049	1,550,850.00	299,687.50		1,850,537.50
2050	1,549,550.00	299,625.00		1,849,175.00
2051	1,551,000.00	303,825.00		1,854,825.00
2052	1,549,975.00	302,350.00		1,852,325.00
2053	1,546,475.00	300,425.00		1,846,900.00
2054	1,550,500.00	303,050.00		1,853,550.00
2055	1,546,600.00			1,546,600.00
TOTAL	\$46,054,843.19	\$49,673,135.96	\$3,391,117	\$99,119,096.15

* Preliminary; subject to change. Assumes a true interest cost of 4.46% for the Bonds.

ESTIMATED DEBT SERVICE COVERAGE

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

Net Income (Loss) ⁽¹⁾	\$1,184,963
Plus: Depreciation ⁽¹⁾	2,222,223
Interest Expense ⁽¹⁾	1,079,675
Plus: Estimated Revenues Increase ⁽²⁾	<u>1,311,244</u>
Estimated Funds Available for Debt Service ^(A)	\$5,798,105
Maximum Annual Debt Service on the Bonds and the Parity Bonds ^{(B)(3)(4)}	4,033,253
Coverage ^(A/B)	1.44X
Maximum Annual Debt Service on the Bonds, the Parity Bonds and the Subordinate Obligation ^{(C)(3)(4)}	4,281,172
Coverage ^(A/C)	1.35X

⁽¹⁾ Based on the audited financial statements of the Authority for the fiscal year ended December 31, 2024. Excludes \$3,098,264 in grant revenue. See **FINANCIAL INFORMATION** herein and Appendix A attached hereto.

⁽²⁾ Effective January 1, 2025 the Authority increased retail and wholesale water rates. See **THE AUTHORITY, Water System Facilities and Water Purchase Contracts** and **Retail Water Rates** herein. The amount of "Estimated Revenues Increase" is the amount of operating revenues that would have been realized by the Authority based upon total water usage during the fiscal year ended December 31, 2024 if the retail and wholesale rates during the entirety of the fiscal year ended December 31, 2024 had been increased at the level of the rate increase implemented on January 1, 2025. Based on calculations by the Authority.

⁽³⁾ See **OUTSTANDING OBLIGATIONS** for a description of the Parity Bonds and the Subordinate Obligation.

⁽⁴⁾ Preliminary; subject to change. Assumes a true interest cost of 4.46% for the Bonds.

THE ENTITIES AND THE SERVICE AREA

Entities Generally. The "Entities" are the water customers of the Authority that purchase, from time to time, water on a wholesale basis under contract. Currently, the Entities are the City of Quitman, Arkansas, the City of Guy, Arkansas, the City of Greenbrier, Arkansas, the Town of Wooster, Arkansas, the Beaverfork Public Water Authority of the State of Arkansas (as successor to the Beaverfork Volunteer Fire Department), the Vilonia Waterworks Association (a municipal public facilities board), the Town of Damascus, Arkansas, the City of Mayflower, Arkansas, and West Stone County Water Association Public Water Authority. Each Entity has entered into a wholesale water purchase contract with the Authority. See **THE AUTHORITY**. Entities and retail customers are located in Cleburne County, Arkansas ("Cleburne County"), Faulkner County, Arkansas ("Faulkner County"), Van Buren County, Arkansas ("Van Buren County") and Stone County, Arkansas ("Stone County" and, together with Cleburne County, Faulkner County and Van Buren County, the "Counties").

Each current Entity had the following number of water customers, determined by number of meters, for each year ended December 31, as indicated:

<u>Entity</u>	<u>Number of Water Customers</u>				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Quitman	1,908	1,845	1,849	1,754	1,760
Guy	2,543	2,404	2,404	2,268	2,277
Greenbrier	12,691	11,191	11,175	10,549	10,590
Wooster	4,932	4,700	4,655	4,367	4,384
Beaverfork	4,241	4,047	4,048	3,495	3,509
Vilonia Water	24,913	24,147	24,194	23,519	23,612
Damascus	2,654	2,520	2,454	2,268	2,277
Mayflower	8,389	8,243	8,271	8,019	8,050
West Stone County	1,368	1,205	1,209	1,373	1,387

Service Area Generally. The Service Area of the Authority consists of southern Cleburne County, portions of Faulkner County, southern Stone County and eastern Van Buren County. See Appendix B for a map of the Service Area. See **THE AUTHORITY** for information regarding the retail and wholesale customers in each County in the Service Area.

The Counties in the Service Area are located in central and northern Arkansas. The county seat of Cleburne County is Heber Springs, which is approximately 60 miles northeast of Little Rock, Arkansas and approximately 134 miles west of Memphis, Tennessee. The county seat of Faulkner County is Conway, which is approximately 30 miles north of Little Rock, Arkansas and approximately 180 miles west of Memphis, Tennessee. The county seat of Stone County is Mountain View, which is approximately 110 miles north of Little Rock, Arkansas and approximately 155 miles northwest of Memphis, Tennessee. The county seat of Van Buren County is Clinton, which is approximately 70 miles north of Little Rock, Arkansas and approximately 165 miles northeast of Memphis, Tennessee.

The municipalities in Cleburne County and their populations (based upon the 2020 census) are:

<u>Municipality</u>	<u>Population</u>
Concord	190
Greers Ferry	821
Heber Springs	6,969
Higden	114
Quitman*	694

The municipalities in Faulkner County and their populations (based upon the 2020 census) are:

<u>Municipality</u>	<u>Population</u>
Conway	64,134
Damascus*	382
Enola	318
Greenbrier*	5,707
Guy*	752
Holland	586
Mayflower*	1,984
Mt. Vernon	144
Twin Groves	317
Vilonia	4,288
Wooster*	1,042

The municipalities in Stone County and their populations (based upon the 2020 census) are:

<u>Municipality</u>	<u>Population</u>
Fifty-Six	158
Mountain View	2,877

The municipalities in Van Buren County and their populations (based upon the 2020 census) are:

<u>Municipality</u>	<u>Population</u>
Clinton	2,509
Fairfield Bay	2,108
Shirley	248

Population. Since 1970, the population trend for the Counties in the Service Area has been as follows:

<u>Year</u>	<u>Cleburne County</u>	<u>Faulkner County</u>	<u>Stone County</u>	<u>Van Buren County</u>	<u>Total</u>
1970	10,349	31,578	6,838	8,275	57,040
1980	16,909	46,192	9,022	13,357	85,480
1990	19,411	60,006	9,775	14,008	103,200
2000	24,046	86,014	11,499	16,192	137,751
2010	25,970	113,237	12,394	17,295	168,896
2020	24,711	123,498	12,359	15,796	176,364
2024 ⁽¹⁾	25,646	131,611	12,785	16,152	186,194

⁽¹⁾ Estimate

Economy. The Service Area is primarily rural. There are no major employers or major industries located within the Service Area. A loss of employment due to closing or relocation of an industry, manufacturing plant or major employer located within the vicinity of the Service Area could have an adverse impact on the number of retail customers served by the Authority and/or the number of customers served by an Entity or Entities.

Additional Economic Data. Total personal income estimates for the Counties in the Service Area are as follows:⁽¹⁾

<u>Year</u>	<u>Cleburne County</u>	<u>Faulkner County</u>
2019	\$ 976,010,000	\$4,958,741,000
2020	1,086,497,000	5,497,075,000
2021	1,201,053,000	5,997,660,000
2022	1,233,087,000	6,207,074,000
2023	1,306,732,000	6,629,771,000

<u>Year</u>	<u>Stone County</u>	<u>Van Buren County</u>
2019	\$385,778,000	\$518,948,000
2020	421,309,000	567,086,000
2021	478,442,000	619,988,000
2022	475,351,000	638,050,000
2023	495,114,000	676,776,000

⁽¹⁾ Source: U.S. Bureau of Economic Analysis

Per capita personal income estimates for the Counties in the Service Area are as follows:⁽¹⁾

<u>Year</u>	<u>Cleburne County</u>	<u>Faulkner County</u>
2019	\$39,420	\$40,359
2020	43,981	44,396
2021	47,988	47,749
2022	48,829	48,658
2023	51,355	51,017

<u>Year</u>	<u>Stone County</u>	<u>Van Buren County</u>
2019	\$31,262	\$32,749
2020	34,117	35,894
2021	38,457	39,297
2022	37,771	39,623
2023	39,075	41,926

The annual average unemployment rates for the Counties in the Service Area and the State of Arkansas since 2021 are as follows, according to the Arkansas Department of Workforce Services:

<u>Average Annual Unemployment Rate(%)</u>					
<u>Year</u>	<u>Cleburne County</u>	<u>Faulkner County</u>	<u>Stone County</u>	<u>Van Buren County</u>	<u>State</u>
2021	4.3	3.5	5.8	4.9	4.1
2022	3.7	2.8	4.6	4.1	3.2
2023	3.5	2.8	4.5	3.9	3.1
2024	3.8	3.0	4.8	4.3	3.5
2025*	4.9	3.8	5.8	5.2	4.3

*As of July 2025.

⁽¹⁾ Source: U.S. Bureau of Economic Analysis.

BOND INSURANCE

Bond Insurance Policy. Concurrently with the issuance of the Bonds, AG 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, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc. AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P, "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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 does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At June 30, 2025:

- The policyholders' surplus of AG was approximately \$3,514 million.
- The contingency reserve of AG was approximately \$1,453 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,437 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commission of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserves, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG and AGM included herein under the caption **BOND INSURANCE, Assured Guaranty Inc.** or included in a document incorporated by reference

herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading **BOND INSURANCE**.

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THE INDENTURE

The following is a brief summary of the Indenture pursuant to which the Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture copies of which are on file with the Trustee. For purposes of this caption, the term "Bonds" includes the Bonds offered hereby and any outstanding Additional Bonds.

Rights of Insurer. Various rights of the Authority and owners of the Series 2025 Bonds are subject to rights and powers granted to the Insurer pursuant to the Indenture.

Security for the Bonds. Under the Indenture, the Authority grants to the Trustee in order to secure the payment of the principal of, premium, if any, and interest on the Bonds, a lien on and security interest in the Trust Estate:

The "Trust Estate" is defined as all right, title and interest of the Authority in and to (a) all revenues and income of the Authority; (b) all real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature located thereon or therein situated in Cleburne, Faulkner, Stone and Van Buren Counties, Arkansas with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining, now owned or leased by the Authority or to be acquired or constructed as part of the improvements to be financed or refinanced by Bonds issued under the Indenture or to be acquired or constructed as part of the facilities financed by Parity Obligations, including particularly, without limitation, the real property described in Exhibit A to the Indenture; (c) all other properties of whatever nature, including particularly, without limitation, personal property, now owned by the Authority or acquired, constructed or equipped as part of the improvements financed or refinanced with proceeds of Bonds or as part of the facilities financed by Parity Obligations and not covered by the properties described in (b) above, including, without limitation, all assets, franchises, rights, privileges, licenses and rights of way; (d) all moneys in the funds created and held hereunder (except for the Rebate Fund) and all investments therein and earnings thereon; (e) all wholesale water purchase and sale contracts that have been executed by the Authority and various communities or other wholesale water purchasers; and (f) replacement properties (as described in Section 803 of the Indenture) and all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under the Indenture by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee, along with all substitutions therefor and products and proceeds therefrom, whether now existing or hereafter arising.

Rate Covenant. Under the Indenture, the Authority covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall generate Net Revenues (defined as all revenues generated by the Authority less and except, however, all reasonable and necessary costs of operating and maintaining the Authority's water system, and all other general and administrative costs and expenses of the Authority, but not including depreciation, amortization and interest expenses) in each fiscal year that are equal to or greater than 110% of that fiscal year's debt service required on the outstanding Bonds and Parity Obligations for each year. The Authority covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

If the Authority fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the Authority complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately

following fiscal year, provided that the Net Revenues in each of these fiscal years are equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds and Parity Obligations.

In the Indenture the Authority further covenants that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall generate Net Revenues in each fiscal year sufficient to pay debt service for such fiscal year on all obligations of the Authority which are secured by a pledge of any of the Authority's revenues or by a security interest in any of the Authority's properties.

Funds. The following Funds are to be established or maintained under the Indenture.

Revenue Fund. All revenues and income received by the Authority shall be paid upon receipt into the general fund of the Authority identified herein as the "Revenue Fund."

Bond Fund. (a) There shall be paid from the Revenue Fund into the "2025 Bond Fund" (the "Bond Fund"), not later than the 20th day of each month, an amount equal to the sum of:

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

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

(b) The Authority shall receive a credit against required monthly deposits into the Bond Fund in the amount of any balance remaining in the Bond Fund after the payments required above are provided for.

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

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

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

Debt Service Reserve Fund. The Indenture provides for the establishment of a "2025 Debt Service Reserve Fund" (the "Debt Service Reserve Fund") in an amount equal to one-half of the maximum annual debt service requirements on the Bonds; provided, however, such required level shall be reduced to the extent that the deposit into the Debt Service Reserve Fund from the proceeds of a series of Additional Bonds to meet one-half of the maximum annual principal and interest on all outstanding Bonds would exceed 10% of the issue price of such Additional Bonds (the "Required Level"). With respect to the 2025 Bonds, the Reserve Policy, in the amount of the Required Level, will be deposited into the Debt Service Reserve Fund.

(a) Upon the issuance of each series of Bonds, there shall be deposited in the Debt Service Reserve Fund the amount necessary to maintain the Debt Service Reserve Fund at the Required Level after issuance of that series of Bonds.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be used for payment of principal of and interest on Bonds for which Bond Fund moneys are not available and for no other purpose except as specifically permitted herein. Subject to rights of the Insurer, if the amount held in the Debt Service Reserve Fund shall ever be less than the Required Level, the Fund shall be restored in twenty four (24) equal monthly installments.

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

(d) Subject to rights of the Insurer, in lieu of depositing moneys into the Debt Service Reserve Fund, the requirements of this section may be satisfied by depositing with the Trustee a surety bond or debt service reserve insurance policy in the principal amount equal to the requirement, or portion, being satisfied. The surety bond or debt service reserve insurance policy must be issued by an insurance company rated not less than "A" or "A2" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), or Moody's Investors Service, Inc., respectively, and must provide for payment to the Trustee, upon demand, of all or any part of the principal amount which may be needed for use for any purpose for which the Debt Service Reserve Fund moneys may be used under the Indenture.

Repayment of draws and accrued interest thereon and payment of expenses incurred by the Insurer pursuant to the Reserve Policy (collectively, "Reserve Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Policy Costs related to such draw. Such repayment of Reserve Policy Costs shall be made immediately after the required payments into the Bond Fund and the required payments for Parity Obligations and Parity Bonds, but prior to (i) any payments into any other fund or account and (ii) any required payments for subordinate obligations of the Authority.

Parity Obligation Payments. The Trustee and the Authority further acknowledge that Parity Obligations are outstanding and may be issued by the Authority in the future. If there are insufficient moneys in the Revenue Fund to make the monthly payments into the Bond Fund and the Debt Service Reserve Fund and to make monthly installments with respect to outstanding Parity Obligations (and debt service reserves therefor), the Authority shall make payments from the Revenue Fund with respect to the Bonds and outstanding Parity Obligations pro rata based upon the outstanding principal amount of the Bonds and Parity Obligations.

Subordinate Obligation Payments. The Trustee and the Authority further acknowledge that the Subordinate Obligation is outstanding and additional subordinate obligations may be issued by the Authority in the future. All monthly payments from the Revenue Fund with respect to the Subordinate Obligation and all subordinate obligations issued in the future shall be paid from moneys in the Revenue Fund after all monthly payments have been made into the Bond Fund

and the Debt Service Reserve Fund and monthly installments have been made with respect to outstanding Parity Obligations (and debt service reserves therefor).

Revenue Fund Surplus. Any surplus remaining in the Revenue Fund, after making full provisions for the other funds described above, shall be used to pay the operation and maintenance expenses of the Authority for such month. Any balance may be used for any lawful purpose. The monthly surplus may be withdrawn and deposited in such fund or account as specified by the Board of Directors of the Authority.

Depositories of Funds. The Bond Fund, the Construction Fund, the Rebate Fund and the Debt Service Reserve Fund shall be established and maintained in the Trustee. The Revenue Fund and all other funds of the Authority shall be established in such banks or trust companies that are from time to time designated by the Authority, provided each must be a member of the Federal Deposit Insurance Corporation.

All moneys in any of the above funds in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by perfected pledges of Government Securities (as hereinafter defined) or other securities authorized by Arkansas law to secure public deposits or invested as authorized by the Indenture.

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

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

Determination and Payment of Rebate. The Authority shall, unless and until the Authority delivers to the Trustee a written opinion of counsel as described below, make the determinations and take the actions required as are necessary, in the opinion of counsel, to comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations pertaining thereto. The Authority shall rebate to the United States, not later than sixty (60) days after the end of the five year period set forth in the Indenture, and not later than sixty (60) days after the end of each five year period thereafter, an amount which insures that at least ninety percent (90%) of the Rebate Amount at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment or redemption of all principal of the Bonds for which interest is excludable from federal income taxation, an amount sufficient to pay the remaining unpaid balance of the Rebate Amount, all in the manner and as required by Section 148 of the Code and the regulations pertaining thereto.

Upon receipt by the Trustee of a written request of the Authority certifying that certain amounts in the Rebate Fund are not subject to rebate and an opinion of Bond Counsel (hereinafter defined) to the effect that failure to rebate such amounts will not cause interest on the Bonds to become includable in gross income of the bondholders for federal income tax purposes under existing laws, regulations, rulings and decisions, the Trustee shall transfer any such amounts to the credit of the

Bond Fund. Except as provided in the previous sentence, moneys in the Rebate Fund shall be applied solely to meet the Authority's rebate obligations.

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

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

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

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

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

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

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

(1) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series); direct obligations of the United States Treasury which have been stripped by the Treasury itself, including CATS and TIGRS; the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and obligations issued by the following agencies which are backed by the full faith and credit of the United States: United States Export-Import Bank, including direct obligations or fully guaranteed certificates of beneficial ownership; Farmers Home Administration, including certificates of beneficial ownership; Federal Financing Bank; General Services Administration, including participation certificates; U.S. Maritime Administration, including guaranteed Title XI financing; and U.S. Department of Housing and Urban Development, including project notes, local authority bonds, new communities debentures, and U.S. public housing notes and bonds (collectively, "Government Securities");

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

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

(4) Time or demand deposits or certificates of deposit of banks, including the Trustee, that are members of the Federal Deposit Insurance Corporation and, to the extent not insured by the Federal Deposit Insurance Corporation, secured by a valid and enforceable pledge of Government Securities or other securities authorized by Arkansas law to secure public funds;

(5) Investment agreements, capital notes, deposits or banking arrangements with banks, trust companies, or financial institutions (or holding companies thereof), provided that such obligations meet the requirements of all nationally recognized credit rating agencies currently rating the Bonds;

(6) (i) obligations the interest on which is excluded from gross income of the owner thereof for federal income tax purposes under Section 103(a) of the Code, that are rated in the two highest long-term or short-term rating categories by S&P or Moody's, and are not private activity bonds under the Code; and (ii) United States Treasury-State and Local Government Series, demand deposit securities. If a bond rating agency other than S&P or Moody's is maintaining a rating on the bonds, ratings comparable to those described above shall be required for such obligations; and

(7) Such other investments allowed from time to time by Arkansas law for public deposits.

(f) The Trustee shall determine the market value of all investments from funds held by it on March 21 and September 21 of each year and shall report the market value to the Authority.

Defeasance. Any Bonds shall be deemed to have been paid for purposes of the Indenture if there has been deposited with the Trustee in trust either (a) moneys in an amount, or noncallable Government Securities the principal of and interest on which will, together with any moneys held by the Trustee at the same time and available for such purpose pursuant to the Indenture, without further investment or reinvestment of either the principal amounts thereof or the interest earnings thereon, provide amounts which will be sufficient to pay when due the principal, interest, and premium, if any, to become due and payable on or prior to the respective redemption dates or maturity dates of such Bonds, and (b) in case any of such Bonds are to be redeemed on any date prior to their maturity, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving of such notice.

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

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

(b) Default in the due and punctual payment of any moneys required to be paid into the Bond Fund, the Debt Service Reserve Fund or the Rebate Fund and the continuation thereof for a period of thirty (30) days;

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

(d) Default in the performance or observance of any other of the covenants, agreements or conditions in the Indenture, or in the Bonds, or in Parity Obligations or documents securing Parity Obligations, and the continuance thereof for a period of thirty (30) days after written notice to the Authority by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds;

(e) Declaration of bankruptcy by the Authority; and

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

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

Acceleration. Subject to the rights of the Insurer, upon the occurrence of an event of default, the Trustee may, and upon the written request of the holders of twenty five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture (regardless of series) shall, by notice in writing delivered to the Authority, declare the principal of all Bonds secured and then outstanding under the Indenture and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. The maturity of Bonds shall not be accelerated without the consent of the Insurer.

Remedies.

(a) **Remedies of the Insurer.** Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole owner of the Bonds 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 as a remedy.

(b) **Right of Entry.** Upon the occurrence of any event of default, the Authority, upon demand of the Trustee, shall forthwith surrender to it the actual possession of all or any part of the properties comprising the Trust Estate with the books, papers and accounts of the Authority pertaining thereto and to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee, with or without such permission, may collect, receive and sequester the revenues, earnings, income, products and profits therefrom and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the properties, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the trustee, and all taxes, assessments and other charges prior to the lien of the Indenture which the Trustee may deem it wise to pay, all expenses of such repairs and improvements, and apply the remainder of the money so received by the Trustee in accordance with the applicable provisions of the Indenture. Whenever all that is due upon such Bonds and installments of interest under the terms of the Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the Authority, its successors or assigns.

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

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

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

No remedy conferred upon or reserved to the Trustee (or to the bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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

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

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

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

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

First: to the payment of the Trustee and Paying Agent for amounts due for outstanding fees and expenses, including fees and expenses of agents and counsel;

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

Third: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due

dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

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

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

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

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

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

Supplemental Indentures Not Requiring Consent of Bondholders. With the consent of the Insurer, the Authority and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds, or (d) to make any other change determined by the Trustee to be not materially adverse to the interests of the Bondholders or which does not involve a change referred to in Section 1202 of the Indenture which requires consent of specific Bondholders.

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

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THE CONTINUING DISCLOSURE AGREEMENT

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

As part of its annual reports, the Authority has been obligated to file on EMMA certain statistical information concerning the Authority and audited financial statement of the Authority. During the last five years, the Authority has not failed to materially comply with its continuing disclosure undertakings.

Generally. The Authority will enter into a Continuing Disclosure Agreement with respect to the Bonds. Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

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

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

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

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

"Dissemination Agent" shall mean Regions Bank, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Dissemination Agent and 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 Reports. (a) The Authority shall, or cause the Dissemination Agent to, not later than 180 days after the end of the Authority's fiscal year (presently December 31) commencing with the report after the end of the 2025 fiscal year, provide to the Insurer and the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the Authority. If the fiscal year of the Authority changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing each Annual Report to the MSRB, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee for the issue (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 Authority and the Dissemination Agent to determine if the Authority is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB and the Insurer.

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

Information of the type set forth in the Official Statement under the caption **THE AUTHORITY** concerning water sales for the last fiscal year and the four previous fiscal years; information of the type set forth in the Official Statement under the caption **THE ENTITIES AND THE SERVICE AREA** concerning current Entities and the number of customers of each Entity for the last fiscal year and the four previous fiscal years; and the annual audit of the Authority prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States and applicable State law.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) The Authority shall give, or cause to be given, a notice of the occurrence of any of the following events with respect to the Bonds within ten (10) business days of the occurrence thereof:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the 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 Bonds, or other material events adversely affecting the tax status of the Bonds;
7. modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
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 Authority;
13. the consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an 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; and

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) The Dissemination Agent shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to paragraph (f) below.

(c) After the occurrence of a Listed Event, the Authority shall determine, in a timely manner which will allow the Dissemination Agent to file the notice within the time-frame prescribed by paragraph (f) below, if such event must be reported under applicable federal securities laws.

(d) If the Authority has determined that the occurrence of a Listed Event must be reported under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to paragraph (f). The Authority may submit to the Dissemination Agent the form of the notice to be provided pursuant to paragraph (f).

(e) If in response to a request under paragraph (b) above, the Authority determines that the Listed Event would not be required to be reported under applicable federal securities laws, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to paragraph (f).

(f) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall 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 Authority and the Insurer. If the Authority has provided a form of the notice as set forth in paragraph (d) above, the Dissemination Agent shall file the Authority's form of notice. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Events described in subsections (a)(8) and (9) need not be given any earlier than the notice for the underlying event is given to the registered owners of affected Bonds pursuant to the terms of the Indenture.

(g) The Trustee shall provide the Authority with notice of the occurrence of the change of name of the Trustee in a timely manner which will allow the Authority to make a filing of a Listed Event within the time-frame set forth in this Section.

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

Dissemination Agents. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under a Continuing Disclosure Agreement, and may discharge any such Dissemination 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 Authority pursuant to a Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent. Regions Bank shall be the initial Dissemination Agent.

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

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

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

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Bonds in the same manner as provided in the Indenture for the affected Bonds for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel in reliance upon certifications of the Authority, 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 Authority shall describe such amendment in the next Annual Report with respect to that issue, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. 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 Authority 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 Authority 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 Authority 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 Authority or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Insurer, the Underwriter or any Beneficial Owner may (and the Trustee, at the request of the Underwriter, the Insurer, 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 Authority or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under a Continuing Disclosure Agreement in the event of any failure of the Authority

or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Dissemination Agents and Rights of Indemnity. The Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its 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 its 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 gross negligence or willful misconduct.

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

TAX MATTERS

State Law. In the opinion of Friday, Eldredge & Clark, LLP, 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.

Federal Law. 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 imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Authority 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 under Section 103 of the Code. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the Authority's water system. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements in the Indenture.

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

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

As shown on the inside cover page of this Official Statement, certain of the Bonds are being sold at a premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity

(or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

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

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

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

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

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. It cannot be predicted whether or in what form any such proposals or clarifications might be enacted or approved or whether, if enacted or approved, it would apply to bonds issued before enactment or approval. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also 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 enacted, pending or proposed federal or state tax legislation, regulations, clarifications 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.

LEGALITY

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

LITIGATION

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

ENFORCEABILITY OF REMEDIES

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

UNDERWRITING

Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the Authority at a purchase price of \$_____ (principal amount less Underwriter's discount of \$_____ [net] original issue _____ of \$_____). 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 inside front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

The Underwriter retains the right to conduct related and/or unrelated business with the Authority and its agents, to include the purchase of securities for the purpose accomplishing the purposes for which the Bonds are being issued.

RATINGS

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 Policy to be issued by the Insurer. S&P has assigned an underlying credit rating of "A+ (Stable)" to the Bonds.

Any rating issued reflects only the view of the rating agency. Any explanation of the significance of such ratings may only be obtained from the rating agency. There is no assurance that such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Neither the Authority nor the Underwriter undertakes any responsibility either to bring to the attention of the owners of the Bonds downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and/or projections contained in this Official Statement reflect various estimates and assumptions by the Authority concerning anticipated results. No representations or warranties are made by the Authority as to the accuracy of any such statements, assumptions or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events, some of which are not within the control of the Authority. Accordingly, actual results may vary from the projected results, and such variations may be material. When used in this Official Statement, the words "anticipate," "believe," "estimate," "project," "predict," "expect," "intend," and words or phrases of similar import are intended to identify forward-looking statements.

Although the Authority believes that the expectations reflected in such forward-looking statements are reasonable, the Authority cannot give any assurance that such expectations will prove to have been correct. Actual results could differ materially from expectations for other reasons as well. Actual results may vary materially from those described herein as anticipated, believed, estimated, projected, predicted, expected or intended. Forward-looking statements speak only as of the date they are made, and the Authority undertakes no obligations to update such statements in light of new information, future events or otherwise.

MISCELLANEOUS

Any statement 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 Authority 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 Authority has been authorized by the Authority.

COMMUNITY WATER SYSTEM PUBLIC
WATER AUTHORITY OF THE STATE OF
ARKANSAS

By: _____
President

APPENDIX A



Community Water System Public Water Authority of the State of Arkansas

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023



**Community Water System
Public Water Authority of the State of Arkansas
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December 31, 2024 and 2023**

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Independent Auditor's Report

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Water System Public Water Authority of the State of Arkansas (Authority) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of functional expenses and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audits 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 GAAS. In our opinion, the information is 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. The other information comprises the schedules of water sales and the list of board of directors (board) but does not include the financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Little Rock, Arkansas
March 17, 2025**

**Community Water System
Public Water Authority of the State of Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2024 and 2023**

Introduction

This management's discussion and analysis of the financial performance of Community Water System Public Water Authority of the State of Arkansas (Authority) provides an overview of the Authority's financial activities for the years ended December 31, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Operating (unrestricted) cash and cash equivalents increased in 2024 by \$525,566, or 43%, and decreased in 2023 by \$88,875, or 7%.
- Restricted assets increased in 2024 by \$4,691,566, or 146%, and decreased in 2023 by \$451,598, or 12%. The increase in 2024 is due to the issuance of the Series 2024 Water Revenue Bonds in the amount of \$5,000,000.
- Net position increased in 2024 by \$4,283,227 and increased in 2023 by \$177,760.
- The Authority reported operating income of \$1,930,944 and \$976,117 in 2024 and 2023, respectively.

Using This Annual Report

The Authority's financial statements consist of three statements – balance sheets, the statements of revenues, expenses and changes in net position and the statements of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors or grantors. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses, and Changes in Net Position

The balance sheet presents information about the four elements that make up the Utility's statements of net position. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The statements of revenues, expenses and changes in net position present information that shows how the Utility's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., water revenues for water service provided in the current reporting period that will not be collected until the next reporting period or expenses associated with goods or services received by the Utility in the current reporting period that will be paid for in the next reporting period).

The Statements of Cash Flows

The statements of cash flows report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities (when applicable). It provides answers to such questions as where did the cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

**Community Water System
Public Water Authority of the State of Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2024 and 2023**

(Continued)

The Authority's Net Position

Net position is the difference between assets plus deferred outflows of resources, if any, and liabilities plus deferred inflows of resources, if any.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, and Net Position

	2024	2023	2022
Assets			
Cash and cash equivalents	\$ 1,761,875	\$ 1,236,309	\$ 1,325,184
Restricted cash and cash equivalents – current	1,917,124	1,779,008	1,766,969
Certificates of deposit	447,420	615,883	610,664
Investments	-	-	223,143
Accounts receivable	923,093	825,001	998,990
Other current assets	836,189	858,392	624,039
Lease assets, net	-	-	23,727
Capital assets, net	45,489,919	46,211,180	46,651,795
Other noncurrent assets – restricted	7,042,563	2,117,079	2,580,716
Total assets	58,418,183	53,642,852	54,805,227
Deferred Outflows of Resources	377,460	401,796	426,132
Total assets and deferred outflows of resources	\$ 58,795,643	\$ 54,044,648	\$ 55,231,359
Liabilities			
Current liabilities	\$ 2,153,971	\$ 2,270,698	\$ 2,127,867
Long-term debt	36,858,837	36,275,032	37,780,524
Other liabilities – noncurrent	133,245	132,555	134,365
Total liabilities	39,146,053	38,678,285	40,042,756
Net Position			
Net invested in capital assets	13,248,356	10,492,473	10,281,952
Restricted	1,105,740	820,139	573,258
Unrestricted	5,295,494	4,053,751	4,333,393
Total net position	19,649,590	15,366,363	15,188,603
Total liabilities and net position	\$ 58,795,643	\$ 54,044,648	\$ 55,231,359

During 2024, there was an increase in unrestricted cash and cash equivalents of \$525,566, or 43%, primarily due to an increase in wholesale and retail rates and operating revenues. Unrestricted cash and cash equivalents decreased in 2023 by \$88,875, or 7%, primarily due to the Authority using more cash during the year to fund operations. There was an increase in restricted assets in 2024 of \$4,691,566, or 146%, compared to a decrease in 2023 of \$451,597, or 12%. The increase in 2024 is primarily due to the bond proceeds from the Series 2024 Bonds.

**Community Water System
Public Water Authority of the State of Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2024 and 2023**

(Continued)

Capital assets, net of accumulated depreciation, decreased \$721,261 during 2024. During 2023, capital assets, net of accumulated depreciation, decreased \$440,615 after depreciation expense of \$1,948,753 during 2023. The decreases are due to depreciation expense being greater than the capital asset additions.

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
Operating Revenues			
Net water sales	\$ 10,086,491	\$ 8,582,686	\$ 7,807,328
Other operating revenues	379,483	386,404	404,583
Total operating revenues	10,465,974	8,969,090	8,211,911
Operating Expenses			
Production expense	2,874,280	2,741,032	2,487,240
Transmission and distribution expense	2,760,905	2,622,214	2,524,112
General and administrative expense	1,024,329	823,936	708,831
Faulkner/Cleburne Counties distribution expense	1,875,516	1,805,791	1,764,108
Total operating expenses	8,535,030	7,992,973	7,484,291
Operating Income	1,930,944	976,117	727,620
Nonoperating Revenues (Expenses)			
Grant revenue	3,098,264	-	-
Investment income	324,807	91,514	78,341
Other income	172,653	125,352	174,485
Bond issuance costs	(163,766)	-	-
Interest expense	(1,079,675)	(1,015,223)	(1,044,543)
Net nonoperating expenses	2,352,283	(798,357)	(791,717)
Change in Net Position	\$ 4,283,227	\$ 177,760	\$ (64,097)

Operating Income

In 2024, the Authority's operating income increased by \$954,827 compared to 2023. The increase was driven primarily by an increase of wholesale and retail rates in 2024 compared to 2023.

In 2023, the Authority's operating income increased by \$248,497 compared to 2022. The increase was driven primarily by an increase of wholesale and retail rates in 2023 compared to 2022.

Nonoperating Revenues and Expenses

In 2024, the Authority's grant income increased by \$3,098,264 compared to 2023, primarily due to a federal grant received in 2024 used for capital projects.

The Authority also has investment income and interest expense, of which investment income increased by \$233,293 in 2024 compared to 2023 due to an increase in interest rates. Interest expense increased by \$64,452 in 2024 compared to 2023 due the bonds being issued in 2024.

Investment income increased by \$13,173 in 2023 compared to 2022 due to an increase in interest rates. Interest expense decreased by \$29,320 in 2023 compared to 2022 due to the decrease in the outstanding bond balance.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses.

Capital Assets, Lease Assets, and Debt Administration

Capital and Lease Assets

At the end of 2024 and 2023, the Authority had \$45,489,919 and \$46,211,180, respectively, invested in capital and lease assets, net of accumulated depreciation and amortization, as detailed in *Note 3* to the financial statements. In 2024, the Authority added \$1,500,962 in new system infrastructure. In 2023, the Authority added \$1,455,063 in new system infrastructure.

Debt

At December 31, 2024, the Authority had \$38,473,428 outstanding in revenue bonds, which increased by \$690,611, or 2%, compared to 2023. The Authority issued \$5,000,000 in bonds during 2024. This amount was partially offset by an additional principal payment of \$2,783,240 on the Series 2021A bonds and scheduled principal payments.

At the end of 2023, the Authority had \$37,782,812 outstanding in revenue bonds and lease liability, which decreased by \$1,495,351, or 4%, compared to 2022.

Contacting the Authority's Financial Management

This financial report is designed to provide customers, suppliers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority by calling 501.825.7294.

**Community Water System
Public Water Authority of the State of Arkansas
Balance Sheets
December 31, 2024 and 2023**

Assets and Deferred Outflows of Resources

	2024	2023
Current Assets		
Cash and cash equivalents	\$ 1,761,875	\$ 1,236,309
Restricted cash and cash equivalents – current	1,917,124	1,779,008
Certificates of deposit	447,420	615,883
Accounts receivable – customers	921,817	823,864
Accounts receivable – other	1,276	1,137
Inventory	818,094	855,334
Prepaid expenses	18,095	3,058
Total current assets	<u>5,885,701</u>	<u>5,314,593</u>
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	5,231,808	678,358
Investments	1,809,695	1,437,661
Accrued interest receivable	1,060	1,060
Total restricted assets	<u>7,042,563</u>	<u>2,117,079</u>
Capital assets – nondepreciable	2,143,466	1,276,451
Capital assets – depreciable, net	<u>43,346,453</u>	<u>44,934,729</u>
Total capital assets, net	<u>45,489,919</u>	<u>46,211,180</u>
Total noncurrent assets	<u>52,532,482</u>	<u>48,328,259</u>
Total assets	<u>58,418,183</u>	<u>53,642,852</u>
Deferred Outflows of Resources		
Deferred amount on bond refundings	<u>377,460</u>	<u>401,796</u>
Total assets and deferred outflows of resources	<u><u>\$ 58,795,643</u></u>	<u><u>\$ 54,044,648</u></u>

Community Water System
Public Water Authority of the State of Arkansas
Balance Sheets
December 31, 2024 and 2023

(Continued)

Liabilities and Net Position

	2024	2023
Current Liabilities		
Current maturities of long-term debt	\$ 1,614,591	\$ 1,507,785
Accounts payable – trade	169,122	352,891
Accrued expenses	67,725	138,799
Accrued interest payable	302,533	271,223
	<u>2,153,971</u>	<u>2,270,698</u>
Noncurrent Liabilities		
Bonds payable, net	36,858,837	36,275,032
Customer meter deposits	133,245	132,555
	<u>36,992,082</u>	<u>36,407,587</u>
Total noncurrent liabilities	<u>36,992,082</u>	<u>36,407,587</u>
Total liabilities	<u>39,146,053</u>	<u>38,678,285</u>
Net Position		
Net investment in capital assets	13,248,356	10,492,473
Restricted expendable for debt service	1,105,740	820,139
Unrestricted	5,295,494	4,053,751
	<u>19,649,590</u>	<u>15,366,363</u>
Total net position	<u>19,649,590</u>	<u>15,366,363</u>
Total liabilities and net position	<u>\$ 58,795,643</u>	<u>\$ 54,044,648</u>

**Community Water System
Public Water Authority of the State of Arkansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023**

	2024	2023
Operating Revenues		
Water sales		
Retail	\$ 4,047,620	\$ 3,321,524
Wholesale	6,038,871	5,261,162
	<u>10,086,491</u>	<u>8,582,686</u>
Service fees	35,765	49,970
Miscellaneous operating revenues	<u>343,718</u>	<u>336,434</u>
Total operating revenues	<u>10,465,974</u>	<u>8,969,090</u>
Operating Expenses		
Production expense	2,874,280	2,741,032
Transmission and distribution expense	2,760,905	2,622,214
General and administrative expense	1,024,329	823,936
Faulkner/Cleburne Counties distribution expense	<u>1,875,516</u>	<u>1,805,791</u>
Total operating expenses	<u>8,535,030</u>	<u>7,992,973</u>
Operating Income	<u>1,930,944</u>	<u>976,117</u>
Nonoperating Revenues (Expenses)		
Grant revenue	3,098,264	-
Investment income	324,807	91,514
Other income	172,653	125,352
Bond issuance costs	(163,766)	-
Interest expense	<u>(1,079,675)</u>	<u>(1,015,223)</u>
Net nonoperating expenses	<u>2,352,283</u>	<u>(798,357)</u>
Increase in Net Position	4,283,227	177,760
Net Position, Beginning of Year	<u>15,366,363</u>	<u>15,188,603</u>
Net Position, End of Year	<u>\$ 19,649,590</u>	<u>\$ 15,366,363</u>

**Community Water System
Public Water Authority of the State of Arkansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023**

	2024	2023
Operating Activities		
Customer receipts	\$ 9,988,399	\$ 8,756,675
Service fee receipts	35,765	49,970
Other receipts	516,371	461,786
Payments to suppliers and contractors	(3,445,007)	(3,521,022)
Payments to employees	(1,257,180)	(1,173,126)
Other payments	(1,842,570)	(1,476,631)
Net cash provided by operating activities	<u>3,995,778</u>	<u>3,097,652</u>
Capital and Related Financing Activities		
Acquisition of capital assets	(1,500,962)	(1,455,063)
Grant revenue	3,098,264	-
Principal paid on long-term debt	(4,301,486)	(1,483,918)
Principal paid on lease payable	-	(8,160)
Proceeds from issuance of debt	4,828,331	-
Interest paid on long-term debt	(1,024,029)	(1,000,422)
Net cash provided by (used in) capital and related financing activities	<u>1,100,118</u>	<u>(3,947,563)</u>
Investing Activities		
Sale of investments	102,809	188,317
Purchase of investments	(435,454)	-
Sale of certificates of deposit	615,883	610,664
Purchase of certificates of deposit	(447,420)	(615,883)
Investment income	285,418	107,181
Net cash provided by investing activities	<u>121,236</u>	<u>290,279</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>5,217,132</u>	<u>(559,632)</u>
Cash and Cash Equivalents, Beginning of Year	<u>3,693,675</u>	<u>4,253,307</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 8,910,807</u></u>	<u><u>\$ 3,693,675</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 1,761,875	\$ 1,236,309
Restricted cash and cash equivalents	<u>7,148,932</u>	<u>2,457,366</u>
Total cash and cash equivalents	<u><u>\$ 8,910,807</u></u>	<u><u>\$ 3,693,675</u></u>

Community Water System
Public Water Authority of the State of Arkansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

(Continued)

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 1,930,944	\$ 976,117
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	2,222,223	1,919,405
Other income	172,653	125,352
Changes in:		
Accounts receivables	(98,092)	173,989
Prepaid expenses	(15,037)	16,973
Inventory	37,240	(251,326)
Accounts payable	(183,769)	151,046
Accrued expenses and other liabilities	(70,384)	(13,904)
	<u>\$ 3,995,778</u>	<u>\$ 3,097,652</u>

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Community Water System Public Water Authority of the State of Arkansas (Authority) is a Public Water Authority authorized and formed under Arkansas Code Ann. 4-35-201 to 217. The purpose of the Authority is to associate its users together for their mutual benefit for the purpose of constructing, maintaining and operating a water system. The system is supported primarily through service revenue and other user fees.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, investment income and interest on capital assets – related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of money market accounts with brokers.

Accounts Receivable

Accounts receivable consist of amounts due from customers for water sales and are stated at the amount billed to customers plus any accrued and unpaid late fees. Accounts receivable are ordinarily due on the 15th of the month following the month billed. Accounts that are unpaid after the due date are charged a late fee. Accounts more than 30 days past due are considered delinquent and service is disconnected. Accounts are written off as bad debts based on individual credit evaluation and specific circumstances of the account. No allowance for uncollectible accounts has been recorded as of December 31, 2024 and 2023, because management believes any potential uncollectible accounts are immaterial to the financial statements.

Inventories

Inventories consist of materials and supplies used in operations and are stated at the lower of cost or market. Cost is determined using the weighted-average cost.

**Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023**

Investments and Investment Income

Investments in money market mutual funds and nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment income includes dividend and interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value. Investment income is included as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

The following estimated useful lives are being used by the Authority:

Supply, treatment, and distribution facilities	10–50 years
Equipment	3–10 years
Water storage space	40 years

Property acquired with grant funds is considered to be owned by the Authority while used in the program for which it was purchased or in future authorized programs. In addition, the federal government has a reversionary interest in the property. The disposition of property purchased, as well as any proceeds therefrom, is subject to federal regulation.

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Deferred Outflows of Resources

The Authority reports the consumption of net position applicable to future periods as deferred outflows of resources in a separate section of its balance sheets.

Compensated Absences

The Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Net Position

Net position of the Authority is classified into three components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors or others external to the Authority, including amounts deposited with trustees as required by bond indentures.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Operating revenues include activities that have the characteristics of exchange transactions, such as assessments levied, industrial surcharges, connection fee, and other water fees and are reported as operating revenues. Transactions which are capital, financing or investing related are reported as nonoperating revenues.

Government Grants

Support funded by grants is recognized as the Authority performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Accounting Pronouncement Adopted

The Authority adopted GASB Statement No. 101 – *Compensated Absences*, for the year ended December 31, 2024. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The adoption of the standard had no impact on the Authority's financial statements for the years ended December 31, 2024 or 2023.

Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023

Note 2: Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas; bonds of any city, county, school district or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2024 and 2023, the Authority's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk.

Investments

Arkansas statutes authorize the Authority to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the *Investment Company Act of 1940* and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

At December 31, 2024 and 2023, the Authority had the following investments and maturities:

Type	2024				
	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More than 10
U.S. treasury notes	\$ 1,809,695	\$ 767,006	\$ 1,042,689	\$ -	\$ -
	<u>\$ 1,809,695</u>	<u>\$ 767,006</u>	<u>\$ 1,042,689</u>	<u>\$ -</u>	<u>\$ -</u>
Type	2023				
	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More than 10
U.S. treasury notes	\$ 1,437,661	\$ 536,494	\$ 901,167	\$ -	\$ -
	<u>\$ 1,437,661</u>	<u>\$ 536,494</u>	<u>\$ 901,167</u>	<u>\$ -</u>	<u>\$ -</u>

**Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023**

Interest Rate Risk – The Authority’s policy does not limit the maturity of a single investment. The average-weighted maturities of the underlying investments in the Authority’s money market mutual funds are less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2024 and 2023, the Authority’s investment in money market mutual funds were rated AAAM and Aaa-mf by Standard & Poor’s and Moody’s, respectively.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Authority’s investment policy does not specifically address credit risk, concentration of credit risk or custodial credit risk.

Summary of Carrying Values

The carrying values of deposits and investments shown are included in the balance sheets as follows:

	<u>2024</u>	<u>2023</u>
Carrying value		
Deposits	\$ 3,928,431	\$ 3,359,850
Investments	<u>7,239,491</u>	<u>2,387,369</u>
	<u>\$ 11,167,922</u>	<u>\$ 5,747,219</u>
Included in the following balance sheet captions:		
Current assets		
Cash and cash equivalents	\$ 1,761,875	\$ 1,236,309
Restricted cash and cash equivalents	1,917,124	\$ 1,779,008
Certificates of deposit	447,420	615,883
Restricted assets		
Cash and cash equivalents	5,231,808	678,358
Investments	<u>1,809,695</u>	<u>1,437,661</u>
	<u>\$ 11,167,922</u>	<u>\$ 5,747,219</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

The Authority’s recurring fair value measurements as of December 31, 2024 and 2023 consist of U.S. Treasury notes, which are valued using quoted market prices (Level 1 inputs).

Investment Income

Total investment return is comprised of the following below.

Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023

	2024	2023
Interest and dividend income	\$ 285,418	\$ 56,688
Net realized and unrealized gains on investments	39,389	34,826
	<u>\$ 324,807</u>	<u>\$ 91,514</u>

Note 3: Capital and Lease Assets

Capital and lease assets activity for the years ended December 31, 2024 and 2023 was:

	2024				
	Beginning Balance	Additions	Disposals	Net Transfers	Ending Balance
Capital Assets and Leases, Nondepreciable					
Land and land rights	\$ 554,527	\$ -	\$ -	\$ -	\$ 554,527
Construction in progress	721,924	1,500,962		(633,947)	1,588,939
Total capital and lease assets, nondepreciable	<u>1,276,451</u>	<u>1,500,962</u>	<u>-</u>	<u>(633,947)</u>	<u>2,143,466</u>
Capital Assets and Leases, Depreciable					
Supply, treatment, and distribution facilities	83,257,899	-	253,189	681,402	83,686,112
Equipment lease	47,455	-	-	(47,455)	-
Water storage space	1,000,478	-	-	-	1,000,478
Total capital and leases assets, depreciable	<u>84,305,832</u>	<u>-</u>	<u>253,189</u>	<u>633,947</u>	<u>84,686,590</u>
Total capital and lease assets	<u>85,582,283</u>	<u>1,500,962</u>	<u>253,189</u>	<u>-</u>	<u>86,830,056</u>
Less accumulated depreciation					
Supply, treatment, and distribution facilities	38,829,563	2,207,987	253,189	47,455	40,831,816
Equipment lease	33,219	14,236	-	(47,455)	-
Water storage space	508,321	-	-	-	508,321
	<u>39,371,103</u>	<u>2,222,223</u>	<u>253,189</u>	<u>-</u>	<u>41,340,137</u>
Total capital and lease assets, net	<u>\$ 46,211,180</u>	<u>\$ (721,261)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,489,919</u>

**Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023**

	2023				
	Beginning Balance	Additions	Disposals	Net Transfers	Ending Balance
Capital Assets and Leases, Nondepreciable					
Land and land rights	\$ 464,663	\$ -	\$ -	\$ 89,864	\$ 554,527
Construction in progress	4,259,790	1,455,063	-	(4,992,929)	721,924
Total capital and lease assets, nondepreciable	4,724,453	1,455,063	-	(4,903,065)	1,276,451
Capital Assets and Leases, Depreciable					
Supply, treatment and distribution facilities	78,478,910	-	124,076	4,903,065	83,257,899
Equipment lease	47,455	-	-	-	47,455
Water storage space	1,000,478	-	-	-	1,000,478
Total capital and leases assets, depreciable	79,526,843	-	124,076	4,903,065	84,305,832
Total capital and lease assets	84,251,296	1,455,063	124,076	-	85,582,283
Less accumulated depreciation and amortization					
Supply, treatment and distribution facilities	37,045,828	1,907,811	124,076	-	38,829,563
Equipment lease	23,728	9,491	-	-	33,219
Water storage space	506,218	2,103	-	-	508,321
	37,575,774	1,919,405	124,076	-	39,371,103
Total capital and lease assets, net	\$ 46,675,522	\$ (464,342)	\$ -	\$ -	\$ 46,211,180

Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023

Note 4: Long-Term Debt

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2024 and 2023:

Description	2024				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Revenue bonds payable (A)	\$ 2,966,462	\$ -	\$ 192,784	\$ 2,773,678	199,591
Revenue bonds payable (B)	2,470,000	-	10,000	2,460,000	5,000
Revenue bonds payable (C)	4,880,000	-	155,000	4,725,000	160,000
Revenue bonds payable (D)	3,975,000	-	2,901,356	1,073,644	120,000
Revenue bonds payable (E)	23,480,000	-	1,040,000	22,440,000	1,045,000
Revenue bonds payable (G)	-	5,000,000	-	5,000,000	85,000
	37,771,462	5,000,000	4,299,140	38,472,322	1,614,591
Discount on 2019 bonds	(13,434)	-	(576)	(12,858)	-
Premium on 2021 bonds	24,789	-	3,074	21,715	-
Discount on 2024 bonds	-	(7,903)	(152)	(7,751)	-
	11,355	(7,903)	2,346	1,106	-
	<u>\$ 37,782,817</u>	<u>\$ 4,992,097</u>	<u>\$ 4,301,486</u>	<u>\$ 38,473,428</u>	<u>\$ 1,614,591</u>
Description	2023				Amount Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Revenue bonds payable (A)	\$ 3,149,496	\$ -	\$ 183,034	\$ 2,966,462	\$ 192,785
Revenue bonds payable (B)	2,475,000	-	5,000	2,470,000	10,000
Revenue bonds payable (C)	5,030,000	-	150,000	4,880,000	155,000
Revenue bonds payable (D)	4,090,000	-	115,000	3,975,000	110,000
Revenue bonds payable (E)	24,510,000	-	1,030,000	23,480,000	1,040,000
Lease liability (F)	8,023	-	8,023	-	-
	39,262,519	-	1,491,057	37,771,462	1,507,785
Discount on 2019 bonds	(14,009)	-	(575)	(13,434)	-
Premium on 2021 bonds	26,248	-	1,459	24,789	-
	12,239	-	884	11,355	-
	<u>\$ 39,274,758</u>	<u>\$ -</u>	<u>\$ 1,491,941</u>	<u>\$ 37,782,817</u>	<u>\$ 1,507,785</u>

**Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023**

- (A) The revenue bonds payable consist of Water Refunding and Improvement Revenue Bonds Series 2005 in the original amount of \$5,450,000 dated October 1, 2005, which bear interest at 2.50% and an additional service fee of 1.00%. The bonds are payable in semi-annual installments through April 15, 2036. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (B) The revenue bonds payable consist of Construction Refunding Bonds Series 2018 in the original amount of \$3,340,000, dated July 31, 2018, which bear interest at 3.00% to 3.95%. The bonds are payable at annual installments through February 2048. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (C) On October 17, 2019, the Authority issued \$5,350,000 of revenue refunding and improvement bonds (Series 2019) to refund the Series 2014 Bonds and to finance the cost of certain capital improvements. The bonds bear interest at 2.125% to 3.125% and are payable in semi-annual installments through February 2046. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.
- (D) On June 22, 2021, the Authority issued the Water Revenue Bonds Series 2021A in the original amount of \$4,180,000, which bear interest at 2.00% to 2.125%. The bonds are being issued to finance costs of certain capital improvements. The bonds are payable in semi-annual installments. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

During the year ended December 31, 2024, the Authority defeased \$2,791,356 of the outstanding 2021A Series bonds. The monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the 2021A Series bonds. As a result, the 2021A Series bonds are considered to be partially defeased, and that portion of the liability for those bonds has been removed from the Authority's balance sheet.

- (E) On June 22, 2021, the Authority issued the Water Revenue Bonds Series 2021B in the original amount of \$24,855,000, which bear interest at 0.45% to 3.10%. The bonds are being issued to provide funds to be used to advance refund the Authority's Series 2012A Bonds. The bonds are payable in semi-annual installments through October 1, 2042. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by a Trust Indenture dated June 22, 2021 between the Issuer and Regions Bank, the trustee.
- (F) The Authority leased equipment for \$1,595 per month, including interest at 3.125%, with a final payment on July 2023. The Authority has exercised the end of lease purchase option of \$1.
- (G) On April 17, 2024, the Authority issued the Water Revenue Bonds Series 2024 in the original amount of \$5,000,000, which bear interest at 3.50% to 4.50%. The bonds are being issued to finance costs of acquiring, constructing, and equipping betterments and improvements to the Authority's water facilities, funding a debt service reserve, and paying expenses of issuing the bonds. The bonds are payable in semi-annual installments through October 1, 2054. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by a Trust Indenture dated April 17, 2024 between the Issuer and Regions Bank, the trustee.

**Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2024 and 2023**

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as restricted assets in the balance sheets. The indenture agreements also require the Authority to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 110% and restrictions on incurrence of additional debt. If the Authority fails to comply with its covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the covenant.

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds payable outstanding at December 31, 2024:

	Principal	Interest
2025	\$ 1,614,591	\$ 1,144,711
2026	1,646,638	1,119,060
2027	1,673,934	1,091,061
2028	1,706,487	1,059,833
2029	1,744,307	1,026,192
2030-2034	9,189,107	4,482,840
2035-2039	9,102,258	3,151,036
2040-2044	7,770,000	1,489,516
2045-2049	2,700,000	553,462
2050-2054	1,325,000	184,275
	\$ 38,472,322	\$ 15,301,986

Note 5: Construction Commitments

At December 31, 2024, the Authority had the following commitments:

	Project Authorization	Expended Through December 31, 2024	Remaining Commitment
Edgemont Station	\$ 1,325,045	\$ 437,342	\$ 887,703
4 MGD WTP Expansion	2,000,000	337,652	1,662,348
Indian Hills Pump Station	636,500	16,000	620,500

Note 6: Pension Plan

The Authority contributes to a non-trusted defined contribution SEP-IRA pension plan (Plan) covering substantially all employees who have been employed at least two years and who have attained the age of 18. The Plan was established to provide retirement and death benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and may be amended by the board of directors of the Authority. At December 31, 2024 and 2023, there were approximately 28 and 27 plan members, respectively. The Authority contributes 10% of employees' eligible compensation to the Plan. Contributions made by the Authority totaled \$167,895 and \$159,733 during 2024 and 2023, respectively. Employees are fully vested in all contributions to the Plan.

Note 7: Future Adoption of Accounting Pronouncements

GASB Statement No. 102, *Certain Risk Disclosures*

The objective of GASB Statement No. 102, *Certain Risk Disclosures*, is to provide users of the financial statements essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. GASB 102 is effective for the Authority's fiscal year 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*

The objective of GASB Statement No. 103, *Financial Reporting Model Improvements*, is improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. GASB 103 is effective for the Authority's fiscal year 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

The objective of GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is to provide users of the financial statements with essential information about certain types of capital assets. GASB 103 is effective for the Authority's fiscal year 2026.

Supplementary Information

Community Water System
Public Water Authority of the State of Arkansas
Schedule of Functional Expenses
Year Ended December 31, 2024

	Production Expense	Transmission and Distribution Expense	General and Administrative Expense
Operating Expenses			
Materials and supplies	\$ 502,352	\$ 12,199	\$ 34,865
Salaries and fringe benefits	125,092	283,418	666,538
Contract billing and remittance	-	-	124,096
Repairs and maintenance	1,068,779	1,194,589	102,060
Grounds maintenance	12,414	6,514	13,148
Utilities and telephone	530,411	298,249	36,499
Cleaning and janitorial	882	-	1,558
Postage	-	-	2,614
Licenses and fees	1,509	16,742	-
Insurance	62,031	39,644	27,615
Directors' expense	-	-	20,372
Dues	-	-	6,940
Travel expense	-	-	23,773
Consulting fees	4,200	-	39,745
Annual meeting	-	-	14,280
Advertising and promotion	-	-	12,680
Other expense	9,958	43,420	41,137
Depreciation and amortization expense	556,652	866,130	145,725
Administrative allocation	-	-	(289,316)
	<u>2,874,280</u>	<u>2,760,905</u>	<u>1,024,329</u>
Nonoperating Expense			
Interest expense and bond issuance costs	<u>575,058</u>	<u>330,270</u>	<u>24,283</u>
Total functional expenses	<u><u>\$ 3,449,338</u></u>	<u><u>\$ 3,091,175</u></u>	<u><u>\$ 1,048,612</u></u>

Faulkner/ Cleburne Counties Distribution Expense		Total	
\$	1,320	\$	550,736
	182,132		1,257,180
	-		124,096
	223,276		2,588,704
	2,866		34,942
	311,816		1,176,975
	-		2,440
	-		2,614
	983		19,234
	19,967		149,257
	-		20,372
	-		6,940
	-		23,773
	8,650		52,595
	-		14,280
	-		12,680
	181,474		275,989
	653,716		2,222,223
	289,316		-
	1,875,516		8,535,030
	313,830		1,243,441
\$	2,189,346	\$	9,778,471

Community Water System
Public Water Authority of the State of Arkansas
Schedules of Water Sales (Unaudited)
Years Ended December 31, 2024 and 2023

	2024	2023
Gross water revenue		
Retail	\$ 4,047,620	\$ 3,321,524
Wholesale	6,038,871	5,261,162
Total revenue (water sales)	<u>\$ 10,086,491</u>	<u>\$ 8,582,686</u>
Number of connections (including wholesale connections)	<u>7,491</u>	<u>7,289</u>
Number of gallons sold		
Retail	288,206,400	289,799,500
Retail wholesale	75,182,000	68,511,000
Wholesale	<u>1,454,261,000</u>	<u>1,438,435,000</u>
Total gallons sold	<u>1,817,649,400</u>	<u>1,796,745,500</u>

**Community Water System
Public Water Authority of the State of Arkansas
Board of Directors (Unaudited)
Years Ended December 31, 2024 and 2023**

Name	Title
John Buster	President
Jackie Melton	Vice President
Brenda Smith	Treasurer
Terry Robinson	Board Member
Brenda Bates	Board Member

Community Water System
Public Water Authority of the State of Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing</u>	<u>Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Treasury				
Passed through from:				
Arkansas Natural Resources Commission				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	02063-ARPA-G	-	3,098,264
Total Schedule of Expenditures of Federal Awards			\$ -	\$ 3,098,264

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Community Water System Public Water Authority of the State of Arkansas (Authority) under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

Independent Auditor's Report

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Audit Standards*), the financial statements of Community Water System Public Water Authority of the State of Arkansas (Authority), which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Forvis Mazars, LLP

Little Rock, Arkansas

March 17, 2025

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, Arkansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Community Water System Public Water Authority of the State of Arkansas's (Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2024. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

Little Rock, Arkansas

March 17, 2025

Community Water System Public Authority of the State of Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. Internal control over financial reporting:
- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal programs:
- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
5. Type of auditor’s report issued on compliance for major federal program(s):
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No
7. Identification of major federal program:

Assistance Listing Number

Name of Federal Program or Cluster

21.027

Coronavirus State and Local Fiscal Recovery Funds

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

**Community Water System
Public Water Authority of the State of Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024**

(Continued)

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

**Community Water System
Public Water Authority of the State of Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2024**

Reference Number	Summary of Finding	Status
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No matters are reportable.

APPENDIX B

APPENDIX C



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, 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 Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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 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 AG 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)