

**NEW ISSUE – Book-Entry Only**

**NOT RATED**

*In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Series 2022 Bonds is excludable from gross income for federal income tax purposes subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must have been or must be satisfied prior to or subsequent to the issuance of the Series 2022 Bonds, (ii) interest on the Series 2022 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) the Series 2022 Bonds are “qualified tax-exempt obligations,” and (iv) the Series 2022 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. (See LEGAL MATTERS, Tax Exemption.)*

**\$1,715,000**  
**CITY OF FAIRFIELD BAY, ARKANSAS**  
**SALES AND USE TAX REFUNDING BONDS**  
**SERIES 2022**

Dated: Date of Delivery

Due: June 1, as shown below

The Series 2022 Bonds of each maturity and interest rate 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 Series 2022 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 Series 2022 Bonds will not receive physical delivery of Series 2022 Bonds. Payments of principal of and interest on the Series 2022 Bonds will be made by Simmons Bank, Pine Bluff, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2022 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2022 Bonds, all as further described herein.

Principal of and interest on the Series 2022 Bonds are payable from a pledge of receipts derived by the City of Fairfield Bay, Arkansas (the “City”) from a 1% sales and use tax levied by the City. See **SECURITY FOR THE SERIES 2022 BONDS** herein.

Interest on the Series 2022 Bonds is payable on each June 1 and December 1, commencing December 1, 2022. The Series 2022 Bonds mature (on June 1 of each year), bear interest and are priced to yield as follows:

**MATURITY SCHEDULE**

\$1,715,000 Term Bonds

\$285,000	2.100% Term Bonds Due June 1, 2027	Yield 2.100%	CUSIP 304168 AY3
\$325,000	2.375% Term Bonds Due June 1, 2032	Yield 2.375%	CUSIP 304168 AZ0
\$370,000	3.000% Term Bonds Due June 1, 2037	Yield 3.030%	CUSIP 304168 BA4
\$735,000	3.250% Term Bonds Due June 1, 2045	Yield 3.300%	CUSIP 304168 BB2

The Series 2022 Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriter named below, subject to the approval of legality by Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, Bond Counsel, and subject to certain other conditions.

It is expected that the Series 2022 Bonds will be available for delivery on or about April 19, 2022.

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

**Stephens**

Dated: March 15, 2022

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No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2022 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Series 2022 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 exemption in such laws from such registration and qualification.

Certain information contained in this Official Statement has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and nothing in this Official Statement is to be construed as a representation by the Underwriter.

The CUSIP numbers shown herein have been assigned by an organization not affiliated with the City. Neither the City, the Underwriter nor the Trustee were responsible for the selection of CUSIP numbers, and neither make any representation as to the accuracy of such numbers on the Series 2022 Bonds or as indicated herein.

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.

THIS OFFICIAL STATEMENT INCLUDES "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED FROM TIME TO TIME (THE "EXCHANGE ACT"). ALL STATEMENTS REGARDING THE CITY'S EXPECTED FINANCIAL POSITION, BUSINESS AND FINANCING PLANS ARE FORWARD-LOOKING STATEMENTS. THE CITY BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS, AND THE ESTIMATES AND ASSUMPTIONS, ON WHICH THEY ARE BASED, ARE REASONABLE. HOWEVER, ESTIMATES AND ASSUMPTIONS ARE INHERENTLY UNCERTAIN, AND NO ASSURANCE CAN BE GIVEN THAT THEY WILL PROVE TO BE CORRECT OR THAT EXPECTATIONS BASED UPON THEM WILL BE REALIZED. THE CITY THEREFORE CANNOT AND DOES NOT WARRANT THAT THE RESULTS CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED, AND IT IS LIKELY THAT ACTUAL RESULTS WILL DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS. ACCORDINGLY, UNDUE RELIANCE SHOULD NOT BE PLACED UPON SUCH FORWARD-LOOKING STATEMENTS.

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## OFFICIAL STATEMENT

**\$1,715,000**  
**CITY OF FAIRFIELD BAY, ARKANSAS**  
**SALES AND USE TAX REFUNDING BONDS**  
**SERIES 2022**

### INTRODUCTION TO OFFICIAL STATEMENT

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

This Official Statement of the City of Fairfield Bay, Arkansas (the “City”) is furnished in connection with the offering by the City of its \$1,715,000 principal amount of Sales and Use Tax Refunding Bonds, Series 2022, dated April 19, 2022 (the “Series 2022 Bonds”). The Series 2022 Bonds are being issued for the purpose of (i) financing all of the costs of refunding the City’s Sales and Use Tax Bonds, Series 2015 (the “Refunding”); (ii) funding a debt service reserve; and (iii) paying the costs of issuing the Series 2022 Bonds. See **THE SERIES 2022 BONDS**, Purposes for the Series 2022 Bonds.

The City incorporated in 1993 and is a city of the second class duly organized under the laws of the State of Arkansas (the “State”) and is located in north central Arkansas. The City is authorized under Amendment No. 62 to the Constitution of the State (“Amendment 62”) and Title 14, Chapter 164, Subchapter 3 of the Arkansas Code of 1987 Annotated (the “Authorizing Legislation”) to issue capital improvement bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTIES**.

The Series 2022 Bonds are not general obligations of the City, but are special obligations payable from a pledge of receipts derived by the City from collections of a 1% sales and use tax (the “Tax”). See **SECURITY FOR THE SERIES 2022 BONDS**, The Tax. The Tax was approved initially by the electors of the City at a special election held on November 7, 2000 pursuant to Ordinances No. 2000-81 and 2000-82 of the City adopted on September 11, 2000 (collectively, the “Tax Ordinance”). The Tax has been collected since March 2001. Pursuant to Ordinance No. 2015-02 of the City adopted January 12, 2015 (the “Election Ordinance”), the issuance of the City’s Sales and Use Tax Bonds, Series 2015 (the “Series 2015 Bonds”) and the pledging of the Tax to the payment of the principal of and interest on the Series 2015 Bonds were approved at a special election held April 14, 2015. The Series 2022 Bonds are being issued pursuant to and in full compliance with Amendment 62, the Authorizing Legislation and Ordinance No. 2022-02 of the City, adopted on January 31, 2022 (the “Authorizing Ordinance”) and the proceeds will be utilized to currently refund the Series 2015 Bonds.

The City has reserved the right in the Indenture to issue up to the aggregate principal amount of the authorized, but unissued, bonds for the Improvements (\$520,000) on a parity of security with the Series 2022 Bonds (the “Additional Parity Bonds”). See **SECURITY FOR THE SERIES 2022 BONDS**, Additional Bonds.

Pursuant to the provisions of a Trust Indenture dated as of April 19, 2022 (the “Indenture”), by and between the City and Simmons Bank, Pine Bluff, Arkansas, as trustee and paying agent for the Series 2022 Bonds (the “Trustee”), the Series 2022 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable December 1, 2022, and semiannually thereafter on each June 1 and December 1. Principal is payable at the principal office of the Trustee. Interest is payable by the Trustee to the registered owners as of the record date for each interest

payment date. The record date for payment of interest on the Series 2022 Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Series 2022 Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Series 2022 Bond, together with a written instrument of transfer, to the Trustee. See **THE SERIES 2022 BONDS, Generally**.

The Series 2022 Bonds will be initially issued in book-entry form and purchasers of the Series 2022 Bonds will not receive certificates representing their interest in the Series 2022 Bonds purchased. See **THE SERIES 2022 BONDS, Book-Entry Only System**. The Series 2022 Bonds will contain such other terms and provisions as described herein. See **THE SERIES 2022 BONDS, Generally**.

The Series 2022 Bonds are subject to optional redemption on and after June 1, 2027. The Series 2022 Bonds maturing on June 1, 2027, June 1, 2032, June 1, 2037 and June 1, 2045 are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days' notice of redemption. See **THE SERIES 2022 BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Series 2022 Bonds is excludable from gross income for federal income tax purposes subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must have been or must be satisfied prior to or subsequent to the issuance of the Series 2022 Bonds, (ii) interest on the Series 2022 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) the Series 2022 Bonds are "qualified tax-exempt obligations," (iv) interest on the Series 2022 Bonds is exempt from State of Arkansas income tax, and (v) the Series 2022 Bonds are exempt from property taxes in the State of Arkansas.. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Series 2022 Bonds will be available for delivery on or about April 19, 2022 through the facilities of the Depository Trust Company in New York, New York.

The City and Simmons Bank, as dissemination agent, have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

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

### **THE SERIES 2022 BONDS**

**Book-Entry Only System**. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate for each maturity and interest rate will be issued in the principal amount of the maturity and interest rate, 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 transaction in deposited securities through electronic computerized book-entry changes in 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, AND EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 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, but Beneficial Owners are 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 Series 2022 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 Series 2022 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 Series 2022 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to Cede & Co. If fewer than all of the Series 2022 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 to vote with respect to the Series 2022 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2022 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 Series 2022 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC’s



records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

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

**So long as the Series 2022 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2022 Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Series 2022 Bonds and receipt of notices. The City and the Trustee have no responsibility or obligation to 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 Series 2022 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to owners of the Series 2022 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2022 Bonds.**

Generally. The Series 2022 Bonds shall be dated, mature and bear interest and interest is payable on the Series 2022 Bonds as set forth on the cover page hereof. The Series 2022 Bonds are issuable in the form of registered bonds without coupons in denominations of \$5,000 or any integral multiple number thereof. In the event any Series 2022 Bond is mutilated, lost or destroyed, the Trustee shall authenticate and deliver to the registered owner a new Bond in accordance with the provisions therefor in the Indenture.

Each Series 2022 Bond is exchangeable or transferable by any registered owner thereof or by his, her or its attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2022 Bond or Series 2022 Bonds of the same maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to the owner of any Series 2022 Bond for the privilege of registration, but any owner requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Series 2022 Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Series 2022 Bonds selected for redemption in whole or in part.

The person in whose name any Series 2022 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 of, premium, if any,

or interest on any Series 2022 Bond shall be made only to or upon the order of the registered owner thereof or his, her or its 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 Series 2022 Bond to the extent of the sum or sums so paid.

In any case where the payment date of interest on or principal of any Series 2022 Bonds or the date fixed for redemption of any Series 2022 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 not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the payment date or the date fixed for redemption, and no interest shall accrue for the period after the payment date or date fixed for redemption.

Redemption. The Series 2022 Bonds are subject to optional and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Series 2022 Bonds are subject to redemption at the option of the City, from funds from any source, on and after June 1, 2027, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Series 2022 Bonds shall be called for redemption, the particular maturities and interest rates of the Series 2022 Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Series 2022 Bonds of any one maturity and interest rate shall be called for redemption, the particular Series 2022 Bonds or portion thereof to be redeemed from such maturity and interest rate shall be selected by lot by the Trustee.

(2) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2022 Bonds maturing on June 1, 2027, June 1, 2032, June 1, 2037 and June 1, 2045 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on June 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing June 1, 2027	
<u>Years</u>	<u>Principal Amount</u>
2023	\$50,000.00
2024	55,000.00
2025	60,000.00
2026	60,000.00
2027	60,000.00

Bonds Maturing June 1, 2032

<u>Years</u>	<u>Principal Amount</u>
2028	\$65,000.00
2029	60,000.00
2030	65,000.00
2031	65,000.00
2032	70,000.00

Bonds Maturing June 1, 2037

<u>Years</u>	<u>Principal Amount</u>
2033	\$70,000.00
2034	70,000.00
2035	75,000.00
2036	75,000.00
2037	80,000.00

Bonds Maturing June 1, 2045

<u>Years</u>	<u>Principal Amount</u>
2038	\$85,000.00
2039	85,000.00
2040	90,000.00
2041	90,000.00
2042	90,000.00
2043	95,000.00
2044	100,000.00
2045	100,000.00

In the case of any redemption of Series 2022 Bonds prior to maturity, the Trustee shall mail a copy of the redemption notice, or deliver by other acceptable standard, including by facsimile, to the registered owners of the Series 2022 Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption. After the date for redemption, no further interest shall accrue on any Series 2022 Bond called for redemption if funds for redemption of such Series 2022 Bond have been deposited with the Trustee as provided in the Indenture.

Notwithstanding the above, so long as the Series 2022 Bonds are issued in book-entry only form, if fewer than all the Series 2022 Bonds of an issue are called for redemption, the particular Series 2022 Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Series 2022 Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. The Trustee will not give any notice of redemption to the Beneficial Owners of the Series 2022 Bonds.

Otherwise, any selection of Series 2022 Bonds by lot shall be effected by the Trustee, by any method chosen by the Trustee in its discretion.

Purposes for the Series 2022 Bonds. The City has determined that it may achieve net present value savings if it issues its Series 2022 Bonds for the purpose of refunding its Sales and Use Tax Bonds, Series 2015 (the “Series 2015 Bonds”).

The City used proceeds of the Series 2015 Bonds to accomplish the projects identified below (the “Improvements”):

- Repave with asphalt approximately 8.3 miles of roadway
- Chip and seal approximately 20.7 miles of roadway
- Stripe approximately 55 miles of roadway
- Resurface Lost Creek Parkway
- Resurface Snead Drive
- Resurface Dave Creek Parkway from West Cliff to Hamilton Cove
- Resurface Woodlawn from Snead Drive to Grand Isle

The City will provide a debt service reserve and pay costs of issuing the Series 2022 Bonds. The proceeds of the Series 2022 Bonds are to be expended by the City as follows:

Sources:

Principal Amount of Bonds	\$1,715,000.00
Transfer from Prior Issue DSR Fund	122,170.52
Transfer from Prior Issue Debt Service Funds	64,301.24
Net Original Issue Discount/Premium	<u>(7,278.25)</u>
TOTAL	<u>\$1,894,194.03</u>

Uses:

Costs of Refunding	\$1,778,166.33
Costs of Issuance*	61,583.95
Debt Service Reserve Fund Deposit	<u>54,443.75</u>
TOTAL	<u>\$1,894,194.03</u>

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\*Includes Underwriter’s Discount.

The payment of Underwriter’s discount and the costs of issuing the Series 2022 Bonds relating to the payment of professional fees will be contingent on the Series 2022 Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter’s discount. The City will then deposit the net proceeds of the Series 2022 Bonds (principal amount less Underwriter’s discount and certain issuance costs) into the “2022 Sales and Use Tax Refunding Fund” (the “Refunding Fund”) held by the Trustee. Moneys contained in the Refunding Fund will be disbursed solely in payment of costs of the

Refunding, in payment of the necessary expenses incidental thereto, in payment of the expenses of issuing the Series 2022 Bonds, and for such other purposes as are described in the Indenture (as hereinafter defined), see **THE INDENTURE**, The Bond Fund.

### **SECURITY FOR THE SERIES 2022 BONDS**

General. The Series 2022 Bonds are not general obligations of the City but are special obligations, secured by the pledge of collections of the Tax (“Tax Receipts”). Tax Receipts shall be used first to pay the principal of and interest on the Series 2022 Bonds, and thereafter to pay Trustee’s fees and expenses and other administrative charges, to pay any arbitrage rebate due under Section 148(f) of the Code, and to maintain the debt service reserve, hereinafter described, at the required level. The Series 2022 Bonds are secured under the Trust Indenture. For a summary of the terms of the Indenture, see **THE INDENTURE**.

Debt Service Reserve. A debt service reserve will be maintained in the Debt Service Reserve Account in an amount equal to one-half of the maximum annual debt service on the Series 2022 Bonds. See **THE INDENTURE**, The Bond Fund. The debt service reserve will be funded with cash. At the time any Additional Parity Bonds are issued, the City will fund the additional amount in order for the debt service reserve to be maintained at the required level as set forth herein. See **THE INDENTURE**, The Bond Fund.

Additional Bonds. The City covenants that it will not issue any additional bonds, or incur any other additional obligations, secured by a lien on or pledge of the Tax Receipts, other than the Additional Parity Bonds. The Additional Parity Bonds are authorized to be issued in a subsequent series.

The Tax. Pursuant to the Authorizing Legislation, the City has levied the Tax pursuant to the Tax Ordinance. The Tax is a tax within the City on all items that are subject to taxation under The Arkansas Gross Receipts Act of 1941 and a tax on the receipts from storing, distributing, using or consuming tangible personal property under The Arkansas Compensating (Use) Tax Act of 1949.

The Streamline Sales and Use Tax Agreement (“Streamline”) has been adopted by the State and became effective on January 1, 2008. Streamline amended Arkansas sales and use tax law to allow the State to collect sales and use taxes from internet sales from vendors outside the State. Streamline limits the collection of the local sales and use tax on the first \$2,500 of sales proceeds only on the following sales: motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes. There is no limit of the amount of local sales and use tax to be paid on all other items. The State allows businesses, nonprofits and governmental entities to file for a credit or rebate on a local sales and use tax if the amount on an invoice totals more than \$2,500 on certain qualified purchases. Claims for credit or rebates must be filed with the Arkansas Department of Finance and Administration (“DF&A”) within six (6) months from the date of purchase or six (6) months from the date of payment, if later. DF&A will then cause the State Treasurer to withhold the amount of the refund from future disbursements to the local government levying the sales and use tax. Prior to January 1, 2008, sales and use taxes were collected on the first \$2,500 of sales proceeds for each single transaction, as defined by the City.

Pursuant to Act 757 of 2011 (the “Sales Tax Holiday Act”), the State has created an annual sales tax holiday in which clothing (that are less than \$100 per item), clothing accessories or equipment (that are less than \$50 per item), school art supplies, school instructional materials and school supplies are exempt from taxation under The Arkansas Gross Receipts Tax Act of 1941. The annual sales tax holiday is from 12:01 a.m. on the first Saturday in August until 11:59 p.m. the following Sunday. The City cannot predict the future impact of the Sales Tax Holiday Act.

Set forth in Exhibit B attached hereto is a summary of certain provisions of the statutes authorizing the Tax. The summary does not purport to be complete statements of the laws. Reference is made to the Arkansas

Code Annotated §26-52-101 *et seq.* and 26-53-101 *et seq.* for the full text and complete descriptions of such provisions.

Administration. Pursuant to the Authorizing Legislation, the Commissioner of Revenues of the State (the “Commissioner”) performs all functions incidental to the administration, collection, enforcement and operation of the Tax. All Tax Receipts collected, less certain charges payable and retainage due the Commissioner for administrative services in the amount of 3% of the gross Tax Receipts, shall be remitted by the State Treasurer to the City monthly. See **THE INDENTURE**, The Bond Fund.

Historical Tax Receipts. The City has collected the Tax since March 2001. Collections of the Tax received by the City for each year since 2017 are as follows\*:

Calendar Year	Tax Collections	Annual Growth (Decline)
2017	\$246,662.19	7.00%
2018	\$251,225.49	2.00%
2019	\$263,127.94	5.00%
2020	\$304,320.89	16.00%
2021	\$358,794.44	18.00%
2022 <sup>2</sup>	\$59,003.69	

\*Source: Arkansas Department of Finance & Administration.

<sup>2</sup>As of February 25, 2022

Future Tax Receipts. Tax Receipts will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City and surrounding trade area.

One of the larger retail stores located within City limits has purchased a piece of property that is located outside of the City limits reportedly for purposes of constructing a new location that will replace the store located within City limits. Site preparation has not started, and the City has not been provided with a timeline. A new retail store that is unrelated to the store referenced above is under construction and expected to be operational June 2022. Tax Receipts are contingent upon the closing of existing businesses and the opening of new businesses.

Also, Tax Receipts may be affected by changes to transactions exempted from the Tax made by legislation adopted by the General Assembly of the State or by the people of the State in the form of a constitutional amendment. In the past the General Assembly of the State has considered new exemptions to the sales tax, such as food sales, which, if adopted, would materially reduce Tax Receipts. The City has no control over actions of the General Assembly or the people of the State and cannot predict whether changes to the Tax may be made. Accordingly, the City cannot predict with certainty the expected amount of Tax Receipts to be received and, therefore, there can be no assurance that Tax Receipts will be sufficient to pay the principal of and interest on the Series 2022 Bonds.

General Financial Information Relating to the City. The Arkansas Legislative Joint Auditing Committee (“Legislative Audit”) evaluates the City’s compliance with Arkansas fiscal and financial laws. On an annual basis, Legislative Audit performs certain limited procedures with respect to the cash basis financial information for the City. The reports provided by Legislative Audit with respect to the financial operations of the City are not audits. These reports are available at Legislative Audit’s website

(<https://arklegaudit.gov/>). The City’s most recent report from Legislative Audit is for the fiscal year ending December 31, 2020 and is attached hereto as Exhibit A.

**DEBT SERVICE REQUIREMENTS**

The following table shows amounts required to pay scheduled principal and interest on the Series 2022 Bonds during each year ending December 31.

Year Ending December 31	Principal	Interest	Total Debt Service
2022		\$30,026.27	\$30,026.27
2023	\$50,000.00	48,166.26	98,166.26
2024	55,000.00	47,063.76	102,063.76
2025	60,000.00	45,856.26	105,856.26
2026	60,000.00	44,596.26	104,596.26
2027	60,000.00	43,336.26	103,336.26
2028	65,000.00	41,934.38	106,934.38
2029	60,000.00	40,450.00	100,450.00
2030	65,000.00	38,965.63	103,965.63
2031	65,000.00	37,421.88	102,421.88
2032	70,000.00	35,818.75	105,818.75
2033	70,000.00	33,937.50	103,937.50
2034	70,000.00	31,837.50	101,837.50
2035	75,000.00	29,662.50	104,662.50
2036	75,000.00	27,412.50	102,412.50
2037	80,000.00	25,087.50	105,087.50
2038	85,000.00	22,506.25	107,506.25
2039	85,000.00	19,743.75	104,743.75
2040	90,000.00	16,900.00	106,900.00
2041	90,000.00	13,975.00	103,975.00
2042	90,000.00	11,050.00	101,050.00
2043	95,000.00	8,043.75	103,043.75
2044	100,000.00	4,875.00	104,875.00
2045	100,000.00	1,625.00	101,625.00

**DEBT SERVICE COVERAGE**

Set forth below is the debt service coverage information for the Series 2022 Bonds. In arriving at the estimate of annual Tax Receipts for this calculation, the City examined collections of the Tax for the 12-month period ended February 28, 2022. The amount collected during that period was \$370,909.15. See **SECURITY FOR THE SERIES 2022 BONDS, Historical Tax Receipts**.

Actual Tax Receipts collected by the City will depend upon, among other things, the level of retail activity within the City, the economic health of the City and surrounding trade area, possible future actions by the

people of the State or General Assembly of the State defining transactions subject to the Tax and granting exemptions from the Tax, such as exemptions for food sales. The figures set forth below are only estimates based on actual collections of the Tax and there can be no assurance that future Tax Receipts will equal the estimate shown below. See **SECURITY FOR THE SERIES 2022 BONDS**, Future Tax Receipts.

There is no assurance that Additional Parity Bonds will be issued. The Indenture requires a minimum of 1.5X combined debt service coverage for the Series 2022 Bonds and any Additional Parity Bonds. See **SECURITY FOR THE SERIES 2022 BONDS**, Additional Bonds. Based upon the forgoing and with an average coupon rate of 3.0500% for the Series 2022 Bonds, the maximum annual debt service coverage with respect to the Series 2022 Bonds is as follows:

Prior 12 Months' Tax Receipts	\$370,909.15
Maximum Annual Debt Service	\$107,506.25
Debt Service Coverage	3.450

### **THE CITY AND THE COUNTIES**

Location. The City covers approximately 14,000 acres and is located in Van Buren County and Cleburne County (collectively, the "Counties") in north central Arkansas north of Greers Ferry Lake, approximately 85 miles north of Little Rock, Arkansas and 160 miles southeast of Springfield, Missouri. Approximately 92% of the City's population and land area are located within Van Buren County, and approximately 8% of the City's population and land area are located within Cleburne County.

Population. According to the United States Department of Commerce, Bureau of the Census, population trends of the City and the County are as follows\*:

<u>Year</u>	<u>City†</u>	<u>Van Buren County</u>	<u>Cleburne County</u>
1960	--	7,228	9,059
1970	--	8,275	10,349
1980	--	13,357	16,909
1990	--	14,008	19,411
2000	2,460	16,192	24,046
2010	2,338	17,295	25,970
2020	2,108	15,796	24,711

† The City was incorporated in 1993.

Transportation. The City is served by State Highway No. 16 and No. 330. The City is served by the Bill and Hillary Clinton National Airport, which is 85 miles from the City.

Government and Administration. The City has the Mayor-City Council form of government, under which the City is governed by a City Council and a Mayor. The Mayor is elected for a current four-year term (current term expires December 31, 2022) with subsequent terms of four years each, and the members

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\* Source: U.S. Bureau of the Census; 2020 Census State Redistricting Data (Public Law 94-171).



of the City Council each serve four-year terms. The City Council terms are staggered with three positions up for election every two years. The current Mayor and members of the City Council and their occupations are as follows:

<u>Name</u>	<u>Position</u>	<u>Term</u>	<u>Occupation</u>
Linda Duncan	Mayor	Jan 2019 – Dec 2022	Mayor
Don Bailey	Ward 1, Position 1	Jan 2019 – Dec 2022	Retired
Doug Landry	Ward 3, Position 2	Jan 2021 – Dec 2024	Insurance Agent
Robert Lanier	Ward 2, Position 2	Jan 2021 – Dec 2024	Coach
Patti Leitner	Ward 3, Position 1	June 2020 – Dec 2022	Retired
Robert Otis	Ward 2, Position 1	Jan 2016 – Dec 2022	Retired
Doyle Scroggins	Ward 1, Position 2	Jan 2021 – Dec 2024	Retired

The City has 30 full-time employees.

Medical Facilities. The City is served by Ozark Health Medical Center in Clinton, Arkansas, which has 25 beds, 10 physicians, and is approximately 20 miles away from the City. In 2014, two hospitals, Ozark Health Hospital and Baptist Health Hospital, opened clinics in the City.

Financial Institutions. The City is served by Eagle Bank & Trust.

Education. Primary and secondary education for the inhabitants of the City is provided Shirley School District, in Shirley, Arkansas, and by West Side School District, in Greers Ferry, Arkansas. Ozarka College, University of Arkansas Community College Batesville, University of Arkansas Community College Morrilton, and Arkansas State University – Beebe are all within 50 miles of the City. The City is 55 miles from University of Central Arkansas in Conway, Arkansas and 115 miles from Arkansas State University in Jonesboro, Arkansas.

Employers. The following are major employers within the City<sup>1</sup>:

<u>Employer</u>	<u>Product/Service</u>
Fairfield Bay Community Club	Manages amenities and utilities of property owners association
Cravens Food Store	Retail sales of food and household goods
City of Fairfield Bay	Government services

<sup>1</sup> Source: City of Fairfield Bay, Arkansas.

Litigation. There is no material litigation pending or threatened against the City that would materially adversely affect the financial condition of the City.

City and County Economic Data. Per capita personal income estimates for Van Buren and Cleburne Counties are as follows\*:

<u>Year</u>	<u>Van Buren County Per Capita Personal Income*</u>	<u>Cleburne County Per Capita Income*</u>
2016	\$29,876	\$34,327
2017	30,426	36,568
2018	31,176	38,307
2019	38,499	38,942
2020	34,482	41,656

Total personal income estimates for Van Buren and Cleburne Counties are as follows†:

<u>Year</u>	<u>Van Buren County Total Personal Income*</u>	<u>Cleburne County Total Personal Income*</u>
2016	\$496,781	\$867,231
2017	502,219	910,702
2018	517,615	953,340
2019	524,831	970,400
2020	570,363	1,038,683

\*in thousands of dollars

The annual average unemployment rates for the Counties and State since 2017 are as follows according to the Arkansas Department of Workforce Services‡:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		
	<u>Van Buren County</u>	<u>Cleburne County</u>	<u>State</u>
2016	6.9	5.9	4.0
2017	5.5	5.0	3.7
2018	5.2	4.5	3.6
2019	4.9	4.5	3.5
2020	7.1	7.6	6.1
2021			4.0

\* Source: U.S. Bureau of Economic Analysis and Arkansas Division of Workforce Services.

† Source: U.S. Bureau of Economic Analysis and Arkansas Division of Workforce Services.

‡ Source: Arkansas Division of Workforce Services.

Building Permits. The following sets forth the number of building permits issued by the City for new construction during the following years:

<u>Year</u>	<u>Residential</u>
2019	121
2020	154
2021	153
Year to Date 2022	23

### THE INDENTURE

Set forth below is a summary of certain portions of the Indenture. This summary does not purport to be comprehensive and reference is made to the full text of the Indenture for a complete description of its provisions. **Unless the context clearly indicates otherwise, all references under this heading to the “Bonds” shall include the Series 2022 Bonds and any Additional Parity Bonds.** The City will covenant as set forth below in the Indenture.

#### The Bond Fund.

From its Tax Receipts or other funds which may be legally used for such purpose, on the 25<sup>th</sup> day of each month, commencing on April 25, 2022, the City shall deposit with the Trustee one-eighth (1/8<sup>th</sup>) of the interest on the Series 2022 Bonds next due, one-fourteenth (1/14<sup>th</sup>) of the principal of the Series 2022 Bonds next due, one-fourteenth (1/14<sup>th</sup>) of the Trustee’s fees and expenses and other administrative charges next due, one-eighth (1/8<sup>th</sup>) of the amounts necessary to return the Debt Service Reserve Account to the required level and all amounts payable as arbitrage rebate. From its Tax Receipts or other funds which may be legally used for such purpose, on the 25<sup>th</sup> day of each month, commencing on December 25, 2022 and continuing thereafter, the City shall deposit with the Trustee one-sixth (1/6<sup>th</sup>) of the interest on the Series 2022 Bonds next due and one-sixth (1/6<sup>th</sup>) of the amounts necessary to return the Debt Service Reserve Account to the required level and all amounts payable as arbitrage rebate, and commencing on June 25, 2023 and continuing thereafter, one-twelfth (1/12<sup>th</sup>) of the principal of the Series 2022 Bonds next due and one-twelfth (1/12<sup>th</sup>) of the Trustee’s fees and expenses and other administrative charges next due. The Trustee shall deposit all Tax Receipts and other funds as and when received into a special fund of the City in the Trustee that is created by the Indenture and designated “2022 Sales and Use Tax Bond Fund” (the “Bond Fund”), for the purpose of providing funds for the payment of principal of and interest on the Bonds as they become due at maturity or at redemption prior to maturity, the Trustee’s fees and expenses and other administrative charges, any arbitrage rebate due under Section 148(f) of the Code. Moneys in the Bond Fund shall be used on each interest payment date (or in the case of a rebate payment under clause (5), on any date due) in the following order of priority as and when necessary:

- (1) to pay the interest on the Bonds then due; and
- (2) to pay the principal of the Bonds then due at maturity or upon mandatory sinking fund redemption; and
- (3) to transfer into the Debt Service Reserve Account (hereinafter identified) such amounts as necessary to increase the Debt Service Reserve Account to the required level (hereinafter defined); and
- (4) to pay the Trustee’s fees and expenses and other administrative charges then due; and

- (5) to pay the amount that is payable as arbitrage rebate to the United States Treasury under Section 148(f) of the Code; and
- (6) for other lawful and permitted uses and purposes.

There shall be established and maintained in the Bond Fund a Debt Service Reserve Account in an amount equal to one-half of the maximum annual debt service on the Series 2022 Bonds (the “required level”). The City shall fund the Debt Service Reserve Account at the time or times the Bonds are issued. Moneys in the Debt Service Reserve Account shall be used to make the payments required by clauses (1) and (2) of paragraph (a) above if moneys in the Bond Fund are not otherwise sufficient for that purpose. Moneys in the Debt Service Reserve Account over and above the required level shall be immediately transferred from the Debt Service Reserve Account into the Bond Fund.

When the moneys in the Bond Fund shall be and remain sufficient to pay (1) the principal of all the Bonds then outstanding, (2) interest on the Bonds until the next interest payment date, (3) the Trustee’s fees and expenses and other administrative charges, and (4) any arbitrage rebate due the United States Treasury under Section 148(f) of the Code, there shall be no obligation to make any further payments into the Bond Fund and any Tax Receipts remaining in the Bond Fund after the principal of, premium, if any, and interest on the Bonds have been paid may be used by the City for any lawful purpose.

#### Investments.

Moneys held for the credit of the Construction Fund may be invested and reinvested in Permitted Investments and other investments permitted by Arkansas law that shall mature, or that shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

Moneys held for the credit of the Debt Service Reserve Account shall be invested and reinvested in Permitted Investments, that shall mature, or that shall be subject to redemption by the holder thereof, at the option of such holder, not later than the earlier of (i) the final maturity date of the Bonds that are outstanding on the date of the investment or (ii) one (1) year.

Moneys held for the credit of the Bond Fund (other than the Debt Service Reserve Account) shall be invested and reinvested in Permitted Investments, that will mature, or that will be subject to redemption by the holder thereof at the option of the holder, not later than the date or dates on which the money shall be required for the payment of the principal of and interest on the Bonds when due.

Obligations purchased as an investment of any fund or account in the Bond Fund shall be deemed at all times a part of such fund. Any profit or loss realized on investments of moneys in any fund shall be charged to said fund. Interest earnings and profits realized from the investment of moneys in any Construction Fund account shall be credited to a separate account in the Construction Fund hereby created and designated “General Account.” Moneys credited to the General Account shall be expended for either Street Improvements, the Police Department Facilities, the Fire Department Facilities or the Park and Recreational Improvements, at such times and in such amounts as hereafter designated by the City Council. The City Council will not be obligated to expend General Account moneys proportionately.

The Trustee shall so invest and reinvest any funds held by it pursuant to the direction of the City and in the Trustee’s discretion in the absence of any direct instructions from the City.

“Permitted Investments” are defined as (i) direct or fully guaranteed obligations of the United States of America (“Government Securities”), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or

evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) certificates of deposit or time deposits of banks, including the Trustee, which are insured by FDIC or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by Arkansas law to secure public funds or (iv) money market funds invested exclusively in Government Securities and the obligations described in (ii) above.

Certain Covenants. The City covenants as follows:

It shall not take any action or suffer or permit any action to be taken or condition to exist that causes or may cause the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City covenants that no moneys held in any fund in connection with the Bonds will be used directly or indirectly in such manner as to cause the Bonds to be treated as “arbitrage bonds” within the meaning of Section 148 of the Code.

It will not use or permit the use of the Improvements or the proceeds of the Bonds in such manner as to cause the Bonds to be private activity bonds within the meaning of Section 141 of the Code.

It will faithfully and punctually perform all duties with reference to the Tax and the Bonds, required by the Constitution and laws of the State and by the Indenture, including the collection of Tax, as therein specified and covenanted, the segregating of the Tax Receipts and the applying of the Tax Receipts as provided in the Indenture.

It will make any arbitrage rebate payment due the United States under Section 148(f) of the Code from moneys in the Bond Fund.

Defaults and Remedies.

If there be any default in the payment of the principal of, premium, if any, or interest on any of the Bonds, whether at the stated maturity thereof, by redemption, pursuant to any mandatory sinking fund requirements, by acceleration or otherwise or if the City defaults in the performance of any of the other covenants contained in the Indenture, the Trustee may, and upon the written request of the registered owners of not less than 25% in principal amount of the then outstanding Bonds, shall, by proper suit compel, by mandamus or otherwise, the performance of the duties of the officials of the City and officials of the State, under the Indenture, to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

No registered owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any power or right unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than 25% in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of the power and trust of the Indenture and to any remedy thereunder. No one or more registered owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder except

the manner herein described. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding Bonds.

All rights of action under the Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name and for the benefit of all the owners of the Bonds, subject to the provisions of the Indenture.

No remedy herein conferred upon or reserved to the Trustee or to the owners of the Bonds is intended to be exclusive of any other remedy or remedies herein provided, and each and every other remedy given hereunder or given by any law or by the Constitution of the State.

No delay or omission of the Trustee or of any owners of the Bonds to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee and to the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon the written request of the owners of not less than a majority of the owners in principal amount of the Bonds then outstanding shall, waive any default that shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Indenture or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

Defeasance. Any Bond shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and interest on such Bond (whether at maturity or upon redemption as provided herein, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash sufficient to make such payment and/or (2) Government Securities (provided that such deposit will not affect the tax-exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any such Bonds within the meaning of the Indenture, the Trustee shall hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Government Securities.

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

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall

have been requested to do so in writing by the registered owners of not less than 25% in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving sixty (60) days' notice in writing to the City Clerk and the registered owners of the Bonds, and the City, so long as the City is not in default under the Indenture, upon notice to the majority in value of the registered owners of the outstanding Bonds, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. Every successor Trustee shall be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000. The preceding criteria may be met by a parent corporation if the parent corporation has guaranteed the obligations of the Trustee. The original Trustee and any successor Trustee shall file with the City a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Indenture and subject to the provisions of the Indenture, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee shall have been appointed.

#### Amendment of Indenture.

Supplemental Indentures Not Requiring Consent of Bondholders. The City 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, 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, in reliance on opinions of counsel and certifications of the City, to be not materially adverse to the interests of the Bondholders or which does not involve a change referred to in the Indenture that 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 Series 2022 Bonds then outstanding 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 City and the Trustee of such supplemental indenture or indentures as shall be deemed necessary and desirable by the City 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 Series 2022 Bond, or (b) a reduction in the principal amount of any Series 2022 Bond or the rate of interest thereon, or (c) the creation of a lien upon the mortgaged properties or a pledge of the revenues pledged to Series 2022 Bonds issued under the Indenture other than the lien and pledge created and authorized by the Indenture or that purports to be on a parity with the lien and pledge created by and authorized by the Indenture other than as authorized by the original indenture, or (d) a privilege or priority of any Series 2022 Bond over any other Series 2022 Bonds, or (e) a reduction in the aggregate principal amount of the Series 2022 Bonds required for consent to such supplemental indenture.

### **CONTINUING DISCLOSURE AGREEMENT**

In the past five years, the City has been a party to a continuing disclosure agreement (“Undertaking”) with respect to the Series 2015 Bonds. The City has been in compliance with its continuing disclosure obligations over the past five years.

The City will enter into a Continuing Disclosure Agreement with the Trustee, as Dissemination Agent, in the form attached hereto as Exhibit C. Reference is made to Exhibit C regarding the undertakings made by the City to provide certain updated financial information and operating data annually, and the timely notice of specified material events as described in Securities and Exchange Commission Rule 15c2-12 (the “Rule”). Currently, such information will be made available by the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Markets Access (“EMMA”) system, where said information will be available to the general public, without charge, at [www.emma.msrb.org](http://www.emma.msrb.org). Annual reports as specified in the Continuing Disclosure Agreement will first be filed for information relating to the City’s Fiscal year ending December 31, 2022.

As part of its undertakings, the City has agreed to provide to the MSRB, when available, audited financial statements of the City. The audited financial statements will be prepared either by the Legislative Joint Auditing Committee of the Arkansas Division of Legislative Audit (the “Legislative Joint Auditing Committee”) or by a certified public accountant and will be conducted in accordance with either Arkansas law or generally accepted auditing standards and government auditing standards issued by the Controller General of the United States. Due to the large number of audits conducted by the Legislative Joint Auditing Committee, the City has little control over when the audit will be performed or delivered to the City for review and approval. The City has agreed, under the terms of the Continuing Disclosure Agreement, to provide its annual report, including its audited financial statements, by December 30 of the year following the end of the City’s fiscal year. If the audited financial statements are not available prior to the annual report date, the City shall provide the audited financial statements when and if available. The City intends to incorporate by reference any audited financial statements of the City made public by the Legislative Joint Auditing Committee on its website at [www.legaudit.state.ar.us](http://www.legaudit.state.ar.us). In addition, the City has agreed to provide other financial information and operating data required by the Rule on an annual basis.

## **LEGAL MATTERS**

**Legal Proceedings.** There is no litigation pending seeking to restrain or enjoin the Tax or the issuance or delivery of the Series 2022 Bonds, or questioning or affecting the legality of the Tax or Series 2022 Bonds or the proceedings and authority under which the Series 2022 Bonds are to be issued, or questioning the right of the City to enter into the Indenture or to issue the Series 2022 Bonds or the pledge of the Tax by the City.

**Legal Opinions.** Legal matters incident to the authorization and issuance of the Series 2022 Bonds are subject to the unqualified approving opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, Bond Counsel.

**Tax Exemption.** In the opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, Bond Counsel, under existing law the interest on the Series 2022 Bonds is exempt from all Arkansas state, county and municipal tax.

Also, in the opinion of Bond Counsel, interest on the Series 2022 Bonds under existing law (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2022 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Series 2022 Bonds and the Improvements. Failure to comply with certain of such requirements could cause the interest on the Series 2022 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2022 Bonds. The City has covenanted to comply with all such requirements in the Indenture.



Prospective purchasers of the Series 2022 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 Series 2022 Bonds, (ii) interest on the Series 2022 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 Series 2022 Bonds, maybe 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 Series 2022 Bonds.

Prospective purchasers of the Series 2022 Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2022 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2022 Bonds.

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

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993 (Ark. Code Ann. §26-51-431(b) and (c)).

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is 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 or future legislative proposals, if enacted into law, may cause interest on the Series 2022 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2022 Bonds from realizing the full current benefit of the Pledged Tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2022 Bonds. Prospective purchasers of the Series 2022 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.**

**It is not an event of default on the Series 2022 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.**

Bank Qualification; Qualified Tax-Exempt Obligations. Prospective purchasers of the Series 2022 Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2022 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2022 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code). An exception allows a deduction of 80% of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation that (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) that reasonably anticipates to issue not more than \$10,000,000 of tax-exempt obligations other than private activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code) during the calendar year, and (3) is so designated by the City.

The City has designated the Series 2022 Bonds as "qualified tax-exempt obligations" and has represented that the City and its subordinate entities have not and will not issue more than \$10,000,000 of such tax-exempt obligations during calendar year 2022, other than private activity bonds that are not "qualified 501(c)(3) bonds". The City has covenanted not to use the Improvements in a manner that would cause the Series 2022 Bonds to be "private activity bonds."

### MISCELLANEOUS

Underwriting. Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City and Stephens Inc., the Underwriter, the Series 2022 Bonds are being purchased at a price of \$1,677,709.25 (principal amount less a reoffering discount of \$7,278.25 less Underwriter's discount of \$30,012.50). The Agreement provides that the Underwriter will purchase all of the Series 2022 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2022 Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation

questioning the validity of the Series 2022 Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intend to offer the Series 2022 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other Underwriter in offering the Series 2022 Bonds to the public. The Underwriter may offer and sell the Series 2022 Bonds to certain dealers (including dealers depositing Series 2022 Bonds into investment trusts) at prices lower than the public offering price.

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

The City has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Series 2022 Bonds, including certain liabilities under federal securities laws.

Enforceability of Remedies. Rights of the registered owners of the Series 2022 Bonds and the enforceability of the remedies available under the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies maybe delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights that are presently or may from time to time be in effect.

No Rating. The Series 2022 Bonds are not rated. Neither the City nor the Underwriter undertakes any responsibility to obtain a credit rating for the Series 2022 Bonds.

Information in Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2022 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.

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**EXHIBIT A**

**Regulatory Basis Financial Statements and Other Reports for fiscal year ending December 31, 2020**

**City of Fairfield Bay, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2020**

LEGISLATIVE JOINT AUDITING COMMITTEE

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# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

City of Fairfield Bay, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

#### **Report on the Financial Statements**

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Fairfield Bay, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Fairfield Bay, Arkansas, as of December 31, 2020, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

#### ***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Fairfield Bay, Arkansas, as of December 31, 2020, the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

**Other Matters**

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

Little Rock, Arkansas  
December 20, 2021  
LOM221020

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

City of Fairfield Bay, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Fairfield Bay, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

2020-1 Arkansas code requires city management to maintain accurate financial records. The City's financial records contained errors that were considered material as indicated below:

Street Fund financial records contained misstatements of assets, fund balance, revenues, and expenditures in the amounts of \$650, \$650, \$33,075, and \$5,650, respectively, primarily due to the misclassification of revenues and expenditures.

The effects of these misstatements constitute a significant control deficiency in the process of preparing financial records.

City officials should implement procedures to ensure financial records are properly posted.

City officials concurred with the above recommendation and approved appropriate entries to the City's financial records.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the Internal Control over Financial Reporting section as item 2020-1.

Entity's Response to Finding

The City's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also reported to management of the City in a separate letter dated December 20, 2021.

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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
December 20, 2021

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

City of Fairfield Bay, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

The commentary contained in this letter relates to the following officials who held office during 2020:

Mayor: Paul Wellenberger (January – August)  
Linda Duncan (Appointed September 14, 2020)  
Recorder/Treasurer: Rose Ostronic-Owen  
Police Chief: David Burnett

We would like to communicate the following item that came to our attention during this audit. The purpose of such comment is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. This matter was discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

Our review of selected disbursements in the Emergency Medical Services (EMS) Department, for the period January 1, 2019 through July 1, 2021, revealed improper and questionable transactions totaling \$19,388. Many of the questionable purchases detailed below appear to be for items without a business purpose, in apparent conflict with the “public purpose” doctrine and Ark. Const. art. 12, § 5.

The following transactions, totaling \$17,936, were charged to a City credit card by the EMS Captain or paid to an immediate family member:

- \$4,842 in purchases without adequate documentation.
  - \$2,049 for uniforms.
  - \$1,500 for satellite bills without detailed account information.
  - \$519 for hotel charges without invoices.
  - \$444 in conference hotel charges without the invoice and for dates beyond the conference.
  - \$231 for various charges for which documentation was not detailed or did not agree with items charged.
  - \$99 for meals without an adequately documented business purpose.
- \$4,018 in purchases without a documented business purpose.
  - \$1,893 for meals and grocery items.
  - \$872 for various household and kitchen items (65-inch TV, area rug, small furniture and storage items, cleaning and kitchen supplies, bedding).
  - \$582 for small hand tools and miscellaneous parts.
  - \$339 for boat rental for a team-building event that does not appear to have occurred.
  - \$332 for miscellaneous items (earbuds, device chargers, children’s toys, children’s face masks, and a Facebook ad campaign).
- \$2,895 in personal purchases for which the EMS Captain, when questioned by the City Treasurer, paid the credit card company directly.
- \$2,817 in unaccounted for equipment purchases.
  - \$1,784 for miscellaneous hand tools, several of which appear to have been seized during the execution of a search warrant by the Fairfield Bay Police Department; however, we were unable to determine if some of the tools seized matched the items purchased by the City.
  - \$1,033 for miscellaneous household items (furniture and small storage items, appliances, electronics, and accessories).

- \$2,019 in purchases without documentation.
  - \$1,090 from vendors used in the normal course of business; however, without documentation, we could not verify the business purpose of these purchases.
  - \$660 from Amazon, PayPal, and Facebook.
  - \$269 from various department stores and restaurants.
- \$874 for meals that were subsequently reimbursed to the EMS Captain or an immediate family member.
- \$417 in miscellaneous late fees.
- \$54 in grocery items purchased with SNAP benefits that were subsequently reimbursed to the EMS Captain.

It should be noted that the EMS Captain benefitted from promotional discounts, totaling at least \$592, by using City accounts for many of the above purchases of apparent personal or unaccounted for items.

On May 4, 2021, EMS Captain Andrea Notz was placed on administrative leave. On August 27, 2021, she was charged with one count each of felony theft of property and non-financial identity fraud, six counts of fraudulent use of a credit or debit card, and 18 counts of prohibited acts for public employees. Furthermore, according to local law enforcement, some of the personal items purchased with EMS funds were seized from Notz's home. These matters are currently being investigated by law enforcement.

Questionable transactions totaling \$1,452 were charged to another City credit card by EMS personnel other than the Captain:

- \$639 in hotel and parking fees related to a conference in New Orleans but outside the documented conference dates.
- \$427 in purchases without documentation.
  - \$244 at a hotel in New Orleans.
  - \$183 from vendors used in the normal course of business; however, without documentation, we could not verify the business purpose of the purchases.
- \$386 in purchases without adequate documentation.
  - \$196 for meals without detailed documentation.
  - \$180 for satellite bills without detailed account information, plus \$10 in late fees assessed on the account.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
December 20, 2021

CITY OF FAIRFIELD BAY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2020

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 248,960	\$ 120,720	\$ 448,114
Accounts receivable	85,278	100	11,825
Interfund receivables		650	
	<u>334,238</u>	<u>121,470</u>	<u>459,939</u>
<b>TOTAL ASSETS</b>			
	<u>\$ 334,238</u>	<u>\$ 121,470</u>	<u>\$ 459,939</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 68,787		\$ 81,907
Interfund payables	650		
Total Liabilities	<u>69,437</u>		<u>81,907</u>
Fund Balances:			
Restricted		\$ 114,370	302,442
Assigned	71,959	7,100	75,590
Unassigned	192,842		
Total Fund Balances	<u>264,801</u>	<u>121,470</u>	<u>378,032</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	<u>\$ 334,238</u>	<u>\$ 121,470</u>	<u>\$ 459,939</u>

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

CITY OF FAIRFIELD BAY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit B

	General	Street	Other Funds in the Aggregate
<b>REVENUES</b>			
State aid	\$ 38,599	\$ 204,573	\$ 23,075
Federal aid	183,469		210,031
Property taxes	244,836	65,586	
Franchise fees	64,552		62,005
Sales taxes	703,600	1,200	63,873
Fines, forfeitures, and costs	15,372		
Interest	200	132	646
Local permits and fees	9,775		
Advertising and promotion taxes			29,662
Dispatch reimbursements	369,496		
Ambulance fees	261,949		
Donations	26,881		950
Conference Center	78,091		
Other	114,618	953	7,364
<b>TOTAL REVENUES</b>	<b>2,111,438</b>	<b>272,444</b>	<b>397,606</b>
<b>EXPENDITURES</b>			
Current:			
General government	340,624		
Law enforcement	864,123		
Highways and streets		44,959	
Public safety	177,865		1,775
Health	260,986		303,964
Recreation and culture	11,855		
Social services	37,809		
Advertising and promotion			40,059
Capital outlay	650		
Conference Center	252,356		
<b>Total Current</b>	<b>1,946,268</b>	<b>44,959</b>	<b>345,798</b>
Debt Service:			
Bond principal			112,860
Bond interest and other charges			117,731
Note principal	51,870	22,739	
Note interest	8,362	6,289	
<b>TOTAL EXPENDITURES</b>	<b>2,006,500</b>	<b>73,987</b>	<b>576,389</b>



CITY OF FAIRFIELD BAY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 104,938</u>	<u>\$ 198,457</u>	<u>\$ (178,783)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	74,000		173,150
Transfers out	(18,500)	(214,650)	(14,000)
Loan proceeds			150,990
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,500</u>	<u>(214,650)</u>	<u>310,140</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	160,438	(16,193)	131,357
FUND BALANCES - JANUARY 1	<u>104,363</u>	<u>137,663</u>	<u>246,675</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 264,801</u></u>	<u><u>\$ 121,470</u></u>	<u><u>\$ 378,032</u></u>

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

CITY OF FAIRFIELD BAY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 33,774	\$ 38,599	\$ 4,825	\$ 324,600	\$ 204,573	\$ (120,027)
Federal aid	288,745	183,469	(105,276)			
Property taxes	238,564	244,836	6,272	65,586	65,586	
Franchise fees	64,552	64,552				
Sales taxes	766,583	703,600	(62,983)	1,200	1,200	
Fines, forfeitures, and costs	15,372	15,372				
Interest	188	200	12	132	132	
Local permits and fees	6,390	9,775	3,385			
Dispatch reimbursements	332,660	369,496	36,836			
Ambulance fees	262,944	261,949	(995)			
Donations	6,420	26,881	20,461			
Conference Center	130,924	78,091	(52,833)			
Other	188,918	114,618	(74,300)	34,029	953	(33,076)
<b>TOTAL REVENUES</b>	<b>2,336,034</b>	<b>2,111,438</b>	<b>(224,596)</b>	<b>425,547</b>	<b>272,444</b>	<b>(153,103)</b>
EXPENDITURES						
Current:						
General government	361,741	340,624	21,117			
Law enforcement	847,528	864,123	(16,595)			
Highways and streets				180,467	44,959	135,508
Public safety	168,587	177,865	(9,278)			
Health	262,348	260,986	1,362			
Recreation and culture	11,895	11,855	40			
Social services	37,761	37,809	(48)			
Capital outlay		650	(650)			
Conference Center	253,283	252,356	927			
Total Current	1,943,143	1,946,268	(3,125)	180,467	44,959	135,508
Debt Service:						
Note principal	60,232	51,870	8,362	37,000	22,739	14,261
Note interest		8,362	(8,362)		6,289	(6,289)
<b>TOTAL EXPENDITURES</b>	<b>2,003,375</b>	<b>2,006,500</b>	<b>(3,125)</b>	<b>217,467</b>	<b>73,987</b>	<b>143,480</b>

CITY OF FAIRFIELD BAY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 332,659	\$ 104,938	\$ (227,721)	\$ 208,080	\$ 198,457	\$ (9,623)
OTHER FINANCING SOURCES (USES)						
Transfers in	213,057	74,000	(139,057)			
Transfers out	(547,324)	(18,500)	528,824	(117,650)	(214,650)	(97,000)
TOTAL OTHER FINANCING SOURCES (USES)	(334,267)	55,500	389,767	(117,650)	(214,650)	(97,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,608)	160,438	162,046	90,430	(16,193)	(106,623)
FUND BALANCES - JANUARY 1		104,363	104,363		137,663	137,663
FUND BALANCES - DECEMBER 31	\$ (1,608)	\$ 264,801	\$ 266,409	\$ 90,430	\$ 121,470	\$ 31,040

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

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Fairfield Bay was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City.

**B. Basis of Presentation – Regulatory**

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

**General Fund** - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Street Fund** - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback, property taxes, and sales taxes that are restricted or committed for maintaining and constructing highways and streets.

**Other Funds in the Aggregate** - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

**Special Revenue Funds** - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

**Capital Projects Funds** - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for the Capital Projects Fund reported with other funds in the aggregate.

**Debt Service Funds** - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting - Regulatory**

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

**D. Assets, Liabilities, and Fund Balances**

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and money market accounts.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**E. Property Taxes**

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

CITY OF FAIRFIELD BAY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**F. Budget Law**

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds except for the Emergency Relief Fund.

**G. Fund Balance Classification Policies and Procedures**

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

There were no committed fund balances at year-end.

**NOTE 2: Cash Deposits with Financial Institutions**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 298,652	\$ 298,847
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	365,460	410,192
Uncollateralized	153,682	153,682
Total Deposits	\$ 817,794	\$ 862,721

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 2: Cash Deposits with Financial Institutions (Continued)**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$153,682 of the City's bank balances were exposed to custodial credit risk. The balances exposed to custodial credit risk were deposited in money market accounts consisting of Federated Treasury Obligations, which are not insured or collateralized.

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

**NOTE 4: Accounts Receivable**

The accounts receivable balance at December 31, 2020, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Sales taxes	\$ 48,442	\$ 100	\$ 11,825
Dispatch reimbursements	36,836		
Totals	<u>\$ 85,278</u>	<u>\$ 100</u>	<u>\$ 11,825</u>

**NOTE 5: Accounts Payable**

The accounts payable balance at December 31, 2020, is composed of the following:

Description	General Fund	Other Funds in the Aggregate
Vendor payables	\$ 46,952	\$ 81,907
Payroll taxes payable	21,835	
Totals	<u>\$ 68,787</u>	<u>\$ 81,907</u>

**NOTE 6: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2020	
	Interfund Receivables	Interfund Payables
General Fund		\$ 650
Street Fund	\$ 650	
Totals	<u>\$ 650</u>	<u>\$ 650</u>

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 6: Interfund Balances (Continued)**

Interfund receivables and payables consist of errors in depositing restricted revenues and interfund loans. These balances were repaid on September 16, 2021.

**NOTE 7: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2020, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances			
Restricted for:			
Highways and streets		\$ 114,370	
Public safety			\$ 12,889
Advertising and promotion			4,197
Debt service			285,356
Total Restricted		<u>114,370</u>	<u>302,442</u>
Assigned to:			
Highways and streets		7,100	
Public safety	\$ 18,152		
Health	53,807		
Capital outlay			75,590
Total Assigned	<u>71,959</u>	<u>7,100</u>	<u>75,590</u>
Unassigned	<u>192,842</u>		
Totals	<u>\$ 264,801</u>	<u>\$ 121,470</u>	<u>\$ 378,032</u>

**NOTE 8: Legal Debt Limit**

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2020, the legal debt limit for the bonded debt was \$8,794,020. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2020, the legal debt limit for short-term financing obligations was \$2,221,229. The amount of short-term financing obligations was \$449,250, leaving a legal debt margin of \$1,771,979.

**NOTE 9: Commitments**

Total commitments consist of the following at December 31, 2020:

	December 31, 2020
Long-term liabilities	\$ 3,244,687
Construction contracts	<u>71,594</u>
Total Commitments	<u>\$ 3,316,281</u>



CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 9: Commitments (Continued)**

Long-term liabilities

Long-term liabilities at December 31, 2020, are comprised of the following:

	December 31, 2020
<u>Bonds</u>	
Sales and Use Tax Bonds, Series 2015, dated June 30, 2015, in the amount of \$1,980,000, due in annual installments of \$40,000 to \$115,000 plus interest through June 1, 2045; interest rates from 1% to 4.75%. Payments are to be made from the Sales and Use Tax Bonds - Series 2015 Fund.	\$ 1,780,000
Sales and Use Tax Bonds, Series 2016 (Fire Protection Project), dated January 1, 2016, in the amount of \$745,000, due in semiannual installments of \$17,599 to \$32,424 plus interest through February 1, 2031; interest rate of 3.89%. Payments are to be made from the Sales and Use Tax Bonds - Fire Fund.	565,437
Franchise Fee Revenue Improvement Bonds, Series 2017, dated October 24, 2017, in the amount of \$525,000, due in annual installments of \$15,000 to \$45,000 plus interest through June 1, 2032; interest rate of 2.99%. Payments are to be made from the Franchise Fee Revenue Improvement Bonds Fund.	450,000
Total Bonds	2,795,437
<u>Direct Borrowings</u>	
Promissory note dated September 12, 2016, with White River Planning and Development District in the amount of \$67,079 to refinance capital improvements; 60 monthly payments of \$1,251 at 4.5% interest. Payments are to be made from the General Fund.	11,047
General obligation contract dated September 7, 2018, with KS State Bank in the amount of \$43,874 for LED lighting installation; 60 monthly payments of \$839 at 5.54% interest. Payments are to be made from the General Fund.	24,901
Loan agreement dated March 1, 2019, with Arkansas Natural Resources Commission in the amount of \$250,805 for repair and replacement of a drainage culvert. Payment terms amended on October 29, 2020 call for four annual payments of \$29,028 with a final payment of \$136,657 due March 1, 2024. The interest rate is 2.75%. Payments are to be made from the Street Fund.	205,935
Promissory note dated June 30, 2020, with White River Planning and Development District in the amount of \$224,186 to fund capital improvements and refinance existing capital improvement loans; 60 monthly payments of \$4,180 at 4.5% interest. Payments are to be made from the General Fund.	207,367
Total Direct Borrowings	449,250
Total Long-term liabilities	\$ 3,244,687

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

The City's outstanding bonds payable of \$1,780,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 25% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 9: Commitments (Continued)**

The City's outstanding bonds payable of \$565,437 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise its banker's lien or right of set-off, may proceed to protect its right by suit in equity, action at law or other appropriate proceedings.

The City's outstanding bonds payable of \$450,000 contain a provision that in an event of default, the registered owners of not less than 50% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City under laws of Arkansas.

The City's outstanding notes from direct borrowings of \$449,250 contain a provision that in an event of default, outstanding amounts, at the Lender's sole option, may be declared immediately due and payable, and the Lender may exercise any rights and remedies, including the right to immediate possession of the collateral, available to it under applicable law.

Compensated Absences

Compensated absences do vest or accumulate. The amount of compensated absences was not determined.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2020	Maturities to December 31, 2020
<u>Bonds</u>					
6/30/15	6/1/45	1%-4.75%	\$ 1,980,000	\$ 1,780,000	\$ 200,000
1/1/16	2/1/31	3.89%	745,000	565,437	179,563
10/24/17	6/1/32	2.99%	525,000	450,000	75,000
Total Bonds			<u>3,250,000</u>	<u>2,795,437</u>	<u>454,563</u>
<u>Direct Borrowings</u>					
9/12/16	9/12/21	4.5%	67,079	11,047	56,032
9/7/18	9/7/23	5.54%	43,874	24,901	18,973
3/1/19	6/1/28	2.75%	250,805	205,935	44,870
6/30/20	6/30/25	4.5%	224,186	207,367	16,819
Total Direct Borrowings			<u>585,944</u>	<u>449,250</u>	<u>136,694</u>
Total Long-Term Debt			<u>\$ 3,835,944</u>	<u>\$ 3,244,687</u>	<u>\$ 591,257</u>

Changes in Long-Term Debt

	Balance January 01, 2020	Issued	Retired	Balance December 31, 2020
Bonds payable	\$ 2,908,297		\$ 112,860	\$ 2,795,437
<u>Direct Borrowings</u>				
Notes payable	372,583	\$ 224,186	147,519 *	449,250
Total Long-Term Debt	<u>\$ 3,280,880</u>	<u>\$ 224,186</u>	<u>\$ 260,379</u>	<u>\$ 3,244,687</u>

\*Includes \$72,910 refinanced on June 30, 2020.

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 9: Commitments (Continued)**

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2020:

Years Ending December 31,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 114,544	\$ 112,439	\$ 226,983	\$ 84,998	\$ 15,506	\$ 100,504
2022	126,293	108,462	234,755	77,014	12,235	89,249
2023	128,112	104,179	232,291	76,833	9,059	85,892
2024	130,002	99,724	229,726	73,033	6,149	79,182
2025	136,966	95,014	231,980	54,866	3,419	58,285
2026 through 2030	757,095	394,246	1,151,341	82,506	4,579	87,085
2031 through 2035	452,425	266,956	719,381			
2036 through 2040	425,000	176,857	601,857			
2041 through 2045	525,000	64,719	589,719			
Totals	<u>\$2,795,437</u>	<u>\$1,422,596</u>	<u>\$4,218,033</u>	<u>\$ 449,250</u>	<u>\$ 50,947</u>	<u>\$ 500,197</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2020:

Project Name	Completion Date	Contract Balance December 31, 2020
Steep Creek, LLC	July 2021	<u>\$ 71,594</u>

**NOTE 10: Interfund Transfers**

The Street Fund transferred \$154,650 to Other Funds in the Aggregate (Sales and Use Tax Bonds - Series 2015 \$117,650 and Franchise Fee Revenue Bonds \$37,000) for street related debt service payments. Also, the Street Fund transferred \$60,000 to the General Fund to reimburse highway and street expenses paid in 2019. The General Fund transferred \$18,500 to Other Funds in the Aggregate (Delta Regional Authority – Medical Transport Flight Hanger) for Capital Outlay expenses. Other Funds in the Aggregate (Franchise Fee Revenue Bonds) transferred \$14,000 to the General Fund, which was the remaining franchise fees after debt service payments were paid.

**NOTE 11: Pledged Revenues**

The City has pledged a future one cent sales and use tax to repay \$1,980,000 in bonds that were issued in 2015 to provide funding for street improvements. Total principal and interest remaining on the bonds at December 31, 2020, were \$1,780,000 and \$1,209,706, respectively, payable through December 1, 2045. Revenues from the pledged tax are deposited to the General Fund. For 2020, revenues in the Street Fund were sufficient to fund the debt service requirements and pledged revenues were utilized for other allowable City expenditures in the General Fund. Transfers from the Street Fund to Debt Service Fund were \$117,650 and the required principal and interest payments for 2020 were \$118,936.

The City has pledged a future one half cent sales and use tax to repay \$745,000 in bonds that were issued in 2016 to provide funding for three fire trucks and related fire equipment. Total principal and interest remaining on the bonds at December 31, 2020, were \$565,437 and \$128,722, respectively, payable through February 1, 2031. Revenues from the pledged tax for 2020 were \$63,873 and the required principal and interest payments for 2020 were \$66,110. Any sales tax collected in excess of the debt service on this bond issue can be used for fire protection expenditures.

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 11: Pledged Revenues (Continued)**

The City pledged future franchise fee revenue to repay \$525,000 in bonds that were issued in 2017 to provide funding for acquiring, expanding and constructing betterments and improvements to the municipal parking facilities and infrastructure within the City. Total principal and interest remaining on the bonds at December 31, 2020 were \$450,000 and \$84,168, respectively, payable through June 1, 2032. Revenues from the pledged fees for 2020 were \$62,005 and the required principal and interest payments for 2020 were \$43,904. Any franchise fees collected in excess of the debt service payments on this bond issue can be used for any lawful municipal purpose.

**NOTE 12: Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

**Municipal Vehicle Program**

- A. **Liability** - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. **Physical Damage** - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

**Municipal Property Program** - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

**Municipal Legal Defense Program** - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

CITY OF FAIRFIELD BAY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**NOTE 13: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website [www.lopfi-prb.com](http://www.lopfi-prb.com).

On December 1, 1994, administration of the City of Fairfield Bay Firemen's Pension and Relief Fund and the City of Fairfield Bay Policemen's Pension and Relief Fund was transferred to LOPFI. The benefit structure of these plans was not changed.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$57,382 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$40,894 for the year ended December 31, 2020.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2020 (actuarial valuation date and measurement date) was \$556,083.

**NOTE 14: Corona Virus (COVID-19)**

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). In 2020, the City Received \$92,626 in federal aid from the Coronavirus Aid, Relief and Economic Securities (CARES) Act. On July 26, 2021, the City received \$226,168 in federal aid from the American Rescue Plan Act of 2021. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain, however, the City is expecting to receive additional federal aid for coronavirus relief.

CITY OF FAIRFIELD BAY, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2020

Schedule 1

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS			Totals
	Emergency Relief	Fire Equipment and Training (Act 833)	Advertising and Promotion	Delta Regional Authority - Medical Transport Flight Hangar	Sales and Use Tax Bonds - Series 2015	Sales and Use Tax Bonds - Fire	Franchise Fee Revenue Bonds	
ASSETS								
Cash and cash equivalents	\$ 29	\$ 12,860	\$ 4,197	\$ 157,497	\$ 153,682	\$ 75,395	\$ 44,454	\$ 448,114
Accounts receivable						11,825		11,825
<b>TOTAL ASSETS</b>	<b>\$ 29</b>	<b>\$ 12,860</b>	<b>\$ 4,197</b>	<b>\$ 157,497</b>	<b>\$ 153,682</b>	<b>\$ 87,220</b>	<b>\$ 44,454</b>	<b>\$ 459,939</b>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable				\$ 81,907				\$ 81,907
Fund Balances:								
Restricted	\$ 29	\$ 12,860	\$ 4,197		\$ 153,682	\$ 87,220	\$ 44,454	302,442
Assigned				75,590				75,590
Total Fund Balances	29	12,860	4,197	75,590	153,682	87,220	44,454	378,032
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 29</b>	<b>\$ 12,860</b>	<b>\$ 4,197</b>	<b>\$ 157,497</b>	<b>\$ 153,682</b>	<b>\$ 87,220</b>	<b>\$ 44,454</b>	<b>\$ 459,939</b>

CITY OF FAIRFIELD BAY, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 2

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS			Totals
	Emergency Relief	Fire Equipment and Training (Act 833)	Advertising and Promotion	Delta Regional Authority - Medical Transport Flight Hangar	Sales and Use Tax Bonds - Series 2015	Sales and Use Tax Bonds - Fire	Franchise Fee Revenue Bonds	
REVENUES								
State aid		\$ 23,075						\$ 23,075
Federal aid				\$ 210,031				210,031
Franchise fees							\$ 62,005	62,005
Sales taxes						\$ 63,873		63,873
Interest		5		32	\$ 589	20		646
Advertising and promotion taxes			\$ 29,662					29,662
Donations	\$ 400		550					950
Other			7,364					7,364
<b>TOTAL REVENUES</b>	<b>400</b>	<b>23,080</b>	<b>37,576</b>	<b>210,063</b>	<b>589</b>	<b>63,893</b>	<b>62,005</b>	<b>397,606</b>
EXPENDITURES								
Current:								
Public safety	1,775							1,775
Health				303,964				303,964
Advertising and promotion			40,059					40,059
<b>Total Current</b>	<b>1,775</b>		<b>40,059</b>	<b>303,964</b>				<b>345,798</b>
Debt Service:								
Bond principal		11,670			40,000	31,190	30,000	112,860
Bond interest and other charges		6,330			80,136	16,920	14,345	117,731
<b>TOTAL EXPENDITURES</b>	<b>1,775</b>	<b>18,000</b>	<b>40,059</b>	<b>303,964</b>	<b>120,136</b>	<b>48,110</b>	<b>44,345</b>	<b>576,389</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,375)</b>	<b>5,080</b>	<b>(2,483)</b>	<b>(93,901)</b>	<b>(119,547)</b>	<b>15,783</b>	<b>17,660</b>	<b>(178,783)</b>
OTHER FINANCING SOURCES (USES)								
Transfers in				18,500	117,650		37,000	173,150
Transfers out							(14,000)	(14,000)
Loan proceeds				150,990				150,990
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				<b>169,490</b>	<b>117,650</b>		<b>23,000</b>	<b>310,140</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(1,375)</b>	<b>5,080</b>	<b>(2,483)</b>	<b>75,589</b>	<b>(1,897)</b>	<b>15,783</b>	<b>40,660</b>	<b>131,357</b>
FUND BALANCES - JANUARY 1	1,404	7,780	6,680	1	155,579	71,437	3,794	246,675
FUND BALANCES - DECEMBER 31	\$ 29	\$ 12,860	\$ 4,197	\$ 75,590	\$ 153,682	\$ 87,220	\$ 44,454	\$ 378,032

CITY OF FAIRFIELD BAY, ARKANSAS  
 NOTES TO SCHEDULES 1 AND 2  
 DECEMBER 31, 2020

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Emergency Relief	Established fund to monitor receipts and disbursements of donations for disaster assistance.
Fire Equipment and Training (Act 833)	Ark. Code Ann. §§ 14-284-403, 404 requires insurance premium tax funds to be distributed by the county to municipal fire departments for training, purchase and improvement of fire fighting equipment, initial capital construction or improvements of fire departments, insurance for buildings, and utilities costs.
Advertising and Promotion	Fairfield Bay Ordinance no. 1999-67 (May 10, 1999) authorizes the levy of a 3 percent tax on gross receipts of hotel or motel accommodations for promotion and development of tourism within the City.
Delta Regional Authority - Medical Transport Flight Hangar	Established to monitor receipts and disbursements of a grant from the Delta Regional Authority to contract a medical transport flight hangar.
Sales and Use Tax Bonds - Series 2015	Fairfield Bay Ordinance no. 2015-08 (May 27, 2015) authorized the issuance of sales and use tax bonds for the purpose of financing all or a portion of the cost of improvements to the streets and infrastructure, pledging collections of a one percent sales and use tax to pay the principal of, and interest on the bonds.
Sales and Use Tax Bonds - Fire	Fairfield Bay Ordinance no. 2015-14 (December 7, 2015) authorized the issuance of sales and use tax bonds (Fire Protection Project) for the purpose of financing all or a portion of the costs of certain fire protection equipment consisting primarily of three (3) pumper trucks.
Franchise Fee Revenue Bonds	Fairfield Bay Ordinance no. 2017-05 (September 11, 2017) authorized the issuance of Franchise Fee Revenue Improvement Bonds (Franchise Fee Revenue Bonds Project) for the purpose of financing the acquisition, expansion and construction of betterments and improvements to municipal parking facilities and infrastructure within the City.



CITY OF FAIRFIELD BAY, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2020  
(Unaudited)

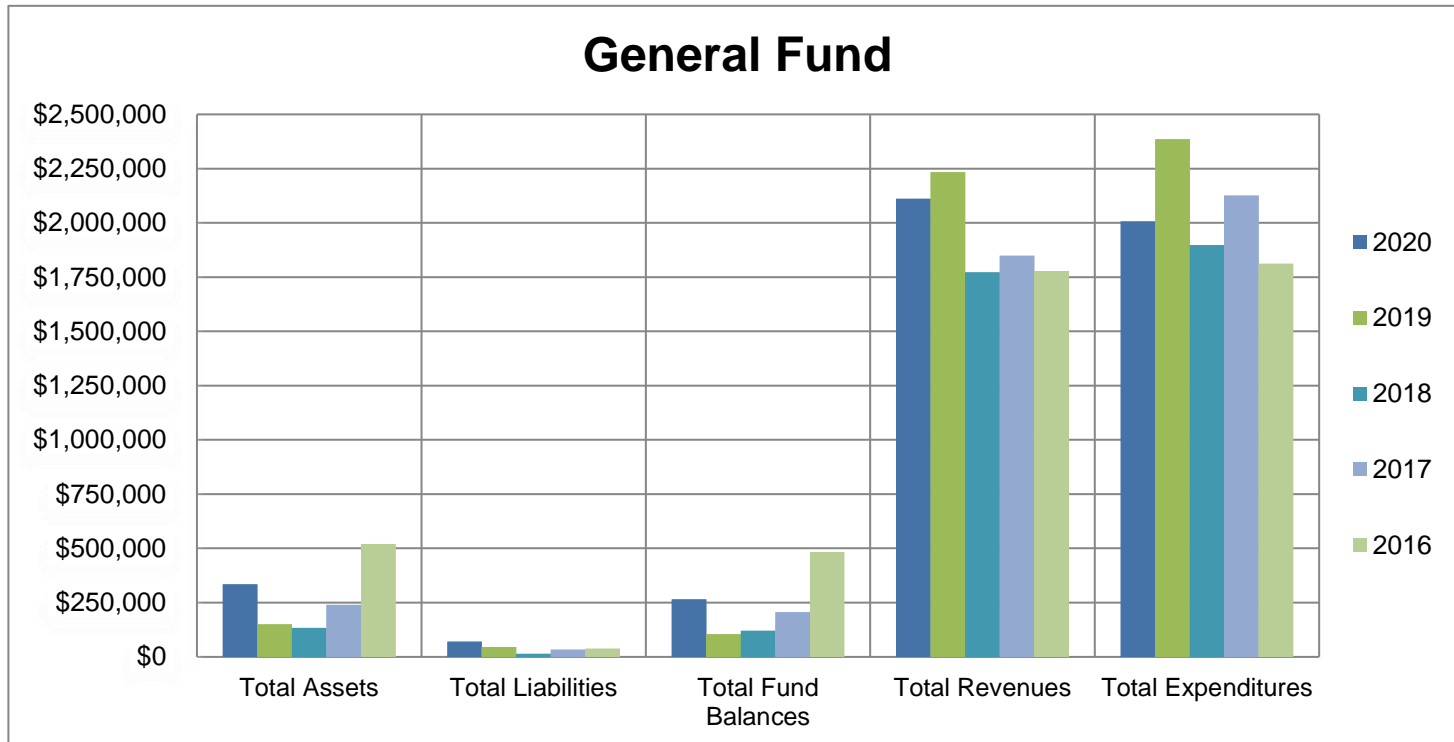
Schedule 3

	<u>December 31, 2020</u>
Land	\$ 187,772
Buildings	3,554,560
Equipment	<u>2,074,853</u>
Total	<u><u>\$ 5,817,185</u></u>

CITY OF FAIRFIELD BAY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
 DECEMBER 31, 2020  
 (Unaudited)

Schedule 4-1

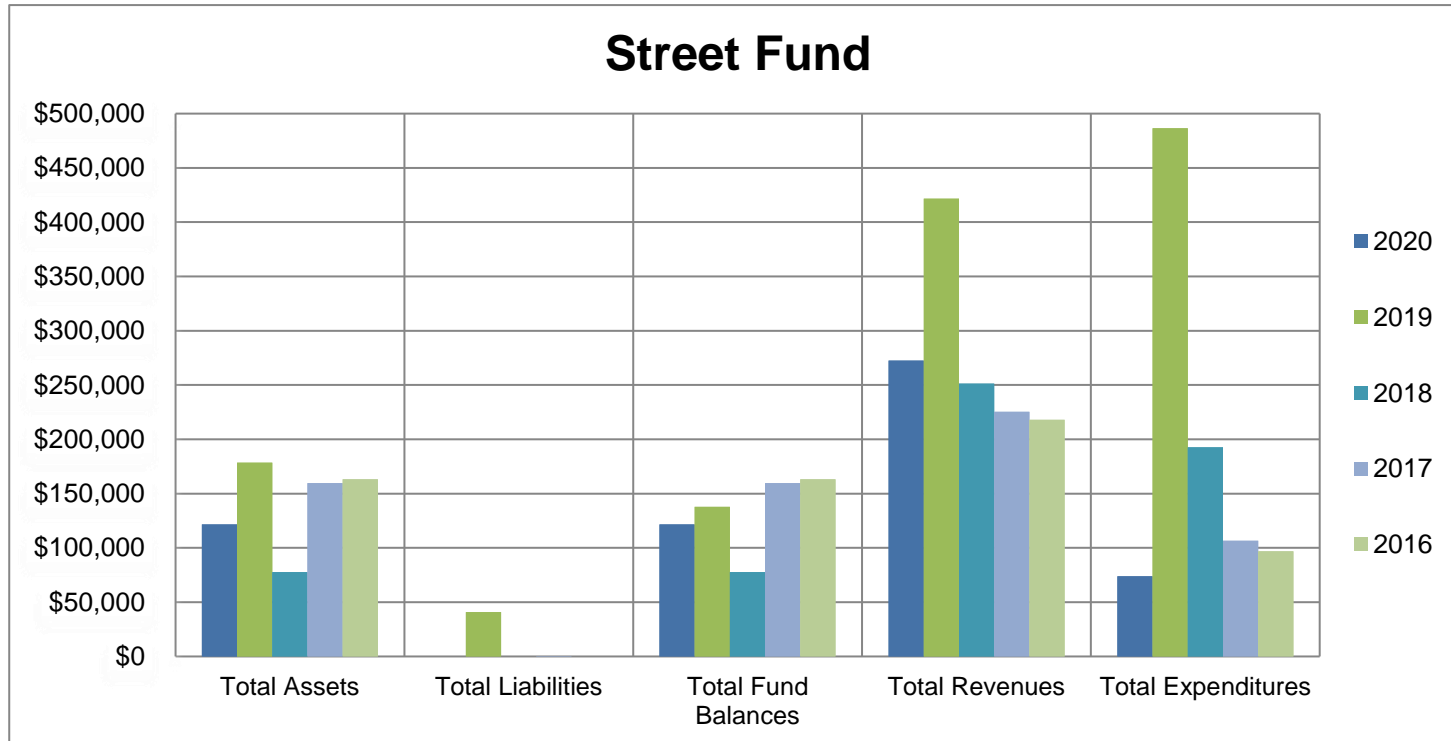
<u>General</u>	2020	2019	2018	2017	2016
Total Assets	\$ 334,238	\$ 149,222	\$ 134,106	\$ 239,972	\$ 520,609
Total Liabilities	69,437	44,859	13,540	33,647	37,378
Total Fund Balances	264,801	104,363	120,566	206,325	483,231
Total Revenues	2,111,438	2,233,055	1,772,420	1,848,109	1,778,397
Total Expenditures	2,006,500	2,385,258	1,897,179	2,125,015	1,812,046
Total Other Financing Sources/Uses	55,500	136,000	39,000		67,500



CITY OF FAIRFIELD BAY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
 DECEMBER 31, 2020  
 (Unaudited)

Schedule 4-2

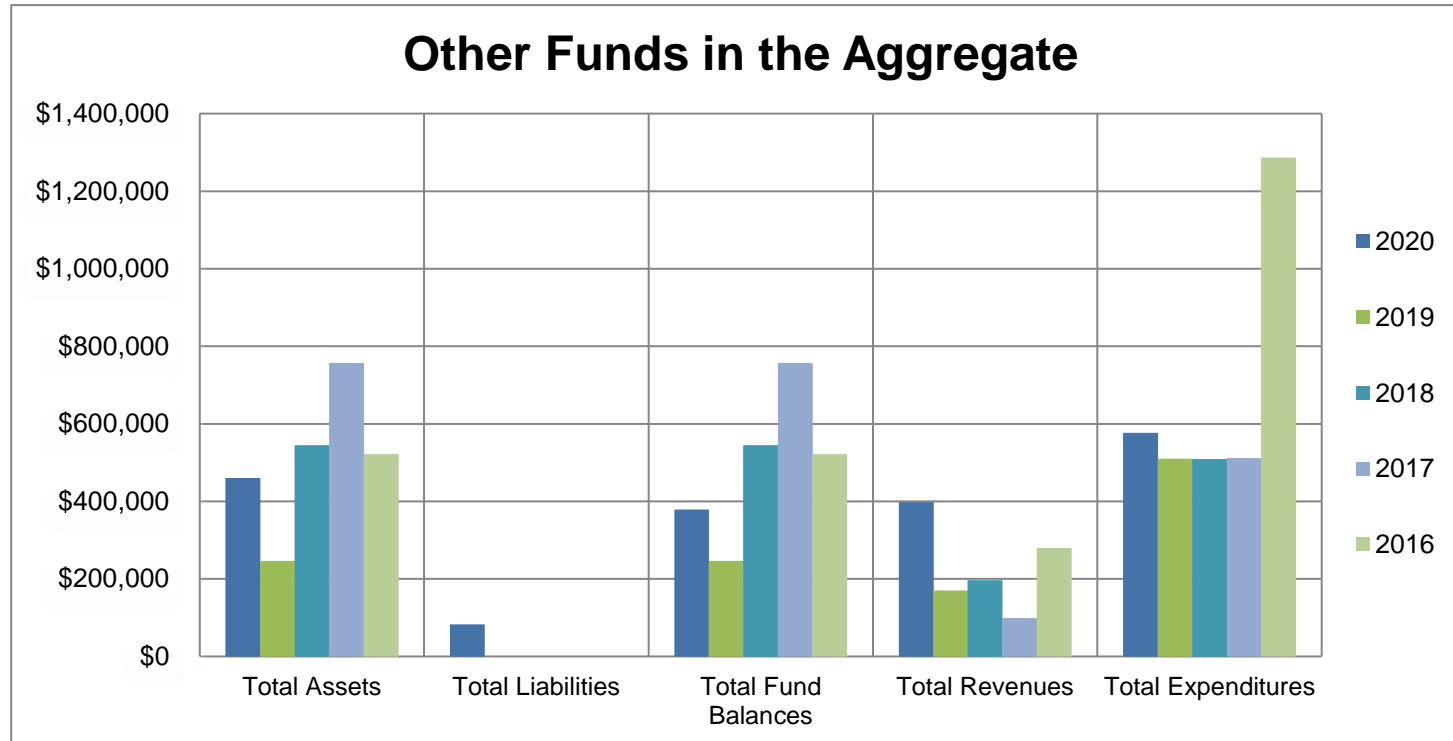
<u>Street</u>	2020	2019	2018	2017	2016
Total Assets	\$ 121,470	\$ 178,493	\$ 77,593	\$ 159,673	\$ 163,296
Total Liabilities		40,830		95	
Total Fund Balances	121,470	137,663	77,593	159,578	163,296
Total Revenues	272,444	421,693	251,217	225,287	218,000
Total Expenditures	73,987	486,519	192,731	106,453	96,974
Total Other Financing Sources/Uses	(214,650)	124,896	(140,471)	(122,552)	(124,833)



CITY OF FAIRFIELD BAY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
 DECEMBER 31, 2020  
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Assets	\$ 459,939	\$ 246,675	\$ 544,730	\$ 756,312	\$ 521,171
Total Liabilities	81,907				
Total Fund Balances	378,032	246,675	544,730	756,312	521,171
Total Revenues	397,606	169,288	196,188	98,863	279,103
Total Expenditures	576,389	509,947	509,241	511,274	1,286,443
Total Other Financing Sources/Uses	310,140	42,604	101,471	647,552	869,833



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## EXHIBIT B

### SUMMARY OF STATE SALES AND USE TAX PROVISIONS

Sales Tax. The sales tax portion of the Pledged Tax is generally levied upon the gross proceeds or gross receipts derived from all sales to any person within the City of the following (list not exclusive):

(a) (1) Tangible personal property; (2) specified digital products sold (i) to a purchaser who is an end user; and (ii) with the right to the permanent use or less than permanent use granted by the seller regardless of whether the use is conditioned on continued payment by the purchaser; and (3) digital codes, as defined in Arkansas Code Ann. § 26-52-103;

(b) Natural or artificial gas, electricity, water, ice, steam, or any other tangible personal property sold as a utility or provided as a public service;

(c) The following services:

(i) Service of furnishing rooms, suites, condominiums, townhouses, rental houses or other accommodations by hotels, apartment hotels, lodging houses, tourist camps, tourist courts, property management companies, or any other provider of accommodations to transient guests;

(ii) Service of initial installation, alteration, addition, cleaning, refinishing, replacement and repair of motor vehicles, aircraft, farm machinery and implements, motors of all kinds, tires and batteries, boats, electrical appliances and devices, furniture, rugs, flooring upholstery, household appliances, televisions and radios, jewelry, watches and clocks, engineering instruments, medical and surgical instruments, machinery of all kinds, bicycles, office machines and equipment, shoes, tin and sheet metal, mechanical tools and shop equipment; however, the Pledged Tax does not apply to (A) coin operated car washes, (B) the maintenance or repair of railroad parts, railroad cars and equipment brought into the City solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within the City, (C) the service of alteration, addition, cleaning, refinishing, replacement or repair of commercial jet aircraft or commercial jet aircraft components or subcomponents, (D) the repair or remanufacture of industrial metal rollers or platens that have a remanufactured nonmetallic material covering on all or a part of the roller or platen surface that are brought into the City solely and exclusively for the purpose of being repaired and remanufactured in this City and are then shipped back to the place of origin; (E) the initial installation, alteration, addition, cleaning, refinishing, replacement or repair of nonmechanical, passive or manually operated components of buildings or other improvements or structures affixed to real estate; or the initial installation of any property specifically exempted from the Pledged Tax imposed by the Arkansas Gross Receipts Act of 1941, (F) services performed by a temporary or leased employee or other contract laborer on items owned or leased by the employer, or (G) services performed on watches and clocks that are received by mail or common carrier from outside Arkansas and that, after the service is performed, are returned by mail or common carrier to points outside Arkansas;

(iii) Service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers or paying customers or users, including all service charges and rental charges, whether for basic service, premium channels, or other special service, and including installation and repair service charges and any other charges having any connection with the providing of these services; including the sale of a subscription for digital audio-visual work and digital audio work to an end user that does not have the right of permanent use granted by the seller and the use is contingent on continued payments by the purchaser; however, the Pledged Tax does not apply to services purchased by a radio or television company for use in providing its services;

(iv) Service of providing transportation or delivery of money, property or valuables by armored car; service of providing cleaning or janitorial work; service of pool and cleaning and servicing; pager services; telephone answering services; lawn care and landscaping services; service of parking a motor vehicle or allowing a motor vehicle to be parked; service of storing a motor vehicle; service of storing furs; and the service of providing indoor tanning at a tanning salon;

(v) Printing of all kinds, types and characters, including the service of overprinting, and photography of all kinds;

(vi) Tickets or admissions to places of amusement, to athletic, entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities;

(vii) Dues and membership fees to health spas, health clubs and fitness clubs; dues and fees to private clubs that hold any permit from the Alcoholic Beverage Control Board allowing the sale, dispensing or serving of alcoholic beverages of any kind on the premises, and sales derived from a private club from the charges to members for the preparation and serving of mixed drinks or for the cooling and serving of beer and wine;

(viii) Lease or rental of a portable toilet on a long-term or short-term basis and any service associated with the lease or rental of a portable toilet provided by the lessor;

(ix) Contracts, including services contracts, maintenance agreements and extended warranties, which in whole or in part provide for the future performance of or payment for services which are subject to the Pledged Tax;

(x) Sales of computer software, including prewritten software, and service of repairing or maintaining computer equipment or hardware in any form;

(xi) Orders transmitted by florists by telegraph, telephone, or other means of communication for flowers, floral arrangements, potted plants, or any other article common to the florist business for delivery to any other place within or without the State;

(xii) Withdrawal from stock;

(xiii) Wrecker and towing services; collection and disposal of solid wastes; cleaning of parking lots and gutters; dry cleaning and laundry services; industrial laundry services; body piercing, tattooing, and electrolysis services; pest control services; security and alarm monitoring services; boat storage and docking fees; the furnishing of camping spaces or trailer spaces at public or privately owned campgrounds, except for federal campgrounds, on less than a month to month basis; locksmith services; and pet grooming and kennel services;

(xiv) Retail sale of any device used in playing bingo and any charge for admittance to facilities or for the right to play bingo or other games of chance regardless of whether such activity might otherwise be prohibited by law;

(xv) Operation or use of coin-operated pin-ball machines, coin-operated music machines, coin-operated mechanical games and all other similar devices;

(xvi) Prepaid calling service or prepaid wireless service and the recharge of a prepaid calling service or a prepaid wireless calling service; and

(xvii) Fishing guide service provided as part of a guided fishing trip if the fishing guide service is purchased in conjunction with the sale or lease of taxable tangible personal property by the person providing the fishing guide service.

Exemptions from Sales Tax. As summarized below, several types of transactions have been exempted from the sales tax by the General Assembly of the State. Some of the current exemptions include the sale of:

(a) Aircraft held for resale and used for rental or charter, whether by a business or an individual for a period not to exceed one year from the date of purchase of aircraft;

(b) Tangible personal property, specified digital products, a digital code, or services by churches, except where such organizations may be engaged in business for profit;

(c) Tangible personal property, specified digital products, a digital code, or service by charitable organizations, except where such organizations may be engaged in business for profit;

(d) Food in public, common, high school or college cafeterias and lunchrooms operated primarily for teachers and pupils, and not operated primarily for the public or for profit;

(e) Newspapers;

(f) Property or services to the United States Government; motor vehicles and adaptive equipment to disabled veterans who have purchased said vehicles or equipment with financial assistance of the Veterans Administration; specified digital products, a digital code, and tangible personal property to the Boy Scouts of America, the Girl Scouts of America or any of the Scout Councils in the State; tangible personal property, specified digital products, a digital code, or services to the Boys & Girls Club of America, to the Poets' Roundtable of Arkansas, to 4-H Clubs and FFA Clubs, to the Arkansas 4-H Foundation, the Arkansas Future Farmers of America Foundation and the Arkansas Future Farmers of America Association, the Salvation Army, Heifer International, Inc., Habitat for Humanities, to the Arkansas Symphony Orchestra Society, Inc., and to the Arkansas Black Hall of Fame Foundation, Inc.;

(g) Gasoline or motor vehicle fuel on which the motor vehicle fuel or gasoline tax has been paid to the State and special fuel or petroleum products sold for consumption by vessels, barges and other commercial watercraft and railroads, dyed distillate special fuel on which a tax has been paid, and biodiesel fuel;

(h) Property resales to persons regularly engaged in the business of reselling the articles purchased;

(i) Advertising space in newspapers and publications and billboard advertising services;

(j) Gate admissions at State, district, county or township fairs or at any rodeo if the receipts derived from gate admissions to the rodeo are used exclusively for the improvement, maintenance and operation of such rodeo, and if no part of the net earnings thereof inures to the benefit of any private stockholder or individual;

(k) Property or services that the State is prohibited by the constitution or laws of the United States or by the constitution of the State from taxing or further taxing and tangible personal property exempted from taxation by the Arkansas Constitution;

(l) Isolated sales not made by an established business unless the sales related to a motor vehicle, trailer or semitrailer;



(m) Cotton, seed cotton, lint cotton, baled cotton, whether compressed or not, or cotton seed in its original condition; seed for use in commercial production of an agricultural product or of seed; raw products from the farm, orchard or garden, where such sale is made by the producer of such raw products directly to the consumer and user; livestock, poultry, poultry products and dairy products of producers owning not more than five cows; and baby chickens;

(n) Foodstuffs to governmental agencies for free distribution to any public, penal and eleemosynary institutions or for free distribution to the poor and needy, and the rental or sale of medical equipment, for the benefit of persons enrolled in and eligible for Medicare or Medicaid programs;

(o) Tangible personal property, specified digital products, a digital code, or services provided to any hospital or sanitarium operated for charitable and nonprofit purposes or any nonprofit organization whose sole purpose is to provide temporary housing to the family members of patients in a hospital or sanitarium;

(p) Used tangible personal property when the used property was (1) traded in and accepted by the seller as part of the sale of other tangible personal property and (2) the Arkansas Gross Receipts Tax was collected and paid on the total amount of consideration for the sale of the other tangible personal property without any deduction or credit for the value of the used tangible personal property; provided, however, this exemption does not apply to transactions involving used automobiles or used aircraft;

(q) Unprocessed crude oil;

(r) Tangible personal property consisting of machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at (i) new manufacturing or processing plants or facilities in the State or (ii) existing manufacturing or processing plants or facilities in the State if the tangible personal property is used to replace existing machinery and equipment;

(s) Property consisting of machinery and equipment required by State law or regulation to be installed and utilized by manufacturing or processing plants or facilities to prevent or reduce air and/or water pollution or contamination;

(t) Electricity used in the manufacture of aluminum metal by the electrolytic reduction process;

(u) Articles sold on the premises of the Arkansas Veterans Home;

(v) Automobile parts, which constitute "core charges," which are received for the purpose of securing a trade-in for the article purchased;

(w) Bagging and other packaging and tie materials sold to and used by cotton gins for packaging and/or tying baled cotton and from the sale of twine that is used in the production of tomato crops;

(x) Prescription drugs by licensed pharmacists, hospitals, oncologists or dispensing physicians, and oxygen sold for human use on prescription of a licensed physician;

(y) Property or services to humane societies;

(z) Vessels, barges and towboats of at least fifty tons load displacement and parts and labor used in the repair and construction of the same;

- (aa) Property or sales to all orphans' homes, or children's homes, which are not operated for profit and whether operated by a church, religious organization or other benevolent charitable association;
- (bb) Agricultural fertilizer, agricultural limestone and agricultural chemicals, and water purchased from a public surface-water delivery project to reduce or replace water used for in-ground irrigation or reduce dependence on ground water for agriculture;
- (cc) Sale of tickets or admissions, by municipalities and counties, to places of amusement, to athletic entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes, tickets, admissions, dues or fees;
- (dd) New and used farm machinery and equipment;
- (ee) New automobiles to a veteran of the United States Armed Services who is blind as a result of a service connected injury;
- (ff) Motor vehicles sold to municipalities, counties, public school districts, and state supported colleges and universities;
- (gg) School buses sold to school districts and, in certain cases, to other purchasers providing school bus service to school districts;
- (hh) Catalysts, chemicals, reagents, and solutions which are consumed or used by manufacturing or processing plants or facilities in the State in producing, manufacturing, fabricating, processing, or finishing articles of commerce or to prevent or reduce air or water pollution or contamination;
- (ii) Natural gas and electricity sold to a manufacturer for use directly in the actual manufacturing process;
- (jj) Feedstuffs used in the commercial production of livestock or poultry;
- (kk) New manufactured homes or modular homes (except that the Pledged Tax shall be collected on the first 62% of the acquisition price);
- (ll) Mobile home or on subsequent sale of a manufactured home or modular home;
- (mm) The first 500 kilowatt hours of electricity per month and the total franchise tax billed to each residential customer whose household income is less than \$12,000 per year;
- (nn) Substitute fuel used in producing, manufacturing, fabricating, assembling, processing, finishing, or packaging of articles of commerce at manufacturing or processing plants or facilities in the State;
- (oo) Electricity and natural gas to qualified steel manufacturers;
- (pp) Tangible personal property lawfully purchased with food stamps, food coupons, food instruments or vouchers in connection with certain Federal programs;
- (qq) Publications sold through regular subscriptions;

(rr) Tickets for admission to athletic events and interscholastic activities of public and private elementary and secondary schools in the State and tickets for admission to athletic events at public and private colleges and universities in the State;

(ss) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;

(tt) Insulin and test strips for testing blood sugar levels in humans;

(uu) Telephone instruments sent into the State for refurbishing or repair and then shipped back to the state of origin;

(vv) New motor vehicles purchased by non-profit organizations and used for the performance of contracts with the Department of Human Services, and new motor vehicles purchased with Federal Transit Administration funds if the new motor vehicles meet minimum State specifications, and are used for transportation under the Department of Human Services' programs for the aging, disabled, mentally ill, and children and family services;

(ww) Motor fuels to owners or operators of motor buses operated on designated streets according to regular schedule and under municipal franchise that are used for municipal transportation purposes;

(xx) Parts or other tangible personal property incorporated into or that become a part of commercial jet aircraft component or subcomponents;

(yy) Transfer of fill material by a business engaged in transporting or delivering fill material;

(zz) Long-term leases, thirty days or more, of commercial trucks used for interstate transportation of goods under certain conditions;

(aaa) Food and food ingredients to nonprofit agencies that are used for free distribution to the poor and needy;

(bbb) Tangible personal property consisting of forms constructed of plaster, cardboard, fiberglass, natural fibers, synthetic fibers or composites and that are destroyed or consumed during the manufacture of the item;

(ccc) Natural gas used as a fuel in the process of manufacturing glass;

(ddd) Sales to the Community Service Clearinghouse, Inc. of Fort Smith;

(eee) Substitute fuel used in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing facilities or processing plants in the State;

(fff) Railroad rolling stock used in transporting persons or property in interstate commerce;

(ggg) Parts or other tangible personal property that become a part of railroad parts, railroad cars and equipment brought into the State for the purpose of being repaired, refurbished, modified or converted within the State;

(hhh) Fire protection and emergency equipment to be owned by and exclusively used by a volunteer fire department, and supplies and materials to be used in the construction and maintenance of volunteer fire departments;

(iii) Gas produced from biomass and sold for the purpose of generating energy to be sold to the gas producer;

(ijj) Fuel packaging materials sold to a person engaged in the business of processing hazardous and non-hazardous waste materials into fuel products at an approved site and machinery and equipment, including analytical equipment and chemicals used directly in the processing and packaging of hazardous and non-hazardous waste materials into fuel products at an approved site;

(kkk) Electricity used for the production of chlorine and other chemicals using a chlor-alkali manufacturing process;

(lll) Tangible personal property, specified digital products, a digital code, or services sold to a qualified museum;

(mmm) Clothing, clothing accessory or equipment, school art supply, school instructional material, and supplies are exempt every year from 12:01 a.m. on the first Saturday in August and ending at 11:59 p.m. the following Sunday;

(nnn) Electricity and natural gas used in the process of manufacturing wall and floor tile by manufacturers of tile;

(ooo) Textbooks, library books, and other instructional materials;

(ppp) Sale, lease or rental of kegs used to sell beer wholesale by wholesale manufacturers of beer;

(qqq) Machinery or new or used equipment and related attachments that is used primarily in harvesting of timber;

(rrr) Natural gas and electricity used in manufacturing of tires;

(sss) Sales to the United States Government;

(ttt) Tangible personal property, specified digital products, a digital code, or a service to the Arkansas Search Dog Association, Inc.;

(uuu) Thermal imaging equipment purchased by a county government for use by law enforcement aircraft; and

(vvv) Repair parts and labor for pollution control machinery and equipment;

(www) Sales by commercial farmers of expendable supplies for farm machinery that are used for baling, packaging, tying, wrapping or sealing animal feed products;

(xxx) Sales of tangible personal property, specified digital products, a digital code, or a service to a nonprofit blood donation organization;

(yyy) Sales of utilities used by qualifying agriculture and horticultural equipment;

(zzz) Sales of utilities used by a grain drying and storage facility;

(aaaa) Certain tangible personal property that is donated to a National Guard member, emergency service worker, or volunteer providing services to a county that has been declared a disaster area.

Reference is made to “The Arkansas Gross Receipts Act of 1941,” Title 26, Chapter 52 of the Arkansas Code of 1987 Annotated, for more information concerning the sales tax.

Use Tax. The use tax portion of the Pledged Tax is levied on every person for the privilege of storing, using, distributing or consuming in the City any article of tangible personal property purchased for storage, use, distribution or consumption. The use tax applies to the use, distribution, storage or consumption of every article of tangible personal property except as hereinafter provided. In addition, the use tax is levied on the following specific tangible personal property:

- (a) Tangible personal property of the following public carriers:
    - (i) Motor carriers, consisting of tractors, trailers, semi-trailers, trucks, buses and other rolling stock, including replacement tires, used directly in the transportation of persons or property in intrastate or interstate common carrier transportations;
    - (ii) Railroads, except fuel consumed in the operation of railroad rolling stock;
    - (iii) Pipelines, consisting of transmission lines and pumping or pressure control equipment used directly in or connected to the primary pipeline facility engaged in intrastate or interstate common carrier transportation of property;
    - (iv) Airlines, consisting of airplanes and navigation instruments used directly in or becoming a part of flight aircraft engaged in transportations of persons or property in regular scheduled intrastate or interstate common carrier transportation;
  - (b) For public telephone and telegraph companies, exchange equipment, lines, boards and all accessory devices used directly in and connected to the primary facility engaged in the transmission of messages;
  - (c) Tangible personal property of the following public utilities:
    - (i) Gas companies, consisting of transmission and distribution pipelines in pumping or pressure control equipment used in connection therewith used directly in primary pipeline facility for the purpose of transporting and delivering natural gas;
    - (ii) Water companies, consisting of transmission and distribution lines, pumping machinery and controls used in connection therewith in cleaning or treating equipment of primary water distribution system;
    - (iii) Public electric power companies, consisting of all machinery and equipment including reactor cores and related accessory devices used in the generation and production of electric power and energy and transmission facilities consisting of the lines, including poles, towers and other supporting structures, transmitting electric power and energy together with substations located on or attached to such lines;
  - (d) Computer software, and the service of repairing or maintaining computer equipment or hardware in any form;
  - (e) Sales of tangible personal property, specified digital products, a digital code, and services to financial institutions;
  - (f) New and used motor vehicles, trailers or semitrailers required to be licensed in this State;
- and

(g) Prepaid telephone calling cards or prepaid authorization numbers and the recharge of prepaid telephone calling cards or prepaid authorization numbers.

Exemptions from Use Tax. Some of the property exempted from the use tax by the General Assembly of the State is as follows:

(a) Property, the storage, use or consumption of which the State is prohibited from taxing under the Constitution or laws of the United States of America or the State;

(b) Sales of tangible personal property, specified digital products, a digital code, and services on which the Pledged Tax under the Arkansas Gross Receipts Act of 1941 is levied;

(c) Tangible personal property specified digital products, a digital code, and services that is exempted from the sales tax under the Arkansas Gross Receipts Act of 1941;

(d) Feedstuffs used in the commercial production of livestock or poultry in the State;

(e) Unprocessed crude oil;

(f) Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants or facilities in the State, including facilities and plants for manufacturing feed, processing of poultry and/or eggs and livestock and the hatching of poultry and such equipment is either (1) purchased to create or expand manufacturing or processing plants in the State, (2) purchased to replace existing machinery and used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants in the State, or (3) required by State law to be installed and utilized by manufacturing or processing plants to prevent or reduce air and/or water pollution or contamination;

(g) Modular homes constructed from materials on which the sales or use tax has once been paid;

(h) Aircraft, aircraft equipment, railroad parts, cars, and equipment, and tangible personal property owned or leased by aircraft, airmotive, or railroad companies, brought into the State solely and exclusively for refurbishing, conversion, or modification within this State and which is not used or intended for use in this State or for storage for use outside or inside the State;

(i) Vessels, barges, and towboats of at least 50 tons load displacement and parts and labor used in the repair and construction of them;

(j) Motor fuels to the owners or operators of motor buses operated on designated streets according to regular schedule, under municipal franchise, which are used for municipal transportation purposes;

(k) Agricultural fertilizer, agricultural limestone, agricultural chemicals, including but not limited to, agricultural pesticides and herbicides used in commercial production of agricultural products, and vaccines, medications, and medicinal preparations, used in treating livestock and poultry being grown for commercial purposes and other ingredients used in the commercial production of yeast;

(l) All new and used motor vehicles, trailers or semi-trailers that are purchased for a total consideration of less than \$4,000;

(m) Any tangible personal property, specified digital products, a digital code, or taxable services used, consumed, distributed, or stored in this State upon which a like tax, equal to or greater than the Arkansas Compensating (Use) Tax, has been paid in another state;

(n) Tangible personal property purchased, produced or manufactured outside the State shall be exempt until the article has come to rest in the State;

(o) Tangible personal property consisting of forms constructed of plaster, cardboard, fiberglass, natural fibers, synthetic fibers or composites and that are destroyed or consumed during the manufacture of the item;

(p) Natural gas used as a fuel in the process of manufacturing glass;

(q) Sales of the Community Service Clearinghouse, Inc. of Fort Smith;

(r) Food and food ingredients to nonprofit agencies that are used for distribution to the poor and needy;

(s) Railroad rolling stock used in transporting persons or property in interstate commerce;

(t) Parts or other tangible personal property that become a part of railroad parts, railroad cars and equipment brought into the State for the purpose of being repaired, refurbished, modified or converted within the State;

(u) Fire protection and emergency equipment to be owned by and exclusively used by a volunteer fire department, and supplies and materials to be used in the construction and maintenance of volunteer fire departments;

(v) Prescriptive adaptive medical equipment and prescriptive disposable medical equipment;

(w) Tangible personal property specified digital products, a digital code, or taxable services or services sold to a qualified museum;

(x) Electricity and natural gas used in the process of manufacturing wall and floor tile by manufacturers of tile;

(y) Heavy equipment purchased for storage or use within this State from a dealer located outside of this State; and

(z) Natural gas and electricity sold to a manufacturer for use directly in the actual manufacturing process.

Reference is made to “The Arkansas Compensating (Use) Tax Act of 1949,” Title 26, Chapter 53 of the Arkansas Code of 1987 Annotated, for more information concerning the use tax.

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## EXHIBIT C

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated April 19, 2022 (this “**Agreement**”) is executed and delivered by the City of Fairfield Bay, Arkansas (the “**City**” or the “**Disclosing Party**”) and Simmons Bank, as Dissemination Agent (“**Dissemination Agent**”), in connection with the issuance by the City of its \$1,715,000 City of Fairfield Bay, Arkansas Sales and Use Tax Refunding Bonds, Series 2022 (the “**Bonds**”). The Bonds are being issued pursuant to an authorizing resolution of the City and that certain Trust Indenture by and between the City and Simmons Bank, as Trustee (the “**Trustee**”) dated April 19, 2022 (the “**Indenture**”). The Disclosing Party and Dissemination Agent covenant and agree as follows:

**Section 1.** Purpose of this Agreement. This Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Beneficial Owners (as defined below) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with, and constitutes the written undertaking for the benefit of the Beneficial Owners of the Bonds required by, subsection (i) of the Rule (as defined below). Notwithstanding any other provision of this Agreement, it is the intent of the Participating Underwriter and the City that the Rule controls the obligations of the parties with respect to the matters addressed herein. In the event of any conflict between the Rule and this Agreement, this Agreement shall be interpreted and/or modified in writing, as appropriate, so that it complies with and is consistent with the rule.

**Section 2.** Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings.

“**Annual Disclosure Statement**” shall mean any Annual Disclosure Statement filed by the City in the form attached hereto as Exhibit A and as further described in Section 4(a).

“**Audited Financial Statements**” shall mean the following, as applicable, if and when available:

On the effective date of this Agreement, the auditor of the Disclosing Party’s financial statements is the Legislative Joint Auditing Committee of the Division of Legislative Audit for the State of Arkansas (“**Legislative Audit**”). The authority and duties of the Legislative Audit are set forth in Arkansas Code Annotated §§ 10-4-401 *et. seq.* So long as Legislative Audit is acting as auditor for the Disclosing Party, the “**Audited Financial Statements**” shall mean an “**audit**” as defined by Arkansas Code Annotated § 10-4-402(a)(1), as the same may be amended from time to time, or a “**financial audit**” as defined by Arkansas Code Annotated § 10-4-402(a)(3), as the same may be amended from time to time.

If the Disclosing Party’s auditor is changed to be a firm of independent certified public accountants or such other auditor as shall be required or permitted by the State of Arkansas, then “**Audited Financial Statements**” means the annual financial statements of the Disclosing Party prepared in accordance with GAAP for governmental units as prescribed by GASB or prepared in accordance with other commercially reasonable standards prescribed by state law or typically used for similarly situated issuers.

“**Beneficial Owner**” of a Bond shall mean any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, has or shares (i) voting power which includes the power to vote, or to direct the voting of, a Bond and/or (ii) investment power which includes the power to dispose, or to direct the disposition of, a Bond.

“**Business Day**” shall mean any day on which banks located in the City in which the designated corporate trust office of the Dissemination Agent is located is open for business.

“**Disclosure Representative**” shall mean the City Recorder/Treasurer or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“**Dissemination Agent**” shall mean Simmons Bank, or any successor Dissemination Agent designated in writing by the Disclosing Party and that has filed with the Trustee a written acceptance of such designation.

“**EMMA**” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 dated December 8, 2008 and maintained by the MSRB for purposes of the Rule.

“**Financial Obligation**” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“**Listed Events**” shall mean any of the events listed in Subsection 5(a).

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted and promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof.

“**Participating Underwriter**” shall mean Stephens Inc., the original underwriter of the Bonds required to comply with primary offering of the Bonds.

### **Section 3.**      Provision of Annual Disclosure Statement.

The City shall deliver to the Dissemination Agent, not later than December 30 of the year following the end of the City’s fiscal year (the “Report Date”), commencing with the fiscal year ended December 31, 2022, provide to the MSRB through its continuing disclosure service portal which is provided through EMMA at <http://www.emma.msrb.org>, or any similar system acceptable to the Securities and Exchange Commission, its Annual Disclosure Statement that is consistent with the requirements of Subsection 4(a) of this Agreement and in the form attached hereto as Exhibit A. Not later than 30 days prior to the Report Date, the City shall provide the Annual Disclosure Statement to the Dissemination Agent, and if filed, proof of filing with the MSRB, or if not filed, with directions to the Dissemination Agent to file the Annual Disclosure Statement with the MSRB. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5 of this Agreement.

Each Annual Disclosure Statement shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Disclosure Statement may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Agreement; provided that, any Audited Financial Statements may be submitted separately from the balance of the Annual Disclosure Statement and later than the Report Date if they are not available by the Report Date. City shall provide the Audited Financial Statements when and if available, within 60 days of the approval of the Audited Financial

Statements by the City or the date on which they are otherwise approved by the City. The City intends to incorporate by reference any audited financial statements of the City made public by Legislative Audit on its website at [www.arklegaudit.gov](http://www.arklegaudit.gov)

The Dissemination Agent shall use its best efforts to contact the appropriate Disclosure Representative to determine if the City is in compliance with Subsection 3(a) if the Dissemination Agent has not received a copy of the Annual Disclosure Statement and proof of filing with the MSRB by 30 days prior to the Report Date.

If the Dissemination Agent is unable to verify that the Annual Disclosure Statement has been provided to the MSRB by the Report Date, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit B.

On the effective date of this Agreement, the most recent fiscal year for which the City's Audited Financial Statements were available were for the year ending December 31, 2020.

**Section 4.**      Content of Annual Disclosure Statement.

(a) The Disclosing Party's Annual Disclosure Statement shall contain or incorporate by reference the following:

(i) The statistical information identified in Part I of the Annual Disclosure Statement attached hereto as Exhibit A; provided, however, if the referenced statistical information is not readily available or ascertainable, and the City determines that it is not material with respect to the Sales and Use Tax (as defined in the Indenture) securing the Bonds, then such statistical information may be excluded from the Annual Disclosure Statement upon compliance with the procedures for amendment set forth in Section 8 hereof.

(ii) As described in Section 3(b), the City's Audited Financial Statements for the most recent fiscal year available.

(b) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Disclosing Party or related public entities, which have been submitted to the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Disclosing Party shall clearly identify each such other document incorporated by reference and certify that the submitted documents comply with this Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Disclosing Party pursuant to this Agreement and shall have no duty or obligation to review any such notice or report.

**Section 5.**      Reporting of Significant Events ("Listed Events").

(a) This Section shall govern the giving of notices of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;

- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 affecting the tax status of the Bonds;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls (other than mandatory sinking fund redemptions, if any), if material;
- (ix) Defeasances and tender offers;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City;
- (xiii) The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect the security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(b) If a Listed Event occurs while any Bonds are outstanding, the City shall provide, or shall cause to be provided by the Dissemination Agent, a Listed Event Notice (the “Listed Event Notice”), in a timely manner within ten (10) Business Days after the occurrence of such Listed Event, to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.org> or any other similar system that is acceptable to the Securities and Exchange Commission. 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.

(c) Upon occurrence of a Listed Event, the City shall in a timely manner determine if a notice relating to such reported event must be filed and, if filing is required, the City shall file, or shall cause to be filed by the Dissemination Agent, the Listed Event Notice in the time required by Section 5(b).

(d) If in the course of performing its duties as Dissemination Agent hereunder, the Dissemination Agent identifies an occurrence that may require the City to provide a Listed Event Notice, the Dissemination Agent shall use its best efforts to notify the City within two days of identifying such occurrence; provided that the failure of the Dissemination Agent so to notify the City shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities hereunder or under the Indenture.

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (viii) and (ix) of the definition of "Listed Event" in Section 5(a) of this Agreement need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Indenture.

**Section 6.** Termination of Reporting Obligation. The obligations of the City under this Agreement shall terminate upon the defeasance, prior redemption, or payment in full of all of the Bonds.

**Section 7.** Additional Information. Nothing in this Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Disclosure Statement or Notice of Occurrence of a Listed Event, in addition to that which is required by this Agreement. If the City chooses to include any information in any Annual Disclosure Statement or Notice of Occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the City shall not have any obligation under this Agreement to update such information or include it in any future Annual Disclosure Statement or Notice of Occurrence of a Listed Event.

**Section 8.** Amendment and Waiver.

(a) Notwithstanding any other provision of this Agreement, the City and the Dissemination Agent may amend this Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City so long as such amendment is not materially adverse to the Dissemination Agent), and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the City and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule; provided that the City shall have provided notice of such delivery and of the amendment to the MSRB through EMMA.

(b) Notwithstanding any other provision of this Agreement, the City and Dissemination Agent specifically may supplement this Agreement to include any other bonds of the City for which the Rule requires a written undertaking. Such supplements may relate to bonds issued prior to and/or subsequent to the issuance of the Bonds, and for purposes of this Agreement, such supplements will not require an opinion of counsel.

**Section 9. Default.**

(a) In the event of a failure of the Disclosing Party or the Dissemination Agent to comply with any provision of this Agreement, the Trustee may (and, at the request of the Beneficial Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Disclosing Party or the Dissemination Agent, as the case may be, to comply with its obligations under this Agreement.

(b) Notwithstanding the provisions of Subsection 9(a), no Beneficial Owner shall have any right to take any action to challenge the adequacy of the information provided in accordance with this Agreement unless the Beneficial Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds shall have made written request to the Trustee to take such action in its own name and shall have offered the Trustee reasonable indemnity, and the Trustee for 60 days after its receipt of notice, request, and offer of indemnity has failed to institute any such action.

(c) A default under this Agreement shall not be deemed an Event of Default under the Authorizing Resolution or the Indenture. The sole remedy under this Agreement in the event of any failure of the Disclosing Party or the Dissemination Agent to comply with this Agreement shall be an action to compel performance, and the City, the Dissemination Agent and their members, officers and employees shall incur no liability under this Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this Section shall entitle any person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

**Section 10. Duties, Immunities and Liabilities of Dissemination Agent.**

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement and no further duties or responsibilities shall be implied. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the City has provided such information to the Dissemination Agent as required by this Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any City Annual Disclosure Statement, City Audited Financial Statements, Listed Events or any other information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Beneficial Owners of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the City has complied with this Agreement. The Dissemination Agent may conclusively rely upon certifications of the City at all times.

To the extent permitted by law, the City agrees to indemnify and save the Dissemination Agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the dissemination agent's gross negligence or willful misconduct.

The obligations of the City under this Section 10 shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

The Dissemination Agent shall not have any liability to any party in connection with any failure to timely file any such information or report with the MSRB through EMMA if such information or report is not timely received by the Dissemination Agent from the Disclosing Party; nor shall the Dissemination Agent have any liability to any party for any failure of the MSRB or its EMMA system to timely post or register filing of any such report if the Dissemination Agent has timely submitted such report for filing with the MSRB. The Disclosing Party acknowledges that it, and not the Dissemination agent, is solely responsible for the accuracy, completeness and timeliness of any information or report provided to the Dissemination Agent.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and the Dissemination Agent shall in no event incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the City.

(c) The Disclosing Party shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered under this Agreement in accordance with the Dissemination Agent's fee schedule in effect from time to time.

**Section 11.** Beneficiaries. This Agreement shall inure solely to the benefit of the disclosing party, the dissemination agent, the underwriter and beneficial owners from time to time of the bonds, and shall create no rights in any other person or entity.

**Section 12.** Interpretation. It being the intention of the parties that there be full and complete compliance with the Rule, this Agreement shall be construed in accordance with the written interpretative guidance and no-action letters published from time to time by the Securities and Exchange Commission and its staff with respect to the Rule.

**Section 13.** Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 14.** Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Arkansas, provided that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal laws and official interpretations thereof.

[Signature Page to Follow]

IN WITNESS WHEREOF, the undersigned have executed this Continuing Disclosure Agreement effective as of the date set forth above.

CITY:

**CITY OF FAIRFIELD BAY, ARKANSAS**

By: \_\_\_\_\_  
Linda Duncan, Mayor

DISSEMINATION AGENT:

**SIMMONS BANK**

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



**EXHIBIT A**

**ANNUAL DISCLOSURE STATEMENT**

Name of Issuer/: City of Fairfield Bay, Arkansas  
Obligated Party  
Name of Bond Issue: \$1,715,000 City of Fairfield Bay, Arkansas Sales and Use Tax Refunding Bonds, Series 2022  
Filing Date: \_\_\_\_\_, 20\_\_\_\_  
CUSIP No.:

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**Part I**

The historical Tax receipts by the City for the most recent five (5) years are as follows:

Calendar Year	Tax Collections	Annual Growth (Decline)
2018		
2019		
2020		
2021		
2022		

**Part II**

If prepared and available, the City's Audited Financial Statements for the most recent fiscal year available. See Section 4(a)(ii) of the Continuing Disclosure Agreement dated April 19, 2022.

The City's Audited Financial Statements for the fiscal year ended December 31, 20\_\_ [are attached hereto and made a part hereof] [has not been provided to the City as of the date of this filing] [The City's unaudited financial statements are attached hereto and made a part hereof.]

**Part III**

**Modifications to Annual Disclosure Statement**

[If any, note any changes to the content of the Annual Disclosure Statement (See Section 4(a)(i)) or amendments (See Section 8) to the Continuing Disclosure Agreement dated April 19, 2022.]

**CITY OF FAIRFIELD BAY, ARKANSAS**

By: \_\_\_\_\_  
Disclosure Representative

**EXHIBIT B**

**NOTICE OF FAILURE TO FILE  
ANNUAL DISCLOSURE STATEMENT**

Name of Issuer/: City of Fairfield Bay, Arkansas

Obligated Party

Name of Bond Issue: \$1,715,000 City of Fairfield Bay, Arkansas Sales and Use Tax  
Refunding Bonds, Series 2022

Dated Date: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that the Disclosing Party has not provided an Annual Disclosure Statement with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of April 19, 2022 between the Disclosing Party and Simmons Bank, as Dissemination Agent. [The Disclosing Party anticipates that the Annual Disclosure Statement will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

\_\_\_\_\_  
Simmons Bank, as Dissemination Agent

**EXHIBIT B**

**NOTICE OF FAILURE TO FILE  
ANNUAL DISCLOSURE STATEMENT**

Name of Issuer/: City of Fairfield Bay, Arkansas

Obligated Party

Name of Bond Issue: \$1,715,000 City of Fairfield Bay, Arkansas Sales and Use Tax  
Refunding Bonds, Series 2022

Dated Date: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that the Disclosing Party has not provided an Annual Disclosure Statement with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of April 19, 2022 between the Disclosing Party and Simmons Bank, as Dissemination Agent. [The Disclosing Party anticipates that the Annual Disclosure Statement will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

\_\_\_\_\_  
Simmons Bank, as Dissemination Agent