

NEW ISSUE

BOOK-ENTRY ONLY

RATINGS

(AGM Insured) S&P: AA (stable outlook)
(Underlying Rating) S&P: A- (stable outlook)

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds (and the interest on the Bonds is exempt from State of Arkansas income taxes and the Bonds are exempt from property taxation in the State of Arkansas). In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. See **LEGAL MATTERS, Tax Exemption** herein.*

\$14,245,000
CITY OF BEEBE, ARKANSAS
WATER AND SEWER
REFUNDING AND IMPROVEMENT
REVENUE BONDS
SERIES 2021

Dated: Date of Delivery

Due: August 1, as shown on inside cover

The Bonds will not be general obligations of the City of Beebe, 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 (the "System"). The pledge of revenues of the System in favor of the Bonds is senior to the pledge in favor of the City's Water and Sewer Revenue Bonds, Series 1999, Series 2000, Series 2003 and Series 2013. See **THE BONDS, Security**.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2022. The Bonds mature on August 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 scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp.



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 First Security Bank, Searcy, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

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

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

Stephens Inc.

Dated: August 5, 2021

\$14,245,000
CITY OF BEEBE, ARKANSAS
WATER AND SEWER
REFUNDING AND IMPROVEMENT
REVENUE BONDS
SERIES 2021

MATURITY SCHEDULE

\$4,120,000 Serial Bonds

| <u>Maturity</u> | <u>Amount</u> | <u>Rate (%)</u> | <u>Yield (%)</u> |
|-----------------|---------------|-----------------|------------------|
| 2022 | \$ 115,000 | 4.000 | 0.250 |
| 2023 | 115,000 | 4.000 | 0.300 |
| 2024 | 175,000 | 4.000 | 0.400 |
| 2025 | 235,000 | 4.000 | 0.550 |
| 2026 | 245,000 | 4.000 | 0.750 |
| 2027 | 255,000 | 4.000 | 0.900 |
| 2028 | 265,000 | 4.000 | 1.050 |
| 2029 | 275,000 | 3.000 | 1.150* |
| 2030 | 280,000 | 3.000 | 1.300* |
| 2031 | 290,000 | 3.000 | 1.400* |
| 2032 | 300,000 | 3.000 | 1.450* |
| 2033 | 310,000 | 3.000 | 1.500* |
| 2034 | 315,000 | 3.000 | 1.550* |
| 2035 | 420,000 | 3.000 | 1.600* |
| 2036 | 525,000 | 3.000 | 1.650* |

\$2,885,000 3.000% Term Bonds due August 1, 2041 to Yield 1.800%*
 \$3,350,000 3.000% Term Bonds due August 1, 2046 to Yield 2.000%*
 \$3,890,000 2.375% Term Bonds due August 1, 2051 to Yield 2.470%

* Yield to the first optional redemption date, August 1, 2028.

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

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

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

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OFFICIAL STATEMENT
\$14,245,000
CITY OF BEEBE, ARKANSAS
WATER AND SEWER
REFUNDING AND IMPROVEMENT
REVENUE BONDS
SERIES 2021

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 exhibit 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 Beebe, Arkansas (the "City") of its Water and Sewer Refunding and Improvement Revenue Bonds, Series 2021, in the aggregate principal amount of \$14,245,000 (the "Bonds"). The Bonds are being issued to finance all or a portion of the costs of the acquisition and construction of extensions, betterments and improvements to the System (the "Improvements"), to refund the City's Water and Sewer Revenue Bonds, Series 2006, Series 2008, Series 2010A and Series 2010B (the "Bonds to be Refunded"), to pay premiums for a municipal bond insurance policy and a municipal bond debt service reserve insurance policy and to pay expenses of issuing and insuring the Bonds. See **THE BONDS**, Purposes for Bonds.

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

The Bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's water and sewer system (the "System"). The pledge of System revenues in favor of the Bonds is senior to the pledge in favor of the City's Water and Sewer Revenue Bond, Series 1999, Series 2000, Series 2003 and Series 2013 (the "Subordinate Bonds"). See **THE BONDS**, Security.

The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 2021-20, adopted on July 29, 2021 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest is payable February 1, 2022, and semiannually thereafter on each February 1 and August 1. Principal is payable at the principal office of First Security Bank, Searcy, 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 scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Exhibit B. It is expected that, based upon the issuance of the Insurance Policy to be issued by the Insurer at the time of delivery of the Bonds, S&P Global Ratings ("S&P") will assign a rating of AA (stable outlook) to the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **MISCELLANEOUS, Ratings**. So long as the Insurer is not in default under the Insurance Policy, it is subrogated to, and may enjoy and exercise, all rights and remedies of the owners of the Bonds and may direct the Trustee in the exercise of any remedies set forth herein. No remedy set forth herein may be exercised by the Trustee or by any owner of any of the Bonds without the prior written approval of the Insurer. See **THE AUTHORIZING ORDINANCE, Defaults and Remedies**.

The Bonds are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds are subject to optional redemption on and after August 1, 2028. The Bonds maturing on August 1 in the years 2041, 2046 and 2051 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 taxes and (iv) the Bonds are exempt from property taxation in the State. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about September 9, 2021, through the facilities of The Depository Trust Company in New York, New York.

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

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

THE BONDS

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other

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

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

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

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

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

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

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

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

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

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

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

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

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

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

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

payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day 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 are subject to extraordinary, optional and mandatory sinking fund redemption as follows:

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

(2) Optional Redemption. The Bonds may be redeemed at the option of the City from funds from any source, on and after August 1, 2028, in whole or in part at any time, at a price equal to par plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on August 1 in the years 2041, 2046 and 2051 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on August 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 August 1, 2041 | |
|-------------------------------|---------------------|
| Year (August 1) | Principal Amount |
| 2037 | \$545,000 |
| 2038 | 560,000 |
| 2039 | 575,000 |
| 2040 | 595,000 |
| 2041 (maturity) | 610,000 |

| Bonds Maturing August 1, 2046 | |
|-------------------------------|---------------------|
| Year (August 1) | Principal Amount |
| 2042 | \$630,000 |
| 2043 | 650,000 |
| 2044 | 670,000 |
| 2045 | 690,000 |
| 2046 (maturity) | 710,000 |

| Bonds Maturing August 1, 2051 | |
|-------------------------------|---------------------|
| Year (August 1) | Principal Amount |
| 2047 | \$730,000 |
| 2048 | 745,000 |
| 2049 | 765,000 |
| 2050 | 815,000 |
| 2051 (maturity) | 835,000 |

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

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

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

Purposes for Bonds. The Bonds are being issued to finance all or a portion of the costs of the Improvements, to pay premiums for the Insurance Policy and the Reserve Policy (hereinafter defined) and to pay expenses of issuing and insuring the Bonds.

The Improvements primarily consist of wastewater treatment plant upgrades in order to comply with a Consent Administrative Order from the Arkansas Department of Environmental Quality. The acquisition of lines serving water customers currently serviced by Southwest White County Water Association Public Water Authority are also a part of the Improvements. Remaining funds, as available, will be expended on water tank repainting, wastewater lift station rehabilitation, SCADA improvements, GIS mapping of the System, and pipeline and manhole rehabilitation within the sewage collection system.

The Bonds to be Refunded are owned by the Arkansas Development Finance Authority as part of the State Clean Water and Drinking Water Revolving Loan Funds. The Bonds to be Refunded will be redeemed on the date the Bonds are issued or as soon as practical thereafter.

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

SOURCES:

| | |
|---------------------------------|----------------|
| Principal Amount of Bonds | \$14,245,000 |
| Funds from Bonds to be Refunded | 161,946 |
| Net Original Issue Premium | <u>826,844</u> |
| Total Sources | \$15,233,790 |

USES:

| | |
|---|----------------|
| Costs of Improvements | \$11,688,000 |
| Costs of Refunding | 3,232,858 |
| Underwriter's Discount | 156,695 |
| Costs of Issuance and Premiums for Insurance Policy and Reserve Policy | <u>156,237</u> |
| Total Uses | \$15,233,790 |

The payment of Underwriter's discount, premiums for the Insurance Policy and the Reserve Policy (hereinafter defined) and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting**. The Underwriter will also be reimbursed for 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 and less Underwriter's discount, refunding deposit, the premiums for the Insurance Policy and the Reserve Policy and certain issuance costs) into a special fund established in a depository that is a member of the Federal Deposit Insurance Corporation ("FDIC") and designated "Water and Sewer Revenue Bond Construction Fund, Series 2021" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed by the City solely for the purpose of paying costs of the Improvements, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of checks or requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of the revenues derived from operation of the System ("Revenues"). The pledge of Revenues securing the Bonds is senior to the pledge securing the Subordinate Bonds. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE, Parity Bonds**.

The Subordinate Bonds are owned by the Arkansas Development Finance Authority as part of the State Drinking Water Revolving Loan Fund. The Subordinate Bonds designated Series 1999 and Series 2000 mature on October 15, 2021. The Subordinate Bonds designated Series 2003 and Series 2013 mature on April 15, 2024 and April 15, 2035, respectively.

The City is a member of Mid Arkansas Water Alliance ("MAWA"), which membership entitles the City to receive water from Greers Ferry Lake. The City has long-term obligations to MAWA for the right to receive water (the "MAWA Note"). The MAWA Note is unsecured, is payable in annual installments of \$33,589 and has a final installment due April 7, 2049. The MAWA Note bears interest at the rate of 2.875% per annum.

Debt Service Reserve. There is a debt service reserve that will be funded with a municipal bond debt service reserve insurance policy (the “Reserve Policy”) issued by Assured Guaranty Municipal Corp. (the “Reserve Insurer”). The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds. See **THE AUTHORIZING ORDINANCE, Funds and Disposition of Revenues.** The debt service reserve will only secure the Bonds and will not secure any parity 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.

The full impact of COVID-19 on the City is not known. The City expects that its available funds will be sufficient to fund its essential services and make all debt service payments. There have not been any material decreases in, or delays in collections of, revenues of the System. The System delayed disconnections from March 2020 through May 2020. Late fees were charged to customers. There has not been a material decrease in water or sewer usage.

The City has received \$298,000 in aid from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act funding has been used by the City to help maintain an effective level of operation and provide employees with adequate protective equipment.

The City has implemented several changes to its operations to protect its employees and the public. The City has allowed employees to work from home and alternated employee days when possible. The City has required its employees to wear face coverings and practice social distancing. The System's lobby is closed to the public. A drive thru window with plexi-glass is open for business Monday through Friday.

THE CITY AND THE COUNTY

Location. The City of Beebe, Arkansas is located in White County (the "County") in central Arkansas, approximately 36 miles northeast of Little Rock, Arkansas and 126 miles west of Memphis, Tennessee.

The Population. The following table sets forth the population trends for the City and County since 2010:

| <u>Year</u> | <u>City</u> | <u>County</u> |
|---------------------|-------------|---------------|
| 2010 ⁽¹⁾ | 7,315 | 77,076 |
| 2011 ⁽²⁾ | 7,566 | 78,083 |
| 2012 ⁽²⁾ | 7,624 | 78,641 |
| 2013 ⁽²⁾ | 7,837 | 78,567 |
| 2014 ⁽²⁾ | 7,904 | 78,471 |
| 2015 ⁽²⁾ | 7,993 | 78,913 |
| 2016 ⁽²⁾ | 8,028 | 78,917 |
| 2017 ⁽²⁾ | 8,108 | 78,844 |
| 2018 ⁽²⁾ | 8,102 | 78,381 |
| 2019 ⁽²⁾ | 8,168 | 78,753 |

⁽¹⁾ Based on 2010 census.

⁽²⁾ Estimate.

Transportation. The City is served by U. S. Highway Nos. 64, 67 and 167. The Union Pacific Railroad has tracks running through the City.

The closest municipal airport to the City is located in Searcy which is 15 miles away. The nearest commercial services are in Little Rock which is 36 miles away.

Government. The government of the City operates under the Mayor City Council form of government, pursuant to which a Mayor and a City Clerk are elected for four-year terms and six City Council members are elected for two-year terms. The current Mayor and members of the City Council, their principal occupations and their terms are as follows:

| <u>Name</u> | <u>Occupation</u> | <u>Term Expires</u> |
|-----------------|-----------------------|---------------------|
| Mike Robertson | Mayor | December 31, 2022 |
| Danny Mahoney | Owner, Auto Body Shop | December 31, 2022 |
| Linda Anthony | Medical Coder | December 31, 2022 |
| Derrek Goff | School Teacher | December 31, 2022 |
| Tracy Lightfoot | Funeral Director | December 31, 2022 |
| Matthew Dugger | Factory Worker | December 31, 2022 |
| Shannon Woods | Physical Therapist | December 31, 2022 |

Medical Facilities. The closest hospital to the City is Unity Health – White County Medical Center. It is located 15 miles away in Searcy, Arkansas, has approximately 438 licensed beds and has a medical staff of 150 physicians that specialize in various areas of healthcare. Unity Health – McAfee Medical Clinic is located in the City and is staffed with family practice and primary care physicians.

Banks. The City is served by four banks that have branches in the City: First Security Bank, Centennial Bank, Regions Bank and Simmons Bank.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system. There is also a charter school within the City, Badger Academy, and a private high school, Lighthouse Christian Academy.

Arkansas State University – Beebe is located in the City and has a full time enrollment of approximately 3,387. Pulaski Technical College of the University of Arkansas is located in North Little Rock, approximately 31 miles from the City. Harding University, a private university, is located 15 miles from the City in Searcy.

Economy. The economy of the City is a mixture of agriculture, commerce and industry. Set forth below are the characteristics of the major employers (with 100 or more employees) within or near the City.

| <u>Company</u> | <u>Number of Employees</u> | <u>Product or Service</u> |
|-----------------------------------|----------------------------|---------------------------|
| Arkansas State University - Beebe | 200 | Higher Education |
| Beebe Public Schools | 150 | K-12 Education |
| Walmart | 100 | Retail |

Litigation. Other than as described under **THE SYSTEM, Litigation**, there is no material litigation or administrative proceeding pending or threatened against the City.

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

| <u>Year</u> | <u>Per Capita Personal Income</u> |
|-------------|---------------------------------------|
| 2015 | \$32,826 |
| 2016 | 33,441 |
| 2017 | 34,548 |
| 2018 | 35,831 |
| 2019 | 37,082 |

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

| <u>Year</u> | <u>Total Personal Income</u> |
|-------------|----------------------------------|
| 2015 | \$2,590,469,000 |
| 2016 | 2,639,077,000 |
| 2017 | 2,723,898,000 |
| 2018 | 2,808,492,000 |
| 2019 | 2,920,327,000 |

Set forth below are the annual average unemployment rates for the County and the State since 2015:⁽²⁾

| <u>Year</u> | <u>Annual Average Unemployment Rate (%)</u> | |
|-------------|---|--------------|
| | <u>County</u> | <u>State</u> |
| 2015 | 6.2 | 5.0 |
| 2016 | 5.2 | 4.0 |
| 2017 | 4.5 | 3.7 |
| 2018 | 4.3 | 3.7 |
| 2019 | 4.5 | 3.5 |
| 2020 | 4.3* | 6.1 |

*Preliminary

⁽¹⁾Bureau of Economic Analysis; data for 2020 is not yet available.

⁽²⁾ Source: Arkansas Department of Workforce Services.

THE SYSTEM

General. The System was formerly managed by the Beebe Water and Sewer Commission (the "Commission") established by the City. On February 8, 2021, the City Council abolished the Commission. The System is now under the control of the City Council. The Commission had operated the System since 1948.

Operation and maintenance of the System are provided by a utility staff. There are eight (8) employees of the System. Tommy Jackson is the general manager of the System. He has served in that capacity since October, 2011. Mr. Jackson has 33 years of experience in utility work and management.

The System obtains its water from City owned wells and pursuant to a contract to purchase up to 2,500,000 gallons per day of treated water from Lonoke White Public Water Authority which, in turn, gets its water from Greers Ferry Lake. The City is a member of MAWA, which membership entitles the City to receive water from Greers Ferry Lake.

The System's total storage capacity is 2,200,000 gallons. The water treatment plant capacity is 1,870,000 gallons per day.

The sewer system has approximately 71 miles of collection lines. Treatment consists of a partially aerated lagoon followed by facultative settling lagoons and chlorine disinfection. The sewage treatment facilities have a rated flow of 2,160,000 gallons per day.

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

| <u>Year</u> | <u>Average Daily Water Use in Gallons</u> | <u>Maximum Daily Water Use in Gallons</u> | <u>Total Use for Year in Gallons</u> |
|-------------|---|---|--------------------------------------|
| 2016 | 735,000 | 1,551,000 | 266,236,000 |
| 2017 | 771,000 | 1,640,000 | 274,375,000 |
| 2018 | 678,000 | 1,334,000 | 241,056,000 |
| 2019 | 604,000 | 1,959,000 | 230,300,000 |
| 2020 | 665,000 | 1,066,000 | 243,247,000 |

Customers. Currently, there are approximately 3,359 water users. All users are located in the City. The average 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>Total</u> |
|-------------|--------------------|-------------------|--------------|
| 2016 | 2874 | 312 | 3186 |
| 2017 | 2849 | 322 | 3171 |
| 2018 | 2860 | 343 | 3203 |
| 2019 | 2905 | 350 | 3255 |
| 2020 | 2950 | 352 | 3302 |

Currently, there are approximately 3,269 sewer users. All but one are located in the City. The average number of sewer users by category for each of the past five (5) years is as follows:

| <u>Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Total</u> |
|-------------|--------------------|-------------------|--------------|
| 2016 | 2713 | 301 | 3014 |
| 2017 | 2707 | 304 | 3011 |
| 2018 | 2715 | 322 | 3037 |
| 2019 | 2778 | 327 | 3105 |
| 2020 | 2836 | 329 | 3165 |

No user of the System accounted for more than 5% of gross Revenues for the fiscal year ended December 31, 2020. The largest customer for 2020 was the Beebe Public Schools which accounted for 2.47% of gross Revenues.

The top five users of the System are as follows:

1. Beebe Public Schools
2. Reliance Healthcare
3. ASU - Beebe
4. Beebe Housing Authority
5. Walmart

Litigation. On February 12, 2020 the Arkansas Department of Environmental Quality ("ADEQ") issued a Consent Administrative Order designated CAO LIS No. 20-121("CAO") against the City for the discharge of pollutants at the System's wastewater treatment plant in violation of the City's permit. Fifteen (15) separate violations were listed in the CAO. As a part of the CAO, the City agreed to pay a \$5,600 civil penalty, to comply with milestones in the Corrective Action Plan dated May 2019 ("CAP"). Construction was required to start by April 30, 2021 with a substantial completion date of January 31, 2022. Failure to meet the milestones constitutes a violation of the CAO. Daily penalties range from \$100 to \$1,000. No additional penalties have been assessed to date by ADEQ for failure to meet the CAP milestones. The City is presenting ADEQ proposed amendments to the CAP. The City is proposing a completion date in 2024.

Other than as set forth above, there is no material litigation or regulatory proceedings pending or threatened against the City relating to the System.

Rates. Set forth below are the monthly rates for the System.

Water. At the City Council meeting held February 22, 2021, the City Council adopted Ordinance No. 2021-02 which increased water rates as follows:

(1) The minimum monthly water service charge are based on the size of the user's water service meter, according to the following schedule:

(a) For service billed after the first day of the billing cycle which occurs after April 4, 2021:

| <u>Size of Water Service Meter</u> | <u>Minimum Monthly Charge</u> |
|------------------------------------|-------------------------------|
| Less than 1" | \$18.90 |
| 1" | 22.98 |
| 1-1/2" | 41.94 |
| 2" | 73.51 |
| 3" | 105.08 |
| 4" | 136.64 |
| 6" | 168.21 |

(b) For service billed after the first day of the billing cycle which occurs after March 4, 2022:

| <u>Size of Water Service Meter</u> | <u>Minimum Monthly Charge</u> |
|------------------------------------|-------------------------------|
| Less than 1" | \$ 19.85 |
| 1" | 24.13 |
| 1-1/2" | 44.03 |
| 2" | 77.19 |
| 3" | 110.34 |
| 4" | 143.47 |
| 6" | 176.62 |

(c) For service billed after the first day of the billing cycle which occurs after March 4, 2023:

| <u>Size of Water Service Meter</u> | <u>Minimum Monthly Charge</u> |
|------------------------------------|-------------------------------|
| Less than 1" | \$ 20.84 |
| 1" | 25.34 |
| 1-1/2" | 46.24 |
| 2" | 81.05 |
| 3" | 115.86 |
| 4" | 150.64 |
| 6" | 185.45 |

(d) For service billed after the first day of the billing cycle which occurs after March 4, 2024:

| <u>Size of Water Service Meter</u> | <u>Minimum Monthly Charge</u> |
|------------------------------------|-------------------------------|
| Less than 1" | \$ 21.88 |
| 1" | 26.61 |
| 1-1/2" | 48.55 |
| 2" | 85.10 |
| 3" | 121.65 |
| 4" | 158.17 |
| 6" | 194.72 |

(e) For service billed after the first day of the billing cycle which occurs after March 4, 2025:

| <u>Size of Water Service Meter</u> | <u>Minimum Monthly Charge</u> |
|------------------------------------|-------------------------------|
| Less than 1" | \$ 22.97 |
| 1" | 27.94 |
| 1-1/2" | 50.97 |
| 2" | 89.35 |
| 3" | 127.73 |
| 4" | 166.08 |
| 6" | 204.46 |

(2) The total monthly water service charges for all water users are based on the monthly water consumption and are computed in accordance with the following schedule:

- (a) For service billed after the first day of the billing cycle which occurs after April 4, 2021:

| <u>Gallons of Water Consumed</u> | <u>Monthly Water Service Charge</u> |
|----------------------------------|-------------------------------------|
| 0 to 1,000 | Minimum Charge |
| Over 1,000 | \$3.94 per 1,000 Gal. |

- (b) For service billed after the first day of the billing cycle which occurs after March 4, 2022:

| <u>Gallons of Water Consumed</u> | <u>Monthly Water Service Charge</u> |
|----------------------------------|-------------------------------------|
| 0 to 1,000 | Minimum Charge |
| Over 1,000 | \$4.13 per 1,000 Gal. |

- (c) For service billed after the first day of the billing cycle which occurs after March 4, 2023:

| <u>Gallons of Water Consumed</u> | <u>Monthly Water Service Charge</u> |
|----------------------------------|-------------------------------------|
| 0 to 1,000 | Minimum Charge |
| Over 1,000 | \$4.34 per 1,000 Gal. |

- (d) For service billed after the first day of the billing cycle which occurs after March 4, 2024:

| <u>Gallons of Water Consumed</u> | <u>Monthly Water Service Charge</u> |
|----------------------------------|-------------------------------------|
| 0 to 1,000 | Minimum Charge |
| Over 1,000 | \$4.56 per 1,000 Gal. |

- (e) For service billed after the first day of the billing cycle which occurs after March 4, 2025:

| <u>Gallons of Water Consumed</u> | <u>Monthly Water Service Charge</u> |
|----------------------------------|-------------------------------------|
| 0 to 1,000 | Minimum Charge |
| Over 1,000 | \$4.79 per 1,000 Gal. |

Sewer. At the City Council meeting held February 22, 2021, the City Council adopted Ordinance No. 2021-03 which increased sewer rates as follows:

All charges are based on water consumption as shown by water meter measurement, and the amount to be paid by each customer is computed on the basis of the following schedule of rates:

- (a) For service billed after the first day of the billing cycle which occurs after April 4, 2021:
 - For the first 1,000 gallons of water consumption per month, or portion thereof \$9.52 (minimum)
 - For all water consumption in excess of 1,000 gallons per month \$4.10 per 1,000 gallons
- (b) For service billed after the first day of the billing cycle which occurs after March 4, 2022:
 - For the first 1,000 gallons of water consumption per month, or portion thereof \$10.00 (minimum)
 - For all water consumption in excess of 1,000 gallons per month \$4.30 per 1,000 gallons
- (c) For service billed after the first day of the billing cycle which occurs after March 4, 2023:
 - For the first 1,000 gallons of water consumption per month, or portion thereof \$10.50 (minimum)
 - For all water consumption in excess of 1,000 gallons per month \$4.51 per 1,000 gallons
- (d) For service billed after the first day of the billing cycle which occurs after March 4, 2024:
 - For the first 1,000 gallons of water consumption per month, or portion thereof \$11.02 (minimum)
 - For all water consumption in excess of 1,000 gallons per month \$4.74 per 1,000 gallons
- (e) For service billed after the first day of the billing cycle which occurs after March 4, 2025:
 - For the first 1,000 gallons of water consumption per month, or portion thereof \$11.58 (minimum)
 - For all water consumption in excess of 1,000 gallons per month \$4.98 per 1,000 gallons

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At June 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,943 million.
- The contingency reserve of AGM was approximately \$947 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,137 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty

Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

THE AUTHORIZING ORDINANCE

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

Rates and General Covenants to Operate. (a) 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 ratified, confirmed and continued. None of the facilities or services afforded by the System shall be furnished without a charge being made therefor.

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

(c) 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 a certificate that the Net Revenues ("Net Revenues" being defined as gross Revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer systems other than depreciation, interest and amortization expenses), with the reduced rates, will always be equal to at least 110% of the maximum annual principal and interest requirements on all outstanding bonds to which Revenues are pledged ("System Bonds"); provided, however, such balance shall be sufficient to make required deposits into the depreciation fund and any debt service reserve fund or account during the current and next ensuing fiscal years. 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, which Net Revenues shall also be sufficient to deposit the amounts required to be paid into the depreciation fund and in any debt service reserve fund or account during the current and next ensuing fiscal years.

Funds and Disposition of Revenues. (a) All System revenues shall be paid into a special fund heretofore created and designated the "Waterworks and Sewer Fund" (the "Revenue Fund").

(b) There shall be paid from the Revenue Fund into a fund designated "Waterworks and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid therein during the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to meet the requirements thereof 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 required monthly deposit into the Operation and Maintenance Fund, there shall be paid from the Revenue Fund into the 2021 Water and Sewer Revenue Bond Fund created for the Bonds (the "Bond Fund") the amounts hereinafter set forth. Payments into the Bond Fund shall be made on the first business day of each month, commencing in October 2021, until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment, and shall be a sum equal to one-sixth (1/6) of the next installment of interest and one-twelfth (1/12) of the next installment of principal of the Bonds; provided, however, the monthly installments of principal through July 2022 shall be in an amount equal to one tenth (1/10) of the principal of the Bonds due August 1, 2022 and the monthly installments of interest through January 2022 shall be in an amount equal to one-fourth (1/4) of the interest on the Bonds due February 1, 2022.

The City shall also pay into the Bond Fund such additional sums as necessary to provide the Trustee's fees and expenses and other administrative charges and to pay any arbitrage rebate due under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"). The City shall receive a credit against monthly deposits into the Bond Fund for all interest earnings on moneys in the Bond Fund and for transfers of any surplus funds held in connection with the Bonds to be Refunded.

There is created, as a part of the Bond Fund, a Debt Service Reserve. There is created, as a part of the Bond Fund, a Debt Service Reserve. There shall be deposited into the Debt Service Reserve the Reserve Policy issued by the Reserve Insurer, which shall be in an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds (the "required level"). If for any reason the City should fail at any time to make any of the required payments into the Bond Fund, the Debt Service Reserve shall be used to the extent necessary for the payment of principal of and interest on the Bonds.

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

If a surplus shall exist in the Bond Fund over and above the amount required for making all such payments when due, such surplus may be applied to the payment of the principal of, redemption premium, if any, and interest on any Bonds that may be called for redemption prior to maturity or deposited into the Revenue Fund.

(d) After making the monthly deposits into the Operation and Maintenance Fund and the Bond Fund, there shall be deposited into the bond funds for the Subordinate Bonds the amounts required to be deposited therein for the purpose of paying the principal, interest and servicing fees in connection with the Subordinate Bonds.

(e) After making the payments set forth above, there shall be transferred from the Revenue Fund into a special fund designated the "Waterworks and Sewer Depreciation Fund" (the "Depreciation Fund"), on the first business day of each month, five percent (5%) of gross Revenues for the preceding month. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of 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 and next ensuing fiscal years, such surplus may be deposited into the Revenue Fund.

(f) 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 any lawful municipal purpose authorized by the City.

(g) The Trustee shall be the depository of the Bond Fund. Other funds described herein shall be deposited in such depositories as designated from time to time by the City, provided that such depository or depositories shall hold membership in the FDIC.

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 pledge on Revenues over the pledge securing the Bonds.

The City may issue additional bonds ranking on a parity with the Bonds if, but only if: there shall have been filed with the Trustee a statement by an independent certified public accountant not in the regular employ of the City ("Accountant") reciting, based upon necessary investigation, that (1) Net Revenues (as defined under **THE AUTHORIZING ORDINANCE, Rates and General Covenants to Operate**) for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 120% of the maximum annual principal and interest requirements on the then outstanding System Bonds and the additional bonds then proposed to be issued; or (2) Net Revenues for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, including the 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 certificate of a duly qualified consulting engineer not in the regular employ of the City ("Engineer"), and taking into consideration any rate increase adopted before issuance of the additional bonds, shall be equal to not less than 120% of the maximum annual principal and interest requirements on the then outstanding System Bonds and the additional bonds then proposed to be issued. In making the computation set forth in clause (1) above, the City, and the Accountant, on behalf of the City, may, based upon the opinion or report of an Engineer, treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in Net Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year.

Accounts and Records. The City 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 one of the operation and maintenance funds, as appropriate.

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 that, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, 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 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, lightning, tornados, winds, riot, strike, civil commotion, malicious damage, explosion, extended coverage and against any other loss or damage from any other causes customarily insured against by private companies engaged in similar types of business. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and are either to be placed in the custody of the Trustee or 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 to be paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond (whether at maturity or upon redemption, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) 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") and/or (2) cash sufficient to make such payment (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), such Investment Securities 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 shall hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Investment Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if the Trustee has been paid its fees and expenses and if any arbitrage rebate due under Section 148 of the Code has been paid or provision made therefor, the Trustee shall 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.

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

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

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

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

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

(f) NOTWITHSTANDING ANYTHING SET FORTH ABOVE, THE INSURER SHALL BE DEEMED TO BE THE SOLE HOLDER OF THE BONDS INSURED BY IT FOR THE PURPOSE OF EXERCISING ANY VOTING RIGHT OR PRIVILEGE OR GIVING ANY CONSENT OR DIRECTION OR TAKING OF ANY OTHER ACTION THAT THE OWNERS OF THE BONDS ARE ENTITLED TO TAKE PURSUANT TO THE AUTHORIZING ORDINANCE.

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 below.

The Trustee, with the consent of the Insurer, may consent to any variation or change in the Authorizing Ordinance to cure any ambiguity, defect or omission therein or any amendment thereto or 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 and the Insurer shall have the right, from time to time, anything contained in the Authorizing Ordinance to the contrary notwithstanding, to consent to and approve, the adoption by the City of such ordinance supplemental hereto 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 contained in the Authorizing Ordinance 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 Insurer or 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, the Insurer and the registered owners of the Bonds. The majority in value of the registered owners of the outstanding Bonds with the consent of the Insurer, or the City, so long as it is not in default under the Authorizing Ordinance, upon notice to the Insurer, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall designate a new Trustee by a written instrument filed in the office of the City Clerk and the Insurer. 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 shall be continuously invested and reinvested pursuant to the direction of the City (or at the discretion of the Trustee in the absence of direction by the City) in Permitted Investments as defined in (e) below, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, as follows: not later than the payment date for interest or principal and interest for moneys in the debt service portion of the Bond Fund; and not later than five (5) years or the final maturity of the Bonds, whichever is earlier, for moneys in the Debt Service Reserve.

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

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

(d) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund, except that interest earnings and profits on investments of moneys in the Debt Service Reserve which increase the amount thereof above the Required Level shall to the extent of any such excess be applied as a credit to monthly payments required to be deposited into the Bond Fund.

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

CONTINUING DISCLOSURE AGREEMENT

During the past five years, the City has had no outstanding bonds for which it had continuing disclosure obligations.

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

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

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

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

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

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

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

"Financial Obligation" shall mean a

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2021 fiscal year, provide to the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, and to the Insurer, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) No later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not

received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in 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 the Insurer.

Content of Annual Report. 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 four previous fiscal years; (ii) the number of water and sewer users 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, if any, accounted for 5% or more of Revenues for the preceding fiscal year.

2. The annual financial statements of the System prepared using accounting principles generally accepted in the United States of America, which shall be audited in accordance with auditing standards generally accepted in the United States of America.

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

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

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Underwriter, the Insurer 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 audited financial statements of the System for the fiscal years ended December 31, 2020 and 2019. Such audited financial statements were prepared using accounting principles generally accepted in the United States of America and were audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Set forth below is a summary of the revenues and expenses of the System for the fiscal years ended December 31, 2016-2020 from the audited financial statements of the System.

| | <u>Fiscal Years Ended December 31</u> | | | | |
|---|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| Operating Revenues | \$2,306,566 ⁽¹⁾ | \$2,321,890 | \$2,310,869 | \$2,302,712 | \$2,247,877 |
| Operating Expenses | (1,352,514) ⁽²⁾ | (1,347,123) | (1,212,015) | (1,121,433) | (1,104,962) |
| Operating Income (Before Depreciation and Amortization) | 954,052 | 974,767 | 1,098,854 | 1,181,279 | 1,142,915 |
| Depreciation and Amortization | <u>(719,368)</u> | <u>(699,458)</u> | <u>(686,783)</u> | <u>(690,822)</u> | <u>(694,696)</u> |
| Net Income | <u>\$ 234,684</u> | <u>\$ 275,309</u> | <u>\$ 412,071</u> | <u>\$ 490,457</u> | <u>\$ 448,219</u> |

⁽¹⁾ Operating revenues include \$13,800 from the City for sanitation fee collections.

⁽²⁾ Operating expenses include \$50,950 of payments to the Beebe Water and Sewer Commission which was dissolved in February 2021.

DEBT SERVICE COVERAGE

The following table shows the net revenues available for debt service, the estimated amount of maximum annual debt service, and the extent to which debt service is covered by such funds. Estimated debt service coverage is calculated using the audited financial statements of the System for the year ended December 31, 2020, which are attached hereto as Exhibit A.

| | |
|--|----------------|
| Net Revenues (A) ⁽¹⁾ | \$ 991,202 |
| Forecasted Additional Revenues ⁽²⁾ | <u>226,178</u> |
| Funds Available for Debt Service | 1,217,380 |
| Maximum Annual Debt Service on the Bonds, the Subordinate Bonds and the MAWA Note (B) ⁽³⁾ | 858,264 |
| Debt Service Coverage (A/B) | 1.42x |

⁽¹⁾ "Net Revenues" means gross revenues of the System less amounts necessary to pay operation, maintenance and repair of the System (excluding depreciation expenses, interest and bond amortization expenses) based upon the audited financial statements of the System for the fiscal year ended December 31, 2020; excludes \$13,800 of sanitation fee collections from revenues and \$50,950 of fees paid to Water and Sewer Commission since it has been abolished.

⁽²⁾ The City increased rates for water and sewer services effective April 4, 2021. CWB Engineers has forecasted the additional revenue that the City would receive in 2022 from the rate increases.

⁽³⁾ The debt service on the Subordinate Bonds designated Series 1999 and 2000 is not included because those Subordinate Bonds mature on October 15, 2021.

DEBT SERVICE REQUIREMENTS

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

| <u>Year</u> <u>(December 31)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> <u>Debt Service</u> |
|-------------------------------------|---------------------|-----------------------|-------------------------------------|
| 2022 | \$ 115,000 | \$ 373,061.59 | \$ 488,061.59 |
| 2023 | 115,000 | 412,487.50 | 527,487.50 |
| 2024 | 175,000 | 407,887.50 | 582,887.50 |
| 2025 | 235,000 | 400,887.50 | 635,887.50 |
| 2026 | 245,000 | 391,487.50 | 636,487.50 |
| 2027 | 255,000 | 381,687.50 | 636,687.50 |
| 2028 | 265,000 | 371,487.50 | 636,487.50 |
| 2029 | 275,000 | 360,887.50 | 635,887.50 |
| 2030 | 280,000 | 352,637.50 | 632,637.50 |
| 2031 | 290,000 | 344,237.50 | 634,237.50 |
| 2032 | 300,000 | 335,537.50 | 635,537.50 |
| 2033 | 310,000 | 326,537.50 | 636,537.50 |
| 2034 | 315,000 | 317,237.50 | 632,237.50 |
| 2035 | 420,000 | 307,787.50 | 727,787.50 |
| 2036 | 525,000 | 295,187.50 | 820,187.50 |
| 2037 | 545,000 | 279,437.50 | 824,437.50 |
| 2038 | 560,000 | 263,087.50 | 823,087.50 |
| 2039 | 575,000 | 246,287.50 | 821,287.50 |
| 2040 | 595,000 | 229,037.50 | 824,037.50 |
| 2041 | 610,000 | 211,187.50 | 821,187.50 |
| 2042 | 630,000 | 192,887.50 | 822,887.50 |
| 2043 | 650,000 | 173,987.50 | 823,987.50 |
| 2044 | 670,000 | 154,487.50 | 824,487.50 |
| 2045 | 690,000 | 134,387.50 | 824,387.50 |
| 2046 | 710,000 | 113,687.50 | 823,687.50 |
| 2047 | 730,000 | 92,387.50 | 822,387.50 |
| 2048 | 745,000 | 75,050.00 | 820,050.00 |
| 2049 | 765,000 | 57,356.26 | 822,356.26 |
| 2050 | 815,000 | 39,187.50 | 854,187.50 |
| 2051 | 835,000 | 19,831.26 | 854,831.26 |
| TOTALS | \$14,245,000 | \$7,661,324.11 | \$21,906,324.11 |

Set forth below are the debt service requirements for the Bond and the Subordinate Bonds and the MAWA Loan for each year ending December 31, commencing in 2022:

| Year (December 31) | Bond Debt Service | Subordinate Bonds Debt Service | MAWA Note | Total Debt Service |
|-----------------------|------------------------|-----------------------------------|---------------------|------------------------|
| 2022 | \$ 488,061.59 | \$ 296,524.00 | \$ 33,589.49 | \$ 818,175.08 |
| 2023 | 527,487.50 | 296,524.00 | 33,589.49 | 857,600.99 |
| 2024 | 582,887.50 | 241,787.32 | 33,589.49 | 858,264.31 |
| 2025 | 635,887.50 | 187,099.99 | 33,589.49 | 856,576.98 |
| 2026 | 636,487.50 | 187,099.99 | 33,589.49 | 857,176.98 |
| 2027 | 636,687.50 | 187,100.00 | 33,589.49 | 857,376.99 |
| 2028 | 636,487.50 | 187,099.99 | 33,589.49 | 857,176.98 |
| 2029 | 635,887.50 | 187,100.00 | 33,589.49 | 856,576.99 |
| 2030 | 632,637.50 | 187,100.00 | 33,589.49 | 853,326.99 |
| 2031 | 634,237.50 | 187,100.00 | 33,589.49 | 854,926.99 |
| 2032 | 635,537.50 | 187,099.99 | 33,589.49 | 856,226.98 |
| 2033 | 636,537.50 | 187,100.01 | 33,589.49 | 857,227.00 |
| 2034 | 632,237.50 | 187,099.99 | 33,589.49 | 852,926.98 |
| 2035 | 727,787.50 | 93,573.55 | 33,589.49 | 854,950.54 |
| 2036 | 820,187.50 | | 33,589.49 | 853,776.99 |
| 2037 | 824,437.50 | | 33,589.49 | 858,026.99 |
| 2038 | 823,087.50 | | 33,589.49 | 856,676.99 |
| 2039 | 821,287.50 | | 33,589.49 | 854,876.99 |
| 2040 | 824,037.50 | | 33,589.49 | 857,626.99 |
| 2041 | 821,187.50 | | 33,589.49 | 854,776.99 |
| 2042 | 822,887.50 | | 33,589.49 | 856,476.99 |
| 2043 | 823,987.50 | | 33,589.49 | 857,576.99 |
| 2044 | 824,487.50 | | 33,589.49 | 858,076.99 |
| 2045 | 824,387.50 | | 33,589.49 | 857,976.99 |
| 2046 | 823,687.50 | | 33,589.49 | 857,276.99 |
| 2047 | 822,387.50 | | 33,589.49 | 855,976.99 |
| 2048 | 820,050.00 | | 33,589.49 | 853,639.49 |
| 2049 | 822,356.26 | | 33,587.68 | 855,943.94 |
| 2050 | 854,187.50 | | | 854,187.50 |
| 2051 | 854,831.26 | | | 854,831.26 |
| TOTALS | \$21,906,324.11 | \$2,799,408.83 | \$940,503.91 | \$25,646,236.85 |

LEGAL MATTERS

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

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

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

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the

condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

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

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

Prospective purchasers of the Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

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

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. On December 20, 2017, Congress passed The Tax Cuts and Jobs Act (the "Tax Legislation"), which, for tax years beginning after December 31, 2017, among other things, significantly changed the income tax rates for individuals and corporations, modified the current provisions relative to the federal alternative minimum tax on individuals and eliminated the federal alternative minimum tax for corporations. The Tax Legislation or the introduction or enactment of any other legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation (including particularly, without limitation, the Tax Legislation), regulations or litigation, as to which Bond Counsel expresses no opinion.

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

MISCELLANEOUS

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at a purchase price of \$14,915,149.05 (principal amount plus net original issue premium of \$826,844.05 and Underwriter's discount of \$156,695). The Underwriter is committed to purchase all of the Bonds if any are purchased.

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

Ratings. S&P Global Ratings ("S&P") assigned its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, the Insurance Policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer. The underlying credit rating for the Bonds is "A-" (stable outlook) by S&P. Any explanation of such ratings 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 ratings assigned to the Bonds by S&P may have an adverse effect on the market price of the Bonds. The Underwriter and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the ratings 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 BEEBE, ARKANSAS

By /s/ Mike Robertson
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

Audited Financial Statements of the System for the Fiscal Years
Ended December 31, 2020 and 2019

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Independent Auditors' Report

Financial Statements and Supplementary Data

December 31, 2020 and 2019

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

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SHOPTAW, LABAHN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Beebe, Arkansas City Council
City of Beebe, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Beebe, Arkansas Water and Sewer System which comprise the statements of net position as of December 31, 2020 and 2019 and the related statements of income and expense and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

As discussed in note 1, the financial statements present only the City of Beebe, Arkansas Water and Sewer System and are not intended to present fairly the net position of the City of Beebe, Arkansas, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds, in conformity with accounting principles generally accepted in the United States of America.

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 audits 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 System'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 System'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 net position of the City of Beebe, Arkansas Water and Sewer System, as of December 31, 2020 and 2019, and changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Beebe, Arkansas Water and Sewer System's basic financial statements. The supplemental information, disclosed in compliance with requirements for audits of Revolving Loan Funds for Municipalities' Accounting Records, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

April 20, 2021

Sneytas, Labien + Conway, P.A.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Net Position

December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|-------------------|
| Assets: | | |
| Unrestricted cash | \$ 512,562 | 773,769 |
| Restricted cash | <u>175,143</u> | <u>163,626</u> |
| Total cash | 687,705 | 937,395 |
| Accounts receivable | 218,076 | 210,086 |
| Prepaid expenses | 4,609 | 3,772 |
| Deposits | 10,446 | 4,050 |
| Net utility plant | <u>16,555,474</u> | <u>16,334,293</u> |
| Total assets | <u>17,476,310</u> | <u>17,489,596</u> |
| Liabilities: | | |
| Accounts payable and other liabilities | 56,803 | 63,059 |
| Accrued interest | 49,177 | 40,859 |
| Customer deposits | 278,853 | 273,677 |
| Long-term liabilities: | | |
| Due within one year | 748,730 | 711,341 |
| Due in more than one year | <u>6,117,132</u> | <u>6,211,079</u> |
| Total liabilities | <u>7,250,695</u> | <u>7,300,015</u> |
| Net position: | | |
| Net investment in capital assets | 9,640,435 | 9,371,014 |
| Restricted for debt service and depreciation | 175,143 | 163,626 |
| Unrestricted | <u>410,037</u> | <u>654,941</u> |
| Total net position | <u>\$ 10,225,615</u> | <u>10,189,581</u> |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Income and Expenses and Changes in Net Position

Years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Operating revenue: | | |
| Water sales | \$ 1,338,038 | 1,323,353 |
| Sewer service | 878,520 | 883,257 |
| Other revenue | 90,008 | 115,280 |
| Total operating revenue | <u>2,306,566</u> | <u>2,321,890</u> |
| Operating expenses: | | |
| Supervisory salaries | 103,873 | 94,240 |
| Office salaries | 156,755 | 141,120 |
| Other labor | 172,813 | 157,121 |
| Employees' group insurance | 91,792 | 94,321 |
| Utilities | 126,403 | 136,821 |
| Payroll taxes | 33,039 | 30,090 |
| Operating supplies and expense | 100,174 | 124,695 |
| Chemicals | 42,151 | 41,942 |
| Maintenance and repairs | 8,080 | 17,273 |
| Employee benefit plan | 59,467 | 54,026 |
| Truck and machinery expense | 11,423 | 16,022 |
| Office supplies and expense | 94,692 | 89,930 |
| Bad debts | 3,604 | 4,886 |
| Legal and accounting | 5,800 | 5,800 |
| Insurance | 11,272 | 11,457 |
| Licenses and permits | 6,244 | 6,244 |
| Depreciation and amortization | 719,368 | 699,458 |
| Outside services | 14,922 | 37,344 |
| Lonoke/White Public Water Authority fees | 192,000 | 176,000 |
| Water purchased | 67,060 | 68,091 |
| Commissioner fees | 50,950 | 39,700 |
| Total operating expenses | <u>2,071,882</u> | <u>2,046,581</u> |
| Income from operations | 234,684 | 275,309 |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Income and Expenses and Changes in Net Position, Continued

Years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|----------------------|-------------------|
| Nonoperating income (expense): | | |
| Loss on disposal of equipment | - | (5,094) |
| Interest income | 2,358 | 2,666 |
| Interest expense | <u>(201,008)</u> | <u>(209,628)</u> |
| Total nonoperating income (expense) | <u>(198,650)</u> | <u>(212,056)</u> |
| Increase in net position | 36,034 | 63,253 |
| Net position, beginning of year | 10,189,581 | 9,828,328 |
| Contribution in aid of construction | <u>-</u> | <u>298,000</u> |
| Net position, end of year | <u>\$ 10,225,615</u> | <u>10,189,581</u> |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Cash Flows

Years ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$2,208,568 | 2,211,258 |
| Cash paid to suppliers for goods and services | (899,523) | (907,314) |
| Cash paid to employees for services | (466,480) | (422,571) |
| Other revenue collected | <u>90,008</u> | <u>115,280</u> |
| Net cash provided by operating activities | <u>932,573</u> | <u>996,653</u> |
| Cash flows from non-capital financing activities: | | |
| Customer deposits received | <u>8,396</u> | <u>3,897</u> |
| Net cash provided by non-capital financing activities | <u>8,396</u> | <u>3,897</u> |
| Cash flows from capital and related financing activities: | | |
| Principal payments of long term debt | (744,930) | (689,431) |
| Interest paid | (192,690) | (214,600) |
| Purchase of property and equipment | <u>(255,397)</u> | <u>(225,755)</u> |
| Net cash used in capital and related financing activities | <u>(1,193,017)</u> | <u>(1,129,786)</u> |
| Cash flows from investing activities: | | |
| Interest received | <u>2,358</u> | <u>2,666</u> |
| Net cash provided by investing activities | <u>2,358</u> | <u>2,666</u> |
| Net decrease in cash | (249,690) | (126,570) |
| Cash at beginning of year | <u>937,395</u> | <u>1,063,965</u> |
| Cash at end of year | <u>\$ 687,705</u> | <u>937,395</u> |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Statements of Cash Flows, Continued

| | 2020 | 2019 |
|--|------------|---------|
| Cash flows from operating activities: | | |
| Income from operations | \$ 234,684 | 275,309 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 719,368 | 699,458 |
| Decrease (increase) in accounts receivable | (7,990) | 4,648 |
| Decrease (increase) in prepaid expenses | (837) | 637 |
| Increase in deposits | (6,396) | (2,000) |
| Increase (decrease) in accrued expenses and other liabilities | (6,256) | 18,601 |
| Total adjustments | 697,889 | 721,344 |
| Net cash provided by operating activities | \$ 932,573 | 996,653 |
| Non cash capital and financing activities: | | |
| Contributions in aid of construction | \$ - | 298,000 |
| Utility plant acquired with issue of long term debt | 688,372 | - |
| | \$ 688,372 | 298,000 |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements

December 31, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Beebe accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units. The City of Beebe, Arkansas Water and Sewer System is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The System applies all Government Accounting Standard Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

(a) Nature of Operations

City of Beebe, Arkansas Water and Sewer System is engaged in providing water and sewer services to the general public located in Beebe, Arkansas.

(b) Use of Estimates

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

(c) Depreciation

The cost of the utility plant is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

| <u>Assets</u> | <u>Useful Life</u> |
|--------------------------------|--------------------|
| Sewer treatment plant | 40 years |
| Sewer collection | 15 - 40 years |
| Water wells | 40 years |
| Water treatment plant | 40 years |
| Water distribution | 40 years |
| Office furniture and equipment | 3 - 10 years |
| Vehicles | 5 years |

The cost of improvements are capitalized and expenditures for maintenance and repairs are expensed as incurred.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(d) Organization

City of Beebe, Arkansas Water and Sewer System was governed by the Water and Sewer Commission of the City of Beebe in 2020. The Water and Sewer Commission is appointed by the City Council of the City of Beebe and the Commission is accountable to the City Council. Rates for services are established by ordinances approved by the City Council. In 2021, the Commission was abolished and the Water and Sewer System will be governed by The Beebe City Council.

(e) Cash

For the purpose of the statement of cash flows, the System considers cash to be all cash on hand and in banks.

(f) Debt Issuance Cost

The costs of issuing bonds is expensed in the year incurred pursuant to Government Accounting Standards Board (GASB).

(g) Regulatory Environment

The quality of water emitted from the sewer treatment plant is regulated by the Environmental Protection Agency, the Arkansas Health Department and the Arkansas Department of Pollution Control and Ecology. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Health Department.

(h) Income Tax

City of Beebe, Arkansas Water and Sewer System is municipally owned and is exempt from federal and state income tax.

(i) Accounts Receivable

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated amount that is expected to be uncollectible.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(2) UTILITY PLANT

The components of utility plant included in the accompanying statements of net position are presented below:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|--------------------------|-----------------------|
| Land | \$ 293,757 | 293,757 |
| Water system | 13,697,534 | 12,978,521 |
| Sewer system | 13,409,081 | 13,314,456 |
| Vehicles and equipment | 628,403 | 440,300 |
| Construction in progress | <u>64,346</u> | <u>125,538</u> |
| | 28,093,121 | 27,152,572 |
| Less accumulated depreciation | <u>11,537,647</u> | <u>10,818,279</u> |
| Net utility plant | <u>\$ 16,555,474</u> | <u>16,334,293</u> |

(3) RESTRICTED ASSETS

At December 31, 2020 and 2019, the System had restricted assets shown as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Cash: | | |
| Water Works and Sewer Depreciation Fund | \$ 24,427 | 10,859 |
| City of Beebe Water and Sewer Revenue Bonds Series 2010 A and B held in ADFA escrow | 34,205 | 34,670 |
| City of Beebe Water and Sewer Revenue Bonds, Series 2008, held in ADFA escrow | 16,339 | 16,562 |
| City of Beebe Water and Sewer Revenue Bonds, Series 2003, held in ADFA escrow | 18,243 | 18,491 |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|----------------|
| City of Beebe Water and Sewer Revenue Bonds, Series 2000, held in ADFA escrow | 8,942 | 9,064 |
| City of Beebe Water and Sewer Revenue Bonds, Series 1999, held in ADFA escrow | 27,543 | 27,918 |
| City of Beebe Water and Sewer Revenue Bonds, Series 2013, held in ADFA escrow | 31,192 | 31,617 |
| City of Beebe Water and Sewer Revenue Bonds, Series 2006, held in ADFA escrow | <u>14,252</u> | <u>14,445</u> |
| Total restricted assets | <u>\$ 175,143</u> | <u>163,626</u> |

(4) LONG-TERM NOTES AND BONDS PAYABLE

Long-term notes and bonds payable collateralized by pledge of water and sewer revenue consisted of the following at December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--|--------------|-------------|
| City of Beebe 2.25% Water and Sewer Revenue Bonds, Series 2010A. The bonds are payable in semi-annual installments of \$85,487 including interest and 1% service fee with the final payment due April 15, 2032. | \$ 1,629,668 | 1,744,862 |
| City of Beebe 2.25% Water and Sewer Revenue Bonds, Series 2006. The bonds are payable in semi-annual installments of \$42,743 including interest and service fee with the final installment due April 15, 2028. | 564,976 | 630,497 |
| City of Beebe 2.25% Water and Sewer Revenue Bonds, Series 2003. The bonds are payable in semi-annual installments of \$54,712 including interest and 1% service fee with the final installment due April 15, 2024. | 359,234 | 454,651 |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|------------------|
| City of Beebe 2.25% Water and Sewer Revenue Bonds, Series 2010B. The bonds are payable in semi-annual installments of \$34,194, including principal, interest and 1% service fee with the final payment due April 15, 2032. | 325,937 | 348,975 |
| City of Beebe 1.25% Water and Sewer Revenue Bonds, Series 2013. The bonds are payable in semi-annual installments of \$187,000 including interest and 1% service fee beginning in 2015 with the final installment due April 15, 2035. | 2,303,921 | 2,436,935 |
| City of Beebe 2.75% Water and Sewer Revenue Bonds, Series 1999. The bonds are payable in semi-annual installments of \$82,604 including interest and 1% service fee with the final installment due October 15, 2021. | 160,652 | 315,469 |
| City of Beebe 2.75% Water and Sewer Revenue Bonds, Series 2000. The bonds are payable in semi-annual installments of \$26,819 including interest and 1% service fee with the final installment due October 14, 2021. | 52,188 | 102,450 |
| City of Beebe 1.75% Water and Sewer Revenue Bonds, Series 2008. The bonds are payable in semi-annual installments of \$49,004 including interest and 1% service fee with the final installment due April 15, 2030. | <u>814,504</u> | <u>888,581</u> |
| Total long term bonds payable collateralized by pledge of water and sewer revenue | <u>6,211,080</u> | <u>6,922,420</u> |
| Long term obligation for purchase of water source: | | |
| Mid Arkansas Water Alliance payable. This debt is payable in annual installments of \$33,589 which includes interest of 2.875%. The final installment is due April 7, 2049. | <u>654,782</u> | <u>-</u> |
| | 6,865,862 | 6,922,420 |
| Less current installments | <u>748,730</u> | <u>711,341</u> |
| | <u>\$ 6,117,132</u> | <u>6,211,079</u> |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

A summary of the notes, bond principal maturities and interest requirements for the years succeeding December 31, 2020 is shown below:

| <u>Year ending December 31</u> | <u>Principal Maturity</u> | <u>Interest Requirement</u> | <u>Total</u> |
|------------------------------------|-------------------------------|---------------------------------|--------------|
| 2021 | \$ 748,730 | 188,888 | 937,618 |
| 2022 | 551,623 | 167,151 | 718,774 |
| 2023 | 567,830 | 150,947 | 718,777 |
| 2024 | 529,333 | 134,255 | 663,588 |
| 2025 | 489,607 | 119,743 | 609,350 |

(5) CONCENTRATION OF RISK

The City of Beebe, Arkansas Water and Sewer System services water and sewer customers in or adjacent to Beebe, Arkansas. All of the accounts receivable reported herein are from these customers.

(6) RETIREMENT PLAN

The System contributes to the Arkansas Public Employees Retirement System (APERS) on behalf of all full time employees of the System. During 2020 and 2019, the System contributed \$59,467 and \$54,026, respectively, to APERS.

(7) SUBSEQUENT EVENTS

Management has considered subsequent events through April 20, 2021, which is the date the financial statements were available to be issued.

During 2020 and continuing in 2021, a pandemic has broken out which has had major health and economic implications to all entities. Management is considering the options available to it in its relations with the customers of the System.

(8) WATER PURCHASE CONTRACTS

In 2010, the City of Beebe joined with several other communities in a water purchase contract which would allow the construction of water impoundment and treatment facility to be known as the Lonoke/White Public Water Authority (LWPWA). The System is obligated to purchase a minimum of 4,380,000 gallons per month from the Authority.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

The contract is for a 40 year period beginning from the completion of the facility in August, 2014. To assist the Authority in the construction of the facility, the System was required to pay an amount monthly to pay the interest on the indebtedness incurred to construct the facility. The System also incurred costs to construct the water line from the metering point to the city. The debt service payments to the Authority subsequent to the completion of the facility and commencement of water purchases is expensed as fees to the LWPWA and totaled \$192,000 and 176,000 in 2020 and 2019 respectively. In 2020 and 2019, the System purchased water from the Authority at a cost of \$67,060 and \$68,091, respectively.

In 2020, the City of Beebe entered into an agreement with the Mid-Arkansas Water Alliance to purchase an undivided interest in the joint storage space reserved for the Mid-Arkansas Water Alliance by the United States Army Corps of Engineers. The allocation will provide up to 2.2 million gallons of water per day to the City of Beebe Water and Sewer System. The City is obligated to pay \$688,372 for the initial allocation and will also be obligated to share in the operation and maintenance cost of the water storage facility. The initial obligation is payable \$33,589 per year including interest at 2.875%. The last installment is due in 2049.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information Disclosed in Compliance

with Requirements for Audits of Revolving Loan

Funds for Municipalities' Accounting Records

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Departmental Schedule of Operations

Year ended December 31, 2020

| | <u>Water</u> | <u>Sewer</u> | <u>Combined</u> |
|--|-------------------|----------------|------------------|
| Operating revenue: | | | |
| Water sales | \$ 1,338,038 | - | 1,338,038 |
| Sewer service | - | 878,520 | 878,520 |
| Other revenue | <u>52,494</u> | <u>37,514</u> | <u>90,008</u> |
| Total operating revenue | <u>1,390,532</u> | <u>916,034</u> | <u>2,306,566</u> |
| Operating expenses: | | | |
| Supervisory salaries | 62,324 | 41,549 | 103,873 |
| Office salaries | 94,053 | 62,702 | 156,755 |
| Other labor | 103,688 | 69,125 | 172,813 |
| Employees' group insurance | 55,075 | 36,717 | 91,792 |
| Utilities | 56,492 | 69,911 | 126,403 |
| Payroll taxes | 19,823 | 13,216 | 33,039 |
| Operating supplies and expense | 58,904 | 41,270 | 100,174 |
| Chemicals | 42,151 | - | 42,151 |
| Maintenance and repairs | 4,848 | 3,232 | 8,080 |
| Employee benefit plan | 35,680 | 23,787 | 59,467 |
| Truck and machinery expense | 6,854 | 4,569 | 11,423 |
| Office supplies | 56,815 | 37,877 | 94,692 |
| Bad debts | 2,162 | 1,442 | 3,604 |
| Legal and audit | 3,480 | 2,320 | 5,800 |
| Insurance | 6,763 | 4,509 | 11,272 |
| Licenses and permits | - | 6,244 | 6,244 |
| Depreciation and amortization | 360,652 | 358,716 | 719,368 |
| Outside services | 8,644 | 6,278 | 14,922 |
| Commissioner fees | 50,950 | - | 50,950 |
| Lonoke/White Public Water Authority fees | 192,000 | - | 192,000 |
| Water purchased | <u>67,060</u> | <u>-</u> | <u>67,060</u> |
| Total operating expenses | <u>1,288,418</u> | <u>783,464</u> | <u>2,071,882</u> |
| Income from operations | <u>\$ 102,114</u> | <u>132,570</u> | <u>234,684</u> |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Departmental Schedule of Operations

Year ended December 31, 2019

| | <u>Water</u> | <u>Sewer</u> | <u>Combined</u> |
|--|-------------------|----------------|------------------|
| Operating revenue: | | | |
| Water sales | \$ 1,323,353 | - | 1,323,353 |
| Sewer service | - | 883,257 | 883,257 |
| Other revenue | <u>72,499</u> | <u>42,781</u> | <u>115,280</u> |
| Total operating revenue | <u>1,395,852</u> | <u>926,038</u> | <u>2,321,890</u> |
| Operating expenses: | | | |
| Supervisory salaries | 56,544 | 37,696 | 94,240 |
| Office salaries | 84,672 | 56,448 | 141,120 |
| Other labor | 94,273 | 62,848 | 157,121 |
| Employees' group insurance | 56,593 | 37,728 | 94,321 |
| Utilities | 61,784 | 75,037 | 136,821 |
| Payroll taxes | 18,054 | 12,036 | 30,090 |
| Operating supplies and expense | 74,817 | 49,878 | 124,695 |
| Chemicals | 41,942 | - | 41,942 |
| Maintenance and repairs | 10,364 | 6,909 | 17,273 |
| Employee benefit plan | 32,416 | 21,610 | 54,026 |
| Truck and machinery expense | 9,613 | 6,409 | 16,022 |
| Office supplies | 53,958 | 35,972 | 89,930 |
| Bad debts | 2,932 | 1,954 | 4,886 |
| Legal and audit | 3,480 | 2,320 | 5,800 |
| Insurance | 6,874 | 4,583 | 11,457 |
| Licenses and permits | - | 6,244 | 6,244 |
| Depreciation and amortization | 348,490 | 350,968 | 699,458 |
| Outside services | 19,694 | 17,650 | 37,344 |
| Commissioner fees | 39,700 | - | 39,700 |
| Lonoke/White Public Water Authority fees | 176,000 | - | 176,000 |
| Water purchased | <u>68,091</u> | <u>-</u> | <u>68,091</u> |
| Total operating expenses | <u>1,260,291</u> | <u>786,290</u> | <u>2,046,581</u> |
| Income from operations | <u>\$ 135,561</u> | <u>139,748</u> | <u>275,309</u> |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information

Year ended December 31, 2020

Insurance on Deposit Funds

All funds are deposited in financial institutions insured by the FDIC. Deposits in excess of the insured amount are collateralized by pledge of securities by the financial institution.

Insurance Coverage

| <u>Provider</u> | <u>Coverage</u> | <u>Amount</u> |
|--|--|--|
| Self Insured Bond Program administered by Arkansas Insurance Department | Surety Bond | \$ 250,000 |
| Arkansas Municipal League | Worker's Compensation | 100,000 |
| Arkansas Municipal League | Vehicles - Liability - Physical damage | \$25,000/50,000 Actual cash value less \$1,000 deductible |
| Arkansas Municipal League | Water and Sewer buildings, storage tanks, lift stations, and other property | \$ 2,993,648 |

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Federal Income Tax

As the City of Beebe, Arkansas Water and Sewer System is a municipally owned system, it is exempt from federal and state income tax.

Accounts receivable

An age analysis of accounts receivable at December 31, 2020 is presented below:

| <u>Age</u> | <u>Amount</u> |
|--|-------------------|
| Current | \$ 283,133 |
| Past due: | |
| 0-30 days | 18,915 |
| 31-60 days | 1,876 |
| 61-90 days | <u>6,648</u> |
| | 310,572 |
| Less amount included as billing for sanitation for the City of Beebe | 82,106 |
| Less overpayments/prepayments | <u>10,390</u> |
| Net accounts receivable | <u>\$ 218,076</u> |

Accrual Basis of Accounting

The accounting records are maintained on the accrual basis.

Sewer Rates

The rate charged for sewer service for the users of the System is as follows at December 31, 2020:

| | |
|-------------------------------------|------------------------|
| First 1,000 gallons | \$ 9.07 |
| Each 1,000 gallons above 1,000 used | 3.90 per 1,000 gallons |

The rates are applied to winterized usage determined annually using November through April water usage.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Water Rates

The rate charged customers for water usage is as follows at December 31, 2020:

| | |
|-------------------------------------|------------------------|
| First 1,000 gallons | \$18.00 for 5/8" meter |
| Each 1,000 gallons above 1,000 used | 3.75 per 1,000 gallons |

Meter charges vary for the size of meter, but the usage charge remains at \$3.75 per 1,000 gallons.

Annual billable water in gallons - 206,035,870 gallons

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Five year amortization schedule of long-term notes and bonds payable:

Water and Sewer Revenue Bonds, Series 1999:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 165,186 | 160,654 | 4,532 | - |

Water and Sewer Revenue Bonds, Series 2000:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 53,655 | 52,183 | 1,472 | - |

Water and Sewer Revenue Bonds, Series 2003:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 109,424 | 98,543 | 10,881 | 260,690 |
| 2022 | 109,424 | 101,772 | 7,652 | 158,918 |
| 2023 | 109,424 | 105,106 | 4,318 | 53,812 |
| 2024 | 54,686 | 53,812 | 874 | - |

(1) Includes 1% service fee.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Water and Sewer Revenue Bonds, Series 2006:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 85,486 | 67,670 | 17,816 | 497,291 |
| 2022 | 85,486 | 69,887 | 15,599 | 427,404 |
| 2023 | 85,486 | 72,177 | 13,309 | 355,227 |
| 2024 | 85,487 | 74,543 | 10,944 | 280,684 |
| 2025 | 85,487 | 76,984 | 8,502 | 203,700 |
| Past 2025 | 230,742 | 203,700 | 27,042 | - |

Water and Sewer Revenue Bonds, Series 2008:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 98,009 | 76,130 | 21,879 | 738,367 |
| 2022 | 98,007 | 78,236 | 19,771 | 660,131 |
| 2023 | 98,008 | 80,403 | 17,605 | 579,728 |
| 2024 | 98,007 | 82,629 | 15,378 | 497,099 |
| 2025 | 98,007 | 84,917 | 13,090 | 412,182 |
| Past 2025 | 441,035 | 412,182 | 28,853 | - |

Water and Sewer Revenue Bonds, Series 2010A:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 170,974 | 118,969 | 52,005 | 1,510,697 |
| 2022 | 170,974 | 122,867 | 48,107 | 1,387,830 |
| 2023 | 170,975 | 126,893 | 44,082 | 1,260,937 |
| 2024 | 170,973 | 131,049 | 39,924 | 1,129,888 |
| 2025 | 170,975 | 135,344 | 35,631 | 994,544 |
| Past 2025 | 1,111,316 | 994,544 | 116,772 | - |

(1) Includes 1% service fee.

CITY OF BEEBE, ARKANSAS WATER AND SEWER SYSTEM

Supplemental Information, Continued

Water and Sewer Revenue Bonds, Series 2010B:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 34,193 | 23,793 | 10,401 | 302,145 |
| 2022 | 34,194 | 24,572 | 9,622 | 277,573 |
| 2023 | 34,194 | 25,377 | 8,817 | 252,196 |
| 2024 | 34,194 | 26,209 | 7,985 | 225,987 |
| 2025 | 34,194 | 27,068 | 7,126 | 198,919 |
| Past 2025 | 222,278 | 198,919 | 23,359 | - |

(1) Includes 1% service fee.

Water and Sewer Revenue Bonds, Series 2013:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement (1)</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|-------------------------------------|--------------------------------|
| 2021 | 187,099 | 136,023 | 51,077 | 2,167,902 |
| 2022 | 187,100 | 139,100 | 48,000 | 2,028,802 |
| 2023 | 187,100 | 142,248 | 44,852 | 1,886,554 |
| 2024 | 187,100 | 145,466 | 41,634 | 1,741,088 |
| 2025 | 187,099 | 148,757 | 38,342 | 1,592,331 |
| Past 2025 | 1,777,480 | 1,592,331 | 185,149 | - |

(1) Includes 1% service fee.

Mid Arkansas Water Alliance:

| <u>Year</u> | <u>Total Payment</u> | <u>Principal Retirement</u> | <u>Interest Requirement</u> | <u>Remaining Principal</u> |
|-------------|--------------------------|---------------------------------|---------------------------------|--------------------------------|
| 2021 | 33,588 | 14,763 | 18,825 | 640,019 |
| 2022 | 33,590 | 15,189 | 18,401 | 624,830 |
| 2023 | 33,590 | 15,626 | 17,964 | 609,204 |
| 2024 | 33,590 | 16,075 | 17,515 | 593,129 |
| 2025 | 33,589 | 16,537 | 17,052 | 576,592 |
| Past 2025 | 806,146 | 576,592 | 229,554 | - |

SHOPTAW, LABAHN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN W. SHOPTAW, CPA
LORI A. MELTON, CPA
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TEL. 479-967-3600 FAX 479-967-2131

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Commissioners
City of Beebe Water and Sewer System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of Beebe, Arkansas Water and Sewer System, component unit of the City of Beebe, Arkansas, which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenditures 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 April 20, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 result of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 20, 2021

Shelton, Hobson & Company, P.A.

EXHIBIT B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100