

NEW ISSUE

RATING: S&P: AA- (stable outlook)

BOOK-ENTRY ONLY

*In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Under existing law, Bond Counsel is of the opinion that the Bonds and the interest thereon are exempt from all state, county and municipal taxes in the State of Arkansas. See the caption **LEGAL MATTERS**, Tax Exemption.*

\$43,080,000
CITY OF SPRINGDALE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2022A

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Bonds will not be general obligations of the City of Springdale, 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 Bond, Series 2006.

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.

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2023. The Bonds mature on September 1 in the years and in the amounts, bear interest at the rates and are priced to yield as shown on the inside cover.

The Bonds are offered when, as and if issued and received by the Underwriters 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.

 **Crews & Associates**

Dated: April 19, 2022

\$43,080,000
CITY OF SPRINGDALE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2022A

MATURITY SCHEDULE

\$28,785,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2023	\$1,650,000	5.000	2.010
2024	2,195,000	5.000	2.230
2025	2,300,000	5.000	2.360
2026	2,415,000	5.000	2.410
2027	2,540,000	5.000	2.460
2028	2,665,000	4.000	2.560*
2029	2,770,000	4.000	2.660*
2030	2,885,000	4.000	2.760*
2031	3,000,000	4.000	2.880*
2032	3,120,000	4.000	2.930*
2033	3,245,000	4.000	2.980*

\$6,875,000 4.000% Term Bonds Due September 1, 2035 to Yield 3.080%*

\$7,420,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2036	\$3,645,000	3.500	3.500
2037	3,775,000	4.000	3.130*

* Yield to first optional redemption date, September 1, 2027.

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriters 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.

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OFFICIAL STATEMENT

\$43,080,000
CITY OF SPRINGDALE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2022A

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 Springdale, Arkansas (the "City") of its Water and Sewer Revenue Bonds, Series 2022A in the aggregate principal amount of \$43,080,000 (the "Bonds"). The Bonds are being issued to finance the cost of sewer improvements and pay costs of issuing 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") and is located in the northwestern part of the State. See **THE CITY AND THE COUNTY**. The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2, and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes.

The Bonds are not general obligations of the City, but are special obligations equally and ratably secured by a pledge of and payable solely from the revenues derived from the operation of the City's water and sewer system (the "System"). The pledge of System revenues in favor of the Bonds is on a parity with the pledge of System revenues in favor of the City's Water and Sewer Revenue Bond, Series 2006 (the "Parity Bond"). 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. 5701, adopted on April 12, 2022 (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 **THE BONDS, Generally**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable March 1, 2023, and semiannually thereafter on each March 1 and September 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 check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The Bonds are subject to optional redemption on and after September 1, 2027 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on September 1, 2035 are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) interest on the Bonds is exempt from State income tax and (iv) the Bonds are not subject to property taxes in the State. See **LEGAL MATTERS, Tax Exemption**.

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

It is expected that the Bonds will be available for delivery on or about May 31, 2022, through the facilities of The Depository Trust Company in New York, New York.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Suite 2300, Little Rock, Arkansas 72201, Attention: Public Finance Department; and Crews & Associates, Inc., 521 President Clinton Avenue, Suite 800, 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). One fully-registered Bond certificate for each maturity date 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 changes in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 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 Underwriters 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 will be dated the date of delivery, and will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2023, at the rates set forth on the inside cover page hereof. The Bonds will mature on September 1 in the years and in the principal amounts set forth on the inside 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 not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the 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 shall be subject to optional, extraordinary and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Bonds are subject to redemption at the option of the City, from funds from any source, on and after September 1, 2027, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds 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.

(2) 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).

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on September 1, 2035 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on September 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 September 1, 2035

Year (September 1)	Principal Amount
2034	\$3,370,000
2035 (maturity)	3,505,000

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

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

Purposes for Bonds. The Bonds are being issued to finance betterments and improvements to the sewer facilities of the System (the "Project") and to pay the expenses of issuing the Bonds.

The Project includes particularly, without limitation, wastewater treatment plant improvements for the System. These include the construction of influent pumping improvements, final clarifier improvements, RAS/WAS pump station improvements, site electrical improvements and general site improvements including yard piping, grading, paving and stormwater improvements.

The proceeds of the Bonds are estimated to be expended by the City as follows:

SOURCES:

Principal Amount of Bonds	\$43,080,000
Original Issue Premium	<u>2,435,744</u>
Total Sources	\$45,515,744

USES:

Project Costs	\$45,004,064
Underwriters' Discount	366,180
Costs of Issuance	<u>145,500</u>
Total Uses	\$45,515,744

The payment of Underwriters' discount 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 Underwriters' discount. The Underwriters will also be reimbursed certain costs of closing and delivering the Bonds.

The City will deposit the net proceeds of the Bonds (principal amount plus any original issue premium, less any original issue discount, Underwriters' discount, certain issuance costs and other miscellaneous costs), into a special fund in the Trustee designated "2022A Sewer Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed by the Trustee solely in payment of costs of the Project, 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, equally and ratably secured by a pledge of System revenues. The pledge of System revenues in favor of the Bonds is on a parity with the pledge of System revenues in favor of the Parity Bond. 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, Additional Parity Bonds**.

No Debt Service Reserve. There is no debt service reserve securing the Bonds.

COVID-19 Disclosure. The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus.

To date, the COVID-19 pandemic has not negatively impacted the operational and financial status of the City or the System. The City expects that its available funds will be sufficient to fund its essential services and make all debt service payments. The System also expects that its available funds will be sufficient to fund its services and make all debt service payments.

THE CITY AND THE COUNTY

Location. The City is located in northwest Arkansas, approximately 200 miles northwest of Little Rock, Arkansas and 93 miles east of Tulsa, Oklahoma. The City lies in Washington and Benton Counties with the vast majority of the City's population located in Washington County (the "County").

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

<u>Year</u>	<u>City</u>	<u>% Increase</u>	<u>County</u>	<u>% Increase</u>
1960	10,076	--	55,797	--
1970	16,783	66.56	77,370	38.66
1980	23,458	39.77	100,494	29.89
1990	29,941	27.64	113,409	12.85
2000	45,798	52.96	157,715	39.07
2010	69,797	52.40	203,065	28.80
2020	84,161	20.58	245,871	21.08

Transportation. The City is served by U.S. Highway Nos. 62, 71 and 412, State Highway Nos. 12, 264 and 265 and Interstate No. 49. The City is served by the Springdale Municipal Airport which offers charter service. The Northwest Arkansas Regional Airport, located in nearby Highfill, offers commercial service by American Airlines, United Airlines, Delta Airlines, Frontier Airlines, Allegiant Air, and Breeze Airways.

Government. The City has the Mayor-City Council form of government, under which the City is governed by a City Council and a Mayor. The Mayor is elected for a four-year term (current term expires December 31, 2024) and members of the City Council serve staggered four-year terms. Four City Council members have terms that expire on December 31, 2022 and four City Council members have terms that expire on December 31, 2024. The current Mayor and members of the City Council and their occupations are as follows:

<u>Name</u>	<u>Occupation/Employer</u>
Doug Sprouse	Mayor
Brian Powell	Arkansas Department of Transportation
Randall Harriman	Banker
Mike Overton	Realtor
Kevin Flores	Lawyer
Jeff Watson	Lawyer
Mike Lawson	Fazt Lube Tire
Amelia Williams	Homemaker
Mark Fougrousse	Safety Manager

Medical Facilities. The City is primarily served by two hospitals: (i) Northwest Medical Center, which is a 222-bed acute care facility and (ii) Arkansas Children's Northwest, which is a 233,613 square foot children's hospital. Northwest Medical Center employs approximately 2,000 persons and Arkansas Children's Northwest employs approximately 200 persons.

Financial Institutions. The City is served by United Bank and by branches of Arvest Bank, Bank of America, N.A., Bank OZK, Centennial Bank, Chambers Bank, First Horizon Bank, First National Bank, First Security Bank, First Western Bank, Legacy National Bank, Partners Bank, Signature Bank of Arkansas, Today's Bank, Simmons Bank and United Bank.

Education. Primary and secondary education for the inhabitants of the City are provided by a public school system. The University of Arkansas is located 7 miles away in Fayetteville. Northwest Arkansas Community College is located 18 miles from the City in Bentonville, Arkansas and has a branch in the City.

Economy. The following are the major industrial employers within the City:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Tyson Foods, Inc.	Poultry processing	6,600
George's Inc.	Poultry processing	3,100
Cargill, Inc.	Protein processing	1,100
Multi-Craft Contractors	Fabrication, machine building	700
Kawneer Company	Aluminum extrusion	530
AERT	Fabrication, building products	500
Rockline Industries	Moist towelettes	400
JV Manufacturing	Recycle equipment	220
Rise Baking Co.	Baking products	200
Brunner & Lay	Mining and construction tools	200
Nilfisk-Advance	Floor cleaning equipment	200
Pratt & Whitney	Jet engine repair	200
Newly Weds Foods	Batter coatings	175
Dayco Products, Inc.	Auto tensioning devices	132

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

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

<u>Year</u>	<u>Per Capita Personal Income</u>
2016	\$38,080
2017	39,493
2018	40,194
2019	41,643
2020	43,817

⁽¹⁾ Source: Bureau of Economic Analysis, U.S. Department of Commerce; data for 2021 is not yet available.

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

<u>Year</u>	<u>Total Personal Income</u>
2016	\$ 8,705,480,000
2017	9,198,497,000
2018	9,520,042,000
2019	9,968,946,000
2020	10,656,882,000

Set forth below are the annual average unemployment rates for the City, the County and the State since 2016 according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		
	<u>City</u>	<u>County</u>	<u>State</u>
2016	2.8	2.8	4.0
2017	2.6	2.6	3.7
2018	2.6	2.6	3.6
2019	2.4	2.5	3.5
2020	4.3	4.6	6.1
2021	1.7*	1.5*	4.0

*Preliminary

THE SYSTEM

General. The System, consisting of water and sewer utilities, is owned by the City and operated under the direct control of the Springdale Water and Sewer Commission (the "Commission"). There is currently one vacancy on the Commission. The names and occupations of members of the Commission and the year in which their terms expire are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
Chris Weiser	CEO, JV Manufacturing	March 6, 2024
Al Hanby	Retired Dentist	March 6, 2026
Lynn Carver	Retired	March 6, 2027
J. Max Van Hoose	President, Harps Foods	March 6, 2025

Operation and management of the System is provided by a utility staff under the direction of an Executive Director. Heath Ward currently serves as the Executive Director of the System, a position he has held for eight (8) years.

The System employs approximately 121 persons. The names and positions of the key employees and how long each has served in such capacity are set forth below:

<u>Name</u>	<u>Position</u>	<u>Time Served in Position</u>
Heath Ward	Executive Director	8 years
Rick Pulvirenti	COO/Director of Engineering	26 years
Kim Patulak	Director of Administration/Human Resources	1 year
Chris Clark	Director of Finance	1 year
Shawn Dorman	Distribution Director	19 years
Jennifer Enos	Wastewater Facility Director	12 years
Tim Hawkins	Technical Services Director	9 years

⁽¹⁾ Source: Bureau of Economic Analysis, U.S. Department of Commerce; data for 2021 is not yet available.

Water System. The City purchases potable water from the Beaver Water District of Benton and Washington Counties, Arkansas (the "District"). The District provides high service pumping equipment capable of supplying water at a maximum rate in excess of 35 MGD. Water is conveyed to the customers of the System through three major pipelines with diameters of 48", 36" and 24" to storage located on Fitzgerald Mountain. There are three primary plane storage reservoirs with a total volume of 25 million gallons. The distribution system is comprised of over 650 miles of pipeline ranging in diameter from 2" to 48". There are approximately 4,890 public fire hydrants in the System.

As of December 31, 2021, there were approximately 27,371 water users. The year end number of water users by category for each of the past five (5) years is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2021	34,362	2,954	32	37,348
2020	33,781	2,940	32	36,753
2019	33,335	2,901	32	36,268
2018	32,979	2,871	32	35,882
2017	32,582	2,836	32	35,450

The average daily water use in gallons, the maximum daily water use in gallons and the total water use for the year in gallons for each of the past five (5) fiscal years ended September 30 are as follows:

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use for Year in Gallons</u>
2021	17,689,000	26,566,000	6,457,505,000
2020	17,334,000	24,367,000	6,346,302,000
2019	16,907,000	24,757,000	6,175,445,000
2018	16,725,000	25,389,000	6,108,905,000
2017	15,956,000	25,582,000	5,827,480,000

Sewer System. The System is the largest collection and conveyance system in the State and conveys sanitary waste through over 2,000,000 feet of gravity sewer and over 165,000 feet of force main. The System serves the City, parts of the City of Lowell, Arkansas and parts of the City of Johnson, Arkansas. All waste is conveyed to the Springdale Wastewater Treatment Facility (the "Treatment Facility") for ultimate treatment and disposal. The current treatment works consist of a headworks screening facility, followed by a grit and grease removal facility, then to influent pumping facilities and flow equalization. Biological treatment is provided by a Bardenpho process including one set of two 5-stage Bardenpho trains and one set of two 3-stage Bardenpho trains. Final clarification is provided as well as chemical treatment and sand filtration before chlorine disinfection, reaeration and disposal. The proceeds of the Bonds will be used to finance improvements to the Treatment Facility.

As of December 31, 2021, there were approximately 30,785 sewer users. The number of sewer users by category for each of the past five (5) fiscal years ended September 30 is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2021	28,198	2,530	32	30,760
2020	27,778	2,418	32	30,228
2019	26,774	2,331	32	29,137
2018	26,526	2,309	32	28,867
2017	26,191	2,280	32	28,503

Franchise Agreements. The Commission has entered into the following contracts to provide water and sewer service to the following entities:

<u>Entity</u>	<u>Date of Agreement</u>	<u>Contract Expiration Date</u>	<u>Type of Contract</u>	<u>Description</u>
Lowell	08/29/2000 ⁽¹⁾		Water	Franchise Service
Lowell	08/21/2013 ⁽²⁾	08/21/2028	Sewer	Franchise Service
Johnson	05/11/2016	05/11/2036	Water	Franchise Service
Johnson	05/11/2016	05/11/2036	Sewer	Franchise Service
Elm Springs	05/20/1975	Unlimited	Water	Franchise Service

⁽¹⁾ The contract dated August 29, 2000 replaced a contract dated January 18, 1973.

⁽²⁾ The contract dated August 21, 2013 amended a contract dated October 11, 2005. The October 11, 2005 contract replaced a contract dated February 16, 1989.

The City has provided water service to the residents of Bethel Heights through a franchise arrangement with Bethel Heights since 1975. Bethel Heights was annexed into the City in 2020. The City now provides water and sewer service to the customers located in the former Bethel Heights area.

Largest Users of System. The following users of the System accounted for more than 5% of gross System revenues for the fiscal year ended September 30, 2021:

<u>Company</u>	<u>Percentage of Total Gross System Revenues (%)</u>	<u>Average Dollar Amount Per Month</u>
Cargill Processing	9.99	\$305,593
George's Processing	8.60	265,458
Wilson Foods (Tyson)	7.50	231,312

The following were the top five users of the System for the fiscal year ended September 30, 2021:

1. Cargill Processing
2. George's Processing
3. Wilson Foods (Tyson)
4. George's Debone
5. Tyson Poultry

Litigation. There is no litigation pending, or to the knowledge of the City, threatened against the System in which claims of damages are made which, individually or in the aggregate, would have a material adverse effect on the operation of the System or the System revenues.

Capital Improvement Plans. The Commission had a study prepared in September 2019 that identified sewer improvements that needed to be made to the System for the five year period ending December 31, 2025. The estimated costs at that time were \$53,500,000. Those costs have increased due to inflation and other factors. The sewer improvements include the wastewater treatment plant improvements to be financed by the Bonds that are now estimated to cost approximately \$45,000,000 to \$50,000,000.

The Commission has also identified sewer collection improvements that need to be completed in the five year plan period. The costs were estimated to be \$25,800,000 at the time of the study and have increased. These remaining costs will be paid from System reserves and future bond issues.

Not included in the study was the City's plan to extend sewer services into the recently annexed Bethel Heights area of the City. This is estimated to cost approximately \$3,054,000 and will be financed with two loans from an agency of the State of Arkansas. One loan in the principal amount of \$1,000,000 will be forgiven by the State. The other loan in the approximate principal amount

of \$2,054,000 is expected to be amortized over a 10 year period. The interest rate for this loan will be 1% per annum.

The water improvements listed in the five year plan were estimated to cost \$27,700,000 in 2019. The water improvements include a new 3,500,000 gallon elevated storage tank, water system rehabilitation and water line extensions. The remaining costs be paid with System reserves and future bond issues.

Rates. Set forth in Exhibit B are the water and sewer rates currently in effect.

THE AUTHORIZING ORDINANCE

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

Rates and General Covenants to Operate. The rates charged for services of the System heretofore fixed by ordinances of the City and the conditions, rights and obligations pertaining thereto, as set out in those ordinances, are confirmed and continued.

The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the net revenues of the System (net revenues being defined as gross revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted government accounting standards applicable to municipal water and sewer systems other than depreciation, interest and amortization of deferred bond discount expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund (described below) and leave a balance equal to at least 110% of the maximum annual principal and interest requirements on all outstanding bonds to which System revenues are pledged ("System Bonds"). The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues at least equal to 110% of the maximum annual principal and interest requirements on all System Bonds, to provide the required deposit into the Depreciation Fund and to otherwise comply with the Authorizing Ordinance and all ordinances authorizing System Bonds.

The System shall be continuously operated as a revenue producing undertaking. All moneys received from its operation shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City or the Commission, subject, however, to the giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC").

Funds and Disposition of Revenues. (a) All revenues derived from the operation of the System shall be paid into a special fund heretofore created and designated "Water and Sewer Fund" (the "Revenue Fund"). Moneys in the Revenue Fund are pledged and 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 the Bonds and other System Bonds, to the maintenance of any debt service reserves at the required levels, and to the providing of an adequate depreciation fund and otherwise as described herein and in the ordinances authorizing the Parity Bonds, in the order of priority hereinafter set forth.

(b) There shall be paid from the Revenue Fund into a fund heretofore created and designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the operating expenses and to make reasonable provision for 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 any 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 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 Revenue Fund.

(c) After making the monthly deposit in the Operation and Maintenance Fund, there shall be transferred from the Revenue Fund, pro rata, into the bond fund being maintained in connection with the Parity Bond and any additional parity bonds (the "Parity Bond Funds") and into a special fund to be established with the Trustee and designated the "2022 Water and Sewer Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times described below. The obligation to make the required monthly deposits into the Bond Fund and the Parity Bond Funds shall rank on a parity of security.

There shall be paid into the Parity Bond Funds the required monthly deposits pursuant to the ordinances securing the Parity Bond and additional parity bonds.

There shall be paid into the Bond Fund on the first business day of each month, commencing in September 2022, until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment, a sum equal to 1/6 of the next installment of interest on the Bonds plus 1/12 of the next installment of principal of the Bonds.

The City shall also pay into the Bond Fund such additional sums as necessary to provide the Trustee's fees and expenses and any arbitrage rebate payment due to be paid to the United States Treasury under Section 148(f) of the Internal Revenue Code of 1986, amended (the "Code"). The City shall receive a credit against monthly deposits into the Bond Fund from all interest earnings on moneys in the Bond Fund.

The Trustee shall withdraw from the Bond Fund on the due date for the principal and/or interest on any Bond, at maturity or redemption prior to maturity, an amount equal to the amount of such Bond and interest due thereon for the sole purpose of paying the same, together with the Trustee's fee and expenses. There shall also be withdrawn and paid to the United States Treasury any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Code. No withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in the Authorizing Ordinance.

(d) After making the required deposits into the Operation and Maintenance Fund, the Bond Fund and the Parity Bond Funds, there shall be paid from the Revenue Fund into a fund heretofore created and designated "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on the first business day of each month an amount equal to 3% of the gross System revenues for the preceding month. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of repairs or replacements made necessary by the depreciation of the System or for the purpose of paying the costs of damage caused by unforeseen catastrophes.

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to defray the cost of the probable replacements during the then current fiscal year and next ensuing fiscal year, and which in the judgment of the City is not needed for replacements, such surplus shall be transferred into the Revenue Fund.

(e) Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above may be used, at the option of the City, for payment of debt service on bonds secured by a pledge of revenues subordinate to the pledge in favor of the Bonds or for any lawful purpose in connection with the System.

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

The City may issue additional bonds to finance or pay the cost of making any future extensions, betterments or improvements to the System or to refund System Bonds. However, the City shall not authorize or issue any such additional bonds ranking on a parity of security with the Bonds, unless and until there shall have been procured and filed with the City Clerk and the Trustee a statement by an Accountant not in the regular employ of the City or the Commission reciting, based upon necessary investigation, that (1) net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 110% of the maximum annual principal and interest requirements on all of the then outstanding System Bonds and the additional bonds then proposed to be issued or (2) net revenues of the System for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, including net revenues to be derived from any extensions, betterments and improvements to be constructed out of the proceeds of the additional bonds then proposed to be issued, as reflected by a statement by an independent consulting engineer not in the regular employ of the City or the Commission ("Engineer"), and taking into account any rate increase effective before the issuance of the additional bonds, will equal not less than 110% 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 of the System 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 amortization of deferred bond discount expenses. In making the computation set forth in (1) above, the City, and the Accountant on behalf of the City, may, based on the opinion or report of an Engineer, treat any increase in rates for the System effective subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in net revenues for such fiscal year the amount that would have been received, based upon such opinion or report, had the increase been in effect throughout such fiscal year.

Accounts and Records. The City will keep proper books of accounts and records (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 registered 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, and a copy of the audit shall be delivered to the Trustee and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or 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 and agrees 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, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, that it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies

selected by the Commission and 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. 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. 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 surplus 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.

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 sufficient to make such payment and/or (2) direct non-callable obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Investment Securities") (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code) maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of 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 and 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 cancelled, 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.

Defaults and Remedies. (a) 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 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 registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners of the Bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged

and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the System 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 in any manner whatever by his action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder, unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than ten percent (10%) in principal amount of all 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. 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 and any individual rights of action or other right given to one or more of such registered owners by law are restricted by the Authorizing Ordinance to the rights and remedies therein provided.

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

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

Amendment of Authorizing Ordinance. The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. The Trustee may consent to any variation or change in the Authorizing Ordinance in order to cure any ambiguity, defect or omission therein or any amendment thereto, or any other change which in the opinion of the Trustee is not materially adverse to the interests of the owners of the Bonds, without the consent of the owners of the outstanding Bonds. The owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of a supplemental 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; provided, however, that nothing therein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of

a lien or 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 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 and the registered owners of the Bonds. The majority in value of the registered owners of the outstanding Bonds or the City, so long as the City is not in default under the Authorizing Ordinance, 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, then the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. Every successor Trustee shall be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee shall have been appointed.

Investments. (a) Moneys held for the credit of the Bond Fund may be invested and reinvested pursuant to the direction of the City in Permitted Investments defined in (e) below or other investments as may, from time to time, be permitted by State law, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the payment date for interest or principal and interest on the Bonds.

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

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

(e) "Permitted Investments" are defined as (i) direct or fully guaranteed 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 any 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 comprised exclusively of Government Securities or the obligations 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 subject to federal income taxation. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the Bonds and System revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants that it will make all arbitrage rebate payments to the United States in accordance with Section 148 of the Code.

CONTINUING DISCLOSURE AGREEMENT

During the past five years, the City has been a party to certain continuing disclosure agreements in connection with its outstanding bonds. Such agreements require the City to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations over the past five years.

As part of each annual report, the City has been obligated to file the audited financial statements of the City's general purpose funds. If filed later than the date the annual report that year is due, the audited financial statements must be filed within 30 days of receipt thereof.

The audited financial statements of the City for the years ended December 31, 2017 through 2020 have been timely filed. The audit of the City's financial statements for the year ended December 31, 2021 has not yet been completed.

The City's continuing disclosure agreements have also required that certain supplemental financial and operating data be provided as part of the annual report. During the past five years, the City timely filed all supplemental information required by the continuing disclosure agreements.

The continuing disclosure agreements have also obligated the City to file on EMMA a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5)(i)(C). Included in such list are rating changes. During the past five years, the City has failed to timely file on EMMA notices of downgrades to the underlying rating of certain bonds. The City filed notices of failure to file but such notices were not filed timely.

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 Underwriters in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

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

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

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

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

"Financial Obligation" shall mean a:

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than 180 days after the end of the System's fiscal year (presently September 30), commencing with the report after the end of the 2022 fiscal year, provide to the MSRB, through its continuing disclosure service portal 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 filed 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.

(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 (if the Dissemination Agent is not the City) 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 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.

Content of Annual Report. (a) The City's 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) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (ii) the water and sewer users by category for the fiscal year then ended and the four previous fiscal years; and (iii) the top five users of the System for the previous fiscal year and a statement as to which users accounted for 5% or more of System revenues for the preceding fiscal year; and

2. The 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.

(b) Any or all of the items listed in (a) above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been filed with the MSRB's internet website or submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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 City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such 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 a Listed 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 a Listed Event described in (a)(8) above), the City shall file, or 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 to the Insurer. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Material Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in subsection (a)(8), 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 City 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 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 of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the 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, the Trustee or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Insurer, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriters or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent 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 City or the Trustee) and the Trustee 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 Underwriters and the Beneficial Owners and shall create no rights in any other person or entity.

FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the System for the fiscal years ended September 30, 2021 and 2020. Such financial statements were 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. The financial statements as of September 30, 2021 and 2020 and for the years then ended have been audited by BKD, LLP, independent auditors, as stated by their reports appearing therein. The notes set forth in Exhibit A are an integral part of the financial statements, and the statements and the notes should be read in their entirety. The System did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the financial statements for the years ended September 30, 2021 and 2020. BKD, LLP also has not performed any procedures relating to this Official Statement.

The following is a summary of the audited financial statements of the System for the fiscal years ended September 30, 2017 through 2021:

	Fiscal Years Ended September 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues	\$38,331,431	\$34,442,509	\$30,576,466	\$31,278,257	\$30,273,530
Operating Expenses	<u>(23,846,500)</u>	<u>(22,997,755)</u>	<u>(21,276,632)</u>	<u>(20,236,039)</u>	<u>(18,933,567)</u>
Operating Income (Before Depreciation and Amortization)	14,484,931	11,444,754	9,299,834	11,042,218	11,339,963
Depreciation and Amortization	(9,370,945)	(9,445,906)	(9,091,546)	(8,849,987)	(8,373,904)
Non-Operating Revenue (Expenses)	<u>371,592</u>	<u>975,204</u>	<u>891,125</u>	<u>615,424</u>	<u>307,714</u>
Net Income	\$5,485,578	\$2,974,052	\$1,099,413	\$2,807,655	\$3,273,773

DEBT SERVICE COVERAGE

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

Operating Revenues ⁽¹⁾	\$38,331,431
Less: Operating Expenses ⁽¹⁾	<u>(23,846,500)</u>
Net Revenues Available for Debt Service ^(A)	14,484,931
Maximum Annual Debt Service for the Bonds and the Parity Bond ^(B)	4,254,263
Debt Service Coverage ^(A/B)	3.40x

⁽¹⁾Based on the audited financial statements of the System for the fiscal year ended September 30, 2021. Operating expenses are total expenses before depreciation, interest and bond amortization expenses.

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DEBT SERVICE REQUIREMENTS

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

<u>Year</u> <u>(Ending December 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2023	\$1,650,000	\$ 2,275,013.13	\$ 3,925,013.13
2024	2,195,000	1,733,475.00	3,928,475.00
2025	2,300,000	1,623,725.00	3,923,725.00
2026	2,415,000	1,508,725.00	3,923,725.00
2027	2,540,000	1,387,975.00	3,927,975.00
2028	2,665,000	1,260,975.00	3,925,975.00
2029	2,770,000	1,154,375.00	3,924,375.00
2030	2,885,000	1,043,575.00	3,928,575.00
2031	3,000,000	928,175.00	3,928,175.00
2032	3,120,000	808,175.00	3,928,175.00
2033	3,245,000	683,375.00	3,928,375.00
2034	3,370,000	553,575.00	3,923,575.00
2035	3,505,000	418,775.00	3,923,775.00
2036	3,645,000	278,575.00	3,923,575.00
2037	3,775,000	151,000.00	3,926,000.00
TOTALS	\$43,080,000	\$15,809,488.13	\$58,889,488.13

Set forth below are the debt service requirements for the Bonds and the Parity Bond for the following years:

<u>Year</u> <u>(Ending December 31)</u>	<u>Bonds</u>	<u>Parity Bond</u>	<u>Total</u>
2023	\$ 3,925,013.13	\$ 329,250	\$4,254,263.13
2024	3,928,475.00	325,250	4,253,725.00
2025	3,923,725.00	325,875	4,249,600.00
2026	3,923,725.00	305,375	4,229,100.00
2027	3,927,975.00		3,927,975.00
2028	3,925,975.00		3,925,975.00
2029	3,924,375.00		3,924,375.00
2030	3,928,575.00		3,928,575.00
2031	3,928,175.00		3,928,175.00
2032	3,928,175.00		3,928,175.00
2033	3,928,375.00		3,928,375.00
2034	3,923,575.00		3,923,575.00
2035	3,923,775.00		3,923,775.00
2036	3,923,575.00		3,923,575.00
2037	3,926,000.00		3,926,000.00
TOTALS	\$58,889,488.13	\$1,285,750	\$60,175,238.13

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

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

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner'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).

In the further 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.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the 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.

As shown on the cover page of this Official Statement, certain of the Bonds are being sold at a premium (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 a Premium Bond callable prior to its 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 a Premium Bond 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.

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. and Crews & Associates, Inc., the Underwriters, have agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$45,149,564.40 (principal amount plus original issue premium of \$2,435,744.40 less an Underwriters' discount of \$366,180). The Underwriters are committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriters for reoffering in the normal course of the Underwriters' 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 Underwriters.

Rating. S&P Global Ratings ("S&P") will assign its municipal bond rating of "AA-" (stable outlook) to the Bonds. 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 Underwriters 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 SPRINGDALE, ARKANSAS

By /s/ Doug Sprouse
Mayor

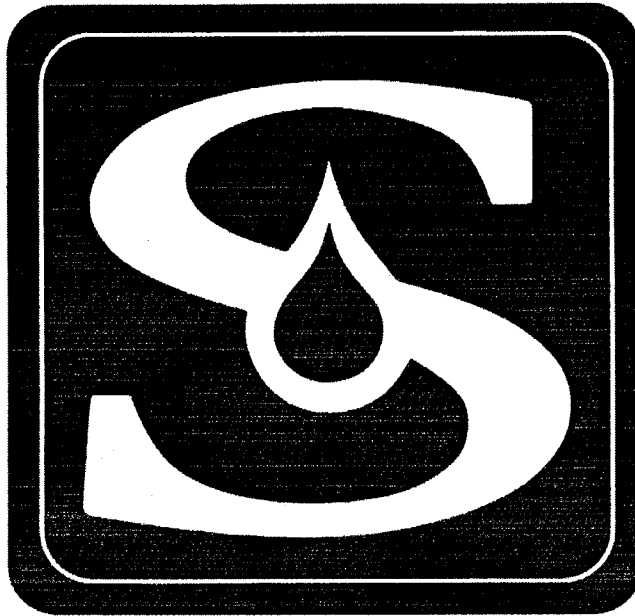
Dated: As of the Cover Page hereof.

EXHIBIT A

Audited Financial Statements of the System
for the Fiscal Years Ended September 30, 2021 and 2020

City of Springdale, Arkansas Water and Sewer Commission

A Component Unit of the City of Springdale, Arkansas
Annual Comprehensive Financial Report
For the fiscal years ended September 30, 2021 and 2020



Prepared by:
Administration/Accounting Department

Visit our webpage at: springdalewater.com

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City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
September 30, 2021 and 2020

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City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
September 30, 2021 and 2020

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Introductory Section

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City of Springdale, Arkansas Water and Sewer Commission
Finance and Accounting Department
526 Oak Avenue – Springdale, Arkansas 72764
Phone (479) 751-5751 – Fax (479) 750-4039

To the Citizens of the City of Springdale and Members of the Board of Commissioners:

The Annual Comprehensive Financial Report (ACFR) of the City of Springdale, Arkansas Water and Sewer Commission (the Commission) for the years ended September 30, 2021 and 2020, is submitted in accordance with State statutes. These statutes require that every general-purpose local government publish at the close of each fiscal year a complete set of audited financial statements.

This report consists of management's representations concerning the finances of the Commission. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Commission has established a comprehensive internal control framework that is designed both to protect the Commission's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commission's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Commission's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute, that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Commission's financial statements have been audited by **BKD, LLP**, a firm of licensed independent certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the financial statements of the Commission as of and for the fiscal years ended September 30, 2021 and 2020. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. It is our intention that the MD&A complements this letter of transmittal and should be read in conjunction with it.

The Commission is governed by a five-member Board of Commissioners who are appointed for eight-year terms. Any vacancies are filled with an affirmative vote by the remainder of the Water and Sewer Commissioners and approved by the City Council of the City of Springdale, Arkansas (the City). The Commission provides services to customers in the City and certain surrounding areas. The City Council approves the rates changes of the Commission. The debt of the Commission, as reflected in the Commission's Statement of Net Position, is issued in the name of the City of Springdale, Arkansas. The Commission receives no financial benefit from the City; however, the City has the ability to impose its will on the Commission. Therefore, the City is financially accountable for the Commission, which is included as a discretely presented component unit in the City's financial statements. The Commission is organized as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business; where the intent of the governing body is that the

cost (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 Commission has been authorized to adopt such rules and regulations as it deems necessary and expedient for the proper operation and management of the City's water and wastewater systems.

The Commission is a highly efficient non-profit municipal corporation established to provide adequate and dependable water and sanitary wastewater services to the City of Springdale and surrounding partner municipalities consistent with good business practices. Each of these services are delivered directly to a wide spectrum of individuals, companies, governmental entities and non-profit organizations. Water service provides safe drinking water and fire protection for agricultural, commercial, industrial and residential use in the cities of Springdale, Lowell, Johnson, Elm Springs, Bethel Heights, and rural Washington and Benton Counties. Wastewater service provides environmentally sound collection and treatment of wastewater. Both services encourage growth and are the foundation of our communities.

The Commission's basic philosophy has been to provide the standard of utility services expected by the customer, subject only by limitations of operating costs and rate structure techniques designed to fund utility services at an optimum economic level to promote growth. While the costs for utility services are critical to all users, they are extremely critical to the larger commercial and industrial customers which support the local economy. Capital projects and operations of the Commission are completely funded through the rates charged for water and wastewater services provided to customers which are based on the cost of providing these services.

Since being founded in 1919 as the Waterworks Improvement District Number One and Sewer Improvement District Number One, the Commission's treatment processes, wastewater collection and water distribution infrastructure and technologies utilized have changed enormously throughout the years. On September 30, 2021, the Commission served 37,348 water accounts representing approximately 115,000 people in an approximately 138 square mile area. The Commission also serves 30,760 sewer accounts in an approximate 46 square mile service area. While the Commission continues to grow and adapt, the Commission's commitment to its customers has remained top priority.

Factors Affecting Financial Condition

Local Economy. The City of Springdale is the fourth largest city in Arkansas. The City of Springdale historically benefits from low unemployment rates. There are several major industries in Springdale, with Tyson Foods hosting their world headquarters in the City. Other major employers in Springdale include Cargill Industries, George's Inc., and Springdale Public Schools. These employers and many others draw their workforce from a population of more than 548,000 within the Fayetteville-Springdale-Rogers MSA (metropolitan statistical area).

Relevant Financial Policies

The Commission's financial statements are reported 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.

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

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

All financial activities are governed by either Arkansas statute, City ordinance, or Commission policy. The annual budget serves as the foundation for the Commission's financial planning and control. The annual budget for each year is prepared in a collaborative effort between the department directors and the finance department. The annual budget is then approved and adopted by the Commission at the September board meeting, which is prior to the new fiscal year beginning October 1.

Awards and Acknowledgements

Awards: In 2021, the Commission received the Certificate of Achievement for Excellence in Financial Reporting presented by the Government Finance Officers Association for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2020.

Acknowledgements: The report and information contained therein would not have been possible without the involvement of various community groups such as the Springdale Chamber of Commerce and the Northwest Regional Planning Commission. We would also like to express our appreciation to the Mayor and departments of the City of Springdale for their interest and support in the responsible planning and conducting of the financial operations of this utility.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Chris Clark".

Chris Clark
Director of Finance

January 18, 2022



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Springdale
Arkansas Water and Sewer Commission**

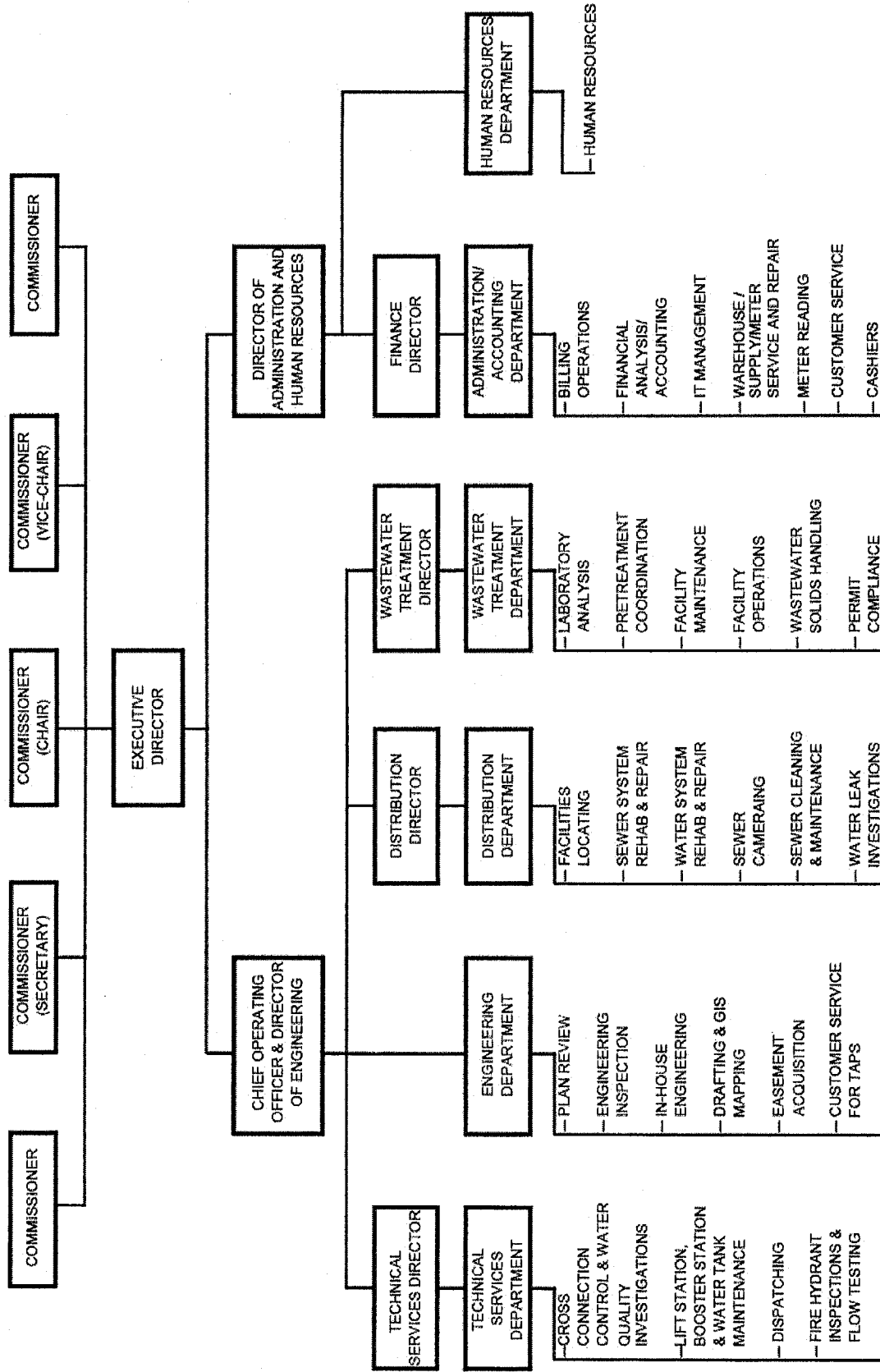
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO

SPRINGDALE WATER UTILITIES ORGANIZATIONAL CHART



**City of Springdale, Arkansas
Water and Sewer Commission
Management and Board of Commissioners**

Members of Management

Heath Ward – Executive Director
Rick Pulvirenti – COO/Director of Engineering
Kim Patulak – Director of Administration/Human Resources
Chris Clark – Director of Finance
Shawn Dorman – Distribution Director
Jennifer Enos – Wastewater Facility Director
Tim Hawkins – Technical Services Director

Board of Commissioners

Chris Weiser – Chair
Al Hanby – Vice-Chair
Paul Lawrence – Secretary/Treasurer
Lynn Carver
J. Max Van Hoose

Financial Section

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Independent Auditor's Report

To the Board of Commissioners
City of Springdale, Arkansas Water and Sewer Commission
Springdale, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Springdale, Arkansas Water and Sewer Commission (the Commission), a component unit of the City of Springdale, Arkansas, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Springdale, Arkansas Water and Sewer Commission as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The schedules of revenues and expenses, schedules of operating expenses for both the water and sewer fund, the schedule of cost of water sold, introductory section and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues and expenses and schedules of operating expenses for both the water and sewer fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues and expenses and schedules of operating expenses for both the water and sewer fund are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Commissioners
City of Springdale, Arkansas Water and Sewer Commission
Page 3

The introductory section, statistical tables and schedule of cost of water sold as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

BKD, LLP

Rogers, Arkansas
January 18, 2022

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Management's Discussion and Analysis
September 30, 2021 and 2020

As management of the City of Springdale, Arkansas Water and Sewer Commission (the "Commission"), we offer readers of the Commission's financial statements this overview and analysis of the financial activities of the Commission for the years ended September 30, 2021 and 2020. The Commission is a component unit of the City and is accounted for separately as an enterprise fund.

The Commission provides water and sanitary sewer services to residential, commercial and industrial customers in and around Springdale, Arkansas.

Financial Highlights

- The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$314,598,249.
- As of the close of the current fiscal year, the Commission reported an ending net position of \$314,598,249 of which \$58,459,829 was unrestricted.
- At the end of the current fiscal year, unrestricted net position was \$58,459,829, which is 176% of total operating expenses.
- The Commission's total bond related debt decreased by \$250,000 or 15% during 2021 primarily due to principal payments on existing debt.
- The Commission's capital outlay for the year was 17,044,633 .

Report Layout

In addition to Management's Discussion and Analysis ("MD&A"), the report consists of the Commission's financial statements, notes to the financial statements, supplementary information and other information. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide information about the activities of the Commission and present a longer-term view of the Commission's finances.

One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position help answer this question. These statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Management's Discussion and Analysis
September 30, 2021 and 2020

These statements report the Commission's net position and changes in it. You can think of the Commission's net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) as a way to measure the Commission's financial health. Over time, increases or decreases in the Commission's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in the Commission's long range goals and the condition of the economy in which the Commission is located in order to assess its overall financial health.

Financial Highlights

	2021	2020	2019
Total current assets	\$ 61,434,270	\$ 55,844,497	\$ 49,037,922
Total net capital assets	257,221,961	249,589,528	247,729,169
Total other assets	3,014,536	2,862,043	2,680,332
Total assets	323,518,558	308,296,068	299,447,423
Total deferred outflows of resources	75,311	78,371	68,570
Total current liabilities	4,147,544	3,653,948	3,482,939
Total long-term liabilities	4,760,993	4,996,380	5,018,875
Total liabilities	8,908,537	8,650,328	8,501,814
Total deferred inflows of resources	87,083	56,280	41,760
Net position			
Net investment in capital assets	255,806,961	247,924,528	245,829,169
Restricted	331,459	212,713	192,794
Unrestricted	58,459,829	51,530,590	44,950,456
Total net position	314,598,249	299,667,831	290,972,419
Total water operating revenues	20,619,381	19,011,526	16,826,374
Total sewer operating revenues	17,712,050	15,430,983	13,750,092
Total operating revenues	38,331,431	34,442,509	30,576,466
Total water nonoperating revenues	420,371	678,015	449,348
Total sewer nonoperating revenues	30,087	294,436	544,105
Total nonoperating revenues	450,458	1,065,963	993,453
Total revenues	38,781,889	35,414,960	31,569,919
Total water operating expenses	18,503,423	17,902,377	17,219,719
Total sewer operating expenses	14,714,022	14,541,284	13,148,459
Total operating expenses	33,217,445	32,443,661	30,368,178
Total water nonoperating expenses	-	-	-
Total sewer nonoperating expenses	78,866	90,759	102,328
Total nonoperating expenses	78,866	90,759	102,328
Total expenses	33,296,311	32,440,908	30,470,506
Income before capital contributions	5,485,578	2,974,052	1,099,413
Contributed capital	9,444,840	5,721,360	3,168,128
Change in net position	14,930,418	8,695,412	4,267,541
Ending net position	314,598,249	299,667,831	290,972,419

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Management's Discussion and Analysis
September 30, 2021 and 2020

Operating revenues of the Commission for 2021 increased approximately \$3,889,000 compared to 2020. The increase is attributed to an increase in rates effective October 1, 2020. Weather patterns have a significant bearing on water and sewer sales. Operating expenses of the Commission for 2021 increased approximately \$774,000 compared to 2020 due to increased water purchases, higher labor cost, system maintenance cost, and depreciation expense of capitalized construction and equipment. Net capital assets at September 30, 2021 increased approximately \$7,632,000 compared to the prior year-end largely due to current year capital asset purchases for water and sewer construction projects. Total current liabilities at September 30, 2021 increased approximately \$494,000 compared to the prior year-end due to accounts payable for construction payments being higher than the previous year. Total long-term liabilities at September 30, 2021 decreased approximately \$235,000 due to \$250,000 principal payments on long-term debt off set by the approximately \$34,000 increase in customer deposits. Contributed capital for 2021 increased approximately \$3,723,000 from 2020 as a result of an increase in completed developer construction activity. The utilities net position increased approximately \$14,930,000 from 2020 to 2021.

Significant capital investments were made during the year ended September 30, 2021. During the year, additions to capital projects amounted to \$6,007,858. The most significant projects consisted of additions of approximately \$1,576,000 for the Waste Water Treatment Facilities expansion project, approximately \$1,720,000 for the Gene George Blvd expansion, and \$1,757,000 in sanitary sewer rehab and lift station upgrade project.

Operating revenues of the Commission for 2020 increased approximately \$3,866,000 compared to 2019. The increase is attributed to a cooler and wetter fiscal year than previous years. Weather patterns have a significant bearing on water and sewer sales. Operating expenses of the Commission for 2020 increased approximately \$2,075,000 compared to 2019 due to increased water purchases, higher labor cost, system maintenance cost, and depreciation expense of capitalized construction and equipment. Net capital assets at September 30, 2020 increased approximately \$1,860,000 compared to the prior year-end largely due to current year capital asset purchases for water and sewer construction projects. Total current liabilities at September 30, 2020 increased approximately \$171,000 compared to the prior year-end due to accounts payable for construction payments being less than the previous year. Total long-term liabilities at September 30, 2020 decreased approximately \$22,000 due to \$235,000 principal payments on long-term debt off set by the approximately \$162,000 increase in customer deposits and approximately \$37,000 increase in long-term compensated absences. Contributed capital for 2020 increased approximately \$2,553,000 from 2019 as a result of an increase in completed developer construction activity. The utilities net position increased approximately \$8,695,000 from 2019 to 2020.

Significant capital investments were made during the year ended September 30, 2020. During the year, additions to capital projects amounted to \$4,651,860. The most significant projects consisted of additions of approximately \$1,050,000 to the downtown sewer project, approximately \$619,000 in sanitary sewer rehab projects and approximately \$630,000 to the Jones Road Lift Station. In addition, there was approximately \$978,000 spent on the sludge drying facilities project for the wastewater treatment plant.

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Management's Discussion and Analysis
September 30, 2021 and 2020

At September 30, 2021 and 2020, respectively, the Commission had \$1,415,000 and \$1,665,000 in bonds outstanding.

Detailed activity related to capital assets and long-term debt is disclosed within *Note 4* and *Note 5*, respectively.

Economic Factors and Next Year's Budget

The Commission's officials considered many factors when setting the fiscal 2022 budget. Those factors include current and projected water and sewer needs of its customers along with anticipated construction and improvement projects. The Commission is committed to the continued improvement and expansion of its water and sewer system.

Financial Contact

The Commission's financial statements are designed to present users with a general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have any questions about the report or need additional financial information, please contact the Commission's office at Springdale Water Utilities, 526 Oak Avenue, Springdale, Arkansas 72765.

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Financial Statements

City of Springdale, Arkansas Water and Sewer Commission

A Component Unit of the City of Springdale, Arkansas

Statements of Net Position

September 30, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 35,384,356	\$ 18,553,569
Certificates of deposit	19,792,708	31,573,241
Accrued interest receivable	134,382	397,309
Accounts receivable	5,470,999	4,751,927
Inventory	587,388	503,426
Prepaid expenses and other	64,437	65,025
Total current assets	61,434,270	55,844,497
Noncurrent Assets		
Restricted Assets		
Cash	332,583	284,146
Certificates of deposit	2,681,953	2,577,897
Total restricted assets	3,014,536	2,862,043
Investments	1,847,791	-
Capital Assets		
Capital assets - non-depreciable	32,519,505	28,217,190
Capital assets - depreciable, net	224,702,456	221,372,338
Total capital assets, net	257,221,961	249,589,528
Total noncurrent and other assets	262,084,288	252,451,571
Total assets	323,518,558	308,296,068

Deferred Outflows of Resources

Deferred outflows - other postemployment benefits (OPEB)	75,311	78,371
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Liabilities

Current Liabilities		
Accounts payable	2,594,017	2,197,022
Accrued liabilities	598,885	518,115
Compensated absences	688,748	681,873
Accrued interest	5,894	6,938
Current maturities of long-term liabilities	260,000	250,000
Total current liabilities	4,147,544	3,653,948
Long-term Liabilities		
Customer deposits	2,683,077	2,649,330
Compensated absences	608,267	607,735
Other postemployment benefit liability	314,649	324,315
Long-term debt, net of current maturities	1,155,000	1,415,000
Total long-term liabilities	4,760,993	4,996,380
Total liabilities	8,908,537	8,650,328

Deferred Inflows of Resources

Deferred inflows - other postemployment benefits (OPEB)	87,083	56,280
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Net Position

Net investment in capital assets	255,806,961	247,924,528
Restricted for capital activity	155,862	54,613
Restricted for debt service	175,597	158,100
Unrestricted	58,459,829	51,530,590
Total net position	\$ 314,598,249	\$ 299,667,831

City of Springdale, Arkansas Water and Sewer Commission

A Component Unit of the City of Springdale, Arkansas

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash received from customers	\$ 36,270,665	\$ 32,470,194
Cash received from other charges	1,341,694	1,236,596
Payments for water	(8,911,357)	(8,757,897)
Payments for salaries and benefits	(7,712,167)	(7,392,449)
Payments to suppliers for goods and services	(6,621,180)	(6,607,388)
Master plan payments	(175,801)	(14,330)
	<u>14,191,854</u>	<u>10,934,726</u>
Net cash provided by operating activities		
Cash Flows From Noncapital and Related Financing Activities		
Contributions from City	-	93,512
	<u>-</u>	<u>93,512</u>
Net cash provided by noncapital and related financing activities		
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(8,013,750)	(6,039,004)
Contributed capital	439,215	434,944
Proceeds from sale of capital assets	41,255	72,226
Principal payments on bonds	(250,000)	(235,000)
Interest and paying agent fees (cash paid)	(79,910)	(91,738)
	<u>(7,863,190)</u>	<u>(5,858,572)</u>
Net cash used in capital and related financing activities		
Cash Flows From Investing Activities		
Investment income	688,127	1,237,926
Proceeds from sale of certificates of deposit	13,831,810	11,436,121
Purchase of certificates of deposit	(2,051,277)	(7,011,408)
Purchase of investments	(1,847,791)	-
Increase (decrease) in meter deposits	(70,309)	71,433
	<u>10,550,560</u>	<u>5,734,072</u>
Net cash provided by investing activities		
Net Increase in Cash and Cash Equivalents	16,879,224	10,903,738
Cash and Cash Equivalents - Beginning of Year	<u>18,837,715</u>	<u>7,933,977</u>
Cash and Cash Equivalents - End of Year	<u>\$ 35,716,939</u>	<u>\$ 18,837,715</u>
Cash and Cash Equivalents, as Presented on the "Statements of Net Position" is as Follows:		
Cash and cash equivalents	\$ 35,384,356	\$ 18,553,569
Restricted cash	332,583	284,146
	<u>\$ 35,716,939</u>	<u>\$ 18,837,715</u>

See Notes to Financial Statements

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating Revenues		
Sales	\$ 36,989,737	\$ 33,205,913
Penalties	565,321	432,560
Equipment rental	16,488	13,683
Other operating income	759,885	790,353
Total operating revenues	<u>38,331,431</u>	<u>34,442,509</u>
Operating Expenses		
Water supply and treatment	8,911,357	8,757,897
Water transmission and distribution	5,662,967	5,478,259
Water meter department	1,362,311	1,270,793
Sewer treatment	6,951,430	6,936,942
Sewer collection system	5,086,253	5,258,404
Master plan expense	175,801	14,330
General and administrative	5,067,326	4,727,036
Total operating expenses	<u>33,217,445</u>	<u>32,443,661</u>
Operating Income	<u>5,113,986</u>	<u>1,998,848</u>
Nonoperating Revenues (Expense)		
Interest income	402,929	907,499
Rental income, net of related expenses	22,271	11,881
Gain on disposal of assets	25,258	53,071
Interest and paying agent fees	(78,866)	(90,759)
Contributions from the City	-	93,512
Net nonoperating revenue (expense)	<u>371,592</u>	<u>975,204</u>
Income Before Capital Contributions	5,485,578	2,974,052
Capital Contributions from City	-	39,421
Capital Contributions - Developers	<u>9,444,840</u>	<u>5,681,939</u>
Change in Net Position	14,930,418	8,695,412
Net Position - Beginning of Year	<u>299,667,831</u>	<u>290,972,419</u>
Net Position, End of Year	<u><u>\$ 314,598,249</u></u>	<u><u>\$ 299,667,831</u></u>

	2021	2020
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 5,113,986	\$ 1,998,848
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	9,370,945	9,445,906
Changes in operating assets and liabilities		
Accounts receivable	(719,072)	(735,719)
Inventory	(83,962)	12,784
Prepaid expenses	3,648	(24,314)
Accounts payable	396,995	26,289
Accrued liabilities	109,314	210,932
Net Cash Provided by Operating Activities	\$ 14,191,854	\$ 10,934,726
Supplementary Disclosure of Noncash Transactions		
Contributed capital	\$ 9,005,625	\$ 5,246,995
Capital contributions from City	\$ -	\$ 39,421

City of Springdale, Arkansas Water and Sewer Commission

A Component Unit of the City of Springdale, Arkansas

Notes to Financial Statements

September 30, 2021 and 2020

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The City of Springdale, Arkansas Water and Sewer Commission (the Commission) is governed by a five-member Board of Commissioners. Any vacancies are filled with an affirmative vote by the remainder of the Water and Sewer Commissioners and approved by the City Council of the City of Springdale, Arkansas (the City). The Commission provides services to customers in the City of Springdale and certain surrounding areas. The City Council approves the rates changes of the Commission. The debt of the Commission, as reflected in the Commission's Statement of Net Position, is issued in the name of the City of Springdale, Arkansas. The Commission receives no financial benefit from the City; however, the City has the ability to impose its will on the Commission. Therefore, the City is financially accountable for the Commission, which is included as a discretely presented component unit in the City's financial statements. The Commission is organized as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to a private business; where the intent of the governing body is that the cost (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 Commission utilizes internal funds to account for the following activities:

Water Fund – This fund accounts for charges for water use by residents of the City and surrounding areas served, expenses for the maintenance and upgrading the water supply system and payment of all water related debt.

Sewer Fund – This fund accounts for charges for sewer use by the residents of the City and surrounding areas served, expenses for maintenance and upgrading the sewer system and payments of all sewer related debt.

Basis of Accounting and Presentation

The Commission's financial statements are reported 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.

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

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

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Use of Estimates

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

Cash and Cash Equivalents

The Commission considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

Investments

Generally accepted accounting principles prescribed by GASB require that the Commission's investments be measured at fair value and non-negotiable CDs be measured at cost. Fair value measurements are categorized according to a hierarchy that is based on valuation inputs used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable.

Detailed information about the Commission's investments and their respective fair value measurements is provided in *Note 2* to the financial statements.

Purchases and sales of investments are reported on a trade-date basis. Realized gains and losses resulting from investment sales, as well as unrealized gain and losses resulting from changes in the fair values of investments held are reported as investment income on the statements of revenues, expenses and changes in net position. Dividends and capital gain distributions are recorded as investment income on the ex-dividend date.

Customer Accounts Receivable

Customer accounts receivable are shown net of any allowance for doubtful accounts. The allowance is based upon historical losses and a review of past due accounts. At September 30, 2021 and 2020, no allowance was recorded for doubtful accounts.

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Inventories

Inventories consist of various fittings, couplings, pipe, etc., used in the customary operations of the Commission. All inventories are stated at lower of cost or market. Cost is determined on the historical average basis.

Capital Assets

Capital assets are recorded at cost on the date of acquisition. Assets are depreciated on a straight-line basis over the estimated useful life of each asset as shown below. Assets with a cost of greater than \$1,000 are capitalized.

Assets	Years
Water System	40
Meter and Meter Equipment	17
Sewer System and Plant	20-50
Equipment	5-10
Office Equipment	5-12

Nonrecurring Fair Value Measurements

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

The Commission had nonrecurring fair value measurements during 2021 and 2020 for infrastructure capital assets contributed to the Commission from developers. The noncash portion of these contributed assets are recorded at acquisition values totaling \$9,005,625 and \$5,246,995 for the years ended September 30, 2021 and 2020, respectively. These values are based upon the costs to construct by developers (Level 3 inputs). Contributed capital is recorded as capital contributions in the statement of revenues, expenses and changes in net position and are depreciated over their estimated useful lives.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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/expenditure/reduction of liability) until then. The Commission has one item that qualifies for reporting in this category. The item is related to the OPEB Plan and is comprised of the differences between expected an actual experience of the total OPEB liability and changes of assumptions. These amounts will be amortized to OPEB expense over future periods as shown within *Note 9*.

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In addition to liabilities, the statement of net position will sometimes report 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 Commission has one item that qualifies for reporting in this category. The item is related to the OPEB Plan and is comprised of changes of assumptions. These amounts will be amortized to OPEB expense over future periods as shown within *Note 9*.

Net Position Classifications

Net position is classified and displayed in the following three components:

- *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted expendable net position* – Consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- *Unrestricted net position* – All other net position that does not meet the definition of “net investment in capital assets” or “restricted expendable.”

When both restricted and unrestricted resources are available for use, generally it is the Commission’s policy to use restricted resources first.

Compensated Absences

The Commission’s policy permits employees to accumulate earned but unused vacation and sick leave benefits which are eligible for payment upon separation from Commission service. The liability for such leave is reported as incurred. Compensated absences are computed using the regular pay rate in effect at the statement of net position date.

Risk Management

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

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The Commission maintains a medical self-insurance plan funded by the Commission and administered by a third party. The plan provides certain healthcare benefits to active and retired Commission employees. Substantially all regular, full-time Commission employees are eligible for these benefits. The Commission's costs of providing these benefits, including premiums are included in operating expenses. The Commission contributes fully for each employee and shares in the contribution for any dependents. Retired employees may continue coverage under the Commission's policy, but must bear the cost of these contributions.

Adoption of GASB Statements

GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, are effective for the Commission beginning in fiscal year 2021. GASB Statement No. 84 and 97 improve guidance regarding the identification of fiduciary activities for accounting and financial reporting. The statements will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Adoption of GASB 84 and 97 had no impact on the Commission's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement* (GASB 88), is effective for the Commission beginning in fiscal year 2021. The adoption of GASB 88 improved the long term debt disclosures to the notes to the financial statements.

Note 2: Deposits and Investments

Deposits

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

State law requires collateralization of all deposits with federal insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any collateral arrangement.

At September 30, 2021 and 2020, none of the Commission's bank balances were exposed to custodial credit risk.

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Summary of Carrying Values

The carrying values of deposits are included in the statements of net position as follows:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 58,190,000	\$ 52,987,253
Cash on hand	<u>1,600</u>	<u>1,600</u>
	<u>\$ 58,191,600</u>	<u>\$ 52,988,853</u>

Included in the following statement of net position captions:

Cash and cash equivalents	\$ 35,384,356	\$ 18,553,569
Certificates of deposit	19,792,708	31,573,241
Restricted cash	332,583	284,146
Restricted certificates of deposit	<u>2,681,953</u>	<u>2,577,897</u>
	<u>\$ 58,191,600</u>	<u>\$ 52,988,853</u>

Investments

Investments at September 30 for the Commission include the following:

Type	2021				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Unrestricted:					
U.S. agency obligations	<u>\$ 1,847,791</u>	\$ -	\$ 1,847,791	\$ -	\$ -
	<u>\$ 1,847,791</u>	\$ -	\$ 1,847,791	\$ -	\$ -

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets and liabilities

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- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

There were no assets or liabilities measured at fair value for the year ended September 30, 2020. The following table presents the fair value measurement of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2021:

Type	2021			
	Fair Value	Level 1	Level 2	Level 3
Classified as Investments				
Unrestricted:				
U.S. agency obligations	\$ 1,847,791	\$ 1,847,791	\$ -	\$ -
	<u>\$ 1,847,791</u>	<u>\$ 1,847,791</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3: Restricted Assets

Restricted assets are held for specific purposes as follows:

	2021	2020
Meter deposits	\$ 2,683,077	\$ 2,649,330
Lowell sewer expansion fund	155,862	54,613
Lowell sewer bond fund	175,597	158,100
	<u>\$ 3,014,536</u>	<u>\$ 2,862,043</u>

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Note 4: Capital Assets

A summary of the changes in capital assets for the years ended September 30, 2021 and 2020, is as follows:

	Capital Assets				Balance 09/30/21
	Balance 09/30/20	Additions	Disposals	Transfers	
Capital assets, not being depreciated					
Land	\$ 3,348,889	\$ -	\$ -	\$ -	\$ 3,348,889
Easements	5,328,472	745	-	430	5,329,647
Construction in progress	19,539,829	6,007,858	-	(1,706,718)	23,840,969
Total capital assets, not being depreciated	28,217,190	6,008,603	-	(1,706,288)	32,519,505
Capital assets, being depreciated					
Water mains distribution lines	147,451,322	4,470,794	-	56,962	151,979,078
Sewer lines	138,169,579	4,696,543	-	1,447,692	144,313,814
Meters in service	9,436,901	774,672	-	32,129	10,243,702
Structures	5,798,996	-	-	74,221	5,873,217
Vehicles	2,492,764	264,112	(85,705)	25,826	2,696,997
Sludge tractors and trucks	370,102	450,560	-	-	820,662
Rehabilitation vehicles and equipment	975,079	-	-	-	975,079
Machinery, equipment and tools	1,492,912	246,617	(9,775)	69,458	1,799,212
Office furniture and equipment	1,262,112	68,812	(78,626)	-	1,252,298
Radio equipment	144,132	6,052	-	-	150,184
WRRWA capitalized acquisition costs	43,640	-	-	-	43,640
Sewage treatment plant	75,656,886	57,868	-	-	75,714,754
Total capital assets, being depreciated	383,294,425	11,036,030	(174,106)	1,706,288	395,862,637
Less accumulated depreciation for:					
Water mains distribution lines	55,608,732	3,493,034	-	-	59,101,766
Sewer lines	40,916,130	2,695,216	-	-	43,611,346
Meters in service	4,614,436	566,334	-	-	5,180,770
Structures	4,387,622	185,317	-	-	4,572,939
Vehicles	2,084,466	147,255	(64,327)	-	2,167,394
Sludge tractors and trucks	356,788	48,197	-	-	404,985
Rehabilitation vehicles and equipment	605,522	98,275	-	-	703,797
Machinery, equipment and tools	1,104,611	98,143	(5,077)	-	1,197,677
Office furniture and equipment	1,109,426	39,608	(63,447)	-	1,085,587
Radio equipment	126,203	9,393	-	-	135,596
WRRWA capitalized acquisition costs	43,640	-	-	-	43,640
Sewage treatment plant	50,964,511	1,990,173	-	-	52,954,684
Total accumulated depreciation	161,922,087	9,370,945	(132,851)	-	171,160,181
Capital assets being depreciated, net	221,372,338	1,665,085	(41,255)	1,706,288	224,702,456
Total capital assets	\$ 249,589,528	\$ 7,673,688	\$ (41,255)	\$ -	\$ 257,221,961

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	Capital Assets				
	Balance 09/30/19	Additions	Disposals	Transfers	Balance 09/30/20
Capital assets, not being depreciated					
Land	\$ 3,273,889	\$ 75,000	\$ -	\$ -	\$ 3,348,889
Easements	5,288,472	3,350	-	36,650	5,328,472
Construction in progress	21,308,572	4,651,860	(3,427)	(6,417,176)	19,539,829
Total capital assets, not being depreciated	29,870,933	4,730,210	(3,427)	(6,380,526)	28,217,190
Capital assets, being depreciated					
Water mains distribution lines	142,713,876	3,627,934	-	1,109,512	147,451,322
Sewer lines	130,985,838	1,873,818	-	5,309,923	138,169,579
Meters in service	8,805,619	631,282	-	-	9,436,901
Structures	5,793,246	5,750	-	-	5,798,996
Vehicles	2,388,649	59,035	-	45,080	2,492,764
Sludge tractors and trucks	370,102	-	-	-	370,102
Rehabilitation vehicles and equipment	965,229	9,850	-	-	975,079
Machinery, equipment and tools	1,414,022	95,448	(37,569)	21,011	1,492,912
Office furniture and equipment	1,178,129	85,913	(7,181)	5,251	1,262,112
Radio equipment	143,045	9,294	(8,207)	-	144,132
WRRWA capitalized acquisition costs	43,640	-	-	-	43,640
Sewage treatment plant	75,566,820	90,066	-	-	75,656,886
Total capital assets, being depreciated	370,368,215	6,488,390	(52,957)	6,490,777	383,294,425
Less accumulated depreciation for:					
Water mains distribution lines	52,175,905	3,432,827	-	-	55,608,732
Sewer lines	38,302,030	2,614,100	-	-	40,916,130
Meters in service	4,078,270	536,166	-	-	4,614,436
Structures	4,202,986	184,636	-	-	4,387,622
Vehicles	1,909,898	174,568	-	-	2,084,466
Sludge tractors and trucks	346,137	10,651	-	-	356,788
Rehabilitation vehicles and equipment	507,574	97,948	-	-	605,522
Machinery, equipment and tools	1,044,682	78,684	(18,755)	-	1,104,611
Office furniture and equipment	1,057,541	58,721	(6,836)	-	1,109,426
Radio equipment	123,322	11,088	(8,207)	-	126,203
WRRWA capitalized acquisition costs	43,640	-	-	-	43,640
Sewage treatment plant	48,717,994	2,246,517	-	-	50,964,511
Total accumulated depreciation	152,509,979	9,445,906	(33,798)	-	161,922,087
Capital assets being depreciated, net	217,858,236	(2,957,516)	(19,159)	6,490,777	221,372,338
Total capital assets	\$ 247,729,169	\$ 1,772,694	\$ (22,586)	\$ 110,251	\$ 249,589,528

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Note 5: Long-term Liabilities

Changes in long-term liabilities for the years ended September 30, 2021 and 2020, consisted of the following:

	Balance at 09/30/20	Increases	Decreases	Balance at 09/30/21	Due Within One Year
Bond and note payable					
Revenue Bonds, Series 2006	\$ 1,665,000	\$ -	\$ 250,000	1,415,000	\$ 260,000
Compensated absences	1,289,608	852,060	844,653	1,297,015	688,748
Other postemployment benefits	324,315	51,466	61,132	314,649	-
Customer deposits	2,649,330	33,747	-	2,683,077	-
Total	\$ 5,928,253	\$ 937,273	\$ 1,155,785	\$ 5,709,741	\$ 948,748

	Balance at 09/30/19	Increases	Decreases	Balance at 09/30/20	Due Within One Year
Bond and note payable					
Revenue Bonds, Series 2006	\$ 1,900,000	\$ -	\$ 235,000	\$ 1,665,000	\$ 250,000
Compensated absences	1,117,255	837,124	664,771	1,289,608	681,873
Other postemployment benefits	295,207	61,433	32,325	324,315	-
Customer deposits	2,487,538	161,792	-	2,649,330	-
	\$ 5,800,000	\$ 1,060,349	\$ 932,096	\$ 5,928,253	\$ 931,873

Series 2006 Water and Sewer Revenue Bonds

In August 2006, the Commission issued \$3,600,000 in Revenue Bonds (Series 2006) at an average rate of 5.0% to finance improvements to the sewer facilities. The bonds mature in fiscal year 2026 with principal and interest payments due in March and September of each year. As of September 30, 2021 and 2020, the outstanding principal was \$1,415,000 and \$1,665,000, respectively.

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Principal and interest maturities of the Commission bonds are as follows:

Year Ending September 30	Revenue Bonds - Publicly Traded		
	Principal	Interest	Total
2022	\$ 260,000	\$ 67,500	\$ 327,500
2023	275,000	54,250	329,250
2024	285,000	40,250	325,250
2025	300,000	25,875	325,875
2026	295,000	10,375	305,375
	<u>\$ 1,415,000</u>	<u>\$ 198,250</u>	<u>\$ 1,613,250</u>

Note 6: Retirement Plan

The Commission provides a money purchase pension plan covering all employees who are 20 ½ years of age, completed six months of service, have been credited with 1,000 hours of service during the 12 month period beginning with the date the employee was hired, and agree to the mandatory 3% employee contribution minimum. Vesting occurs at 20 percent after two years of service and an additional 10% each year thereafter until the participant is 100% vested after 10 years. The employee is required to contribute at least 3% of compensation. The employer contributes 6% of compensation for all participants within the plan. The Commission contributions for the years ended September 30, 2021 and 2020, were \$341,278 and \$341,499 , respectively.

Note 7: Deferred Compensation Plan

Commission employees are eligible to participate in a deferred compensation plan adopted by the Commission in January 1976, and amended from time to time in compliance with Internal Revenue Service regulations. The assets are held by Jackson National Life and remain the property of the Trust until paid to the employees.

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Note 8: Long Term Contracts

- A. The Beaver Water District has contracted with the U.S. Corps of Engineers for water storage rights. The Beaver Water District has contracts with the cities of Fayetteville, Springdale, Rogers and Bentonville, Arkansas to pay for these rights on a pro rata basis, based on the amount of water purchased.
- B. The cities of Springdale, Fayetteville, Rogers and Bentonville, Arkansas have entered into contracts with the Beaver Water District to provide funds to acquire land, and intake structure, treatment plant, transmission lines and other capital assets. Effective October 1, 2019, the water price increased from \$1,360 to \$1,380 per million gallons. The total cost of acquiring, constructing, maintaining, operating and expanding the facilities must be borne by the users. Adjustments, based upon audit of the Beaver Water District, for costs of operations can result in additional costs or rebates to the Commission each year. As of September 30, 2021 and 2020, the Commission purchased approximately \$8,911,000 and \$8,758,000, respectively, of water from the Beaver Water District.
- C. Contract between the City of Springdale, acting through the Commission, and the City of Lowell, Arkansas, dated August 29, 2000: The Commission agrees to operate a water distribution system with exclusive franchise to serve the City of Lowell for 20 years with the privilege of renewing the contract for additional periods of time. At the end of the 20-year period, the City of Lowell shall have the right to acquire the distribution system located within its corporate limits at the system's then appraised value, by giving not less than six months written notice in advance of the termination date of this contract. The water rates currently in effect for customers in the City of Lowell, Arkansas are as follows:
- | | |
|-------------------|--|
| Fire hydrants | \$10 each per annum |
| Other water rates | Same as "outside city" rate for the City |
- D. Contract between the City of Springdale, acting through the Commission, and the City of Lowell, Arkansas, dated October 11, 2005: The Commission agrees to operate a sewer system for 15 years with the privilege of renewing the contract for additional periods of time. The contract establishes the scope and timing of the construction of needed improvements to the City of Lowell sewer system, that these improvements will be funded through the issuance of revenue bonds, and the means by which the revenue bonds will be repaid. The sewer rates currently in effect for customers in the City of Lowell, Arkansas, are the same as "outside city" rate for the City, plus an additional surcharge of \$9.50 minimum and \$.75 per thousand gallons usage fee to satisfy the annual payment requirements of the Series 2006 Revenue Bonds.

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- E. Contracts between the City of Springdale, acting through the Commission, and the City of Johnson, Arkansas, dated May 11, 2016, for the sale of water and sewer service: the contracts are for 20 years with the option to renew upon terms and conditions as may be negotiated by the two parties by giving not less than six months of notice in advance of the termination of the contract. Water and sewer charges currently in effect for customers in the City of Johnson, Arkansas are as follows:

Fire hydrants	\$10 each per annum
Other water rates	Same as "outside city" rate for the City
Sewer rates	Same as "outside city" rate for the City

- F. Contract between the City of Springdale, acting through the Commission, and the City of Elm Springs, Arkansas, dated May 20, 1975: The Commission agrees to operate a water distribution system with exclusive franchise to serve the City of Elm Springs. The water rates charged to the customers in the City of Elm Springs are the same as the "outside city" rates of the City.
- G. Contract between the City of Springdale, acting through the Commission, and the City of Johnson, Arkansas, dated May 25, 2016: The Commission agrees to lease land surrounding the Johnson Lift Station for use as a park. The annual fee is approximately \$80 per month, which was the amount the Commission was receiving from hay revenue previously. The original lease term runs for approximately 20 years and expires on December 31, 2036. The lease will automatically renew for a 10 year-period up to three times and may be terminated by either party with 180 days of written notice.

Note 9: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description: The Commission sponsors and administers an informal single-employer defined benefit healthcare plan. Retirees who are vested in their retirement plan and are eligible to receive a retirement benefit (and actually apply for and receive the retirement benefit) are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents until Medicare eligibility. The Commission has the authority to establish and amend the requirements of this plan. The Commission does not issue stand-alone financial statements of the healthcare plan but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided: There are no direct benefits provided to the retirees under the Plan. The only benefits provided are derived from the retiree receiving a lower premium for health insurance by being allowed to stay within the group coverage under the Commission until Medicare eligibility. Retirees are responsible for 100% of the premiums once included within the Plan.

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Funding Policy: The contribution requirements of plan members are established by the Commission and may be amended as needed. Retiree coverage is the same as the coverage provided to active Commission employees. For 2021 and 2020, retirees pay premiums ranging from \$513 per month to \$1,184 per month, and \$473 per month to \$1,095 per month, respectively, depending on the coverage elected. The Commission's policy maintains that retirees must pay 100% of the cost of premiums. The cost of retiree healthcare benefits is financed on a pay-as-you-go basis and is recorded as an expense as liabilities are incurred.

Employees covered by benefit terms: At September 30, 2021 and 2020, the following employees were covered by the benefit terms:

	<u>2021</u>	<u>2020</u>
Active participants	118	119
Retired participants	<u>1</u>	<u>-</u>
	<u>119</u>	<u>119</u>

Total OPEB Liability

The Commission's total OPEB liability as of September 30, 2021 and 2020 of \$314,649 and \$324,315 was measured as of September 30, 2021 and 2020, and was determined by an actuarial valuation as of September 30, 2021. For 2020, the liabilities are actuarially rolled forward to the September 30, 2021 measurement date on a "no loss/no gain" basis.

Actuarial assumptions: The total OPEB liability in the September 30, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	September 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay - open group
Amortization period	8 years beginning October 1, 2021
Inflation	3.25%
Healthcare cost trend rates	Initially 8.0% and 7.50% decreasing in .50% increments over 8 and 7 years to 4.50% and 4.50% for 2021 and 2020, respectively.
Salary increases	3.25% for wage inflation plus merit/productivity growth ranging from 0.42% to 6.60% (from 0.70% to 6.60% in 2020) depending on age of the employee. The payroll growth assumption is based on the non-state rates shown in the Arkansas Public Employee Retirement System (APERS) actuarial valuation as of June 30, 2020.

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Discount Rate: The discount rate used to measure the total OPEB liability was 2.43 percent and 2.41 percent, for the years ended December 31, 2021 and 2020, respectively. As an unfunded plan, this rate was determined based on the yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The indexes used in determining this rate include the Bond Buyer G.O. 20-Year Bond Municipal Bond Index, the S&P Municipal Bond 20-Year High Grade Rate Index and the Fidelity 20-Year G.O. Municipal Bond Index.

Changes in the Total OPEB Liability

	2021	2020
	<u>Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at beginning of year	\$ 324,315	\$ 295,207
Changes for the year:		
Service cost	27,842	24,166
Interest	8,321	11,289
Changes in assumptions	15,303	25,978
Differences between expected and actual experience	(47,230)	(24,200)
Benefit payments	(13,902)	(8,125)
Net changes	<u>(9,666)</u>	<u>29,108</u>
Balance at end of year	<u>\$ 314,649</u>	<u>\$ 324,315</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.41 percent in 2020 and 2.43 percent in 2021.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability for the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate.

	1% Decrease 1.43%	Discount Rate 2.43%	1% Increase 3.43%
Total OPEB liability	<u>\$ 337,857</u>	<u>\$ 314,649</u>	<u>\$ 292,498</u>

City of Springdale, Arkansas Water and Sewer Commission

A Component Unit of the City of Springdale, Arkansas

Notes to Financial Statements

September 30, 2021 and 2020

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability for the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the healthcare cost trend rates.

	1% Decrease (7.00%)	Current Health Care Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 279,882	\$ 314,649	\$ 355,949

OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the years ended September 30, 2021 and 2020, the Commission recognized OPEB expense of \$38,099 and \$41,952, respectively. At September 30, 2021 and 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,137	\$ (79,885)
Change in assumptions	40,174	(7,198)
Total	\$ 75,311	\$ (87,083)

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,372	\$ (47,282)
Change in assumptions	32,999	(8,998)
Total	\$ 78,371	\$ (56,280)

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Notes to Financial Statements
September 30, 2021 and 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2021, related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:		
2022	\$	1,936
2023		1,936
2024		1,940
2025		(5,195)
2026		(7,828)
Thereafter		(4,561)

Note 10: Related Party

The Commission is a component unit of the City of Springdale, Arkansas. As of September 30, 2021 and 2020, the Commission owed the City \$28,145 and \$27,017, respectively, for city bulk trash revenues collected and franchise fees for sanitation services as well as a graffiti removal fee. Total amount paid was approximately \$357,000 and \$333,000 for the years ended September 30, 2021 and 2020, respectively.

Note 11: Commitments and Contingencies

At September 30, 2021, the Commission had several construction and repair and maintenance projects in various stages of completion. Unfulfilled contract commitments of approximately \$807,000 remained open on the construction and improvement contracts still in progress at September 30, 2021.

At various times, the Commission may be involved in litigation incidental to its operations. At September 30, 2021, the only outstanding legal proceedings pertain to the valuation of easements acquired by the Commission. Based upon management's assessment, any impact to the Commission's financial statements is not expected to be material.

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Notes to Financial Statements
September 30, 2021 and 2020

Note 12: Risk Management

Effective January 1, 2019, the Commission is exposed to various risks of loss related to the Commission's health benefits provided to employees and retirees and their dependents and beneficiaries. The Commission has not recognized any settlements that exceeded insurance coverage during the year. The self-insurance liability at September 30, 2021 and 2020 is \$159,287 and \$103,777, respectively.

Note 13: Economic Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Commission. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 14: Future Accounting Pronouncements

GASB Statement No. 87 – Leases

GASB Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

GASB 87 is effective for the Commission's fiscal year 2022. Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Notes to Financial Statements
September 30, 2021 and 2020

GASB Statement No. 91 – Conduit Debt Obligations

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91) provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures.

GASB 91 is effective for the Commission's fiscal year 2023. Earlier application is encouraged.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) addresses the accounting for the costs related to cloud computing agreements. The standard defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

GASB 96 is effective for the Commission's fiscal year 2023. Earlier application is encouraged. The changes should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning net position for the earliest fiscal year restated. In the first fiscal year the amendments are applied, note disclosure is required for the nature of the restatement and its effect, as well as the reason for not restating prior fiscal years presented, if applicable. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. If applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the earliest fiscal year restated. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.

Required Supplementary Information

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Required Supplementary Information
Schedule of Changes in the Commission's
Total OPEB Liability and Related Ratios

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 27,842	\$ 24,166	\$ 20,215	\$ 18,933	\$ 11,311
Interest	8,321	11,289	12,975	9,100	5,325
Differences between expected and actual experience	(47,230)	(24,200)	(35,385)	35,469	43,992
Changes of assumptions	15,303	25,978	7,217	(14,398)	10,082
Benefit payments	(13,902)	(8,125)	-	-	(2,804)
Net Change in Total OPEB Liability	(9,666)	29,108	5,022	49,104	67,906
Total OPEB Liability - Beginning	<u>324,315</u>	<u>295,207</u>	<u>290,185</u>	<u>241,081</u>	<u>173,175</u>
Total OPEB Liability - Ending	<u>\$ 314,649</u>	<u>\$ 324,315</u>	<u>\$ 295,207</u>	<u>\$ 290,185</u>	<u>\$ 241,081</u>
 Covered-Employee Payroll	 \$ 6,850,676	 \$ 6,613,078	 \$ 6,362,331	 \$ 5,386,565	 \$ 5,217,012
 System's Net OPEB Liability as a Percentage of Covered-Employee Payroll	 4.59%	 4.90%	 4.64%	 5.39%	 4.62%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 75, the Commission will only present available information.

No amounts are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

Discount rates:

2021	2.43%
2020	2.41%
2019	3.58%
2018	4.18%

Healthcare cost trend rates:

Initially 8.0% decreasing in .50% increments over 7 years to 4.5% for 2021 (7.50% decreasing in .50% increments for 7 years to 4.50% for 2020).

Salary increases:

3.25% for wage inflation plus merit/productivity growth ranging from 0.42% to 6.60% (from 0.70% to 6.60% in 2020 and from 0.42% to 6.60% in 2019) depending on age of the employee. The payroll growth assumption is based on the non-state rates shown in the Arkansas Public Employee Retirement System (APERS) actuarial valuation as of June 30, 2020 for all years presented.

Amortization Period:

2021	7 years beginning October 1, 2020
2020	7 years beginning October 1, 2019
2019	8 years beginning October 1, 2018
2018	8 years beginning October 1, 2017
2017	30 years beginning October 1, 2016

Supplementary Information

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City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Water Fund – Schedule of Revenues and Expenses
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues		
Sales	\$ 19,638,013	\$ 18,108,073
Penalties	303,036	234,065
Equipment rental	13,850	9,955
Other operating income	664,482	659,433
	<u>20,619,381</u>	<u>19,011,526</u>
Total operating revenues		
Operating expenses		
Water supply and treatment	8,911,357	8,757,897
Water transmission and distribution	5,662,967	5,478,259
Water meter department	1,362,311	1,270,793
Master plan expense	-	-
General and administrative	2,566,788	2,395,428
	<u>18,503,423</u>	<u>17,902,377</u>
Total operating expenses		
Operating income (loss)	<u>2,115,958</u>	<u>1,109,149</u>
Nonoperating revenue (expense)		
Interest income	397,693	657,097
Rental income	3,000	6,950
Gain on disposal of capital assets	19,678	13,968
	<u>420,371</u>	<u>678,015</u>
Net nonoperating revenue		
Excess of revenues over expenses	<u><u>\$ 2,536,329</u></u>	<u><u>\$ 1,787,164</u></u>

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Water Fund – Schedule of Operating Expenses
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Water supply and treatment		
Water purchases	\$ 8,911,357	\$ 8,757,897
Water transmission and distribution		
Distribution labor	\$ 1,147,404	\$ 1,108,827
Pension expense	69,062	69,236
Utilities	42,816	30,288
Insurance	161,782	185,919
Depreciation	3,741,656	3,683,872
Vehicle expense	81,686	61,425
Maintenance		
Buildings and grounds	136	106
Mains	321,155	227,816
Storage tanks and pumps	12,300	20,984
Equipment and small tools	24,872	24,824
Materials	23,225	22,693
Other expenses	36,873	42,269
Total water transmission and distribution	\$ 5,662,967	\$ 5,478,259
Water meter department		
Labor	\$ 535,988	\$ 521,733
Pension expense	27,116	24,741
Materials	4,349	3,258
Insurance	84,389	62,855
Depreciation		
Meters	566,333	536,165
Vehicles and equipment	9,878	11,937
Vehicle expense	51,034	37,241
Maintenance		
Meters	14,931	6,159
Equipment	64,315	62,161
Other expenses	3,978	4,543
Total water meter department	\$ 1,362,311	\$ 1,270,793
Master plan expense	\$ -	\$ -

	2021	2020
General and administrative		
Salaries		
Office	\$ 744,774	\$ 739,122
Stores and supplies	55,168	51,906
Engineering	384,178	388,328
Technical services	351,110	336,862
Payroll taxes	109,537	105,126
Technical education	45,264	43,081
Pension expense	72,899	71,915
Professional services	89,095	38,189
Depreciation - office furniture and equipment	25,633	34,581
Building maintenance	56,272	37,611
Office equipment maintenance	31,979	8,741
Insurance	242,889	199,075
Office supplies	43,677	35,307
Engineering vehicles and equipment	41,517	31,557
Printing and postage	148,179	150,795
Telephone	9,769	9,359
Office utilities	26,062	26,251
Regulatory licensing fees	-	341
Commission expenses	18,190	16,118
Other expenses	70,596	71,163
Total general and administrative	<u>\$ 2,566,788</u>	<u>\$ 2,395,428</u>

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City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Sewer Fund – Schedule of Revenues and Expenses
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Sewer service charges	\$ 17,351,724	\$ 15,097,840
Penalties	262,285	198,495
Equipment rental	2,638	3,728
Other operating income	95,403	130,920
	<u>17,712,050</u>	<u>15,430,983</u>
Total operating revenues		
Operating expenses		
Wastewater sewage treatment	6,951,430	6,936,942
Wastewater collection system	5,086,253	5,258,404
Master plan expense	175,801	14,330
General and administrative	2,500,538	2,331,608
	<u>14,714,022</u>	<u>14,541,284</u>
Total operating expenses		
Operating income	<u>2,998,028</u>	<u>889,699</u>
Nonoperating revenue (expense)		
Interest income	5,236	250,402
Rental income	19,271	4,931
Gain on disposal of capital assets	5,580	39,103
Interest and paying agent's fees	(78,866)	(90,759)
Contributions from the City	-	93,512
	<u>(48,779)</u>	<u>297,189</u>
Net nonoperating revenue		
Excess of revenues over expenses	<u>\$ 2,949,249</u>	<u>\$ 1,186,888</u>

City of Springdale, Arkansas Water and Sewer Commission

A Component Unit of the City of Springdale, Arkansas Sewer Fund – Schedule of Operating Expenses Years Ended September 30, 2021 and 2020

	2021	2020
Wastewater sewage treatment		
Salaries	\$ 1,246,720	\$ 1,223,800
Plant maintenance labor	241,856	209,555
Payroll taxes	109,848	100,537
Pension expense	66,034	67,257
Chemicals and other materials	310,654	363,676
Power	1,348,242	1,158,615
Utilities	129,894	94,490
Telephone	4,662	9,008
Insurance	324,092	260,349
Depreciation	2,043,096	2,284,029
Laboratory	73,490	53,594
Vehicle expense	50,074	59,071
Plant maintenance	183,532	255,714
Industrial monitoring	5,929	2,636
Solids handling	793,801	768,116
Miscellaneous	19,506	26,495
Total wastewater sewage treatment	<u>\$ 6,951,430</u>	<u>\$ 6,936,942</u>
Wastewater collection system		
Salaries	\$ 1,018,872	\$ 987,410
Payroll taxes	3,152	1,743
Pension expense	33,268	36,435
Professional services	15,325	4,625
Utilities	278,300	278,673
Insurance	149,210	174,259
Depreciation	2,996,452	2,871,182
Vehicle and machinery	83,636	65,305
Maintenance		
Lines	189,146	366,818
Lift stations	136,607	280,567
Rehabilitation maintenance	38,817	32,252
Other expenses	143,468	159,135
Total wastewater collection system	<u>\$ 5,086,253</u>	<u>\$ 5,258,404</u>
Master plan expense	<u>\$ 175,801</u>	<u>\$ 14,330</u>

	2021	2020
General and administrative		
Salaries		
Office	\$ 729,023	\$ 675,143
Stores and supplies	54,991	51,714
Engineering	384,560	386,744
Technical services	267,777	279,346
Payroll taxes	98,397	95,729
Technical education	39,896	32,156
Pension expense	72,899	71,915
Professional services	39,551	29,511
Depreciation - office furniture and equipment	27,848	24,140
Other equipment and maintenance	87,416	46,716
Insurance	242,082	195,127
Office supplies	45,580	37,182
Engineering vehicles and equipment	57,183	47,370
Printing and postage	148,300	150,657
Telephone	10,319	9,939
Office utilities	27,437	27,817
Regulatory licensing fees	25,900	26,241
Commission expenses	18,134	15,868
Other expenses	123,245	128,293
Total general and administrative	<u>\$ 2,500,538</u>	<u>\$ 2,331,608</u>

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Statistical Section

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Statistical Section

This section of the City of Springdale, Arkansas Water and Sewer Commission annual comprehensive financial report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information reflects about the Commission's overall financial health.

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City of Springdale, Arkansas

Water and Sewer Commission

Summary of Net Position Last Ten Years

Table 1

	2021	2020	2019	2018	2017
Net Position					
Net investment in capital assets	\$ 255,806,961	\$ 247,924,528	\$ 245,829,169	\$ 236,754,216	\$ 225,149,049
Restricted for capital activity and debt service	342,848	212,713	192,794	170,131	139,483
Unrestricted	58,448,440	51,530,590	44,950,456	49,780,531	48,080,617
Total Net Position	<u>\$ 314,598,249</u>	<u>\$ 299,667,831</u>	<u>\$ 290,972,419</u>	<u>\$ 286,704,878</u>	<u>\$ 273,369,149</u>
Net Position					
Net investment in capital assets	\$ 203,233,512	\$ 198,146,603	\$ 199,844,013	\$ 197,834,820	\$ 193,397,665
Restricted for capital activity and debt service	98,245	105,522	89,751	51,412	46,415
Unrestricted	58,927,422	55,914,644	51,642,952	48,751,170	47,217,840
Total Net Position	<u>\$ 262,259,179</u>	<u>\$ 254,166,769</u>	<u>\$ 251,576,716</u>	<u>\$ 246,637,402</u>	<u>\$ 240,661,920</u>

City of Springdale, Arkansas

Water and Sewer Commission

Summary of Revenues and Expenses

Last Ten Years

Table 2

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Revenues										
Sales	\$ 36,989,737	\$ 33,205,913	\$ 29,575,406	\$ 30,263,499	\$ 29,253,521	\$ 27,959,937	\$ 26,588,475	\$ 25,873,669	\$ 24,755,415	\$ 23,888,430
Penalties	565,321	432,560	365,061	368,192	339,900	359,562	359,005	347,035	339,377	331,122
Equipment Rental	16,488	13,683	16,398	24,831	6,928	12,664	15,845	9,527	10,751	10,082
Other Operating Income	759,885	790,333	621,401	621,715	653,181	731,938	550,048	456,714	470,006	432,783
Total Operating Revenue	38,351,431	34,442,509	30,576,466	31,278,257	30,273,530	29,064,121	27,513,373	26,666,945	25,575,349	26,702,417
Operating Expenses										
Water supply and treatment	8,911,357	8,737,897	8,398,605	8,185,933	7,633,999	7,223,743	6,698,374	6,683,786	6,678,395	6,925,737
Water transmission and distribution	5,662,967	5,478,259	5,298,934	5,121,211	4,920,372	4,569,454	4,322,084	4,140,541	3,960,394	3,875,055
Water meter department	1,362,311	1,270,793	1,190,790	1,144,719	1,095,544	1,048,327	979,472	1,025,154	998,981	822,162
Sewer treatment	6,951,430	6,936,942	6,375,230	6,363,831	6,082,126	5,917,339	6,252,379	5,653,382	5,287,772	5,105,496
Sewer collection system	5,086,253	5,238,404	4,547,083	4,232,926	3,814,611	3,566,155	3,442,779	3,298,923	3,089,208	2,786,814
Master plan expense	175,801	14,330	83,750	332	1,140	12,327	493,402	-	-	-
General and admin	5,067,326	4,727,036	4,462,786	4,037,074	3,759,679	3,671,640	3,383,804	3,264,840	2,858,025	2,556,864
Total Operating Expenses	33,217,443	32,443,661	30,868,178	29,086,026	27,307,471	26,008,985	25,772,494	24,048,626	22,872,975	22,072,128
Operating Income	5,113,986	1,998,848	208,288	2,192,231	2,966,059	3,055,136	1,740,879	2,618,319	2,702,374	4,630,289
Nonoperating Revenue (Expense)										
Interest income	402,929	907,499	981,737	668,796	411,192	346,753	280,430	178,015	170,232	274,932
Rental income, net of related expenses	22,271	11,881	10,497	11,180	11,011	12,561	10,959	12,883	5,420	11,337
Gain (loss) on disposal of assets	25,258	53,071	1,219	48,739	9,228	17,999	(2,848)	83,106	35,066	48,584
Interest and paying agent fees	(78,866)	(90,759)	(102,328)	(113,291)	(123,717)	(133,581)	(143,016)	(151,894)	(158,415)	(163,607)
Contribution to/from the City	-	93,512	-	-	-	(100,432)	(501,254)	-	-	-
Net Nonoperating Revenue (expense)	371,592	975,204	891,125	615,424	307,714	143,302	(355,729)	122,110	52,323	171,446
Income Before Contributions	5,485,578	2,974,052	1,099,413	2,807,655	3,273,773	3,198,438	1,385,150	2,740,429	2,754,897	4,801,735
Contributions to/from City	9,444,840	39,421	-	-	-	-	-	-	-	-
Capital Contributions-Developers	-	5,681,939	3,168,128	10,328,074	7,970,564	4,893,972	1,204,903	2,198,885	3,220,585	1,081,800
Change in Net Position	14,930,418	8,695,412	4,267,541	13,335,729	11,244,337	8,092,410	2,590,053	4,939,314	5,973,482	5,883,535
Net Position Beginning	299,667,831	290,972,419	286,704,878	273,369,149	262,259,179	254,166,769	251,576,716	246,637,402	240,661,920	234,778,385
Adjustment for Adoption of New Standards	-	-	-	-	(134,367)	-	-	-	-	-
Net Position Ending	\$ 314,598,249	\$ 299,667,831	\$ 290,972,419	\$ 286,704,878	\$ 273,369,149	\$ 262,259,179	\$ 254,166,769	\$ 251,576,716	\$ 246,637,402	\$ 240,661,920
Capital Contributions as % of Change in Net Position	63%	65%	74%	79%	71%	60%	47%	45%	54%	18%
Noncash Contributed Capital (Infrastructure)	\$ 9,005,625	\$ 5,246,995	\$ 3,010,608	\$ 4,486,695	\$ 6,639,160	\$ 3,609,540	\$ 1,050,851	\$ 726,715	\$ 1,332,299	\$ 902,003
% Capital Contributions as Infrastructure	95%	92%	95%	43%	83%	74%	87%	33%	41%	83%

City of Springdale, Arkansas
Water and Sewer Commission
Water/Wastewater Rates
Last Ten Years

Table 3

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Water Rates										
Base up to 1,500	\$ 10.30	\$10.00	\$ 6.22	\$ 6.22	\$ 6.14	\$ 5.99	\$ 5.84	\$ 5.84	\$ 5.84	\$ 5.80
Next 23,500	3.47	3.27	3.07	3.07	3.02	2.92	2.82	2.82	2.82	2.79
Next 225,000	3.42	3.22	3.02	3.02	2.97	2.87	2.77	2.77	2.77	2.74
Next 350,000	3.32	3.12	2.92	2.92	2.87	2.77	2.67	2.67	2.67	2.64
Next 400,000	3.17	2.97	2.77	2.77	2.72	2.62	2.52	2.52	2.52	2.49
Over 1,000,000	3.00	2.80	2.60	2.60	2.55	2.45	2.35	2.35	2.35	2.32
Wastewater										
Base up to 1,500	10.30	10.00	5.43	5.43	5.35	5.20	5.05	5.05	5.05	5.05
Next 23,500	3.57	3.37	3.17	3.17	3.12	3.02	2.92	2.92	2.92	2.92
Next 225,000	3.53	3.33	3.13	3.13	3.08	2.98	2.88	2.88	2.88	2.88
Next 350,000	3.44	3.24	3.04	3.04	2.99	2.89	2.79	2.79	2.79	2.79
Next 400,000	3.31	3.11	2.91	2.91	2.86	2.76	2.66	2.66	2.66	2.66
Over 1,000,000	3.16	2.96	2.76	2.76	2.71	2.61	2.51	2.51	2.51	2.51

City of Springdale, Arkansas
Water and Sewer Commission
Summary of Water Consumption and Loss
Last Ten Years
(In Millions)

Table 4

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Consumption in Million Gallons										
City of Cave Springs	-	-	-	-	-	-	-	-	-	14
City of Tontitown	2	97	152	138	109	96	95	90	93	105
Major Industry	1,878	1,877	1,876	1,876	1,914	1,876	1,846	1,790	1,750	1,713
Seasonal	308	283	265	356	316	346	308	333	353	520
Light Industry Commercial & Residential	2,706	2,637	2,605	2,668	2,622	2,577	2,502	2,506	2,552	2,688
Account for/Unbilled	872	576	594	385	162	62	51	51	11	25
Total Consumption	5,765	5,470	5,491	5,423	5,123	4,957	4,802	4,770	4,759	5,065
Water Purchased	6,458	6,346	6,175	6,109	5,827	5,539	5,316	5,306	5,300	5,585
Unaccounted Water Loss	692	877	685	686	404	416	359	504	530	826
Unaccounted Water Loss %	10.72%	13.82%	11.09%	11.23%	6.93%	7.51%	6.75%	9.50%	10.00%	14.79%

City of Springdale, Arkansas Water and Sewer Commission

Outstanding Debt Last Ten Years

Table 5

Fiscal Year	Debt	Max Debt Service	Operating Income	Ratio of Oper Inc to Max Debt Service	Total Customers	Total Debt Per Customer	Annual Customer Growth
2012	\$ 3,210,000	\$ 259,000	\$ 2,598,274	10.0319	32,923	\$ 98	1,282
2013	3,100,000	269,125	2,702,574	10.0421	33,452	93	529
2014	2,925,000	327,750	2,618,319	7.9888	33,886	86	434
2015	2,740,000	328,875	1,740,879	5.2934	34,402	80	516
2016	2,545,000	329,500	3,055,136	9.2720	35,022	73	620
2017	2,340,000	329,625	2,966,059	8.9983	35,450	66	428
2018	2,125,000	329,250	2,192,231	6.6583	35,882	59	432
2019	1,900,000	328,375	208,288	0.6343	36,268	52	386
2020	1,665,000	326,875	1,998,848	6.1150	36,753	45	485
2021	1,415,000	330,000	5,113,986	15.4969	38,372	37	1,619

City of Springdale, Arkansas
Water and Sewer Commission
Summary of Demographic and Economic Data
Last Ten Years

Table 6

Year	(1) Population (MSA)	(2) Total Personal Income In Millions (MSA)	(2) Per Capita Personal Income (MSA)	(1) Median Household Income (MSA)	(3) Homeownership Rates (MSA)	(3) Total GDP in Millions (MSA)	(4) Unemployment Rate (MSA)
2012	462,291	\$ 23,371	\$ 48,371	\$ 45,611	59.29%	\$ 18,363	5.9%
2013	471,140	23,319	47,363	47,905	57.97%	19,616	5.5%
2014	480,513	26,011	51,809	50,128	57.88%	20,559	4.5%
2015	491,730	26,967	52,509	50,788	57.20%	21,319	3.7%
2016	503,806	29,259	55,729	51,848	56.28%	21,878	2.9%
2017	515,616	31,939	59,425	56,038	61.00%	22,927	2.8%
2018	525,239	34,354	65,306	57,911	61.10%	23,482	2.8%
2019	534,904	36,251	67,771	61,674	61.40%	23,863	2.6%
2020	548,634	38,451	70,085	Not Avail	Not Avail	25,224	3.6%
2021	Not Avail	Not Avail	Not Avail	Not Avail	Not Avail	Not Avail	2.4%

- (1) U.S. Census Bureau
- (2) Arkansas Department of Workforce Services
- (3) Federal Reserve Economic Data
- (4) U.S. Bureau of Labor Statistics

City of Springdale, Arkansas Water and Sewer Commission

Largest Employers

Current Year and Nine Years Ago

Table 7

Employer	2021			2012		
	Rank	Employees	Percentage of Workforce 41,125 (1)	Rank	Employees	Percentage of Workforce 32,213 (1)
Tyson Foods	1	6,000	16%	1	4,300	13%
George's Inc	2	3,100	8%	2	2,500	8%
Springdale Schools	3	3,000	8%	3	2,235	7%
Walmart	4	1,500	4%		660	2%
Northwest Medical	5	1,200	3%	5	900	3%
Cargill	6	1,100	3%	4	1,200	4%
Multi-Craft Contractors	7	750	2%		400	1%
City of Springdale, AR	8	626	2%		484	2%
Kawneer	9	500	1%	9	480	1%
Harps	10	470	1%	8	500	2%
AERT				7	530	2%
Rockline		420	1%	6	550	2%
MoistureShield		350	1%	10	450	1%

(1) Source: Springdale Chamber of Commerce

Per Chamber Official information was only available since 2012

City of Springdale, Arkansas Water and Sewer Commission

Employee Levels Last Ten Years

Table 8

Fiscal Year	Main Campus	Wastewater Treatment Facility Campus	Total Employees
2012	67	22	89
2013	68	22	90
2014	73	21	94
2015	82	20	102
2016	84	22	106
2017	89	24	113
2018	89	25	114
2019	95	26	121
2020	94	26	120
2021	93	26	119

Source: Internal Commission Reports

City of Springdale, Arkansas

Water and Sewer Commission

Summary of System Highlights

Last Ten Years

Table 9

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Water										
Number of Customers	38,372	36,753	36,268	35,882	35,450	35,022	34,402	33,886	33,452	32,923
Number of Water Tanks	8	8	8	8	8	8	8	8	8	8
Total Tank Capacity in Million Gallons	26	26	26	26	26	26	26	26	26	26
Estimated Feet of Water Lines	3,662,692	3,618,396	3,602,438	3,550,439	3,566,318	3,487,800	3,412,800	Not Avail	Not Avail	Not Avail
Sewer										
Maximum Designed Treatment Capacity (MGD)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Annual Average MGD Treated	14.6	15.0	14.7	13.8	14.0	13.5	13.7	13.3	12.8	11.8
Annual Max MGD Treated	18.4	17.9	17.0	16.3	18.6	17.7	17.5	14.5	16.5	14.0
Treatment Percentage of Capacity	77%	75%	71%	68%	78%	74%	73%	60%	69%	58%
Number of Wastewater Lift Stations	27	26	26	26	26	26	26	26	26	26
Estimated Feet of Gravity Sewer	3,179,073	2,203,978	2,184,756	2,122,905	2,080,407	2,053,091	2,028,091	Not Avail	Not Avail	Not Avail
Estimated Feet of Sewer Force Mains	183,546	177,208	175,859	151,764	156,745	150,466	145,466	Not Avail	Not Avail	Not Avail

Source: Various Internal Commission Reports

City of Springdale, Arkansas

Water and Sewer Commission

Capital Asset Summary

Last Ten Years

Table 10

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assets, Not Being Depreciated										
Land	\$ 3,348,889	\$ 3,348,889	\$ 3,273,889	\$ 3,273,889	\$ 2,988,263	\$ 2,988,263	\$ 3,088,695	\$ 3,589,950	\$ 3,589,950	\$ 3,579,476
Easements	5,329,647	5,328,472	5,288,472	4,341,928	4,086,495	4,008,190	3,639,426	3,088,277	2,918,660	2,835,171
Construction in Progress	23,840,969	19,539,829	21,308,572	23,910,458	23,524,320	6,680,729	5,608,306	6,694,834	8,370,736	4,749,317
Total Assets, Not Being Depreciated	32,519,505	28,217,190	29,870,933	31,526,275	30,599,078	13,677,182	12,336,427	13,373,061	14,879,346	11,163,964
Assets, Being Depreciated										
Farm Property	-	-	-	-	-	-	-	-	-	-
Water Mains Distribution Lines	151,979,078	147,451,322	142,713,876	136,513,425	130,963,449	121,949,277	114,594,895	111,778,954	110,115,931	106,138,400
Sewer Lines	144,313,814	138,169,579	130,985,838	118,432,394	109,919,133	106,473,003	103,511,340	100,461,141	99,244,153	96,741,974
Meters in Service	10,243,702	9,436,901	8,805,619	8,297,607	8,103,682	7,991,391	7,333,962	6,652,398	6,282,042	5,661,952
Structures	5,873,217	5,798,996	5,793,246	5,774,766	5,768,416	5,768,416	5,757,464	5,757,464	5,600,321	5,598,403
Vehicles	2,696,997	2,492,764	2,388,649	2,217,425	2,087,669	1,827,201	1,727,159	1,513,760	1,294,929	1,256,217
Sludge Tractors and Trucks	820,662	370,102	370,102	370,102	438,891	438,891	438,891	438,891	438,891	438,891
Rehabilitation Vehicles and Equipment	975,079	975,079	965,229	940,959	836,583	836,583	721,210	714,507	854,485	516,071
Machinery, equipment, and tools	1,799,212	1,492,912	1,414,022	1,389,577	1,319,585	1,239,023	1,150,798	1,041,572	1,195,496	1,150,344
Office Furniture and Equipment	1,252,298	1,262,112	1,178,129	1,130,044	1,116,054	1,076,581	1,054,607	965,579	961,867	905,009
Radio Equipment	150,184	144,132	143,045	138,491	138,491	120,682	109,233	102,166	166,310	166,310
WRRWA Capitalized Acquisition Costs	43,640	43,640	43,640	43,640	43,640	43,640	43,640	43,640	43,640	43,640
Sewer Treatment Plant	75,714,754	75,656,886	75,566,820	75,527,508	70,803,907	70,655,225	70,468,665	70,468,665	64,302,525	64,302,525
Total Assets, Being Depreciated	395,862,637	383,294,425	370,368,215	350,775,938	331,539,500	318,430,572	306,922,523	299,949,396	290,511,249	282,930,395
Total Accumulated Depreciation	171,160,181	161,922,087	152,509,979	143,422,997	134,649,529	126,329,242	118,372,347	110,553,444	104,455,775	97,480,840
Net Capital Assets	\$ 257,221,961	\$ 249,589,528	\$ 247,729,169	\$ 238,879,216	\$ 227,489,049	\$ 205,776,512	\$ 200,886,603	\$ 202,769,013	\$ 200,934,820	\$ 196,613,519

City of Springdale, Arkansas Water and Sewer Commission

Bad Debt Write-Offs

Last Ten Years

Table 11

Year	Sales	Write-offs Water	Write-offs Wastewater	Total	Write-offs / Sales
2012	\$ 25,888,430	\$ 28,594	\$ 48,970	\$ 77,565	0.30%
2013	24,755,415	44,878	44,558	89,435	0.36%
2014	25,873,669	36,058	33,776	69,834	0.27%
2015	26,588,475	17,606	26,197	43,803	0.16%
2016	27,959,937	13,798	24,852	38,651	0.14%
2017	29,253,521	14,943	20,925	35,869	0.12%
2018	30,263,499	16,953	19,795	36,748	0.12%
2019	29,575,406	18,646	28,680	47,326	0.16%
2020	33,205,913	19,574	25,160	44,734	0.13%
2021	36,989,737	37,488	45,284	82,772	0.22%

Sources: Various internal Commission Reports

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Other Information

City of Springdale, Arkansas
Water and Sewer Commission
A Component Unit of the City of Springdale, Arkansas
Water Fund – Schedule of Cost of Water Sold
Last Eight Years

	2014	2015	2016	2017	2018	2019	2020	2021
Water purchased (in thousand gallons)	5,306,179	5,316,328	5,538,499	5,827,480	6,108,940	6,175,445	6,346,302	6,457,475
Water sales	\$ 14,056,176	\$ 14,148,915	\$ 15,083,700	\$ 15,955,026	\$ 16,412,069	\$ 16,021,307	\$ 18,108,073	\$ 19,638,013
Per thousand gallons	\$ 2,6490	\$ 2,6614	\$ 2,7234	\$ 2,7379	\$ 2,6866	\$ 2,5944	\$ 2,8533	\$ 3,0411
Operating cost								
Supply and treatment	\$ 6,685,786	\$ 6,698,574	\$ 7,223,743	\$ 7,633,999	\$ 8,185,933	\$ 8,398,605	\$ 8,757,897	\$ 8,911,357
Per thousand gallons	1.2600	1.2600	1.3043	1.3100	1.3400	1.3600	1.3800	1.3800
Transmission, distribution system and meter	5,165,695	5,301,556	5,617,781	6,015,916	6,265,930	6,498,724	6,749,052	7,025,278
Per thousand gallons	0.9735	0.9972	1.0143	1.0323	1.0257	1.0523	1.0635	1.0879
General and administrative	1,691,700	1,807,920	1,931,753	1,959,273	2,095,518	2,279,515	2,395,428	2,566,788
Per thousand gallons	0.3188	0.3401	0.3488	0.3362	0.3430	0.3691	0.3775	0.3975
Bad debts	36,058	17,606	13,798	14,943	16,953	18,647	19,574	37,488
Per thousand gallons	0.0068	0.0033	0.0025	0.0026	0.0028	0.0030	0.0031	0.0058
Total operating cost	\$ 13,579,239	\$ 13,825,656	\$ 14,787,075	\$ 15,624,131	\$ 16,564,334	\$ 17,195,491	\$ 17,921,951	\$ 18,540,911
Cost per thousand gallons	\$ 2,5591	\$ 2,6006	\$ 2,6699	\$ 2,6811	\$ 2,7115	\$ 2,7845	\$ 2,8240	\$ 2,8712

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

To the Board of Commissioners
City of Springdale, Arkansas Water and Sewer Commission
Springdale, Arkansas

We have audited, 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, the financial statements of City of Springdale, Arkansas Water and Sewer Commission (the Commission) a component unit of the City of Springdale, Arkansas which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2022.

Internal Control over Financial Reporting

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

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

To the Board of Commissioners
City of Springdale, Arkansas Water and Sewer Commission
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Rogers, Arkansas
January 18, 2022

Board of Commissioners
City of Springdale, Arkansas, Water and Sewer Commission
Springdale, Arkansas

As part of our audit of the financial statements of the City of Springdale, Arkansas as of and for the year ended September 30, 2021, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our contract more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our contract more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Entity's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Useful lives of capital assets
- Unbilled revenues
- Self-insurance liability

Significant Unusual Transactions

No matters are reportable.

Financial Statement Disclosures

No matters are reportable.

Audit Adjustments

No matters are reportable.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Commission's application of accounting principles:

- During fiscal year 2021, the Commission adopted GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.
- During fiscal year 2021, the Commission adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)

New Applicable GASB Standards

The GASB issued the following pronouncements which will be effective in future years:

- GASB Statement No. 87, *Leases*, will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing, and uncertainty of cash flows arising from leases.

- GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription assets – intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

This communication is intended solely for the information and use of management, Board of Commissioners, others within the Entity, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Rogers, Arkansas
January 18, 2022

Enclosure



Springdale Water Utilities



526 Oak Avenue P.O. Box 769 Springdale, Arkansas 72765-0769 (479) 751-5751

Representation of:
City of Springdale, AR
Water and Sewer Commission

Provided to:
BKD, LLP
Certified Public Accountants
809 S. 52nd Street, Suite A
Rogers, Arkansas 72758

The undersigned ("We") are providing this letter in connection with BKD's audit(s) of our financial statements as of and for the years ended September 30, 2021 and 2020.

Our representations are current and effective as of the date of BKD's report: January 18, 2022.

Our engagement with BKD is based on our contract for services dated: November 17, 2021.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Confirmation of Matters Specific to the Subject Matter of BKD's Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- b. Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have provided you with:
- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
- a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
7. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
- a. Management or employees who have significant roles in internal control, or
 - b. Others, where activities of others could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware. In addition, we have disclosed to you all related-party transactions of which we are aware. Related-party relationships and transactions have been

appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate, management and members of their immediate families, component units, and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

10. The following transactions entered into by the entity with entities that are related parties were conducted on terms equivalent to those prevailing in an arm's-length transaction:
 - a. See *Note 10* in the Annual Comprehensive Financial Report.
11. We are not aware of any side agreements or other arrangements (either written or oral) that are in place.
12. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Restrictions on cash balances or compensating balance agreements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
15. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
16. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.

- b. Reducing obsolete or excess inventories to estimated net realizable value.
 - c. Sales commitments, including those unable to be fulfilled.
 - d. Purchase commitments in excess of normal requirements or above prevailing market prices.
17. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
18. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
19. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
20. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
21. With respect to any nonattest services you have provided us during the year, including drafting the financial statements, related notes, and supplementary information:
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
22. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws..

23. With regard to deposit and investment activities:

- a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
- b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
- c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

24. As an entity subject to *Government Auditing Standards*:

- a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
- b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
- c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
- d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
- e. We have a process to track the status of audit findings and recommendations.
- f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
- g. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

25. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, Schedules of Revenue and Expenses and Schedule of Operating Expenses for the Water and Sewer funds, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and

appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

26. With regard to supplementary information:

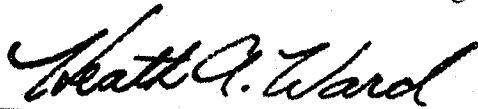
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

27. With regard to other information that is presented in the form of our annual report:

- a. We confirm that the Annual Comprehensive Financial Report comprise the annual report for the entity.
- b. We have provided you with the final draft of the annual report.

28. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity, difficulty obtaining financing, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, net realizable value of inventory, etc., that could negatively impact the entity's ability to meet debt covenants or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments, inventory, and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc..



Heath Ward, Executive Director



Chris Clark, Director of Finance

EXHIBIT B

Water and Sewer Rates

WATER RATES

ORDINANCE NO. 5430

AN ORDINANCE REPEALING ORDINANCE NO. 4951; ESTABLISHING WATER RATES TO BE CHARGED BY THE CITY OF SPRINGDALE; AND FOR OTHER PURPOSES.

WHEREAS, the City of Springdale has found that it is necessary to increase water rates because of progressive cost advances in water purchases, general operating expenses, and capital improvements;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SPRINGDALE, ARKANSAS:

SECTION 1: That Ordinance No. 4951 of the City of Springdale, Arkansas is hereby specifically repealed and that all ordinances and parts of ordinances establishing schedules of rates for water to be supplied by Springdale Water Utilities are repealed as of the effective date of the schedule herein established.

SECTION 2: That the following schedule of rates is hereby established for water furnished by the Springdale Water and Sewer Commission. Except for public fire services, all water used shall be measured through meters. The size of each meter shall be determined by the Springdale Water and Sewer Commission commensurate with its estimate of the amount of water to be used for each premise. This schedule shall become effective for water billed on or after January 1, 2020.

(a) FOR EACH THOUSAND GALLONS OR PORTION THEREOF FURNISHED TO USERS, EXCLUSIVE OF SEASONAL WATER METERED SEPARATELY, THE FOLLOWING RATES SHALL APPLY TO THE AMOUNT OF WATER USED:

<u>Inside City:</u>		<u>1/01/20</u>	<u>10/01/20</u>	<u>10/01/21</u>	<u>10/01/22</u>	<u>10/01/23</u>
Minimum	1,600 Gallons	\$10.00	\$10.30	\$10.60	\$10.90	\$11.20
Next	23,500 Gallons	\$ 3.27	\$ 3.47	\$ 3.67	\$ 3.87	\$ 4.07
Next	225,000 Gallons	\$ 3.22	\$ 3.42	\$ 3.62	\$ 3.82	\$ 4.02
Next	350,000 Gallons	\$ 3.12	\$ 3.32	\$ 3.52	\$ 3.72	\$ 3.92
Next	400,000 Gallons	\$ 2.97	\$ 3.17	\$ 3.37	\$ 3.57	\$ 3.77
All Over	1,000,000 Gallons	\$ 2.80	\$ 3.00	\$ 3.20	\$ 3.40	\$ 3.60

<u>Outside City:</u>		<u>1/01/20</u>	<u>10/01/20</u>	<u>10/01/21</u>	<u>10/01/22</u>	<u>10/01/23</u>
Minimum	1,600 Gallons	\$11.75	\$12.05	\$12.35	\$12.65	\$12.95
Next	23,600 Gallons	\$ 3.62	\$ 3.82	\$ 4.02	\$ 4.22	\$ 4.42
Next	225,000 Gallons	\$ 3.52	\$ 3.72	\$ 3.92	\$ 4.12	\$ 4.32
Next	350,000 Gallons	\$ 3.37	\$ 3.57	\$ 3.77	\$ 3.97	\$ 4.17
Next	400,000 Gallons	\$ 3.22	\$ 3.42	\$ 3.62	\$ 3.82	\$ 4.02
All Over	1,000,000 Gallons	\$ 2.92	\$ 3.12	\$ 3.32	\$ 3.52	\$ 3.72

(b) FOR EACH THOUSAND GALLONS OF WATER OR PORTION THEREOF FURNISHED TO USERS WHO ARE OUTSIDE THE CITY LIMITS OF THE CITY OF SPRINGDALE, ARKANSAS, AND WITHIN THE SERVICE AREA PREVIOUSLY SERVICED BY THE WHITE RIVER RURAL WATER ASSOCIATION:

	<u>1/01/20</u>	<u>10/01/20</u>	<u>10/01/21</u>	<u>10/01/22</u>	<u>10/01/23</u>
Minimum (first 1,000 Gallons)	\$19.00	\$19.20	\$19.40	\$19.60	\$19.80
Next 4,000 Gallons	\$ 4.37	\$ 4.57	\$ 4.77	\$ 4.97	\$ 5.17
Next 6,000 Gallons	\$ 4.12	\$ 4.32	\$ 4.52	\$ 4.72	\$ 4.92
Next 10,000 Gallons	\$ 3.87	\$ 4.07	\$ 4.27	\$ 4.47	\$ 4.67
All Over 20,000 Gallons	\$ 3.62	\$ 3.82	\$ 4.02	\$ 4.22	\$ 4.42

(c) FOR EACH SEASONAL METER, A MINIMUM CHARGE SHALL BE BILLED FOR MONTHLY SERVICE BASED UPON THE CUSTOMER'S METER SIZE:

<u>Meter Size</u>	<u>Inside City</u>	<u>Outside City</u>
5/8" x 3/4"	\$ 2.50	\$ 3.50
1"	\$ 3.00	\$ 4.50
1-1/2"	\$ 4.50	\$ 7.00
2"	\$ 7.00	\$12.00
3"	\$10.50	\$19.00
4"	\$18.00	\$35.00
6"	\$37.00	\$74.00

(d) IN ADDITION TO THE MINIMUM MONTHLY CHARGE FOR SEASONAL WATER SERVICE, THE FOLLOWING RATES SHALL BE CHARGED FOR EACH THOUSAND GALLONS OF WATER OR PORTION THEREOF MEASURED THROUGH A SEASONAL METER:

	<u>1/01/20</u>	<u>10/01/20</u>	<u>10/01/21</u>	<u>10/01/22</u>	<u>10/01/23</u>
Inside City	\$ 3.24	\$ 3.44	\$ 3.64	\$ 3.84	\$ 4.04
Outside City	\$ 3.54	\$ 3.74	\$ 3.94	\$ 4.14	\$ 4.34

SECTION 3: The schedule of rates set forth above in Section 2 does not apply to special contracts which are deemed to be contracts for the sale of bulk water to neighboring communities and entities operating public water systems, except where said contracts specifically incorporate the schedule of rates set forth above.


SECTION 4: Any charge incurred by the Springdale Water and Sewer Commission pursuant to the Safe Drinking Water Act or other federal or state legislation, shall be added to the foregoing schedule of rates.

SECTION 5: The City Council finds that the foregoing schedule of rates is required to provide the funds necessary to provide depreciation funds for replacement or repairs of the water system, to provide sufficient revenue for the reasonable operation and maintenance expenses of the water system, and to provide ample reserves for future capital improvements.

SECTION 6: This ordinance shall not affect meter deposits to be maintained by the Springdale Water and Sewer Commission, which deposits shall be established and maintained in accordance with the policies of the Springdale Water and Sewer Commissions; and by state law.

SECTION 7: The provisions of this Ordinance are separable, and if any portion, section, provision or phrase of this Ordinance shall be declared invalid or unconstitutional, such action shall not affect the validity of the remainder of this Ordinance.

PASSED AND APPROVED THIS 12th DAY OF NOVEMBER, 2019.


DOUG SPROUSE, MAYOR

ATTEST:


DENISE PEARCE, CITY CLERK

APPROVED AS TO FORM:


ERNEST CATE, CITY ATTORNEY

SEWER RATES

ORDINANCE NO. 5429

**AN ORDINANCE ESTABLISHING AND SETTING RATES FOR
SANITARY SEWER SERVICE; REPEALING ORDINANCE 4950, AND
PERTAINING TO OTHER MATTERS RELATING THERETO.**

WHEREAS, the City of Springdale has found it necessary to increase sanitary sewer rates in order to maintain the operation and maintenance of wastewater facilities and to provide the revenue required for future expansion and improvements to the city's wastewater facilities;

**NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY
OF SPRINGDALE, ARKANSAS:**

SECTION 1: That Ordinance No. 4950 of the City of Springdale, Arkansas is hereby specifically repealed as of the effective date of the schedule herein established and that all other ordinances and parts of ordinances establishing schedules of rates for sanitary sewer supplied or to be supplied by Springdale Water Utilities are also repealed.

SECTION 2: That all customers whose premises are connected to and use the sanitary sewer system of the City of Springdale, or whose premises are in any way served by the Springdale sanitary sewer system are hereby classified as Domestic or Industrial Users. A Domestic User is defined as a user whose wastewater from residential property flows into and is treated by the Springdale sanitary sewer system. An Industrial User is defined as a user whose liquid waste from commercial, industrial, manufacturing, processing, trade or business, except domestic waste, that flows into and is treated by the Springdale sanitary sewer system.

SECTION 3: That the following schedule of rates are hereby established for sanitary sewer service furnished by the City of Springdale Water and Sewer Commission. The charges for all sewer collection and treatment shall be determined each month in accordance with Schedule (A) below. In addition, Industrial Users are subject to monthly surcharges for excessive Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS) as established in Schedule (B) below.

SCHEDULE A:

The following charges shall be based on water metered, or approved direct sewer meters, for each Domestic and Industrial User, except as otherwise specifically provided below in Section 5 paragraph (b). The following monthly rates are hereby fixed as rates to be charged for sewer service and shall become effective for sewer services billed on or after January 1, 2020.

<u>Inside City:</u>		<u>1/01/20</u>	<u>10/01/20</u>	<u>10/01/21</u>	<u>10/01/22</u>	<u>10/01/23</u>
Minimum	1,500 Gallons	\$10.00	\$10.30	\$10.60	\$10.90	\$11.20
Next	23,500 Gallons	\$ 3.37	\$ 3.57	\$ 3.77	\$ 3.97	\$ 4.17
Next	225,000 Gallons	\$ 3.33	\$ 3.53	\$ 3.73	\$ 3.93	\$ 4.13
Next	350,000 Gallons	\$ 3.24	\$ 3.44	\$ 3.64	\$ 3.84	\$ 4.04
Next	400,000 Gallons	\$ 3.11	\$ 3.31	\$ 3.51	\$ 3.71	\$ 3.91
All Over 1,000,000 Gallons		\$ 2.96	\$ 3.16	\$ 3.36	\$ 3.56	\$ 3.76

<u>Outside City:</u>		<u>1/01/20</u>	<u>10/01/20</u>	<u>10/01/21</u>	<u>10/01/22</u>	<u>10/01/23</u>
Minimum	1,500 Gallons	\$11.25	\$11.55	\$11.85	\$12.15	\$12.45
Next	23,500 Gallons	\$ 3.68	\$ 3.88	\$ 4.08	\$ 4.28	\$ 4.48
Next	225,000 Gallons	\$ 3.60	\$ 3.80	\$ 4.00	\$ 4.20	\$ 4.40
Next	350,000 Gallons	\$ 3.47	\$ 3.67	\$ 3.87	\$ 4.07	\$ 4.27
Next	400,000 Gallons	\$ 3.44	\$ 3.64	\$ 3.84	\$ 4.04	\$ 4.24
All Over 1,000,000 Gallons		\$ 3.06	\$ 3.26	\$ 3.46	\$ 3.66	\$ 3.86

SCHEDULE B:

All Industrial Users are subject to an additional monthly sewer service charge (surcharge) to defray the long or short term costs associated with the treatment of high strength wastewater.

Monthly average discharges of Biochemical Oxygen Demand (BOD) of 289 mg/L and Total Suspended Solids (TSS) of 300 mg/L shall not be exceeded without incurring a surcharge.

- (a) A surcharge shall be added to the monthly sewer bill of any Industrial User whose wastewater discharge exceeds the allowable base established herein. Such surcharge shall be calculated using the following formula:

FORMULA FOR CALCULATING SURCHARGES:

$$S = V_{ww} \times 8.34 [Y (TSS - 300) + Z (BOD - 289)]$$

Where:

S	=	Surcharge in Dollars (monthly)
V _{ww}	=	Volume wastewater in million gallons (monthly)
8.34	=	Pounds per gallon of water
Y	=	Unit charge of TSS in dollars per pound
TSS	=	Total Suspended Solids strength index in milligrams per liter by weight (300 mg/L or more)
300	=	Maximum TSS strength in milligrams per liter by weight
Z	=	Unit charge for BOD in dollars per pound
BOD	=	Five day Biochemical Oxygen Demand strength index in milligrams per liter by weight (289 mg/L or more)
289	=	Maximum BOD strength in milligrams per liter

Current charges for Y = \$0.647

Current charges for Z = \$0.330

- (b) The Springdale Water and Sewer Commission is authorized to suspend part or all of the surcharge based upon preapproved authorization to make scheduled repairs or installation of equipment.
- (c) The current unit charge for Total Suspended Solids (Y) and the current unit charge for Biochemical Oxygen Demand (Z), as listed above, shall remain effective for sewer service billed. The Springdale Water and Sewer Commission shall review annually on a fiscal year basis the actual cost of treating high strength waste and shall increase or decrease the unit charge for Y and Z of the Formula for Calculating Surcharges in accordance with the finding of such review.

SECTION 4: That no free facilities or sewer services shall be furnished. In the event that the city or any department, agency or instrumentality thereof shall avail itself of the facilities or services afforded by the sanitary sewer service of the City of Springdale, the reasonable value of the service or facilities so afforded shall be charged against the city or such department, agency or instrumentality and shall be paid for as the charges therefore accrue at industrial rates.

SECTION 5: That the above schedule of rates be, and they are hereby fixed as rates to be charged for services to be rendered and benefits to be received from the wastewater collection and treatment facilities, to-wit:

- (a) All bills for sewage collection and treatment shall be rendered to the user monthly, such statements to be rendered and collected by the City of Springdale, and shall cover the same period and collection procedures as corresponding water bills. All bills shall be rendered in the net amount due and the charge shall be determined by each thousand gallons of water, or portion thereof, furnished to each user.
- (b) The gallonage of sewage collected and treated shall be based on water metered to each Domestic and Industrial User, exclusive of seasonal water and other water uses metered separately which do not directly or indirectly

discharge flows into the sanitary sewer system. Direct sewer meters may also provide monthly treatment if approved in advance by Springdale Water Utilities.

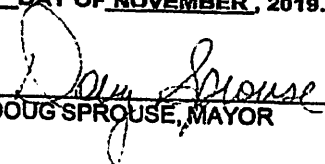
- (c) All users shall be connected to the Springdale water system and the discharge of all liquid waste to the sanitary system shall be derived from metered water supplied by the City of Springdale. The discharge of seasonal water, storm water, surface water, groundwater, roof runoff, or water from other sources which are not metered for sewer charges are prohibited.

SECTION 6: Any user who feels that their user charge is unjust and inequitable may make written application to the business office of Springdale Water Utilities (the assumed name under which the Springdale Water and Sewer Commission does business) requesting a review of the user's charge. Said written request shall, where necessary, show the actual or estimated average flow and/or strength of the user's wastewater in comparison with the values upon which the charge is based, including how the measurements or estimates were made. Review of the request shall be made by the Office Manager or a designated representative of Springdale Water Utilities. If the user's request for an adjustment of the billing charges is substantiated, the sewer charges for that user may be adjusted in conformance with the adjustment policy of the Springdale Water and Sewer Commission. Billing adjustments shall be based on the revised flow and/or strength data.

SECTION 7: That if any section, sub-section, sentence, clause or phrase of this ordinance is for any reason declared unconstitutional or invalid, such unconstitutionality or invalidity shall not affect the validity of the remaining sections of this ordinance. This ordinance shall take precedence over any terms or conditions or agreements or contracts which are inconsistent with the requirements of Section 204 (b) (1) (A) of the Clean Water Act, as amended or 40 CFR Part 35, Subpart I, Section 35.2140 promulgated by the United States Environmental Protection Agency on February 17, 1984.

SECTION 8: That the Springdale City Council, after investigation, finds that the above rates are reasonable and necessary rates to be charged for sewer service by the City of Springdale, Arkansas. The Council further specifically finds that said rates are sufficient to provide for the operation and maintenance of the Springdale sewer system and are necessary for the payment of principal and interest on bonds to be issued to finance sewer works construction and to expand such system as may from time to time be required, and to provide depreciation funds for replacement of the sewer system.

PASSED AND APPROVED THIS 12TH DAY OF NOVEMBER, 2019.


DOUG SPROUSE, MAYOR

ATTEST:


DENISE PEARCE, CITY CLERK

APPROVED AS TO FORM:


ERNEST CATE, CITY ATTORNEY