

**NEW ISSUE
BOOK-ENTRY ONLY**

RATING: (AG Insured) S&P: AA (Stable Outlook)

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds (and the interest on the Bonds is exempt from State of Arkansas income taxes and the Bonds are exempt from property taxation in the State of Arkansas). In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. See **LEGAL MATTERS**, Tax Exemption.*

**\$14,515,000
CITY OF PEA RIDGE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2026**

Dated: Date of Delivery

Due: October 1, as described below

The Bonds will not be general obligations of the City of Pea Ridge, Arkansas (the "City") but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water and sewer system, which pledge is on a parity with the pledge in favor of the City's Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012, the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of \$5,600,000, the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of \$2,470,000 and the City's Water and Sewer Refunding Revenue Bonds, Series 2021. See **THE BONDS**, Security.

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2027, and the Bonds mature (on October 1 of each year), bear interest and are priced as follows:

MATURITY SCHEDULE

\$3,150,000 Serial Bonds

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>	<u>Year</u> <u>(October 1)</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>
2027	\$195,000	5.000	3.200	2035	\$215,000	5.000	4.200*
2028	150,000	5.000	3.300	2036	215,000	5.000	4.350*
2029	160,000	5.000	3.450	2037	235,000	5.000	4.530*
2030	170,000	5.000	3.550	2038	250,000	5.000	4.640*
2031	180,000	5.000	3.650	2039	260,000	5.000	4.750*
2032	180,000	5.000	3.750	2040	270,000	4.750	4.870
2033	185,000	5.000	3.900*	2041	285,000	5.000	4.950*
2034	200,000	5.000	4.050*				

\$2,025,000 5.000% Term Bonds due October 1, 2046 to Yield 5.060%

\$4,100,000 5.000% Term Bonds due October 1, 2051 to Yield 5.180%

\$5,240,000 5.125% Term Bonds due October 1, 2056 to Yield 5.280%

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.**



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

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

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

Stephens Inc.

Dated: September 22, 2026

* Priced to first optional redemption date, October 1, 2032.

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

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

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading **BOND INSURANCE** and Exhibit B, Specimen Municipal Bond Insurance Policy.

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OFFICIAL STATEMENT
\$14,515,000
CITY OF PEA RIDGE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2026

INTRODUCTION TO THE OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Pea Ridge, Arkansas (the "City") of its Water and Sewer Revenue Bonds, Series 2026, in the aggregate principal amount of \$14,515,000 (the "Bonds"). The Bonds are being issued to finance all or a portion of the costs of acquiring, constructing and equipping betterments and improvements (the "Improvements") to the City's water and sewer system (the "System"), to provide a debt service reserve and to pay expenses of issuing and insuring the Bonds. See **THE BONDS, Purposes for Bonds**.

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

The Bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the System ("Revenues"). Revenues do not include impact fees collected by the City. The pledge of Revenues in favor of the Bonds is on a parity with the pledge of Revenues in favor of the City's Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012 (the "2012 Bonds"), the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of \$5,600,000 (the "2020A Bond"), the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of \$2,470,000 (the "2020B Bond") and the City's Water and Sewer Refunding Revenue Bonds, Series 2021 (the "Series 2021 Bonds" and, together with the 2012 Bonds, the 2020A Bond and the 2020B Bond, the "Parity Bonds"). See **THE BONDS, Security**. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 971, adopted on September 15, 2026 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest is payable April 1, 2027, and semiannually thereafter on each April 1 and October 1. Principal is payable at the principal office of Bank OZK, Little Rock, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by the Trustee by check or draft to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but

only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS**, Generally and Book- Entry Only System.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued by Assured Guaranty Inc. ("AG" or the "Insurer") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Exhibit B. It is expected that, based upon the issuance and delivery of the Insurance Policy to be issued by the Insurer at the time of delivery of the Bonds, S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign an insured rating of "AA" (stable outlook) to the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **MISCELLANEOUS**, Rating. So long as the Insurer is not in default under the Insurance Policy, it is subrogated to, and may enjoy and exercise, all rights and remedies of the owners of the Bonds and may direct the Trustee in the exercise of any remedies set forth herein. No remedy set forth herein may be exercised by the Trustee or by any owner of any of the Bonds without the prior written approval of the Insurer. See **THE AUTHORIZING ORDINANCE**, Defaults and Remedies.

The Bonds are subject to optional redemption on and after October 1, 2032 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on October 1 in the years 2046, 2051 and 2056 are also subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days' notice of redemption. See **THE BONDS**, Redemption.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations, (iii) interest on the Bonds is exempt from State income tax and (iv) the Bonds are exempt from property taxes in the State. See **LEGAL MATTERS**, Tax Exemption.

It is expected that the Bonds will be available for delivery on or about October 26, 2026, through the facilities of The Depository Trust Company in New York, New York.

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

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

THE BONDS

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code,

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

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

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

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

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

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

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from

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

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

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

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

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

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

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

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal

representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

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

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

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

(2) Optional Redemption. The Bonds are subject to redemption at the option of the City from funds from any source, on and after October 1, 2032, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on October 1 in the years 2046, 2051 and 2056 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on October 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 October 1, 2046

<u>Year</u> <u>(October 1)</u>	<u>Principal Amount</u>
2042	\$295,000
2043	405,000
2044	420,000
2045	440,000
2046 (maturity)	465,000

Bonds Maturing October 1, 2051

<u>Year</u> <u>(October 1)</u>	<u>Principal Amount</u>
2047	\$740,000
2048	780,000
2049	820,000
2050	860,000
2051 (maturity)	900,000

Bonds Maturing October 1, 2056

<u>Year</u> <u>(October 1)</u>	<u>Principal Amount</u>
2052	\$ 945,000
2053	995,000
2054	1,045,000
2055	1,100,000
2056 (maturity)	1,155,000

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

The Trustee shall give notice of the call for redemption by mailing or sending via other standard means, including electronic or facsimile communication, sent not less than thirty (30), nor more than sixty (60), days prior to the date fixed for redemption, to the registered owner of any Bond called for redemption. Failure to mail or send an appropriate notice of any such notice to one or more registered owners of Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Bonds as to which notice of redemption is duly given. After the date specified in such call, the Bond or Bonds so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

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

Purposes for Bonds. The Bonds are being issued to finance all or a portion of the costs of the Improvements, to provide a debt service reserve and to pay expenses of issuing and insuring the Bonds.

The Improvements include particularly, without limitation, a new water storage tank and related transmission lines. The City anticipates that the Improvements will be completed by March 31, 2028.

The proceeds of the Bonds are expected to be used by the City as follows:

SOURCES:

Principal Amount of Bonds	\$14,515,000
Net Original Issue Discount	<u>(145,498)</u>
Total Sources	\$14,369,502

USES:

Costs of Improvements	\$14,001,777
Costs of Issuance, Insurance Policy Premium and Reserve Policy Premium	193,545
Underwriter's Discount	<u>174,180</u>
Total Uses	\$14,369,502

The payment of Underwriter's discount, premiums for the Insurance Policy and the Reserve Policy (hereinafter defined) and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter's discount. The City will deposit the net proceeds of the Bonds (principal amount plus any original issue premium, less any original issue discount, Underwriter's discount, premiums for the Insurance Policy and the Reserve Policy and certain issuance costs) into a

special fund established with the Trustee and designated "2026 Water and Sewer Revenue Bond Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed solely for the purpose of paying costs of the Improvements, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE**, Investments.

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

A debt service reserve will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by the Insurer. The face amount of the Reserve Policy will be equal to one-half of the maximum annual principal and interest requirements on the Bonds.

The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE**, Parity Bonds.

THE CITY AND THE COUNTY

Location. The City is located in Benton County (the "County"), which is in the northwestern part of the State. The City is situated approximately 212 miles northwest of Little Rock, Arkansas and approximately 136 miles east of Tulsa, Oklahoma.

Population. Population trends for the City and County are set forth below:

<u>Year</u>	<u>City</u>	<u>County</u>
1980	1,488	78,115
1990	1,620	97,499
2000	2,346	153,406
2010	4,794	221,339
2020	6,559	284,333
2025 (estimate as of July 1)	11,233	332,554

Transportation. The City is served by U.S. Highway No. 62 and State Highways Nos. 94 and 72. Several motor freight carriers make daily shipments from the City to major cities across the United States. The City is served by the Northwest Arkansas National Airport, which is located approximately 23 miles away in Highfill, Arkansas.

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Government The government of the City operates under the mayor-city council form of government, pursuant to which a mayor and six (6) council members are elected for four (4) year terms. The current mayor and council members of the City and their principal occupations and term expiration dates are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
Nathan See	Mayor	December 31, 2026
Steve Guthrie	HVAC	December 31, 2026
Cody Keene	Construction	December 31, 2026
Ginger Larsen	Education	December 31, 2026
Michael Alldredge	Retired	December 31, 2026
Nadine Telgemeier	Consultant	December 31, 2026
Bob Morrison	CESO, Inc.	December 31, 2026

Medical Facilities. The nearest hospitals to the City are Mercy Hospital Northwest Arkansas, a 200 bed facility located approximately 14 miles away in Rogers, and Northwest Medical Center – Bentonville, a 128-bed facility located approximately 12 miles away in Bentonville.

Financial Institutions. The City is served by branches of Arvest Bank, Equity Bank and Today's Bank.

Education. Primary and secondary education for the City's inhabitants is provided by the Pea Ridge School District. The University of Arkansas is located in Fayetteville, approximately 34 miles from the City, John Brown University is located in Siloam Springs, approximately 47 miles from the City and Northwest Arkansas Community College is located in Bentonville, approximately 10 miles from the City.

Economy. Set forth below are the major employers located in the City:

<u>Employer</u>	<u>Business or Product</u>	<u>Number of Employees</u>
Pea Ridge School District	Education	390
City of Pea Ridge	Government	100
Walmart	Retail	95
McDonalds	Restaurant	65
Sonic	Restaurant	30
Ace Hardware	Retail	17

Litigation. There is no litigation pending or threatened against the City which could have a material adverse impact on the financial condition of the City.

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

<u>Year</u>	<u>Per Capita Personal Income</u>
2020	\$ 83,109
2021	105,578
2022	108,539
2023	116,244
2024	120,594

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

<u>Year</u>	<u>Total Personal Income</u>
2020	\$23,820,924,000
2021	31,057,581,000
2022	32,947,980,000
2023	36,296,846,000
2024	38,778,980,000

The annual average unemployment rates for the County and State since 2022 are as follows according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
2022	2.3	3.2
2023	2.5	3.2
2024	2.8	3.5
2025	3.2	4.1
2026*	3.5	4.3

* Preliminary as of June 2026.

THE SYSTEM

Water System. The System's water supply is purchased from the Benton/Washington Regional Public Water Authority (the "Authority"). Pursuant to a water purchase contract between the City and the Authority, the City may purchase up to 25,800,000 gallons per month for \$3.80 per 1,000 gallons. The City is also required to pay a \$1.50 assessment per active water meter. The rates paid by the City are determined by the Authority's Board of Directors. The current contract will expire in 2037. The water facilities of the System consist of two water towers having a capacity of approximately 1,000,000 gallons and over 109 miles of distribution piping.

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use in Gallons</u>
2021	464,581	547,574	170,036,600
2022	528,382	731,203	193,387,800
2023	559,674	714,616	204,840,600
2024	630,193	753,294	230,650,500
2025	669,277	964,987	244,955,200

⁽¹⁾Source: Bureau of Economic Analysis, United States Department of Commerce.

Sewer System. The sewer system consists of a wastewater treatment plant, 14 large lift stations and a collection system. The system has a capacity of 0.9 million gallons per day (MGD) and an average daily flow of 600,000 gallons.

Management. The manager of the System is Jake Wagner, who is 38 years of age. He has 18 years of experience in utility work and management. The System employs 16 persons.

Water Rates. The monthly water rates for the System are as follows:

INSIDE CITY LIMITS

June 1, 2026 – December 31, 2026

1-1,000 gallons	\$ 22.43	Minimum
1,001-2,000 gallons	22.43	+\$0.757/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	30.00	+0.874/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	187.32	+0.990/100 gallons in excess of 20,000 gallons

January 1, 2027 – December 31, 2027

1-1,000 gallons	\$ 26.13	Minimum
1,001-2,000 gallons	26.13	+\$0.882/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	34.95	+1.018/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	218.19	+1.154/100 gallons in excess of 20,000 gallons

January 1, 2028 – December 31, 2028

1-1,000 gallons	\$ 26.45	Minimum
1,001-2,000 gallons	26.45	+\$0.893/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	35.38	+1.031/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	220.96	+1.168/100 gallons in excess of 20,000 gallons

January 1, 2029 – December 31, 2029

1-1,000 gallons	\$ 26.78	Minimum
1,001-2,000 gallons	26.78	+\$0.904/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	35.82	+1.044/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	223.74	+1.183/100 gallons in excess of 20,000 gallons

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On and After January 1, 2030

1-1,000 gallons	\$ 27.12	Minimum
1,001-2,000 gallons	27.12	+\$0.916/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	36.28	+1.057/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	226.54	+1.197/100 gallons in excess of 20,000 gallons

OUTSIDE CITY LIMITS

June 1, 2026 – December 31, 2026

1-1,000 gallons	\$ 27.32	Minimum
1,001-2,000 gallons	27.32	+\$0.833/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	35.65	+0.949/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	206.47	+1.066/100 gallons in excess of 20,000 gallons

January 1, 2027 – December 31, 2027

1-1,000 gallons	\$ 31.83	Minimum
1,001-2,000 gallons	31.83	+\$0.970/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	41.53	+1.106/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	240.61	+1.242/100 gallons in excess of 20,000 gallons

January 1, 2028 – December 31, 2028

1-1,000 gallons	\$ 32.22	Minimum
1,001-2,000 gallons	32.22	+\$0.983/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	42.05	+1.120/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	243.65	+1.257/100 gallons in excess of 20,000 gallons

January 1, 2029 – December 31, 2029

1-1,000 gallons	\$ 32.63	Minimum
1,001-2,000 gallons	32.63	+\$0.995/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	42.58	+1.134/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	246.70	+1.273/100 gallons in excess of 20,000 gallons

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On and After January 1, 2030

1-1,000 gallons	\$ 33.04	Minimum
1,001-2,000 gallons	33.04	+\$1.007/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	43.11	+1.148/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	249.75	+1.289/100 gallons in excess of 20,000 gallons

Sewer Rates. The monthly sewer rates for the System are as follows:

INSIDE CITY LIMITS

1-1,000 gallons	\$19.50	Minimum
All over 1,000 gallons	19.50	+\$6.05/1,000 gallons in excess of 1,000 gallons

OUTSIDE CITY LIMITS

1-1,000 gallons	\$22.50	Minimum
All over 1,000 gallons	22.50	+\$7.03/1,000 gallons in excess of 1,000 gallons

Customers. The approximate number of water and sewer users by category for each of the past five years is as follows:

Water Users

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2021	3,206	136	3,342
2022	3,478	136	3,614
2023	3,877	138	4,105
2024	4,433	139	4,572
2025	4,922	152	5,074

Sewer Users

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2021	2,387	108	2,495
2022	2,646	107	2,753
2023	2,995	112	3,107
2024	3,635	114	3,749
2025	4,032	120	4,152

No users of the System accounted for more than 5% of gross Revenues in 2025. The five largest users of the System in 2025 are set forth below:

1. Pea Ridge School District
2. Clean Ventures – Splash Car Wash
3. Battlefield Laundry
4. Autumn Place
5. Sonic

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

BOND INSURANCE

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

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

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

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

Current Financial Strength Ratings

On August 3, 2026, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

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Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately \$3,088 million.
- The contingency reserve of AG was approximately \$1,569 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commission of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

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

Any information regarding AG and AGM included herein under the caption **BOND INSURANCE**, Assured Guaranty Inc. or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading **BOND INSURANCE**.

THE AUTHORIZING ORDINANCE

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

Rights of Insurer. Various rights of the City and the holders of the Bonds are subject to rights and powers granted to the Insurer pursuant to the Authorizing Ordinance.

Rates and General Covenants to Operate. The City covenants and agrees that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant not in the regular employ of the City ("Accountant") a certificate that the Net Revenues (Net Revenues being defined as gross Revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund, and leave a balance equal to at least 125% of the maximum annual principal and interest requirements on all outstanding bonds to which Revenues are pledged ("System Bonds"). The City further covenants and agrees that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net Revenues at least equal to 125% of the maximum annual principal and interest requirements on all System Bonds, which Net Revenues shall also be sufficient to deposit the amounts required to be paid into the Depreciation Fund (hereinafter identified). Non-recurring revenues, including but not limited to, impact fees collected by the City are not included in Net Revenues and any amounts due the Insurer shall be included in the calculation in this paragraph.

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

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

(b) There shall first be paid from the Revenue Fund into a special fund heretofore created and redesignated as the "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on or before the first business day of each month an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges, such as insurance premiums and the cost of major repair and maintenance expenses, may be

computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the Operation and Maintenance Fund in the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the costs of operation, repair and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Depreciation Fund (as hereinafter defined).

(c) After making the monthly deposit into the Operation and Maintenance Fund there shall be transferred from the Revenue Fund into a special fund created with the Trustee and designated "2026 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times set forth below for the purpose of providing funds for the payment of the principal of and interest on the Bonds.

There shall be paid into the Bond Fund, beginning on the first business day of the month immediately following the month in which the Bonds are delivered, and continuing on the first business day of each month thereafter while any of the Bonds shall be outstanding, a sum equal to 1/6 of the next installment of interest and 1/12 of the next installment of principal on all outstanding Bonds; provided, however, that (a) payments through March 2027 shall be in an amount equal to 1/5 of the interest due on April 1, 2027 and 1/11 of the principal due on October 1, 2027 and (b) payments from April 2027 through September 2027 shall be in an amount equal to 1/6 of the interest and 1/11 of the principal due on October 1, 2027.

There is created, as a part of the Bond Fund, a Debt Service Reserve. The Reserve Policy, which shall be in an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds, shall be deposited into the Debt Service Reserve.

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

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

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

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

(d) Simultaneously with making the deposit into the Bond Fund, there shall be transferred from the Revenue Fund into the special fund designated "2012 Water and Sewer Revenue Bond Fund" created to secure the 2012 Bonds, the special fund designated "Water and Sewer Revenue Bond Fund" created to secure the 2020A Bond, the special fund designated "Water and Sewer Revenue Bond Fund" created to secure the 2020B Bond and the special fund designated "2021 Water and Sewer Revenue Bond Fund" created to secure the 2021 Bonds (collectively, the "Parity Bond Funds") an amount equal to the required monthly deposit into such funds. The obligation to make the required monthly deposits

into the Bond Fund and the Parity Bond Funds shall rank on a parity of security. If the City issues any additional parity bonds, the obligation to make payments into debt service and debt service reserve funds for those bonds shall rank on a parity of security with the obligation to make payments into the Bond Fund and the Parity Bond Funds. In the event the Revenues remaining after the required monthly deposit into the Operation and Maintenance Fund are insufficient to make the full monthly deposits into the Bond Fund, the Parity Bond Funds and the bond funds for the additional parity bonds, the amount deposited into each shall be reduced proportionately.

(e) There shall next be paid from the Revenue Fund into a special fund heretofore created and redesignated as the "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the first business day of each month a sum equal to the greater of (a) five percent (5%) of the Revenues for the preceding month or (b) such other amount required by State law. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of necessary repairs or replacements made necessary by the depreciation of the System.

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

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

The City reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund outstanding System Bonds, but the City shall not authorize or issue any such additional bonds ranking on a parity with the Bonds unless there has been procured and filed with the Trustee a statement by an Accountant reciting the opinion, based upon necessary investigation, that (1) the Net Revenues for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the maximum annual principal and interest requirement on all the then outstanding System Bonds and the additional bonds then proposed to be issued or (2) the Net Revenues for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, as reflected by a statement by a rate analyst or independent consulting engineer not in the regular employ of the City, and taking into account any rate increase then in effect will equal not less than 125% of the maximum annual principal and interest requirements on all then outstanding System Bonds and the additional bonds then proposed to be issued. The term "Net Revenues" means gross Revenues less the amounts required to pay the costs of operation, maintenance and repair of the System determined in accordance with generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses. In making the computation set forth in (1) above, the City, and the Accountant on behalf of the City, may, based upon the opinion or report of a rate analyst or independent consulting engineer not in the regular employ of the City, treat any increase in rates enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in gross Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year. Non-recurring revenues, including but not limited to, impact fees collected by the City are not included in Net Revenues and any amounts due the Insurer shall be included in the calculation in this paragraph.

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

registered owner of the Bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

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

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

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

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

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

Default and Remedies. (a) Subject to the provisions of subparagraph (f) below, if there be any default in the payment of the principal of or interest on any of the Bonds, or if the City defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than ten percent (10%) in principal amount of the Bonds

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

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

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

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

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

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

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

The Trustee, with the consent of the Insurer, may consent to any variation or change in the Authorizing Ordinance to cure any ambiguity, defect or omission in the Authorizing Ordinance or any amendment thereto or any other change or variation that the Trustee determines is not to the material prejudice of the owners of the Bonds without the consent of the owners of the Bonds then outstanding.

The owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding and the Insurer shall have the right, from time to time, to consent to and approve the adoption by the City of such ordinance supplemental to the Authorizing Ordinance as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance, except that there shall not be permitted (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien upon or a pledge superior to the lien and pledge created by the Authorizing Ordinance, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Insurer or by the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving sixty (60) days' notice in writing to the City Clerk, to the Insurer and to the registered owners of the outstanding Bonds. The Insurer, the majority in value of the registered owners of the outstanding Bonds, with the consent of the Insurer, or the City, so long as the City is not in default under the Authorizing Ordinance, with the consent of the Insurer, at any time, 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 and the Insurer. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. The Trustee's resignation shall become effective upon the acceptance of the trusts by the successor Trustee.

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

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

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

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

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

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

CONTINUING DISCLOSURE AGREEMENT

Past Compliance. In the past five years, the City has been a party to four continuing disclosure agreements. The City has been obligated to file certain information with the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The City has reviewed its past compliance with such agreements. While the City has not made a determination as to materiality, the following constitutes a non-exhaustive summary of the City's review of compliance with continuing disclosure obligations over the past five years.

In connection with the 2012 Bonds, the City is required to file the audited financial statements of the System on EMMA within 180 days after the end of the City's fiscal year (December 31). The continuing disclosure agreement for the City's Water and Sewer Revenue Refunding Bonds, Series 2016 (the "2016 Bonds"), which were retired in full on November 1, 2021, required the City to file the audited financial statements of the System on EMMA within 270 days after the end of the System's fiscal year; provided, however, that if such audited financial statements are not available, the City is required to make such filing within 30 days after the audited financial statements have been received by the City. The continuing disclosure agreement for the 2021 Bonds requires the City to file the audited financial statements of the System on EMMA within 180 days after the end of the System's fiscal year; provided, however, that if such audited financial statements are not available, the City is required to make such filing within 30 days after the audited financial statements have been received by the City.

The audited financial statements of the System for the fiscal years ended December 31, 2023, 2024 and 2025 were timely filed for the 2021 Bonds but were not correctly linked to the CUSIP numbers for the 2012 Bonds. The audited financial statements of the System for the fiscal year ended December 31, 2022 were filed 18 days late. The audited financial statements of the System for the fiscal year ended December 31, 2021 were filed 19 days late for the 2021 Bonds but were not correctly linked to the CUSIP numbers for the 2012 Bonds. In the last few years, the audited financial statements of the System were not required to be filed in connection with the 2016 Bonds.

The continuing disclosure agreement for the 2012 Bonds requires the City to disclose certain statistical information related to the City in annual reports that are filed with the MSRB. The annual report for the fiscal year ended December 31, 2021 was timely filed. The annual reports for the fiscal years ended December 31, 2022, 2023, 2024 and 2025 were not filed on EMMA.

The continuing disclosure agreement for the 2016 Bonds required the City to disclose certain statistical information related to the System in annual reports that are filed with the MSRB. The annual report for the fiscal year ended December 31, 2021 was not filed on EMMA. No subsequent filing was required.

The continuing disclosure agreement for the 2021 Bonds requires the City to disclose certain statistical information related to the System in annual reports that are filed with the MSRB. The annual reports for the fiscal years ended December 31, 2021 and 2024 were timely filed. The annual reports for the fiscal years ended December 31, 2022 and 2023 were filed 536 days late and 171 days late, respectively. The annual report for the fiscal year ended December 31, 2025 was not filed.

As part of its annual reporting obligation in connection with its Sales and Use Tax Bonds, Series 2022 (the "2022 Bonds"), the City is required to file certain statistical information concerning sales and use tax collections. The required statistical information for the fiscal years ended December 31, 2022 through 2025 was timely filed.

For the 2022 Bonds, the City is also required to file on EMMA the annual financial statements of the general fund of the City. If the financial statements are not available at the time the annual report is due, the City is required to file the financial statements within 30 days after receipt thereof. The financial statements for the fiscal years ended December 31, 2023 and 2024 were timely filed. The financial statements for the fiscal year ended December 31, 2022 were filed 53 days late. The financial statements for the fiscal year ended December 31, 2025 are not yet available.

Notices concerning the City's failure to comply with its continuing disclosure obligations as summarized above were not filed on EMMA.

The City's continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). All such notices were timely filed on EMMA.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

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

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

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

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

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" shall mean a

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2026 fiscal year, provide to the Insurer and to the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, the City shall give notice of such change in the same manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in (1) under Content of Annual Report below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB and to the Insurer.

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

(1) Information of the type set forth in this Official Statement under the caption "THE SYSTEM" with respect to (i) the number of water and sewer users by category for the fiscal year then ended and the four previous fiscal years; and (ii) the top five (5) users of the System for the previous fiscal year and a statement as to which users, if any, accounted for 5% or more of Revenues for the preceding fiscal year; and

(2) The annual financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America. If there are no accounting principles generally accepted in the United States of America at the time the annual financial statements are prepared, then the annual financial statements shall be prepared in accordance with State law. If there are no auditing standards generally accepted in the United States of America at the time the annual financial statements are audited, then the annual financial statements shall be audited in accordance with State law.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Insurer, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City, the Dissemination Agent or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

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

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FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements for the System for the fiscal years ended December 31, 2025 and 2024. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and were audited in accordance with auditing standards generally accepted in the United States of America. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

Revenues and expenses of the System have been summarized by management of the System for the last five fiscal years as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues ⁽¹⁾	\$5,022,939	\$4,573,880	\$3,802,853	\$3,771,037	\$3,321,683
Operating Expenses	<u>(3,511,714)</u>	<u>(3,393,321)</u>	<u>(2,625,221)</u>	<u>(2,422,056)</u>	<u>(1,959,039)</u>
Operating Income Before Depreciation and Amortization	1,511,225	1,180,559	1,177,632	1,348,981	1,362,644
Depreciation and Amortization	(885,468)	(664,094)	(613,790)	(570,514)	(427,931)
Interest Expense	(265,829)	(270,969)	(286,420)	(279,120)	(323,074)
Other Non- Operating Revenues (Expenses)	<u>83,464</u>	<u>135,886</u>	<u>53,079</u>	<u>89,503</u>	<u>(121,555)</u>
Net Income (Loss)	<u>\$443,392</u>	<u>\$381,382</u>	<u>\$330,501</u>	<u>\$588,850</u>	<u>\$490,084</u>

⁽¹⁾ Excludes impact fees which are not pledged to the Bonds.

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DEBT SERVICE COVERAGE

The following table shows the funds available for debt service on the Bonds and the Parity Bonds, the maximum amount of debt service due, and the extent to which debt service is covered by such funds:

Net Revenues ⁽¹⁾	\$1,592,014
Plus: Additional Revenues from Rate Increases ⁽²⁾	\$444,636
Estimated Funds Available for Debt Service (A)	\$2,036,650
Maximum Annual Debt Service Requirements on the Bonds and the Parity Bonds (B) ⁽³⁾	\$1,505,279
Debt Service Coverage (A/B)	1.35x

⁽¹⁾ Revenues less amounts necessary to pay costs of operation, maintenance and repair of the System (excluding depreciation, interest and bond amortization expenses) for the fiscal year ended December 31, 2025. Excludes impact fees of \$535,886 and includes interest income of \$80,789.

⁽²⁾ The City increased water rates in January 2026 and again in June 2026. Based on calculations performed by Halff Associates, Inc., the Additional Revenues shown here are the additional Revenues that would have been received by the City if such rate increases had been in effect throughout the fiscal year ended December 31, 2025.

⁽³⁾ Based on a year ending December 31.

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DEBT SERVICE REQUIREMENTS

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

<u>Year</u> <u>(Ending December 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2027	\$ 195,000	\$680,817.71	\$ 875,817.71
2028	150,000	721,875.00	871,875.00
2029	160,000	714,375.00	874,375.00
2030	170,000	706,375.00	876,375.00
2031	180,000	697,875.00	877,875.00
2032	180,000	688,875.00	868,875.00
2033	185,000	679,875.00	864,875.00
2034	200,000	670,625.00	870,625.00
2035	215,000	660,625.00	875,625.00
2036	215,000	649,875.00	864,875.00
2037	235,000	639,125.00	874,125.00
2038	250,000	627,375.00	877,375.00
2039	260,000	614,875.00	874,875.00
2040	270,000	601,875.00	871,875.00
2041	285,000	589,050.00	874,050.00
2042	295,000	574,800.00	869,800.00
2043	405,000	560,050.00	965,050.00
2044	420,000	539,800.00	959,800.00
2045	440,000	518,800.00	958,800.00
2046	465,000	496,800.00	961,800.00
2047	740,000	473,550.00	1,213,550.00
2048	780,000	436,550.00	1,216,550.00
2049	820,000	397,550.00	1,217,550.00
2050	860,000	356,550.00	1,216,550.00
2051	900,000	313,550.00	1,213,550.00
2052	945,000	268,550.00	1,213,550.00
2053	995,000	220,118.76	1,215,118.76
2054	1,045,000	169,125.00	1,214,125.00
2055	1,100,000	115,568.76	1,215,568.76
2056	1,155,000	59,193.76	1,214,193.76
TOTALS	\$14,515,000	\$15,444,048.99	\$29,959,048.99

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

Year (Ending December 31)	Bonds Debt Service	Parity Bonds Debt Service	Total Debt Service
2027	\$ 875,817.71	\$628,378.52	\$1,504,196.23
2028	871,875.00	629,891.00	1,501,766.00
2029	874,375.00	630,903.50	1,505,278.50
2030	876,375.00	626,497.26	1,502,872.26
2031	877,875.00	626,872.26	1,504,747.26
2032	868,875.00	631,828.50	1,500,703.50
2033	864,875.00	635,928.50	1,500,803.50
2034	870,625.00	629,728.50	1,500,353.50
2035	875,625.00	628,378.50	1,504,003.50
2036	864,875.00	636,928.50	1,501,803.50
2037	874,125.00	630,066.00	1,504,191.00
2038	877,375.00	627,591.00	1,504,966.00
2039	874,875.00	630,003.50	1,504,878.50
2040	871,875.00	632,091.00	1,503,966.00
2041	874,050.00	628,953.50	1,503,003.50
2042	869,800.00	630,603.50	1,500,403.50
2043	965,050.00	536,366.00	1,501,416.00
2044	959,800.00	540,741.00	1,500,541.00
2045	958,800.00	544,866.00	1,503,666.00
2046	961,800.00	538,741.00	1,500,541.00
2047	1,213,550.00	287,616.00	1,501,166.00
2048	1,216,550.00	275,246.41	1,491,796.41
2049	1,217,550.00	199,584.00	1,417,134.00
2050	1,216,550.00	199,584.00	1,416,134.00
2051	1,213,550.00	199,584.00	1,413,134.00
2052	1,213,550.00	199,584.00	1,413,134.00
2053	1,215,118.76	199,584.00	1,414,702.76
2054	1,214,125.00	199,584.00	1,413,709.00
2055	1,215,568.76	199,584.00	1,415,152.76
2056	1,214,193.76	199,584.00	1,413,777.76
2057	--	199,584.00	199,584.00
2058	--	199,584.00	199,584.00
2059	--	199,584.00	199,584.00
2060	--	121,028.95	121,028.95
TOTALS	\$29,959,048.99	15,124,672.90	\$45,083,721.89

LEGAL MATTERS

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

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

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

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

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

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

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

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

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

that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

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

As shown on the front cover of this Official Statement, certain of the Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

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

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

MISCELLANEOUS

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$14,195,322.05 (principal amount less net original issue discount of \$145,497.95 less Underwriter's discount of \$174,180). The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

Rating. S&P is expected to assign its municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that upon issuance and delivery of the Bonds, the Insurance Policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer. Any explanation of such rating may only be obtained from S&P. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Bonds by S&P may have an adverse effect on the market price of the Bonds. The Underwriter and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

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

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

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

CITY OF PEA RIDGE, ARKANSAS

By /s/ Nathan See
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

Audited Financial Statements of the System
for the Fiscal Years Ended December 31, 2025 and 2024

**CITY OF PEA RIDGE WATERWORKS
AND SEWER SYSTEM**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024



CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM
DECEMBER 31, 2025 AND 2024

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Pea Ridge Waterworks and Sewer System
Pea Ridge, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Pea Ridge Waterworks and Sewer System, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Pea Ridge Waterworks and Sewer System as of December 31, 2025 and 2024, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pea Ridge Waterworks and Sewer System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Pea Ridge's waterworks and sewer component unit and do not purport to, and do not, present fairly the financial position of the City of Pea Ridge, Arkansas, as of December 31, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Pea Ridge Waterworks and Sewer System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the supplemental information for employer pension plans on pages 30-31 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The statements of revenues, expenses and changes in net position by department and schedules of bonds outstanding are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the statement of revenues, expenses and changes in net position by department and schedules of bonds outstanding are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the customer counts, volumes and rates schedule, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2026, on our consideration of the City of Pea Ridge Waterworks and Sewer System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pea Ridge Waterworks and Sewer System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pea Ridge Waterworks and Sewer System's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
April 14, 2026

FINANCIAL STATEMENTS

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,289,691	\$ 1,630,917
Restricted cash and cash equivalents	2,995,711	2,728,126
Restricted certificates of deposit	43,449	94,137
Accounts receivable, net	430,569	420,515
Inventory	284,636	218,878
Prepaid insurance	55,611	39,178
Total Current Assets	6,099,667	5,131,751
Capital and right-to-use assets, net	28,213,596	21,356,043
Total Assets	34,313,263	26,487,794
Deferred Outflows of Resources		
Deferred amount on refunding of debt, net of amortization	48,132	50,424
Deferred outflows of resources related to pension	613,163	796,527
Total Deferred Outflows of Resources	661,295	846,951
Total Assets and Deferred Outflows	\$ 34,974,558	\$ 27,334,745
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 242,976	\$ 370,592
Sales tax payable	32,370	14,162
Wages payable	50,007	81,035
Accrued payroll taxes and benefits	16,630	2,120
Accrued interest	30,293	31,324
Meter deposits payable	116,547	113,183
Right-to-use lease liability	25,501	-
Current maturity of bonds payable	378,039	360,011
Total Current Liabilities	892,363	972,427
Long-Term Liabilities		
Right-to-use lease liability	16,703	-
Bonds payable, plus unamortized bond premium	11,641,184	12,020,779
Net pension liability	873,773	952,008
Total Long-Term Liabilities	12,531,660	12,972,787
Total Liabilities	13,424,023	13,945,214
Deferred Inflows of Resources		
Deferred inflows related to pension	84,201	38,923
Total Deferred Inflows of Resources	84,201	38,923
Net Position		
Net investment in capital assets	16,242,505	9,025,678
Restricted	2,892,731	2,678,229
Unrestricted	2,331,098	1,646,701
Total Net Position	21,466,334	13,350,608
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 34,974,558	\$ 27,334,745

See accompanying notes to financial statements.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2025	2024
Operating Revenue		
Water revenues, less bad debts	\$ 2,639,234	\$ 2,359,033
Water service fees	435,865	403,543
Sewer revenue	1,794,461	1,608,433
Sewer service fees	52,367	49,122
Impact fees	535,886	771,088
Late fees	60,958	60,918
Other income	40,054	92,831
Total Operating Revenue	5,558,825	5,344,968
Operating Expenses		
Water purchases	1,099,672	997,080
Salaries and wages	1,070,018	981,333
Employee benefits	401,165	508,591
Payroll taxes	94,402	86,318
System supplies and small equipment	183,599	337,704
System repairs and maintenance	145,176	48,245
Equipment repairs and maintenance	22,442	36,281
Equipment rental	10,666	19,524
Utilities	169,927	149,680
Sewer chemicals	60,649	40,565
Fuel	22,437	22,277
Insurance	37,310	28,942
Licenses and training	1,126	3,457
Permits, fees, and dues	39,728	32,280
Uniforms	9,678	8,081
Safety equipment	3,084	1,705
Professional services	77,868	27,553
Office supplies	54,308	58,445
Miscellaneous	8,459	5,260
Depreciation and amortization	885,468	664,094
Total Operating Expenses	4,397,182	4,057,415
Operating Income	1,161,643	1,287,553
Nonoperating Revenues (Expenses)		
Interest income	80,789	79,135
Gain on sale of asset	2,675	3,525
Insurance recoveries	-	53,226
Interest expense	(265,829)	(270,969)
Total Nonoperating Revenues (Expenses)	(182,365)	(135,083)
Income Before Capital Contributions	979,278	1,152,470
Capital Contributions, private developers	7,136,448	6,892,033
Change in Net Position	8,115,726	8,044,503
Net Position, Beginning of Year	13,350,608	5,306,105
Net Position, End of Year	\$ 21,466,334	\$ 13,350,608

See accompanying notes to financial statements.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2025	2024
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 5,570,343	\$ 5,339,361
Cash payments to suppliers for goods and services	(2,005,529)	(1,427,578)
Cash payments to employees for services	(1,582,103)	(1,580,314)
Net Cash Provided By Operating Activities	1,982,711	2,331,469
Cash Flows From Capital and Related Financing Activities		
Acquisition of property, plant and equipment	(540,015)	(579,698)
Insurance recoveries	-	53,226
Proceeds from sale of assets	2,675	3,525
Principal paid on debt	(360,099)	(357,126)
Payments on lease liability	(24,354)	(17,397)
Interest paid on debt	(266,036)	(271,206)
Net Cash Used In Capital and Related Financing Activities	(1,187,829)	(1,168,676)
Cash Flows From Investing Activities		
Reinvestment of certificate of deposit earnings	(63)	(316)
Redemption of certificates of deposit	50,751	-
Interest income	80,789	79,135
Net Cash Provided By Investing Activities	131,477	78,819
Net Increase In Cash, Cash Equivalents and Restricted Cash	926,359	1,241,612
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	4,359,043	3,117,431
Cash, Cash Equivalents and Restricted Cash At End of Year	\$ 5,285,402	\$ 4,359,043
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 2,289,691	\$ 1,630,917
Restricted cash and cash equivalents	2,995,711	2,728,126
Total Cash, Cash Equivalents and Restricted Cash	\$ 5,285,402	\$ 4,359,043

See accompanying notes to financial statements.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2025	2024
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	\$ 1,161,643	\$ 1,287,553
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	885,468	664,094
(Increase) decrease in:		
Accounts receivable	(10,054)	6,287
Inventory	(65,758)	12,693
Prepaid insurance	(16,433)	(19,766)
Deferred outflows of resources related to pension	183,364	(728,462)
Increase (decrease) in:		
Accounts payable	(127,616)	134,105
Wages payable	(31,028)	13,830
Accrued payroll taxes and benefits	14,510	(17,902)
Sales tax payable	18,208	(2,713)
Customer meter deposits	3,364	(9,181)
Net pension liability	(78,235)	952,008
Deferred inflows of resources related to pension	45,278	38,923
Net Cash Provided By Operating Activities	\$ 1,982,711	\$ 2,331,469
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Total cost of fixed assets acquired	\$ 7,743,021	\$ 7,468,761
Less: Developer contributions	(7,136,448)	(6,892,033)
Right-to-use lease assets obtained in exchange for lease liabilities	(66,558)	-
Plus: prior year construction payables	-	2,970
Net cash used to acquire capital assets	\$ 540,015	\$ 579,698

See accompanying notes to financial statements.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Nature of Operations

The City of Pea Ridge Waterworks and Sewer System (the Department) is an enterprise fund of the City of Pea Ridge, Arkansas (the City). The City of Pea Ridge, through its Mayor and City Council, has oversight over the Waterworks and Sewer System. The Department provides water, which it purchases, to its customers, and also provides sewer services within the City limits. The City Council of Pea Ridge, Arkansas sets user charges, establishes budgets, selects management, and controls all aspects of the Waterworks and Sewer System's daily operations.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Department's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Department is considered to be a component unit of the City of Pea Ridge. These financial statements reflect the Water and Sewer Department Enterprise Funds of the City of Pea Ridge, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Income Taxes

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

Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of water and sewer fees and surcharges billed to residential and commercial/industrial customers based on consumption. The Department does not charge interest on overdue accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. The Department considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, and current economic trends. Balances that remain outstanding after reasonable collection efforts are written off. The allowance for doubtful accounts was \$28,267 and \$30,067 at December 31, 2025 and 2024, respectively.

Inventories

Inventory consists of supplies and repair parts for the operation and maintenance of plant and equipment. Inventory is stated at cost, which approximates market, using the first-in first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Right-to-Use Lease Assets / Lease Liabilities

The Department determines if an arrangement contains a lease at the inception of a contract. Right-to-use assets represent the Department's right to use an underlying asset for the lease term and lease liabilities represent the Department's obligation to make lease payments arising from the lease during the lease term. Right-to-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The Department has elected to use a low risk rate borrowing rate to discount the lease payments. Lease liabilities are reduced by the principal portion as the payments are made.

Leases with a term or twelve months or less are not reflected on the Statement of Net Position. Rental payments are recognized on a straight-line basis over the lease term.

The Department monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued)

Capital Assets And Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The estimated useful lives of the assets are as follows:

Plant, building, and improvements	3 - 40 years
Vehicles	5 - 7 years
Equipment	3 - 15 years
Right-to-use equipment	2 - 3 years

It is the Department's policy to capitalize asset purchases greater than \$5,000 and expense asset purchases less than \$5,000.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The Department also recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department recognizes deferred inflows of resources related to pensions.

Compensated Absences

Employees earn vacation and personal days in varying amounts based upon length of service with the Department. Vacation must be used by the employees year-end anniversary date or it is lost. The Department also recognizes its obligation relating to employees' rights to receive compensation for future absences attributable to employees' service already rendered. Upon termination from the Department, employees are paid their accumulated unused vacation, personal and comp hours. Accrued compensated absences is included in wages payable and totaled \$37,707 and \$36,946 at December 31, 2025 and 2024, respectively.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued)

Customer Meter Deposits

Unless a letter of credit is provided by the customer to the Department, customers are required to make a meter deposit before being connected to the water system. If the customer makes timely payments for twenty-four consecutive months their deposit is applied to their account balance. Otherwise, when the Department no longer serves the customer, the deposit is applied to the customers final bill, and any remaining balance is refunded to the customer.

Net Position

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

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

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

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

The Department does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Department personnel decide which resources to use at the time the expenditures are incurred. For financial statement classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The Department's restricted net position are those resources necessary to comply with various covenants of bond financing agreements and City ordinances.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Department's principal ongoing operations. The principal operating revenues of the Department consist of water sales and fees for sewer and miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued)

Estimates

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

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standard which became effective during the Department's fiscal year. The standard did not have any impact on the Department's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The statement requires a government to assess whether a concentration or constraint makes the government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally the statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

2. Deposits with Financial Institutions and Investments

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

State statutes generally require 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 direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a Department's deposits may not be recovered. At December 31, 2025 and 2024 all of the Commission's deposits were insured and/or collateralized.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

2. Deposits with Financial Institutions and Investments (continued)

Deposits (continued)

The bank balances and carrying amount of the Commission's deposits held were as follows:

Description	As of December 31, 2025		As of December 31, 2024	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 987,612	\$ 987,428	\$ 975,688	\$ 975,260
Collateralized - held by pledging bank or pledging bank's trust department in the Department's name	4,326,392	4,297,274	3,433,206	3,383,083
Cash on hand	-	700	-	700
Total	\$ 5,314,004	\$ 5,285,402	\$ 4,408,894	\$ 4,359,043

Deposits as reported in the following Statement of Net Position captions:

As Of December 31,	2025	2024
Cash and cash equivalents	\$ 2,289,691	\$ 1,630,917
Restricted cash and cash equivalents	2,995,711	2,728,126
Total	\$ 5,285,402	\$ 4,359,043

Investments

Investments consist of certificates of deposit established for debt service and depreciation reserves. The investments are stated at cost plus accrued interest, which approximates fair value. The Department's investments consist of the following:

As of December 31, 2025	Market	Maturity (in Years)		Credit Rating
		Less than 1	1 - 2	
Certificates of deposit	\$ 43,449	\$ 43,499	\$ -	N/A
Total	\$ 43,449	\$ 43,499	\$ -	

As of December 31, 2024		Maturity (in Years)		Credit Rating
		Less than 1	1 - 3	
Certificates of deposit	\$ 94,137	\$ 50,688	\$ 43,449	N/A
Total	\$ 94,137	\$ 50,688	\$ 43,449	

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

2. Deposits with Financial Institutions and Investments (continued)

Investments (continued)

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Department limits its exposure to interest rate risk by structuring its certificates of to provide liquidity for operating funds and maximizing yields for funds not needed within a five-year period.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Department has its investments in certificates of deposit which are covered by FDIC insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the Department or by an agent of the Department are in the Department's name.

Fair Value Measurements

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the Department's investments that are measured at fair value on a recurring basis at December 31, 2025:

	Level 1		Level 2		Level 3		Total
Certificates of deposit	\$	43,449	\$	-	\$	-	\$ 43,449
Total	\$	43,449	\$	-	\$	-	\$ 43,449

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

3. Restricted Cash and Investments

Restricted cash is comprised of the following accounts:

As of December 31,	2025	2024
Impact fees	\$ 1,454,181	\$ 1,369,557
2012 Bond		
Water Depreciation Fund	639,072	546,011
Sewer Depreciation Fund	221,572	197,698
Bond Fund	90,463	85,352
2020 Bond		
Debt Service Fund	177,786	143,922
Short Lived Asset Reserve	58,957	47,256
2021 Bond		
Debt Service Reserve Fund	131,106	131,106
Bond Fund	106,439	94,514
Meter Deposit Fund	116,135	112,710
Total restricted cash	\$ 2,995,711	\$ 2,728,126

Restricted certificates of deposit is comprised of the following accounts:

As of December 31,	2025	2024
2012 Bond Debt Service Reserve	\$ 43,449	\$ 43,449
Water Depreciation Fund	-	25,161
Sewer Depreciation Fund	-	25,527
Total restricted investments	\$ 43,449	\$ 94,137

Restricted accounts are for the following:

Impact fees - restricted for projects increasing the capacity of the waterworks and sewer system (see Note 11)

Depreciation Fund / Short Lived Asset Reserve - for repairs, maintenance, betterments and improvements of the Department

Meter Deposits - restricted for repayment of customer meter deposits.

Bond / Bond Revenue Funds - established to fund the semi-annual interests and annual principal payments of the bonds.

Debt Service Reserve - restricted for payment of principal and interest of the bonds if funds are not available.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

4. Capital and Right-to-Use Assets / Developer Contribution Revenue

Activity of capital assets consists of the following:

As Of	January 1, 2025	Additions	Retirements / Transfers	December 31, 2025
Capital assets not being depreciated				
Land	\$ 89,481	\$ -	\$ -	\$ 89,481
Construction in process	360,102	399,618	216,141	543,579
Total capital assets not being depreciated	449,583	399,618	216,141	633,060
Capital assets being depreciated:				
Plant, building, and improvements	29,459,454	7,443,080	-	36,902,534
Equipment and machinery	583,332	-	-	583,332
Right-to-use equipment	34,599	66,558	34,599	66,558
Vehicles	340,931	49,906	6,000	384,837
Total capital assets being depreciated	30,418,316	7,559,544	40,599	37,937,261
Total capital assets	30,867,899	7,959,162	256,740	38,570,321
Less accumulated depreciation				
Plant, building, and improvements	8,772,101	800,295	-	9,572,396
Equipment and machinery	476,081	30,287	-	506,368
Right-to-use equipment	28,884	16,110	34,599	10,395
Vehicles	234,790	38,776	6,000	267,566
Total accumulated depreciation	9,511,856	885,468	40,599	10,356,725
Capital assets, net	\$ 21,356,043	\$ 7,073,694	\$ 216,141	\$ 28,213,596

As Of	January 1, 2024	Additions	Retirements / Transfers	December 31, 2024
Capital assets not being depreciated:				
Land	\$ 89,481	\$ -	\$ -	\$ 89,481
Construction in progress	149,112	277,186	66,196	360,102
Total capital assets not being depreciated	238,593	277,186	66,196	449,583
Capital assets being depreciated:				
Plant, building, and improvements	22,289,380	7,170,074	-	29,459,454
Equipment and machinery	542,219	41,113	-	583,332
Right-to-use equipment	34,599	-	-	34,599
Vehicles	320,097	46,584	25,750	340,931
Total capital assets being depreciated	23,186,295	7,257,771	25,750	30,418,316
Total capital assets	23,424,888	7,534,957	91,946	30,867,899

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

4. Capital and Right-to-Use Assets / Developer Contribution Revenue (continued)

As Of	January 1, 2024	Additions	Retirements / Transfers	December 31, 2024
Total capital assets	23,424,888	7,534,957	91,946	30,867,899
Less accumulated depreciation				
Plant, building, and improvements	8,181,147	590,954	-	8,772,101
Equipment and machinery	438,433	37,648	-	476,081
Right-to-use equipment	19,486	9,398	-	28,884
Vehicles	234,444	26,096	25,750	234,790
Total accumulated depreciation	8,873,510	664,096	25,750	9,511,856
Capital assets, net	\$ 14,551,378	\$ 6,870,861	\$ 66,196	\$ 21,356,043

The Department records capital contributions for developer funded infrastructure in new developments. Contributed capital revenue recorded was \$7,136,488 and \$6,892,033 during the years ended December 31, 2025 and 2024, respectively.

Construction in progress is for the following projects:

Project	CIP Balance 12/31/2025	CIP Balance 12/31/2024	Total (Estimated) Cost	(Estimated) Completion
Hwy 72 Extension	\$ -	\$ 205,754	\$ 207,627	April 2025
Easterling lift station rehabilitation	174,518	77,013	900,000	December 2026
Wastewater plant - phase II	35,000	35,000	> 1,000,000	on hold
Elevated Storage tank and water line extension	319,310	33,821	14,600,000	December 2027
Water reclamation project	-	8,514	8,514	January 2025
Gooseberry extension	14,751	-	unknown	January 2027
Total	\$ 543,579	\$ 360,102	\$ 16,716,141	

The City issued Water and Sewer Revenue Bonds in the amount of \$8,070,000 in 2019 for construction on a new biological wastewater treatment plant that was retrofitted into the existing system which was completed in 2021. Phase II of the project includes sludge dewatering. Phase II has been placed on hold due to the Easterling project. The Easterling project is for rehabilitation of a lift station and was just approved by the Arkansas Department of Health. The Department is now seeking bids on the project.

The elevated storage tank project is to build a new water tower and extension line to connect the water towers. The project is estimated to cost approximately \$14.6 million and will primarily be funded with a new bond issue. The bond issue has been approved by the City Council but not issued as of the date of the financial

The Gooseberry extension is a cost-sharing project with water customers to extend water lines. The customers are reimbursing the Department for the plumbing materials and the Department has agreed to pay for labor, gravel and dress-up costs.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

5. Lease Liabilities

The Department leases construction equipment under three leases. One lease is a three year contract expiring in 2028 and another is a two year lease expiring in 2027. Both charge a fixed rate for usage. The third lease is under a month to month rental agreement. The total lease liability at December 31, 2025 was \$42,204. There was no lease liability at December 31, 2024.

Future payments on lease liabilities are as follows:

December 31,	Principal		Interest		Total
2026	\$	25,501	\$	1,999	\$ 27,500
2027		16,703		797	17,500
Total	\$	42,204	\$	2,796	\$ 45,000

Total lease costs are as follows:

For the Year Ended December 31,	2025	2024
Amortization expense	\$ 16,110	\$ 9,397
Lease expense		
Short-term lease expense	9,878	17,814
Sales tax on leases	788	1,710
Total lease expense	10,666	19,524
Interest expense	3,147	603
Total Expenses Related to Leases	\$ 29,923	\$ 29,524

6. Long-Term Debt

Long-term debt of the Department consists of:

As Of December 31,	2025	2024
\$1,525,000 Water and Sewer Revenue Refunding and Improvement Bonds Series 2012 - Annual principal payments required ranging from \$20,000 to \$85,000. Semi-annual Interest payments are made with rates varying between 1.125% and 4.25%. The bonds were issued to defease the 2001 Series Bonds, as well as other notes payable, and to finance sewer infrastructure related to compliance with a consent administrative order (CAO) from the Arkansas Department of Environmental Quality (ADEQ) from October 31, 2011. Final maturity of the bonds is November 2042, and revenues of the Department are pledged for payment of bond principal and interest.		
	\$ 1,045,000	\$ 1,085,000

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

6. Long-Term Debt (continued)

As Of December 31,	2025	2024
\$5,600,000 Water and Sewer Revenue Bonds Series 2020 - Payments are made on monthly installments of \$16,632 including interest at 1.875% with final maturity September 2060. The bonds were issued for the construction and installation of a new biological wastewater treatment plant. Revenues of the Department are pledged for payment of the bond principal and interest.	5,078,509	5,181,821
\$2,470,000 Water and Sewer Revenue Bonds Series 2020 - only \$1,932,265 was borrowed on the bonds. Payments are made in monthly installments of \$7,336 including interest at 1.875% with final maturity September 2060. The bonds were issued for the construction and installation of a new biological wastewater treatment plant. Revenues of the Department are pledged for payment of the bond principal and interest.	1,635,629	1,692,416
\$4,830,000 Water and Sewer Refunding Revenue Bonds Series 2021 - Annual principal payments are made ranging from \$125,000 to \$245,000. Semi-annual Interest payments are made with rates varying between 1.125% and 2.500%. The purpose of the loan was to refund the 2016 Series bonds and retire the USDA loan dated March 10, 2009. Final maturity of the bonds is October 2046 and revenues of the Department are pledged for payment of bond principal and interest.	4,235,000	4,395,000
Total	11,994,138	12,354,237
Less current maturities	378,039	360,011
Long-term debt	11,616,099	11,994,226
Plus: unamortized bond premium	25,085	26,553
Long-Term Debt	\$ 11,641,184	\$ 12,020,779

The Department's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the Department on behalf of the issuer until all defaults have been cured; take possession of the facility, repair, maintain, and operate or rent it; foreclose; enforce any and all other rights and remedies by law.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

6. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

Year Ending December 31,	Bonds		Notes from Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 215,000	\$ 130,737	\$ 163,039	\$ 124,577
2027	215,000	125,762	166,124	121,492
2028	220,000	122,275	169,267	118,349
2029	225,000	118,288	172,470	115,146
2030	225,000	113,881	175,733	111,883
2031-2035	1,200,000	489,656	929,819	508,261
2036-2040	1,370,000	323,600	1,021,180	416,900
2041-2045	1,290,000	128,450	1,121,518	316,562
2046-2050	320,000	6,125	1,039,621	210,049
2051-2055	-	-	872,799	125,121
2056-2060	-	-	882,568	40,072
Total	\$ 5,280,000	\$ 1,558,774	\$ 6,714,138	\$ 2,208,412

7. Changes in Long-Term Liabilities

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

As Of	January 1, 2025	Additions	Retirements	December 31, 2025	Due Within One Year
2012 Revenue Bond\$	1,085,000	\$ -	\$ 40,000	\$ 1,045,000	\$ 45,000
2020 Revenue Bond	5,181,821	-	103,312	5,078,509	105,179
2020 Revenue Bond, additional	1,692,416	-	56,787	1,635,629	57,860
2021 Bond	4,395,000	-	160,000	4,235,000	170,000
Net Pension Liability	952,008	-	78,235	873,773	-
Lease Liability	-	66,558	24,354	42,204	25,501
Total	\$ 13,306,245	\$ 66,558	\$ 462,688	\$ 12,910,115	\$ 403,540

As Of	January 1, 2024	Additions	Retirements	December 31, 2024	Due Within One Year
2012 Revenue Bond\$	1,125,000	\$ -	\$ 40,000	\$ 1,085,000	\$ 40,000
2020 Revenue Bond	5,283,215	-	101,394	5,181,821	103,226
2020 Revenue Bond, additional	1,748,148	-	55,732	1,692,416	56,785
2021 Bond	4,555,000	-	160,000	4,395,000	160,000
Net Pension Liability	-	952,008	-	952,008	-
Lease Liability	17,397	-	17,397	-	-
Total	\$ 12,728,760	\$ 952,008	\$ 374,523	\$ 13,306,245	\$ 360,011

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

8. Bond Issuance Premium / Discount and Deferred Loss on Refunding

The bond issue premium incurred with the issuance of the 2012 Revenue Series bonds is being amortized over the life of the bond which is 30 years. Amortization of the premium totaled \$1,468 and \$1,469 for the years ended December 31, 2025 and 2024, respectively, and is net with interest expense on the Statement of Revenues, Expenses and Changes in Net Position. The unamortized portion is added to long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$48,132 and \$50,424 as of December 31, 2025 and 2024, respectively, is shown as deferred outflows on the Statement of Net Position and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization of the deferred loss totaled \$2,292 and \$2,293 for the years ended December 31, 2025 and 2024, respectively, and is included in interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

9. Bond Covenants

The Department's bond ordinances contain a provision (the Rate Covenant) which requires the Department to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) fund required reserves (3) leave a minimum balance to fund debt service requirements to which the system revenues are pledged. For the years ended December 31, 2025 and 2024, the Department was in compliance with the rate covenant.

The bond ordinances contain specific requirements for annual debt service and various covenants which require the Department to maintain various restricted cash and investment accounts and to meet various other general requirements. The Department was in compliance with all such significant financial covenants and restrictions for the years ended December 31, 2025 and 2024.

10. Arkansas Public Employees Retirement System

Plan Description

In July, 2023, the Department began participating in the Arkansas Public Employees Retirement System (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the thirteen members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes: three state and three non-state employees, all appointed by the Governor; three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration, and four additional board positions that were added in Act 868 of the 2021 State of Arkansas legislative session.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Arkansas Public Employees Retirement System (continued)

Plan Description (continued)

All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other appointed by the Senate.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Summary of Significant Accounting Policies

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (the Plan) and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

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

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

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

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

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

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Arkansas Public Employees Retirement System (continued)

Benefits Provided (continued)

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. The employee contribution rates were 5.75% and 5.50% for the Plan fiscal years ending June 30, 2025 and 2024, respectively. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for both Plan fiscal years ended June 30, 2025 and 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the Department were \$172,465 and \$141,423 for the years ended December 31, 2025 and 2024, respectively.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Arkansas Public Employees Retirement System (continued)

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2025, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the City's proportionate share as of June 30, 2025 and 2024 was 0.11564512% and 0.09024081%, respectively. Approximately 36% and 42% of this amount was allocated to the Department during the years ended December 31, 2025 and 2024, respectively, based on their share of contributions.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2025 and the Department's report ending date of December 31, 2025, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2024. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	4 year smoothed market; 25% corridor
Discount Rate	7.00%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% – 9.85% including inflation
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Rate Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

All other actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Arkansas Public Employees Retirement System (continued)

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2025 to 2034 were based upon GRS' 2025 Capital Market Assumptions Modeler.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

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

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2025 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 5.20% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer "20-Bond GO Index"; and the resulting single discount rate is 7.00%.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Arkansas Public Employees Retirement System (continued)

Single Discount Rate (continued)

The single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the participating employers' net pension liability, calculated using a single discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
City's Net Pension Liability (Asset)	\$ 4,529,399	\$ 2,427,147	\$ 693,609
Allocated to the Department	1,630,584	873,773	249,699

Pension Expense, and Deferred Inflows / Outflows of Resources

The City's proportionate share of pension expense was \$995,997 and the Department's allocated share of the expense was \$358,522 for the APERs Plan year ended June 30, 2025. At December 31, 2025, the Department reported allocated deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,072	\$ 26,237
Changes in assumptions	15,161	-
Net difference between projected and actual earnings on pension plan investments	-	57,964
Changes in proportion and differences between employer contributions and share contributions	484,745	-
Department contributions subsequent to the measurement date	86,185	-
Total	\$ 613,163	\$ 84,201

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

10. Arkansas Public Employees Retirement System (continued)

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

\$86,185 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Increase (Decrease) in Pension Expense
2026	\$ 377,981
2027	114,425
2028	(17,539)
2029	(32,090)
	\$ 442,777

11. Impact Fee Revenue

In accordance with Arkansas Code Annotated §14-56-103, the Department may charge a development impact fee to generate revenue for funding or recouping expenditures of the Department that are reasonably attributable to the use and occupancy of the Department. The fee is charged to developers based upon the meter size and type required for the residential/commercial/industrial unit. Amounts collected may only be used for the water and sewer projects as detailed in the Department's Capital Plan and Level of Service Standards dated November 12, 2022, as well as capital related debt service expenditures. The Department collected \$535,866 and \$771,088 of impact fees during the years ended December 31, 2025 and 2024, respectively.

12. Concentrations of Credit Risks

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. The Department provides unsecured credit to its customers. The receivables are from individuals located within the same geographic region. The credit risk is considered minimal as the individual customer balances are relatively small and the customer base is consistent.

13. Risk Management

The Department is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries property and liability insurance as well as workers' compensation insurance to minimize the risk of loss.

There has been no significant reduction in the Department's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Department's coverage in any of the prior three fiscal years.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

14. Commitments

The Department has a contract to purchase all of its water from the Benton/Washington County Water Association. The term of the contract is for thirty years beginning June 21, 2007 and may thereafter be renewed or extended as agreed upon between the seller and purchaser. Water purchases by the Department totaled \$1,088,260 and \$997,080 for the years ended December 31, 2025 and 2024, respectively.

15. Subsequent Events

The Department has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2025 through April 14, 2026, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2025

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

	APERS June 30, 2025	APERS June 30, 2024	APERS June 30, 2023
City of Pea Ridge's proportion of the net pension liability	0.11564512%	0.09024081%	0.00000000%
Percent allocated to the Water and Sewer System	36.0%	42.4%	0.00%
City of Pea Ridge's proportionate share of the net pension liability	\$ 2,427,147	\$ 2,245,301	\$ -
Amount allocated to the Water and Sewer System	\$ 873,773	\$ 952,008	\$ -
Department's covered-employee payroll	\$ 990,564	\$ 899,260	\$ -
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.21%	105.87%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	77.94%

Schedule of Required Contributions Last Fiscal Year

	December 31, 2025	December 31, 2024	December 31, 2023
Contractually required contribution	\$ 162,944	\$ 145,671	\$ 67,090
Contributions in relation to the contractually required contribution	\$ (172,465)	\$ (141,423)	\$ (62,496)
Contribution deficiency (excess)	\$ (9,521)	\$ 4,248	\$ 4,594
Department's covered-employee payroll	\$ 1,063,606	\$ 950,854	\$ 437,927
Contributions as a percentage of covered-employee payroll	16.22%	14.87%	14.27%

See independent auditor's report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2025

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

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

2. Changes in benefits: None: June 30, 2023 through June 30, 2025

3. Changes in actuarial assumptions:

Single Discount Rate:	June 30, 2023 through 2025	7.00%
Investment Rate of Return:	June 30, 2023 through 2025	7.15%
Municipal Bond Rate	June 30, 2025	5.20%
Source:	June 30, 2024	3.97%
20-Bond GO Index	June 30, 2023	3.86%
Inflation	June 30, 2023 through 2025	3.25% wage 2.50% price
Salary Increases	June 30, 2023 through 2025	3.25% - 9.85%
Mortality Table	June 30, 2023 through 2025	Based on RP-2006 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

See independent auditor's report.

SUPPLEMENTAL INFORMATION

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DEPARTMENT

FOR THE YEAR ENDED DECEMBER 31, 2025	Water	Sewer	Total
Operating Revenue			
Water revenues, less bad debts	\$ 2,639,234	\$ -	\$ 2,639,234
Water service fees	435,865	-	435,865
Sewer revenue	-	1,794,461	1,794,461
Sewer service fees	-	52,367	52,367
Impact fees	236,393	299,493	535,886
Late fees	60,958	-	60,958
Other income	36,854	3,200	40,054
Total Operating Revenue	3,409,304	2,149,521	5,558,825
Operating Expenses			
Water purchases	1,099,672	-	1,099,672
Salaries and wages	627,764	442,254	1,070,018
Employee benefits	208,149	193,016	401,165
Payroll taxes	54,245	40,157	94,402
System supplies and small equipment	158,094	25,505	183,599
System repairs and maintenance	17,965	127,211	145,176
Equipment repairs and maintenance	7,100	15,342	22,442
Equipment rental	788	9,878	10,666
Utilities	23,108	146,819	169,927
Sewer chemicals	-	60,649	60,649
Fuel	11,021	11,416	22,437
Insurance	8,971	28,339	37,310
Licenses and training	775	351	1,126
Permits, fees, and dues	15,294	24,434	39,728
Uniforms	5,315	4,363	9,678
Safety equipment	-	3,084	3,084
Professional services	50,930	26,938	77,868
Office supplies	24,309	29,999	54,308
Miscellaneous	3,322	5,137	8,459
Depreciation and amortization	885,468	-	885,468
Total Operating Expenses	3,202,290	1,194,892	4,397,182
Operating Income	207,014	954,629	1,161,643
Nonoperating Revenues (Expenses)			
Interest income	36,265	44,524	80,789
Gain on sale of asset	2,675	-	2,675
Interest expense	(63,044)	(202,785)	(265,829)
Total Nonoperating Revenues (Expenses)	(24,104)	(158,261)	(182,365)
Income Before Capital Contributions	182,910	796,368	979,278
Capital Contributions, private developers	3,568,224	3,568,224	7,136,448
Change in Net Position	\$ 3,751,134	\$ 4,364,592	\$ 8,115,726

See independent auditor's report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DEPARTMENT

FOR THE YEAR ENDED DECEMBER 31, 2024	Water	Sewer	Total
Operating Revenue			
Water revenues, less bad debts	\$ 2,359,033	\$ -	\$ 2,359,033
Water service fees	403,543	-	403,543
Sewer revenue	-	1,608,433	1,608,433
Sewer service fees	-	49,122	49,122
Impact fees	268,473	502,615	771,088
Late fees	60,918	-	60,918
Other income	92,831	-	92,831
Total Operating Revenue	3,184,798	2,160,170	5,344,968
Operating Expenses			
Water purchases	997,080	-	997,080
Salaries and wages	573,844	407,489	981,333
Employee benefits	292,482	216,109	508,591
Payroll taxes	48,731	37,587	86,318
System supplies and small equipment	312,966	24,738	337,704
System repairs and maintenance	8,798	39,447	48,245
Equipment repairs and maintenance	24,637	11,644	36,281
Equipment rental	10,470	9,054	19,524
Utilities	23,686	125,994	149,680
Sewer chemicals	-	40,565	40,565
Fuel	11,331	10,946	22,277
Insurance	10,645	18,297	28,942
Licenses and training	1,202	2,255	3,457
Permits, fees, and dues	9,416	22,864	32,280
Uniforms	4,792	3,289	8,081
Safety equipment	-	1,705	1,705
Professional services	15,707	11,846	27,553
Office supplies	42,908	15,537	58,445
Miscellaneous	4,899	361	5,260
Depreciation and amortization	664,094	-	664,094
Total Operating Expenses	3,057,688	999,727	4,057,415
Operating Income	127,110	1,160,443	1,287,553
Nonoperating Revenues (Expenses)			
Interest income	38,239	40,896	79,135
Gain on sale of asset	2,725	800	3,525
Insurance recoveries	53,226	-	53,226
Interest expense	(63,393)	(207,576)	(270,969)
Total Nonoperating Revenues (Expenses)	30,797	(165,880)	(135,083)
Income Before Capital Contributions	157,907	994,563	1,152,470
Capital Contributions, private developers	4,548,742	2,343,291	6,892,033
Change in Net Position	\$ 4,706,649	\$ 3,337,854	\$ 8,044,503

See independent auditor's report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

SCHEDULE OF BONDS OUTSTANDING

AS OF DECEMBER 31, 2025

City of Pea Ridge, Arkansas Water and Sewer Revenue Refunding and Improvement Bonds - Series 2012

Year	Principal	Interest Rate	Interest May 1,	Interest November 1,	Total
2026	\$ 45,000	3.50	\$ 21,475	\$ 21,475	\$ 87,950
2027	45,000	3.50	20,688	20,688	86,376
2028	45,000	4.00	19,900	19,900	84,800
2029	50,000	4.00	19,000	19,000	88,000
2030	50,000	4.00	18,000	18,000	86,000
2031	55,000	4.00	17,000	17,000	89,000
2032	55,000	4.00	15,900	15,900	86,800
2033	60,000	4.00	14,800	14,800	89,600
2034	60,000	4.25	13,600	13,600	87,200
2035	60,000	4.25	12,325	12,325	84,650
2036	65,000	4.25	11,050	11,050	87,100
2037	70,000	4.25	9,669	9,669	89,338
2038	70,000	4.25	8,181	8,181	86,362
2039	75,000	4.25	6,694	6,694	88,388
2040	75,000	4.25	5,100	5,100	85,200
2041	80,000	4.25	3,506	3,506	87,012
2042	85,000	4.25	1,806	1,806	88,612
	\$ 1,045,000		\$ 218,694	\$ 218,694	\$ 1,482,388

See independent auditor's report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

SCHEDULE OF BONDS OUTSTANDING

AS OF DECEMBER 31, 2025

City of Pea Ridge, Arkansas Water and Sewer Refunding Revenue Bonds - Series 2021

Year	Principal	Interest Rate	Interest April 1,	Interest October 1,	Total
2026	\$ 170,000	2.000	\$ 43,894	\$ 43,894	\$ 257,788
2027	170,000	1.125	42,194	42,194	254,388
2028	175,000	1.250	41,238	41,238	257,475
2029	175,000	1.375	40,144	40,144	255,288
2030	175,000	1.500	38,941	38,941	252,881
2031	175,000	1.625	37,628	37,628	250,256
2032	185,000	2.000	36,206	36,206	257,413
2033	190,000	2.000	34,356	34,356	258,713
2034	190,000	2.000	32,456	32,456	254,913
2035	195,000	2.000	30,556	30,556	256,113
2036	205,000	2.000	28,606	28,606	262,213
2037	200,000	2.250	26,556	26,556	253,113
2038	205,000	2.250	24,306	24,306	253,613
2039	210,000	2.250	22,000	22,000	254,000
2040	220,000	2.250	19,638	19,638	259,275
2041	220,000	2.250	17,163	17,163	254,325
2042	225,000	2.500	14,688	14,688	254,375
2043	225,000	2.500	11,875	11,875	248,750
2044	235,000	2.500	9,063	9,063	253,125
2045	245,000	2.500	6,125	6,125	257,250
2046	245,000	2.500	3,063	3,063	251,125
	\$ 4,235,000		\$ 560,694	\$ 560,694	\$ 5,356,388

See independent auditor's report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

CUSTOMER COUNTS, VOLUMES AND RATES

FOR THE YEAR ENDED DECEMBER 31, 2025

Water customers	5,270
Sewer customers	4,362
Gallons purchased during the year	325,665,000
Gallons billed during the year	244,955,200

Water Rates - Inside City Limits

1 - 1,000 gallons	\$19.25	Minimum
1,001 - 2,000 gallons	\$19.25	+ \$0.65/100 gallons in excess of 1,000 gallons
2,001 - 20,000 gallons	\$25.50	+ \$0.75/100 gallons in excess of 2,000 gallons
Over 20,000 gallons	\$156.00	+ \$0.85/100 gallons in excess of 20,000 gallons

Water Rates - Outside City Limits

1 - 1,000 gallons	\$23.45	Minimum
1,001 - 2,000 gallons	\$23.45	+ \$0.715/100 gallons in excess of 1,000 gallons
2,001 - 20,000 gallons	\$30.35	+ \$0.815/100 gallons in excess of 2,000 gallons
Over 20,000 gallons	\$172.55	+ \$0.915/100 gallons in excess of 20,000 gallons

Sewer Rates - Inside City Limits

1 - 1,000 gallons	\$19.50	Minimum
Over 1,000 gallons	\$19.50	+ \$6.05/1,000 gallons in excess of 1,000 gallons

Sewer Rates - Outside City Limits

1 - 1,000 gallons	\$22.50	Minimum
Over 1,000 gallons	\$22.50	+ \$7.03/1,000 gallons in excess of 1,000 gallons

See independent auditor's report.

ADDITIONAL REQUIRED REPORT



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

To the Honorable Mayor and City Council
City of Pea Ridge
Pea Ridge, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Pea Ridge Waterworks and Sewer System, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the City of Pea Ridge Waterworks and Sewer System's basic financial statements, and have issued our report thereon dated April 14, 2026, which was modified to reflect the omission of the management's discussion and analysis.

Report on Internal Control over Financial Reporting

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

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

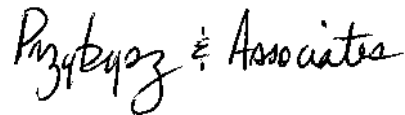
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
April 14, 2026

EXHIBIT B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)