

NEW ISSUE**BOOK-ENTRY ONLY**

*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 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. 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, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. See **LEGAL MATTERS**, [Tax Exemption](#) herein.*

\$3,910,000
CITY OF BERRYVILLE, ARKANSAS
WATER AND SEWER REVENUE AND SALES AND USE TAX
REFUNDING BONDS,
SERIES 2020

Dated: Date of Delivery

Due: December 1, as described below

The Bonds will not be general obligations of the City of Berryville, Arkansas (the "City"), but will be special obligations, secured by a pledge of and payable from (1) the first \$17,000 of monthly collections of a one percent (1%) sales and use tax levied by the City and (2) net revenues derived from the operation of the City's water and sewer (combined) system (the "System"). The pledge of net revenues derived from the operation of the System in favor of the Bonds is on a parity with the pledge of net revenues of the System in favor of certain outstanding obligations of the City, as described herein. See **THE BONDS**, [Security](#).

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2020, and the Bonds mature (on December 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

<u>Year</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>	<u>Year</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2021	\$245,000	2.500	1.420	2027	\$335,000	3.000	1.900*
2022	290,000	2.500	1.500	2028	345,000	2.000	2.050
2023	300,000	2.750	1.550	2029	350,000	2.125	2.150
2024	310,000	2.750	1.650	2030	360,000	2.125	2.250
2025	310,000	3.000	1.750*	2031	370,000	2.250	2.320
2026	325,000	3.000	1.850*	2032	370,000	2.375	2.375

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 BancorpSouth Bank, Stuttgart, 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. It is expected that the Bonds will be available for delivery at the facilities of DTC in New York, New York on or about March 26, 2020.

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: February 25, 2020.

* Priced to first optional redemption date, June 1, 2025.

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

\$3,910,000
CITY OF BERRYVILLE, ARKANSAS
WATER AND SEWER REVENUE AND SALES AND
USE TAX REFUNDING BONDS,
SERIES 2020

INTRODUCTION TO THE OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Berryville, Arkansas (the "City") of its Water and Sewer Revenue and Sales and Use Tax Refunding Bonds, Series 2020, dated the date of delivery thereof, in the aggregate principal amount of \$3,910,000 (the "Bonds"). The Bonds are being issued to current refund the City's Water and Sewer Revenue and Sales and Use Tax Refunding Bonds, Series 2012 (the "Bonds Refunded"), provide a debt service reserve, and pay expenses of issuing the Bonds. See **THE BONDS, Purposes for Bonds**.

The City is a city of the first class organized under the laws of the State of Arkansas (the "State") and is located in northwest Arkansas. The City is authorized and empowered under the laws of the State, including particularly, Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2, Title 14, Chapter 164, Subchapter 3 and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue its bonds and to expend the proceeds thereof for the intended purpose. See **THE CITY AND THE COUNTY**.

The Bonds are not general obligations of the City, but are special obligations payable solely from (1) a first and prior pledge of the first \$17,000 of monthly collections of a one percent (1%) sales and use tax levied by the City (the "Tax") and (2) net revenues derived from the operation of the City's water and sewer (combined) system (the "System"). The pledge of net revenues derived from the System in favor of the Bonds is on a parity with the pledge of net revenues derived from the System in favor of the City's Water and Sewer Revenue Bond, dated August 27, 2018 (the "2018 Bond"). 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. 1067, adopted on February 18, 2020 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**. The issuance of the Bonds Refunded and the pledge of the Tax to the indebtedness represented by the Bonds was approved at a special election held in the City on November 13, 2007. Tyson Foods, Inc. ("Tyson") is a major user of the System. See **THE SYSTEM, Largest Users of the System**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable June 1, 2020 and semiannually thereafter on each June 1 and December 1. Principal is payable at the principal office of BancorpSouth Bank, Stuttgart, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The Bonds are subject to optional redemption on and after June 1, 2025 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) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), and (iv) the Bonds and interest thereon are exempt from all State, county and municipal taxes. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about March 26, 2020, 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 are dated, mature and bear interest as set forth on the cover page hereof. The principal of the Bonds is payable upon presentation and surrender at the principal office of the Trustee. Payment of interest on the Bonds will be made to each registered owner thereof by check or draft mailed by the Trustee to such owner at his address as such name and address appear on the registration book of the City kept by the Trustee on the record date which is the fifteenth day of the calendar month next preceding the calendar month in which such interest payment date falls. All such payments will be made in lawful money of the United States of America.

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

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

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

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

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

Redemption. The Bonds are subject to optional redemption as follows:

(1) Optional Redemption. The Bonds are subject to redemption at the option of the City, from funds from any source, on and after June 1, 2025, in whole or in part at any time, at a redemption price

equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

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 facsimile or electronic 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 (a) current refund the Bonds Refunded (the "Refunding"), (b) provide a debt service reserve and (c) pay expenses of issuing the Bonds.

A portion of the Bond proceeds and other available funds will be deposited with the trustee for the owners of the Bonds Refunded and used to redeem the Bonds Refunded on the date the Bonds are issued, or the first practicable date thereafter, at a price of par plus accrued interest. The Bonds Refunded were issued to current refund the City's Water and Sewer Revenue and Sales and Use Tax Refunding and Improvement Bonds, Series 2008 (the "2008 Bonds"). The 2008 Bonds were issued to current refund the City's Water and Sewer Revenue Bonds, Series 2001 (the "2001 Bonds") and to finance the costs of acquiring, constructing and equipping extensions, betterments and improvements to the City's sewer facilities consisting of upgrades and renovations to the wastewater treatment plant and rehabilitation of the sewer collection facilities. The 2001 Bonds were issued to finance the cost of acquiring, constructing and equipping extensions, betterments and improvements to the System, including the expansion of the water distribution system and the wastewater collection system.

The sources and uses of funds to accomplish the Refunding, provide a debt service reserve and pay expenses of issuing the Bonds are estimated by the City as follows:

SOURCES:	
Principal Amount of Bonds	\$3,910,000
Funds for Bonds Refunded	301,386
Net Original Issue Premium	<u>86,613</u>
 Total Sources	 \$4,297,999
USES:	
Refunding Costs	\$3,996,791
Debt Service Reserve ⁽¹⁾	193,556
Underwriter's Discount	58,650
Costs of Issuance	<u>49,002</u>
 Total Uses	 \$4,297,999

⁽¹⁾ To be provided with a transfer from the debt service reserve for the Bonds Refunded.

The payment of Underwriter's discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting**, for a description of the Underwriter's discount.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a first and prior pledge of (1) the first \$17,000 of monthly collections of the Tax (the "Pledged Sales Tax Revenues") and (2) net revenues derived from the operation of the System (the "System Revenues"). The pledge of System Revenues in favor of the Bonds is on a parity with the pledge of System Revenues in favor of the 2018 Bond. Collections of the Pledged Sales Tax Revenues are not pledged to the 2018 Bond.

The Tax was levied by the City pursuant to Ordinance No. 397, adopted May 9, 1986. At an election held July 8, 1986, the electors of the City approved the Tax. Collections of the Tax began on September 1, 1986. The pledge of the Pledged Sales Tax Revenues to the payment of indebtedness represented by the Bonds was approved by the electors of the City at a special election held November 13, 2007.

A debt service reserve securing the Bonds will be maintained in the Bond Fund in an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds. The debt service reserve will be provided through a transfer of moneys and/or securities from the debt service reserve for the Bonds Refunded. See **THE AUTHORIZING ORDINANCE**.

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 secured by a pledge of Pledged Sales Tax Revenues and System Revenues subordinate to the pledge in favor of the Bonds. See **THE AUTHORIZING ORDINANCE, Additional Bonds**.

THE CITY AND THE COUNTY

Location. The City is located in Carroll County (the "County") in northwestern Arkansas. The City is located about 173 miles northwest of Little Rock, Arkansas and 171 miles east of Tulsa, Oklahoma.

Population. The following table sets forth the population trends for the City and County since 1970:

<u>Year</u>	<u>City</u>	<u>County</u>
1970	2,271	12,301
1980	2,966	16,203
1990	3,212	18,654
2000	4,433	25,357
2010	5,356	27,446
2018*	5,519	28,223

* Estimate as of July 1, 2018.

Transportation. The City is served by U.S. Highway No. 62. Approximately six motor freight lines make daily shipments through the City to major cities across the United States.

The Carroll County Municipal Airport with a 3,555-foot lighted asphalt runway serves public aircrafts. The nearest commercial airport is 30 miles away in Harrison, Arkansas.

Government. The government of the City operates under the mayor-city council form of government, pursuant to which a mayor is elected for a four-year term and four City Council members are elected for two-year terms. The Mayor of the City is Tim McKinney, whose term expires December 31, 2022.

Medical Facilities. The City is served by a 25-bed hospital with "critical access" designation and six medical clinics. The City is served by approximately 25 physicians and surgeons located in the City.

Financial Institutions. The City is served by The First National Bank of Berryville which is the only bank having its principal offices in the City. AnStaff Bank, National Association, Arvest Bank, Equity Bank, and Cornerstone Bank have branch offices in the City.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system which is fully accredited by the Arkansas State Department of Education. The University of Arkansas is located approximately 60 miles from the City in Fayetteville, Arkansas, and North Arkansas College in Harrison is located approximately 30 miles from the City.

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

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Tyson Foods, Inc.	Poultry processing plant	950
Wal-Mart Supercenter	Retail	287
Berryville School District	Education	277
Ducommun-LaBarge, Inc.	Aerospace parts assembly	185
Mercy Hospital & Clinics	Hospital & healthcare	168
Wilson Combat	Firearms assembly	167
Carroll County	County government	160
Kerusso Activewear	Clothing and apparel	146
Carroll Electric Cooperative	Electric company	131
Learning Center	Education and Developmental Disability Services	110
Mid-States Specialty Eggs	Egg processing plant	91
Barrows Excavation, Inc.	Excavation and construction	90
Autumn Hill Nursing & Rehab Center	Healthcare	90
Nighthawk Custom Firearms	Firearms assembly	67
City of Berryville	City government	60
First National Bank of North Arkansas	Banking	48

Litigation. There is no litigation or administrative proceeding pending or threatened against the City which could have a material adverse impact on the City or its financial position.

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

<u>Year</u>	<u>Per Capita Personal Income</u>
2014	\$31,241
2015	30,635
2016	31,170
2017	33,064
2018	33,690

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

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

<u>Year</u>	<u>Total Personal Income</u>
2014	\$871,469,000
2015	850,877,000
2016	865,048,000
2017	924,051,000
2018	950,841,000

Set forth below are the annual average unemployment rates for the County and the State since 2014:⁽²⁾

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
2014	5.2	6.0
2015	4.6	5.0
2016	3.6	4.0
2017	3.3	3.7
2018	3.2	3.7
2019*	2.7	3.4

*As of September 2019.

THE SYSTEM

General. The System, consisting of water and sewer utilities, is owned and operated by the City and employs approximately 10 persons. The following are key employees of the System, their ages and the number of years they have been employed by the System:

<u>Name</u>	<u>Title</u>	<u>Years Served</u>
Billy Harp	Public Works Manager	21
Johnny Baldwin	Public Works Supervisor	23
Kelly Disheroon	Utilities Construction Manager	2
Eve Warren	Billing Office Manager	6

Water System. The water source for the City is Beaver Lake, located west of the City. The City is a member of the Carroll-Boone Water District (the "District") and has a water supply contract with the District. Through this contract, the City purchases water for the System and helps finance its share of the Carroll-Boone Water District Beaver Lake intake structure and water transmission lines. The Carroll-Boone Water District operates the Freeman-Rainey Water Treatment Plant on the banks of Beaver Lake. The City's water is treated by that plant.

The City's water is pumped to the City by the District through a water transmission pipeline consisting of 30 inch ductile iron pipe. The treated water from the District enters the City's water distribution system at three locations within the corporate city limits. Carroll-Boone Water Metering Station #1 is located on Saunders Heights (north end of town), Metering Station #2 is located in the Berryville City Pool Park (south end of town), and Metering Station #3 is located off CR 327 in the Shady Grove area (southwest of town). Each metering station operates completely independent from the other and is capable of delivering adequate water to the entire System irrespective of the operational status of the other. Both water metering stations have rate of flow controllers that can be adjusted to provide a wide range of flow rates. The rate of flow controllers are presently set to deliver between 1500 and 2000

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

⁽²⁾ Source: Arkansas Department of Workforce Services

gallons per minute upon demand. During an emergency, bypass valves located at each water metering station can be opened to allow the maximum capacity of the station to enter the City's water distribution system. Both metering stations are monitored 24 hours per day by a computerized system located at the District's plant. The computer monitoring system shows the amount of water entering the City's water distribution system and the water storage tank levels in real time and provides a permanent historical data base for use in reporting or analysis. The computerized system monitors critical water levels and sounds an alarm if water levels in the storage tanks become too high or too low.

The City has four million gallons of water storage. A one million gallon ground storage tank is located on Saunders Heights. A three million gallon ground storage tank, located on Hailey Road, was constructed in 1996 and put on-line in December of 1996. The average daily water usage in the City is 1.4 million gallons per day.

There are approximately 66* water users located outside the City limits. 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>Industrial</u>	<u>Total</u>
2015	1,927	380	1	2,308
2016	1,946	390	1	2,337
2017	1,956	395	1	2,352
2018	1,971	415	1	2,387
2019	1,970	375	1	2,346

Set forth below are the current monthly water rates for customers of the System (for prior water rate structure, see EXHIBIT C attached hereto):

Water Rates (Effective August 6, 2019)

<u>Volume</u>	<u>Customers Inside City Limits</u>	<u>Customers Outside City Limits</u>
First 2,000 gallons	\$11.60 (minimum)	\$22.00 (minimum)
Next 18,000 gallons	3.60 per 1,000 gallons	3.95 per 1,000 gallons
Next 80,000 gallons	3.35 per 1,000 gallons	3.70 per 1,000 gallons
Next 200,000 gallons	3.20 per 1,000 gallons	3.55 per 1,000 gallons
Over 300,000 gallons	3.10 per 1,000 gallons	3.45 per 1,000 gallons

Sewer System. The service area of the System contains approximately 172,334 lineal feet of gravity sewer lines ranging in size from 4 to 15 inches, with an 8-inch being the most common sizes. There are no known connections of storm sewer to the System. The City maintains eight (8) sewage lift stations. The sewage lift stations are centrifugal type pumps. The pumping rates vary from 110 gpm at the Paradise Heights pump station to 580 gpm at the Lemon Lane pump station.

The treatment process is activated sludge extended aeration. This is a suspended media biological treatment process. The designed flow capacity of the plant is 2.4 million gallons per day. The maximum flow capacity is 7 million gallons per day. The average flow is 1.3 million gallons per day. The present plant organic and hydraulic loading is approximately 52% of design load. The process includes preliminary treatment consisting of a bar screen and grit removal. The flow then proceeds to the activated sludge process with a detention time of 24 hours whereupon the treated waste settles in a final clarifier. The settled activated sludge is returned to the aeration process with a small percentage "wasted" to the sludge thickening process. The clear supernatant flows over the weirs of the final clarifier into the ultra-violet disinfection system where the treated wastewater is disinfected to kill pathogenic bacteria. The waste sludge is then pumped to the sludge thickener and then pumped to the aerobic digester, while supernatant is drawn off and sent to the head of the plant. From the digester,

* The City will add approximately 300 new water users located outside the City limits by February 2020, the estimated completion date of the System improvements financed with proceeds of the 2018 Bond and with grants.

the sludge is pumped to the belt press. The dewatered sludge from the belt press is deposited into a thirty (30) yard roll off container for final disposal at a landfill, and the supernatant from the belt press is sent back to the head of the plant for further treatment.

One sewer user is located outside the City. The average number of sewer users for each of the past five years is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2015	1,712	320	1	2,033
2016	1,733	327	1	2,061
2017	1,741	332	1	2,074
2018	1,749	353	1	2,103
2019	1,794	317	1	2,112

Sewer rates are based upon water usage. Set forth below are the current monthly rates for the System (for prior sewer rate structure, see EXHIBIT C attached hereto):

Sewer Rates (Effective January 1, 2018)

<u>Volume</u>	<u>Monthly Charge</u>
First 2,000 gallons	\$9.50 (minimum)
Next 8,000 gallons	3.45 per 1,000 gallons
Next 90,000 gallons	3.20 per 1,000 gallons
Over 100,000 gallons	2.50 per 1,000 gallons

Largest Users of the System. Tyson is the only user of the System which accounts for more than 5% of the gross revenues of the System. Tyson accounted for approximately 58% of System revenues for 2018. The five largest users of the System for 2018 were:

- Tyson Foods, Inc.
- Carroll County Detention Center
- Berryville School District
- Mid-States Specialty Eggs, LLC
- Northwest Regional Housing Authority

Litigation. There is no material litigation or administrative proceeding pending or threatened against the System which could have a material adverse impact on the System or its financial position.

THE TAX

Generally. Pursuant to Title 26, Chapter 75, Subchapter 2 of the Arkansas Code of 1987 Annotated (the "Tax Legislation"), the City has levied the Tax pursuant to an ordinance of the City, which is a tax within the City on all items which are subject to taxation under The Arkansas Gross Receipts Act of 1941 and a tax on the receipts from storing, using or consuming tangible personal property under The Arkansas Compensating (Use) Tax Act of 1949. Pursuant to the Authorizing Ordinance, the City has pledged the Tax receipts to the payment of the Bonds. The Tax was approved at a special election held July 8, 1986.

The Streamline Sales and Use Tax Agreement ("Streamline") has been adopted by the State and became effective on January 1, 2008. Streamline amended Arkansas sales and use tax law to allow the State to collect sales and use taxes from internet sales from vendors outside the State. Streamline limits the collection of the local sales and use tax on the first \$2,500 of sales proceeds only on the following sales: motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes. There is no limit of the amount of local sales and use tax to be paid on all other items. The State allows businesses, nonprofits and governmental entities to file for a credit or rebate on a local sales and use tax if the amount on an invoice totals more than \$2,500 on certain qualified purchases. Claims for

credit or rebates must be filed with the Arkansas Department of Finance and Administration ("DF&A") within one year from the date of purchase or one year from the date of payment, if later. DF&A will then cause the State Treasurer to withhold the amount of the refund from future disbursements to the local government levying the sales and use tax.

Pursuant to Act 757 of 2011 (the "Sales Tax Holiday Act"), the State has created an annual sales tax holiday in which clothing (which are less than \$100 per item), clothing accessories or equipment (which are less than \$50 per item), school art supplies, school instructional materials and school supplies are exempt from taxation under The Arkansas Gross Receipts Tax Act of 1941. The annual sales tax holiday is from 12:01 a.m. on the first Saturday in August until 11:59 p.m. the following Sunday.

Set forth in Exhibit A attached hereto is a summary of certain provisions of the statutes authorizing the Tax. The summary does not purport to be complete statements of the laws. Reference is made to Arkansas Code Annotated §§26-52-101 et seq. and 26-53-101 et seq. for the full text and complete descriptions of such provisions.

Administration. Pursuant to the Tax Legislation, the Commissioner of Revenues of the State (the "Commissioner") performs all functions incidental to the administration, collection, enforcement and operation of the Tax. All Tax receipts collected, less certain charges payable and retainage due the Commissioner for administrative services in the amount of 3% of the gross Tax receipts, shall be remitted by the State Treasurer to the Trustee monthly for deposit into the Bond Fund. See **AUTHORIZING ORDINANCES, the Bond Fund.**

Historical Tax Receipts. The Tax has been collected since September 1, 1986. Collections of the Tax have been as follows for the years indicated:

<u>Year</u>	<u>Tax Collections</u>
2014	\$1,305,903
2015	1,396,479
2016	1,426,411
2017	1,409,488
2018	1,466,924
2019	1,568,873

Future Tax Receipts. Tax receipts will be contingent upon the sale and use of property and services within the City, which activity is generally dependent upon economic conditions within the City and surrounding trade area. Also, Tax receipts may be affected by changes to transactions exempted from the Tax made by legislation adopted by the General Assembly of the State or by the people of the State in the form of a constitutional amendment or initiated act. In the past the General Assembly of the State has considered new exemptions to the Tax, such as food sales, which, if adopted, would materially reduce Tax receipts. The City has no control over actions of the General Assembly or the people of the State and cannot predict whether changes to the Tax may be made. Accordingly, the City cannot predict with certainty the expected amount of Tax receipts to be received and, therefore, there can be no assurance that Tax receipts will be sufficient to pay the principal of and interest on the Bonds.

The United States Supreme Court held in *S. Dakota v. Wayfair, Inc.*, No. 17-494, 2018 WL 3058015 (U.S. June 21, 2018) that in certain circumstances retailers can be required to collect sales tax even in states where they have no physical presence. The Arkansas General Assembly passed Act 822 of 2019, which was signed by the Governor of the State on April 9, 2019, that requires out-of-state sellers without a physical presence in the State to collect and remit sales and use taxes to the State on annual sales of more than \$100,000 from products and services delivered into the State. Alternatively, such sellers would be required to collect and remit sales and use taxes to the State if sales of products and services for delivery in the State consist of 200 or more transactions. These thresholds are identical to those imposed by the United States Supreme Court in *S. Dakota v. Wayfair, Inc.* The City is unable to predict at this time the effect of any future collections of the Tax on sales by retailers located outside the State.

THE AUTHORIZING ORDINANCE

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

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

The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the net revenues with the reduced rates, will always be equal to the 120% Test which is defined to mean at least 120% of the amount determined by subtracting \$204,000 from aggregate average annual principal and interest requirements on all outstanding bonds and obligations to which revenues of the System are pledged ("System Bonds"). The term "net revenues" means gross revenues of the System ("System Revenues") less the amounts required to pay the costs of operation and maintenance expenses of the System, other than depreciation, interest and amortization of deferred bond discount expenses, determined in accordance with generally accepted accounting principles applicable to municipal water and sewer facilities. 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 sufficient to meet the 120% Test.

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

Funds and Disposition of Revenues. (a) All System Revenues shall be paid into a special fund designated "Water and Sewer Revenue Fund" (the "Revenue Fund"). There shall be maintained separate accounts within the Revenue Fund so that water and sewer revenues can be accounted for separately. Except as hereinafter provided, all Pledged Sales Tax Revenues shall be deposited upon receipt into the Bond Fund (hereinafter identified).

(b) There shall first be paid from the Revenue Fund into a fund designated "Sewer System Operation and Maintenance Fund" (the "Sewer Operation and Maintenance Fund"), on the first day of each month, an amount sufficient to pay the operating expenses and to make reasonable provision for maintenance of the sewer facilities of the System for such month and from which disbursements shall be made only for those purposes.

If any surplus shall be accumulated in the Sewer Operation and Maintenance Fund over and above the amount which shall be necessary to defray the costs of operation and maintenance of the sewer facilities of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

(c) There shall next be paid from the Revenue Fund into a fund designated "Water System Operation and Maintenance Fund" (the "Water Operation and Maintenance Fund") on the first day of each month, an amount sufficient to pay the operating expenses and to make reasonable provision for maintenance of the water facilities of the System for such month and from which disbursements shall be made only for those purposes. There shall be included in operation expenses all payments due the Carroll-Boone Water District from the City pursuant to the Memorandum of Understanding and Contract Providing for Construction, Maintenance, Operation and Expenses of the Carroll-Boone Water District Water Supply Facilities dated December 18, 1998, as heretofore or hereafter amended, which contract relates to the purchase of water by the City.

If any surplus shall be accumulated in the Water Operation and Maintenance Fund over and above the amount which shall be necessary to defray the costs of operation and maintenance of the water facilities of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

(d) There shall next be paid from the Revenue Fund contemporaneously with and on a parity with deposits into the bond fund for the 2018 Bond, into a special fund designated "Water and Sewer Revenue and Sales and Use Tax Bond Fund, Series 2020" (the "Bond Fund") established with the Trustee, a sum equal to one-sixth (1/6) of the next installment of interest due on the Bonds and one-twelfth (1/12) of the next installment of principal due on the Bonds; provided, however, such interest payments shall be increased as necessary so that there are sufficient funds to make the first interest payment due on the Bonds, and provided such principal payments shall not commence until December 2020.

The City shall also pay into the Bond Fund such additional sums as necessary to provide for Trustee's fees and expenses and any arbitrage rebate due the United States Treasury under Section 148(f) of the Code. The City shall receive a credit against monthly deposits from the Revenue Fund into the Bond Fund from (a) Bond proceeds deposited therein and all interest earnings on moneys in the Bond Fund, (b) transfers into the Bond Fund derived from earnings on the Debt Service Reserve during the preceding month, (c) transfers from funds held in connection with the Bonds Refunded not necessary to accomplish the refunding, and (d) Pledged Sales Tax Revenues previously deposited into the Bond Fund. The City may reduce the monthly amount of Pledged Sales Tax Revenues deposited into the Bond Fund to the extent that there will be in the Bond Fund the required amount for that month.

There is created, as a part of the Bond Fund, a Debt Service Reserve which shall be maintained in an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds (the "required level"). Should the Debt Service Reserve become impaired or be reduced below the required level, the City shall make additional monthly payments from the Revenue Fund until the impairment or reduction is corrected over a twelve month period.

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds as the same become due, any sums then held in the Debt Service Reserve shall be used to the extent necessary to pay such principal and interest, but the Debt Service Reserve shall be reimbursed from the Revenue Fund as described above before any moneys in the Revenue Fund shall be used for any other purpose other than the making of payments required to be made into the Sewer Operation and Maintenance Fund, the Water Operation and Maintenance Fund (collectively, the "Operation and Maintenance Funds") and the Bond Fund. The Debt Service Reserve shall be used solely as described in the Authorizing Ordinance.

(e) Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above may, at the option of the City, be deposited into other funds of the System, including depreciation funds, or used for any lawful municipal purpose authorized by the City.

Additional 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 pledge of Pledges Sales Tax Revenues and System Revenues ("Revenues") that is senior to or on a parity with the pledge securing the Bonds.

The City reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund System Bonds, which additional bonds are expressly made subordinate to the pledge of Revenues securing the Bonds.

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 the Tax, and such books shall be available for inspection by the registered owner of any of the Bonds at reasonable times and under reasonable circumstances. The

City agrees to have these records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of the Bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Funds.

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 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 and other perils included in extended coverage insurance in effect in Arkansas. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Operation and Maintenance Funds and second from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

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

On the payment of any Bonds within the meaning of the Authorizing Ordinance the Trustee will hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Government 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 all arbitrage rebate with respect to the Bonds has been paid or provided for to the satisfaction of the Trustee, the Trustee will take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and cancelled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Government Securities there will be considered the principal amount of such Government Securities and interest to be earned thereon until the maturity of such Government Securities.

Defaults and Remedies. If there be any default in the payment of the principal of or interest on any of the Bonds, or if the City defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of Arkansas. And in the case of a default in the payment of the principal of and interest on

any of the Bonds, the Trustee may, and upon the written request of registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners of the Bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the System Revenues in conformity with the laws of Arkansas 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.

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

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

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

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

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

privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving sixty (60) days' notice in writing to the City Clerk and the registered owners of the Bonds, and the City, so long as it is not in default under the Authorizing Ordinance, or a majority in value of the registered owners of the outstanding Bonds, 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 appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk. Every successor Trustee shall be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$20,000,000. 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. 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 in the Trustee's discretion in the absence of any direct instructions from the City, in Permitted Investments (as hereinafter defined), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, 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 seven (7) 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 any other fund shall be continuously invested and reinvested by or at the direction of the City, in Permitted Investments or other investments authorized by State law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

(c) 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, provided, however, that if earnings on investments of moneys in the Debt Service Reserve in the Bond Fund increase the amount thereof in excess of the required level, the earnings to the extent of the excess shall be transferred out of the Debt Service Reserve and into the debt service portion of the Bond Fund.

(d) Moneys so invested in Government Securities or in certificates of deposit of banks to the extent insured by the Federal Deposit Insurance Corporation ("FDIC"), need not be secured by the depository bank or banks.

(e) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America ("Government Securities"), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) certificates of deposit or 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 or obligations described in (ii) above.

(f) All investments and deposits shall have a par value (or market value when less than par), exclusive of accrued interest at all times at least equal to the amount of money credited to such funds and shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times.

(g) Investments of moneys in all funds shall be valued in terms of current market value as of the last day of each year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at par or face principal amount.

Nonarbitrage. The City covenants that it shall not take any action or suffer or permit any action to be taken or conditions to exist which causes or may cause the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the Bonds and Revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City agrees to calculate and pay with moneys in the Revenue Fund any arbitrage rebate at the times and in the amounts required by Section 148(f) of the Code.

CONTINUING DISCLOSURE AGREEMENT

Past Compliance. During the past five years, the City has been obligated to comply with continuing disclosure agreements related to three bond issues. The following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations over the past five years.

The City's existing continuing disclosure agreements require the City to disclose certain statistical information in annual reports that are filed with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA"). All required annual reports were timely filed for the fiscal years ended December 31, 2014, 2015, 2016, 2017 and 2018, and all required statistical information was included in each annual report.

As part of its annual reports, the City has also been obligated to file its annual audited financial statements. The City did file its audited financial statements for fiscal years ended December 31, 2014, 2015, 2016, 2017 and 2018; however, with respect to one bond issue, the 2016 audit was filed 4 days late. In addition, the City did not file notice of its failures to comply with its continuing disclosure agreements.

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 June 30 of each year (or 180 days after the end of the City's fiscal year if the City's fiscal year changes), commencing with the report after the end of the 2020 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, 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 sixty (60) 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) Not 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 has been provided to the MSRB by the date required in subsection (a), the Trustee shall file a notice to the MSRB.

Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

1. Information of the type set forth under the caption. **THE SYSTEM** with respect to (i) the number of water users and sewer users for the fiscal year then ended and the four previous fiscal years, (ii) 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 the System revenues for the previous fiscal year and (iii) a schedule of rates for services of the System.

2. Tax receipts for the latest calendar year and the four (4) previous years, if available; and

3. The annual financial statements of the System (which may be included in the audit of the City) prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. If there are no accounting principles generally accepted in the United States of America at the time the annual financial statements are prepared, then the annual financial statements shall be prepared in accordance with State law. If there are no auditing standards generally accepted in the United States of America at the time the annual financial statements are audited, then the annual financial statements shall be audited in accordance with State law.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The 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. Modification to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.

13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, 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). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing and notice thereof need not be given any earlier than the notice for the underlying event is given to registered owners of affected Bonds pursuant to the terms of the Authorizing Ordinance.

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

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

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City 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 and the Beneficial Owners and shall create no rights in any other person or entity.

FINANCIAL INFORMATION

Set forth in Exhibit B to this Official Statement are the audited financial statements of the City for the fiscal year ended December 31, 2018. The audited financial statements were prepared using the modified accrual basis of accounting. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

Set forth below is a Summary Statement of Revenue and Expenses of the System for the fiscal years ended December 31, 2014-2018, which is derived from the City's audited financial statements.

SUMMARY STATEMENT OF REVENUE AND EXPENSES OF THE SYSTEM

	<u>Fiscal Year Ended December 31</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenues	\$2,480,225	\$2,410,911	\$2,424,116	\$2,481,204	\$2,597,653
Operating Expenses	(2,289,562)	(2,164,643)	(2,533,470)	(2,247,769)	(2,316,455)
Sales Tax Revenues ⁽¹⁾	207,542	207,346	207,425	207,456	207,326
Net Income (Loss) Before Depreciation and Interest Expense	398,205	453,614	98,071	440,891	488,524
Depreciation	(594,252)	(587,392)	(549,269)	(492,506)	(488,270)
Interest and Amortization Expense	(162,793)	(159,752)	(168,237)	(149,423)	(153,165)
Interest Income	20,859	18,981	17,471	21,488	27,852
Other Non-Operating Revenues	<u>155,706</u>	<u>31,765</u>	<u>236,834</u>	<u>143,136</u>	<u>15,850</u> ⁽³⁾
Net Income (Loss)	<u>(\$182,275)</u>	<u>(\$242,784)</u> ⁽²⁾	<u>(\$365,130)</u>	<u>(\$36,414)</u>	<u>(\$109,209)</u> ⁽⁴⁾

⁽¹⁾Includes Pledged Sales Tax Revenues of \$204,000 per year.

⁽²⁾Prior to a "Transfer Out" of \$16,282.

⁽³⁾"Other Non-Operating Revenues" as stated on the above chart includes tapping fee revenues of \$6,150, reconnect fee revenues of \$8,175, and connection fee revenues of \$1,525, but excludes trash fees of \$17,988, miscellaneous items of \$713, and "Grant Revenue" of \$1,271,339.

⁽⁴⁾Prior to a "Transfer Out" of \$44,770.

ESTIMATED DEBT SERVICE COVERAGE

The following table shows the projected moneys available for debt service on the Bonds and the 2018 Bond, the amount of maximum annual debt service expected to be due, and the extent to which debt service is covered by such funds:

Revenues of the System ⁽¹⁾	\$2,641,355
Less: Operating Expenses of the System ⁽²⁾	<u>(2,316,455)</u>
System Funds Available for Debt Service ^(A)	324,900
Maximum Annual Debt Service Requirements on the 2018 Bond and the Bonds	458,525
Less: Pledged Sales Tax Revenues ⁽³⁾	<u>(204,000)</u>
Maximum Annual Debt Service Requirements Less Pledged Sales Tax Revenues ^{(B)(3)}	254,525
Debt Service Coverage ^(A/B)	1.28x

⁽¹⁾ Based on operating revenues and interest income from the City's audited financial statements for the year ended December 31, 2018. Revenues for the fiscal year ended December 31, 2018 include "Operating Revenues," "Interest Income," and \$15,850 of "Other Non-Operating Revenues," but exclude \$18,701 of "Other Non-Operating Revenues" and all "Grant Revenue." See **FINANCIAL INFORMATION** herein and Exhibit B hereto.

⁽²⁾ Based on total expenses before depreciation, interest and bond amortization expenses from the City's audited financial statements for the year ended December 31, 2018. Excluding a "Transfer Out" of \$44,770 for the fiscal year ended December 31, 2018. See **FINANCIAL INFORMATION** herein and Exhibit B hereto.

⁽³⁾ The first \$17,000 of monthly collections of the Tax that is pledged to the Bonds, but not to the 2018 Bond.

DEBT SERVICE REQUIREMENTS

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	--	\$66,932.64	\$ 66,932.64
2021	\$245,000	98,350.00	343,350.00
2022	290,000	92,225.00	382,225.00
2023	300,000	84,975.00	384,975.00
2024	310,000	76,725.00	386,725.00
2025	310,000	68,200.00	378,200.00
2026	325,000	58,900.00	383,900.00
2027	335,000	49,150.00	384,150.00
2028	345,000	39,100.00	384,100.00
2029	350,000	32,200.00	382,200.00
2030	360,000	24,762.50	384,762.50
2031	370,000	17,112.50	387,112.50
2032	370,000	8,787.50	378,787.50
TOTALS	\$3,910,000	\$717,420.14	\$4,627,420.14

Set forth below are the debt service requirements for the Bonds and the 2018 Bond for each year ending December 31:

<u>Year</u>	<u>Bonds Debt Service</u>	<u>2018 Bond Debt Service</u>	<u>Total Debt Service</u>
2020	\$ 66,932.64	\$71,412	\$138,344.64
2021	343,350.00	71,412	414,762.00
2022	382,225.00	71,412	453,637.00
2023	384,975.00	71,412	456,387.00
2024	386,725.00	71,412	458,137.00
2025	378,200.00	71,412	449,612.00
2026	383,900.00	71,412	455,312.00
2027	384,150.00	71,412	455,562.00
2028	384,100.00	71,412	455,512.00
2029	382,200.00	71,412	453,612.00
2030	384,762.50	71,412	456,174.50
2031	387,112.50	71,412	458,524.50
2032	378,787.50	71,412	450,199.50
2033	--	71,412	71,412.00
2034	--	71,412	71,412.00
2035	--	71,412	71,412.00
2036	--	71,412	71,412.00
2037	--	71,412	71,412.00
2038	--	71,412	71,412.00
2039	--	71,412	71,412.00
2040	--	71,412	71,412.00
2041	--	71,412	71,412.00
2042	--	71,412	71,412.00
2043	--	71,412	71,412.00
2044	--	71,412	71,412.00
2045	--	71,412	71,412.00
2046	--	71,412	71,412.00
2047	--	71,412	71,412.00
2048	--	71,412	71,412.00
2049	--	71,412	71,412.00
2050	--	71,412	71,412.00
2051	--	71,412	71,412.00
2052	--	71,412	71,412.00
2053	--	71,412	71,412.00
2054	--	71,412	71,412.00
2055	--	71,412	71,412.00
2056	--	71,412	71,412.00
2057	--	71,412	71,412.00
2058	--	71,412	71,412.00
Totals	\$4,627,420.14	\$2,785,068	\$7,412,488.14

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 Tax or the proceedings and authority under which the Bonds are to be issued or under which the Tax is levied, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Bonds.

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

Tax Exemption. In the opinion of Bond Counsel, interest on the Bonds under existing law 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 projects refinanced by the Bonds. 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).

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The City has designated the Bonds as "qualified tax-exempt obligations" and has covenanted not to use the improvements refinanced with proceeds of the Bonds and the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds," within the meaning of the Code, and has represented that the City and its subordinate entities have not and do not expect to issue more than \$10,000,000 of such tax-exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during calendar year 2020.

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 Internal Revenue Code is adopted for the purpose of computing Arkansas individual income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of

Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

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

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.

As shown on the cover page 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.

In the further opinion of Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county and municipal taxes.

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 changes the income tax rates for individuals and corporations, modifies the current provisions relative to the federal alternative minimum tax on individuals and eliminates 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

Underwriting. Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City, as issuer, and Stephens Inc., as underwriter (the "Underwriter"), the Bonds are being purchased at a price of \$3,937,963.10 (principal amount plus net original issue premium of \$86,613.10 less Underwriter's discount of \$58,650.00). The Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

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

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

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.

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 BERRYVILLE, ARKANSAS

By /s/ Tim McKinney
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

SUMMARY OF STATE SALES AND USE TAX PROVISIONS

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

- (a) (i) Tangible personal property;
- (ii) Specified digital products sold;
- (iii) Digital codes;
- (b) Natural or artificial gas, electricity, water, ice, steam, or any other utility or public service except transportation services, sewer services and sanitation or garbage collection services;
- (c) (i) Service of furnishing rooms, suites, condominiums, townhouses, rental houses or other accommodations by hotels, apartment hotels, lodging houses, tourist camps, tourist courts, property management companies, accommodations intermediaries, or any other provider of accommodations to transient guests;
- (ii) Service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers, paying customers or users, including installation, service, rental, repair and other charges having any connection with the providing of the said services;
- (iii) Service of initial installation, alteration, addition, cleaning, refinishing, replacement and repair of motor vehicles, aircraft, farm machinery and implements, motors of all kinds, tires and batteries, boats, electrical appliances and devices, furniture, rugs, flooring, upholstery, household appliances, televisions and radios, jewelry, watches and clocks, engineering instruments, medical and surgical instruments, machinery of all kinds, bicycles, office machines and equipment, shoes, tin and sheet metal, mechanical tools and shop equipment; however, the tax does not apply to (A) coin operated car washes, (B) the maintenance or repair of railroad parts, railroad cars and equipment brought into the City solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within the City, (C) the service of alteration, addition, cleaning, refinishing, replacement or repair of commercial jet aircraft or commercial jet aircraft components or subcomponents, (D) the repair or remanufacture of industrial metal rollers or platens that have a remanufactured non-metallic material covering on all or a part of the roller or platen surface, (E) the initial installation, alteration, addition, cleaning, refinishing, replacement or repair of non-mechanical, passive or manually operated components of buildings or other improvements or structures affixed to real estate, (F) services performed on watches and clocks received by mail or common carrier from outside this state and which, after the service is performed, are returned by mail or common carrier or in the repairer's own conveyance to points outside this state, (G) services performed by a temporary or leased employee or other contract laborer on items owned or leased by the employer, or (H) service of initial installation of any property that is specifically exempted from the tax imposed by this chapter;
- (iv) Service of providing transportation or delivery of money, property or valuables by armored car; service of providing cleaning or janitorial work; service of pool cleaning and servicing; pager services; telephone answering services; landscaping and non-residential lawn care services; service of parking a motor vehicle or allowing a motor vehicle to be parked; service of storing a motor vehicle; service of storing furs; and the service of providing indoor tanning at a tanning salon;
- (d) Printing of all kinds, types and characters, including the service of overprinting, and photography of all kinds;

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

(f) Dues and fees to health spas, health clubs and fitness clubs; dues and fees to private clubs which hold any permit from the Alcoholic Beverage Control Board allowing the sale, dispensing or serving of alcoholic beverages of any kind on the premises;

(g) Contracts, including service contracts, maintenance agreements, and extended warranties, which in whole or in part provide for future performance of or payment for services which are subject to gross receipts tax;

(h) Retail sale of any device used in playing bingo and any charge for admittance to facilities or for the right to play bingo or other games of chance;

(i) Prepaid calling service or prepaid wireless calling service and the recharge of such services;

(j) Beer, wine, liquor, or any intoxicating beverages;

(k) Tangible personal property, specified digital products, a digital code, and services sold to financial institutions;

(l) Wrecker and towing services;

(m) Collection and disposal of solid wastes;

(n) Cleaning of parking lots and gutters;

(o) Dry cleaning and laundry services;

(p) Industrial laundry services;

(q) Body piercing, tattooing, and electrolysis services;

(r) Pest control services;

(s) Security and alarm monitoring services;

(t) Boat storage and docking fees;

(u) Furnishing camping spaces or trailer spaces at public or privately-owned campgrounds, except for federal campgrounds, on less than a month-to-month basis;

(v) Locksmith services;

(w) Pet grooming and kennel services; and

(x) Portable toilet lease or rental and services associated with the lease or rental of portable toilets.

(y) (i) Computer software, including prewritten computer software;

(ii) Service of repairing or maintaining computer equipment or hardware in any form;

(iii) However, gross receipts or gross proceeds derived from the sale of a computer software maintenance contract are not taxable;

- (z) (i) Any intrastate, interstate, and international telecommunications service that is sourced in this state;
- (ii) Any ancillary service; and
- (iii) Any installation, maintenance, or repair service of telecommunication equipment;
- (aa) The sale of new or used heavy equipment;
- (bb) A fishing guide service provided as a part of a guided fishing trip if the fishing guide service is purchased in conjunction with the sale or lease of taxable tangible personal property by the person providing the fishing guide service; and
- (cc) Withdrawals from stock.

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

- (a) New or used house trailers, mobile homes, aircraft, motor vehicles, trailers or semi-trailers and a used house trailer, mobile home, aircraft, motor vehicle, trailer or semi-trailer is taken as a credit or part payment of the purchase price, when the total consideration is less than the following: \$2,000 for aircraft, house trailers and mobile homes (or \$10,000 in case the house trailer or mobile home is a "manufactured home"); and \$4,000 for motor vehicles, trailers and semi-trailers;
- (b) Aircraft held for resale and used for rental or charter, whether by a business or an individual for a period not to exceed one year from the date of purchase of aircraft;
- (c) Tangible personal property, specified digital products, a digital code or services by churches, except when such organizations may be engaged in business for profit;
- (d) Tangible personal property, specified digital products, a digital code or services by charitable organizations, except when such organizations may be engaged in business for profit;
- (e) Food in public, common, high school or college cafeterias and lunchrooms operated primarily for teachers and pupils, and not operated primarily for the public or for profit;
- (f) Newspapers;
- (g) Property or services to the United States Government; motor vehicles and adaptive equipment to disabled veterans who have purchased said vehicles or equipment with financial assistance of the Veterans Administration; specified digital products, a digital code, tangible personal property to and leasing motor vehicles to the Boy Scouts of America, the Girl Scouts of America or any of the Scout Councils in the State; tangible personal property, specified digital products, a digital code, or service to the Salvation Army, Heifer Project International, Inc., or Habitat for Humanity; tangible personal property, specified digital products, a digital code, or service to the Boys & Girls Club of America, to the Poets' Roundtable of Arkansas, to 4-H Clubs and FFA Clubs, to the Arkansas 4-H Foundation, the Arkansas Future Farmers of America Foundation and the Arkansas Future Farmers of America Association;
- (h) Gasoline or motor vehicle fuel on which the motor vehicle fuel or gasoline tax has been paid to the State, special fuel or petroleum products sold for consumption by vessels, barges and other commercial watercraft and railroads, dyed distillate special fuel on which a tax has been paid and biodiesel fuel;

- (i) Property resales to persons regularly engaged in the business of reselling the articles purchased;
- (j) Advertising space in newspapers and publications, billboard advertising services, or on a public transit bus;
- (k) Gate admissions at State, district, county or township fairs or at any rodeo if the receipts derived from gate admissions to the rodeo are used exclusively for the improvement, maintenance and operation of such rodeo, and if no part of the net earnings thereof inures to the benefit of any private stockholder or individual;
- (l) Property or services which the State is prohibited by the constitution or laws of the United States or by the constitution of the State from taxing or further taxing;
- (m) Isolated sales not made by an established business;
- (n) Cotton, seed cotton, lint cotton, baled cotton, whether compressed or not, or cotton seed in its original condition; seed for use in commercial production of an agricultural product or of seed; raw products from the farm, orchard or garden, where such sale is made by the producer of such raw products directly to the consumer and user; livestock, poultry, poultry products and dairy products of producers owning not more than five cows; and baby chickens;
- (o) Foodstuffs to governmental agencies for free distribution to any public, penal and eleemosynary institutions or for free distribution to the poor and needy, and the rental or sale of medical equipment, for the benefit of persons enrolled in and eligible for Medicare or Medicaid programs;
- (p) Tangible personal property, specified digital products, a digital code, or services provided to any hospital or sanitarium operated for charitable and nonprofit purposes or any nonprofit organization whose sole purpose is to provide temporary housing to the family members of patients in a hospital or sanitarium;
- (q) Used tangible personal property when the used property was (1) traded in and accepted by the seller as part of the sale of other tangible personal property and (2) the Arkansas Gross Receipts Tax was collected and paid on the total amount of consideration for the sale of the other tangible personal property without any deduction or credit for the value of the used tangible personal property; provided, however, this exemption does not apply to transactions involving used automobiles or used aircraft;
- (r) Unprocessed crude oil;
- (s) Tangible personal property consisting of machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at (i) new manufacturing or processing plants or facilities in the State or (ii) existing manufacturing or processing plants or facilities in the State if the tangible personal property is used to replace existing machinery and equipment;
- (t) Property consisting of machinery and equipment required by State or federal law or regulations to be installed and utilized by manufacturing or processing plants or facilities, cities or towns in the State to prevent or reduce air and/or water pollution or contamination;
- (u) Electricity used in the manufacture of aluminum metal by the electrolytic reduction process and sale of articles sold on the premises of the Arkansas Veterans Home;
- (v) Automobile parts which constitute "core charges," which are received for the purpose of securing a trade-in for the article purchased;

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

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

(y) Property or services to humane societies;

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

(aa) Property or sales to all orphans' homes, or children's homes, which are not operated for profit and whether operated by a church, religious organization or other benevolent charitable association;

(bb) Agricultural fertilizer, agricultural limestone, agricultural chemicals, and water purchased from a public surface-water delivery project to reduce or replace water used for in-ground irrigation or reduce dependence on ground water for agriculture.

(cc) Sale of tickets or admissions, by municipalities and counties, to places of amusement, to athletic entertainment, recreational events, or fees for the privilege of having access to or the use of amusement, entertainment, athletic or recreational facilities, including free or complimentary passes, tickets, admissions, dues or fees;

(dd) New and used farm machinery and equipment;

(ee) New automobiles to a veteran of the United States Armed Services who is blind as a result of a service connected injury;

(ff) Motor vehicles sold to municipalities, counties, school districts, and state supported colleges and universities;

(gg) School buses sold to school districts and, in certain cases, to other purchasers providing school bus service to school districts;

(hh) Catalysts, chemicals, reagents, and solutions which are consumed or used by manufacturing or processing plants or facilities in the State in producing, manufacturing, fabricating, processing, or finishing articles of commerce or to prevent or reduce air or water pollution or contamination;

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

(jj) Modular homes constructed from materials on which the State sales tax has been paid;

(kk) The first 500 kilowatt hours of electricity per month and the total franchise tax billed to each residential customer whose household income is less than \$12,000 per year;

(ll) Electricity and natural gas to qualified steel manufacturers;

(mm) Tangible personal property lawfully purchased with food stamps, food coupons, food instruments or vouchers in connection with certain Federal programs;

(nn) Publications sold through regular subscriptions;

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

(pp) Durable medical equipment, mobility enhancing equipment, a prosthetic device, and disposable medical supplies prescribed by a physician;

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

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

(ss) Industrial metal rollers sent into the State for repair or remanufacture and then shipped back to the state of origin;

(tt) New motor vehicles purchased by non-profit organizations and used for the performance of contracts with the Department of Human Services, and new motor vehicles purchased with Federal Transit Administration funds if (i) vehicles meet minimum State specifications and (ii) vehicles are used for transportation under the Department of Human Services' programs for the aging, individuals with disabilities, individuals with mental illness, and children and family services;

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

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

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

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

(yy) Foodstuffs to nonprofit agencies;

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

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

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

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

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

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

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

(ggg) Gas produced from biomass and sold for the purpose of generating steam, hot air or electricity to be sold to the gas producer;

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

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

(jii) Textbooks, library books, and instructional materials purchased by an Arkansas school district or the State for free distribution to Arkansas school districts or Arkansas public schools;

(kkk) Tangible personal property, specified digital products, a digital code, or services to the Arkansas Symphony Orchestra, Inc.;

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

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

(nnn) Livestock reproduction equipment or substances;

(ooo) Natural gas and electricity used in the manufacturing of tires in the State;

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

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

(rrr) Certain new or used trucks to be engaged in interstate commerce;

(sss) Tangible personal property, specified digital products, a digital code, or services to the Arkansas Black Hall of Fame Foundation;

(ttt) Sale, lease or rental of kegs used to sell beer wholesale by a wholesale manufacturer of beer;

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

(vvv) Sales by commercial farmers of certain baling twine, net wrap, silage wrap, and similar products;

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

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

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

(zzz) Dental appliances sold by or to dentists or certain other professionals; and

(aaaa) Machinery, new and used equipment, and related attachments that are sold to or used by a person engaged primarily in the harvesting of timber;

(bbbb) Sales of tangible personal property at a concession stand operated by a nonprofit youth athletic organization; and

(cccc) (i) Tangible personal property, specified digital products, or a digital code by or to a car wash operator for use in an automatic car wash, a car wash tunnel, or a self-service bay or as part of an ancillary service; (ii) services to a car wash operator; and (iii) ancillary services by a car wash operator.

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

Use Tax. The use tax portion of the Tax is levied on every person for the privilege of storing, using, distributing or consuming in the City any article of tangible personal property, specified digital products, a digital code, or a taxable service purchased for storage, use, distribution or consumption. The use tax applies to the use, distribution, storage or consumption of every article of tangible personal property except as hereinafter provided. The use tax does not apply to aircraft equipment, and railroad parts, cars, and equipment, nor to tangible personal property owned or leased by aircraft, automotive or railroad companies brought into the City solely and exclusively for refurbishing, conversion, or modification within the City or storage for use outside or inside the City regardless of the length of time any such property is so stored in the City. The use tax is levied on the following described tangible personal property:

(a) Tractors, trailers, semi-trailers, trucks, buses and other rolling stock, including replacement tires, used directly in the transportation of persons or property in intrastate or interstate common carrier transportations;

(b) Railroads (except fuel) consumed in the operation of railroad rolling stock;

(c) Transmission lines and pumping or pressure control equipment used directly in or connected to the primary pipeline facility engaged in intrastate or interstate common carrier transportation of property;

(d) Airplanes and navigation instruments used directly in or becoming a part of flight aircraft engaged in transportations of persons or property in regular scheduled intrastate or interstate common carrier transportation;

(e) Exchange equipment, lines, boards and all accessory devices used directly in and connected to the primary facility engaged in the transmission of messages;

(f) Transmission and distribution pipelines in pumping or pressure control and equipment used in connection therewith used directly in primary pipeline facility for the purpose of transporting and delivering natural gas;

(g) Transmission and distribution lines, pumping machinery and controls used in connection therewith in cleaning or treating equipment of primary water distribution system;

(h) Property of public electric power companies consisting of all machinery and equipment including reactor cores and related accessory devices used in the generation and production of electric power and energy and transmission facilities consisting of the lines, including poles, towers and other supporting structures, transmitting electric power and energy together with substations located on or attached to such lines;

- (i) Computer software; and
- (j) Tangible personal property, specified digital products, a digital code, and services provided to a financial institution.

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

- (a) Property, the storage, use or consumption of which the State is prohibited from taxing under the Constitution or laws of the United States of America or the State;
- (b) Sales of tangible personal property, specified digital products, a digital code, or services on which the tax under the Arkansas Gross Receipts Act of 1941 is levied;
- (c) Tangible personal property, specified digital products, a digital code, or services which is exempted from the sales tax under the Arkansas Gross Receipts Act of 1941;
- (d) Feedstuffs used in the commercial production of livestock or poultry in the State;
- (e) Unprocessed crude oil;
- (f) Machinery and equipment used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants or facilities in the State, including facilities and plants for manufacturing feed, processing of poultry and/or eggs and livestock and the hatching of poultry and such equipment is either (1) purchased to create or expand manufacturing or processing plants in the State, (2) purchased to replace existing machinery and used directly in producing, manufacturing, fabricating, assembling, processing, finishing or packaging of articles of commerce at manufacturing or processing plants in the State, or (3) required by State law to be installed and utilized by manufacturing or processing plants to prevent or reduce air and/or water pollution or contamination;
- (g) Modular homes constructed with materials on which the sales or use tax has once been paid;
- (h) Aircraft, aircraft equipment, railroad parts, cars, and equipment, and tangible personal property owned or leased by aircraft, airmotive, or railroad companies, brought into the State solely and exclusively for refurbishing, conversion, or modification or for storage for use outside or inside the State;
- (i) Vessels, barges, and towboats of at least 50 tons load displacement and parts and labor used in the repair and construction of them;
- (j) Sales of motor fuels to the owners or operators of motor buses operated on designated streets according to regular schedule, under municipal franchise, which are used for municipal transportation purposes;
- (k) Agricultural fertilizer, agricultural limestone, agricultural chemicals, including agricultural pesticides and herbicides used in commercial production of agricultural products, and vaccines, medications, and medicinal preparations, used in treating livestock and poultry being grown for commercial purposes and other ingredients used in the commercial production of yeast;
- (l) All new and used motor vehicles, trailers or semi-trailers that are purchased for a total consideration of less than \$4,000;

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

(n) Durable medical equipment, mobility enhancing equipment, a prosthetic device, and prescriptive disposable medical supplies prescribed by a physician;

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

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

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

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

(s) Sales to Community Service Clearinghouse Inc. of Fort Smith;

(t) Prepaid telephone calling cards or prepaid authorization numbers and the recharge of such cards or numbers;

(u) Foodstuffs to nonprofit agencies;

(v) Tangible personal property, specified digital products, a digital code or services for a qualified museum;

(w) Certain new or used trucks to be engaged in interstate;

(x) Railroad rolling stock manufactured for use in transporting persons or property in interstate commerce;

(y) Sales of tangible personal property or a service to a nonprofit blood donation organization;

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

(aa) Sales of utilities used by grain drying and storage facilities; and

(bb) Dental appliances sold by or to dentists or certain other professionals.

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

EXHIBIT B

**Audited Financial Statements of the City for the Fiscal Year Ended
December 31, 2018**

**City of Berryville
Berryville, Arkansas**

**Financial Statements
December 31, 2018**

**CITY OF BERRYVILLE, ARKANSAS
FINANCIAL STATEMENTS - MODIFIED ACCRUAL BASIS
DECEMBER 31, 2018**

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THE
KILLINGSWORTH FIRM
— CPA • PLLC —

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Berryville, Arkansas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the trust funds, and the aggregate remaining fund information of the City of Berryville, Arkansas (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements and required supplementary information, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting described in Note 1; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified accrual basis, of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the trust funds, and the aggregate remaining fund information of the City of Berryville, Arkansas, as of December 31, 2018, and the respective changes in financial position – modified accrual basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

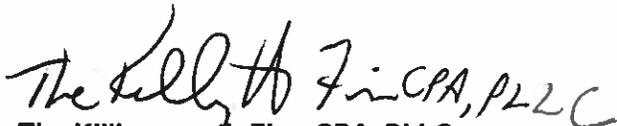
Required Supplementary Information

The City has not presented a management's discussion and analysis and all of the budget to actual comparisons that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the financial statements.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements taken as a whole. Proprietary Funds Combining financial statements, All Other Funds in the Aggregate Combining financial statements, Agency Funds Combining financial statements, and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Combining Balance Sheet Proprietary Funds – Modified Accrual Basis, Combining Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds – Modified Accrual Basis, Combining Balance Sheet All Other Funds in the Aggregate – Modified Accrual Basis, Combining Statement of Revenues, Expenses and Changes in Fund Balances All Other Funds in the Aggregate– Modified Accrual Basis, Combining Balance Sheet Trust Funds – Modified Accrual Basis, Combining Statement of Revenues, Expenses and Changes in Fund Balances Trust – Modified Accrual Basis, Schedule of Capital Assets and the Schedule of Bonds Outstanding have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole, on the basis of accounting described in Note 1.

The financial statements have been presented in a format required by the Arkansas Division of Legislative Audit. Therefore, they do not include Government Wide Activities financial statements.


The Killingsworth Firm CPA, PLLC

November 15, 2019
Berryville, Arkansas

**CITY OF BERRYVILLE, ARKANSAS
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED ACCRUAL BASIS
AS OF DECEMBER 31, 2018**

	General Fund	Street Fund	Proprietary Funds	Other Funds in the Aggregate	Trust Funds	Total
Assets						
Cash and Cash Equivalents	\$ 689,760	\$ 365,347	\$ 467,672	\$ 303,120	\$ -	\$ 1,825,899
Investments - Certificates of Deposit	102,336	-	559,356	19,282	-	680,974
Accounts Receivable	193,815	40,327	232,043	8,854	-	475,039
Inter-fund Transfers Receivable	-	-	-	-	-	-
Restricted and Committed Assets	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	721,542	-	121,666	843,208
Investments - Certificates of Deposit	91	-	206,060	45,851	-	252,002
Investments - Brokerage Account	227,401	2,409,479	457,999	1,460,325	-	4,555,204
Property and Equipment, Net	-	-	13,687,712	-	-	13,687,712
Investments - Industrial Park Land	-	-	-	77,917	-	77,917
Other Assets	-	-	62,136	-	-	62,136
Total Assets	\$ 1,213,403	\$ 2,815,153	\$ 16,394,520	\$ 1,915,349	\$ 121,666	\$ 22,460,091
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 22,993	\$ 3,970	\$ 92,142	\$ 8,788	\$ -	\$ 127,893
Inter-fund Transfers Payable	-	-	-	-	-	-
Accrued Interest	-	-	12,140	-	-	12,140
Payroll and Related Taxes Payable	24,460	4,461	8,871	3,049	-	40,841
Sales Tax Payable	-	-	11,604	-	-	11,604
Current Liabilities Payable from Restricted Assets	-	-	-	-	-	-
Customer Meter Deposits	-	-	111,351	-	-	111,351
Revenue Bonds Payable	-	-	5,903,092	-	-	5,903,092
Total Liabilities	47,453	8,431	6,139,200	11,837	-	6,206,921
Fund Balance						
Nonspendable	-	-	-	-	-	-
Restricted	227,491	2,409,479	1,340,081	1,460,325	121,666	5,559,042
Committed	-	-	-	443,187	-	443,187
Assigned	-	-	-	-	-	-
Unassigned	938,459	397,243	3,232,955	-	-	4,568,657
Unrestricted Net Position of Proprietary Funds	-	-	-	-	-	-
Contributed Fund Balance	-	-	5,682,284	-	-	5,682,284
Total Fund Balance	1,165,950	2,806,722	10,255,320	1,903,512	121,666	16,253,170
Total Liabilities and Fund Balance	\$ 1,213,403	\$ 2,815,153	\$ 16,394,520	\$ 1,915,349	\$ 121,666	\$ 22,460,091

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Street Fund	Proprietary Funds	Other Funds in the Aggregate	Trust Funds	Total
Revenues						
Intergovernmental Revenue - State	\$ 84,838	\$ 375,134	\$ -	\$ -	\$ 4,403	\$ 464,375
Taxes	1,761,582	101,018	-	905,006	-	2,767,606
Licenses and Permits	34,449	-	-	-	-	34,449
Grant Revenue	-	-	1,271,339	2,200	-	1,273,539
Fees, Fines and Forfeitures	101,703	-	-	-	-	101,703
Other	929,795	31,687	34,571	15,177	-	1,011,230
Interest and Dividends	8,001	53,215	27,960	28,360	1,898	119,434
Charges for Services	538,029	-	2,838,585	123,923	-	3,500,537
Total Revenue	3,458,397	561,054	4,172,455	1,074,666	6,301	9,272,873
Expenses						
Administrative	1,950,313	-	-	-	4,405	1,954,718
Rural Fire	-	-	-	10,143	-	10,143
Cemetery	-	-	-	13,251	-	13,251
Debt Service	-	-	-	699,730	-	699,730
Fire	102,880	-	-	-	-	102,880
Highways and Streets	-	1,861,541	-	-	-	1,861,541
Industrial Park	-	-	-	151,442	-	151,442
Law Enforcement	1,045,739	-	-	-	-	1,045,739
Museum	-	-	-	52,500	-	52,500
Parks and Recreation	-	-	-	407,032	-	407,032
Swimming Pool	-	-	-	46,987	-	46,987
Tourism	-	-	-	9,637	-	9,637
Retirement Plans	-	-	-	-	115,270	115,270
Proprietary	-	-	3,595,814	-	-	3,595,814
Total Expenses	3,098,932	1,861,541	3,595,814	1,390,722	119,675	10,066,684
Revenues in Excess of (Less Than) Expenses	359,465	(1,300,487)	576,641	(316,056)	(113,374)	(793,811)
Other Financing Sources (Uses)						
Sales Tax Revenue	-	135,882	207,326	113,664	-	456,872
Operating Transfer In	-	-	428,500	345,000	90,024	863,524
Transfer to State of Arkansas	(863,524)	-	-	-	-	(863,524)
Bond Proceeds Received	-	-	-	-	(317,117)	(317,117)
Bond Issue Costs	-	-	(4,373)	344,811	-	344,811
Debt Previously Shown As Financing Source	-	-	(509,329)	(47,917)	-	(52,290)
Other Gain (Loss)	-	-	-	-	1,084	1,084
Total Other Financing Sources (Uses)	(863,524)	135,882	122,124	755,558	(226,009)	(75,969)
Revenues in Excess of (Less Than) Expenses and Other Sources (Uses)	(504,059)	(1,164,605)	698,765	439,502	(339,383)	(669,780)
Fund Balance						
Beginning of Year	1,670,009	3,971,327	9,556,555	1,464,010	461,049	17,122,950
End of Year	\$ 1,165,950	\$ 2,806,722	\$ 10,255,320	\$ 1,903,512	\$ 121,666	\$ 16,253,170

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Berryville, Arkansas (the City) was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The financial statements of the reporting entity include those of the City (the primary government).

Basis of Presentation

The accounts of the City are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund balance, receipts, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into four generic fund types and one broad fund category as follows:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund heading in these financial statements includes the General Fund and the Payroll Fund.

The Street Fund is used to account for the proceeds of specific receipt sources that are legally restricted to disbursements for maintaining and constructing highways and streets.

The Water and Waste Water Department is considered an enterprise fund, and therefore, the reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The Water and Waste Water Fund is a major fund.

The Community Center Fund is considered an enterprise fund, and therefore, the reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues include membership fees and charges for services. Operating expenses include costs of services as well as utilities, insurance, maintenance, and personnel. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The Community Center Fund is a major fund.

Trust Funds are funds holding assets for the benefit of others, such as the various retirement funds. The reporting focuses on any changes in net assets available to meet future obligations. A combining balance sheet and statement of receipts and disbursements is included in the supplementary information as noted in the table of contents.

Other Funds in the Aggregate consists of all funds included in the financial statements except for the General, Street, Water and Waste Water, Community Center, and Trust Funds. A combining balance sheet and statement of receipts and disbursements is included in the supplementary information as noted in the table of contents. The following types of funds are included in this category:

Special Revenue Funds account for the proceeds of special receipt sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. The Swimming Pool Fund is a non-major fund and is included with the other funds in the aggregate.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus

All funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. *Available* is defined as a period of not more than sixty days. Expenses are recognized when the related liability is incurred. The governmental type funds use the flow of current financial resources measurement focus, therefore, long-term capital assets and obligations are not reported. The enterprise funds use the flow of economic resources measurement focus.

Accordingly, in the Water and Waste Water Fund, which is an enterprise fund, property and equipment are capitalized and these capital costs are charged to operations over the assets' estimated economically useful lives. Depreciation of assets over their useful lives is consistent with accrual basis accounting and is included as a modification to the modified accrual basis. Furthermore, all long-term debt arising from accrual basis transactions, to be repaid from business-type resources, are reported as liabilities, whether current or non-current.

Assets, Liabilities and Fund Balances

Cash and Cash Equivalents include all demand and savings accounts and certificates of deposit.

Equity Classification and Fund Balances are classified as follows:

Nonspendable Fund Balances – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balances – The restricted fund balance classification includes amounts that have been restricted to specific purposes as imposed by creditors, grantors, contributors or laws or regulations of other governments through enabling legislations or constitutional provisions. It is the City's policy to first apply restricted resources when an expense is incurred for a purpose for which both restricted and unrestricted fund balances are available.

Committed Fund Balances – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, which is the city council.

Assigned Fund Balances – The assigned fund balance classification includes amounts that are constrained by the City's intent, rather than formal action, to be used for specific purposes, but are not restricted or committed.

Unassigned Fund Balances – The unassigned fund balance classification is the residual classification and represents fund balance that is spendable or has not been restricted, committed or assigned to specific purposes.

Net Position – The Water and Waste Water Department and the Community Center Fund are enterprise funds and classify their equity as net position.

Budgets and Budgetary Accounting

The City follows Arkansas Act 28 of 1959 in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

2. The City Council is authorized to transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund may be approved by the City Council except, (1) that tax levies for specific purposes may not be diverted to another purpose, and (2) appropriated funds may not be diverted where any creditor would be prejudiced thereby.
3. Formal budgetary integration is employed as a management control device for the General Fund, Special Revenue Fund, and Special Assessment Funds.
4. Budgets for all funds were adopted on a modified cash basis except as noted.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from one fund which are applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

	Governmental Funds	Enterprise and Other Funds	Total
Operating Transfers In	\$ 345,000	\$ 518,524	\$ 863,524
Operating Transfers Out	(863,524)	--	(863,524)
	\$ (518,524)	\$ 518,524	\$ --

Accounting Estimates

The presentation of financial statements in conformity with the modified accrual basis of accounting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT

The City's cash and investments consist of deposits with financial institutions and certificates of deposits. The City's investment policies are governed by state statutes. Deposits are carried at cost. The carrying amount of deposits is displayed on the balance sheet as Cash and Investments and Restricted Cash and Investments.

The City's deposits in excess of the FDIC insurance limit of \$250,000 at its primary bank are supported by an irrevocable standby letter of credit issued in its behalf by the Federal Home Loan Bank of Dallas. For the year ended December 31, 2018, the amount of the guaranty was \$5,000,000. As of August 29, 2019 the guaranty was renewed at \$5,000,000, with an expiration date of August 31, 2020.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)

The City's bank deposits are categorized below as to the level of risk assumed by the entity at year-end.

	<u>Bank Balance</u>	<u>Carrying Value</u>
Insured	\$ 2,586,050	\$ 2,429,379
Guaranteed by standby letter of credit	1,172,704	1,172,704
Assets held in trust	<u>4,555,204</u>	<u>4,555,204</u>
Totals	<u>\$ 8,313,958</u>	<u>\$ 8,157,287</u>

The following is the detail of all cash and certificates of deposit:

Petty cash and change funds	\$ 1,190
Operating funds and demand deposits	1,824,709
Certificates of deposit	<u>680,974</u>
Total unrestricted cash and certificates of deposit	<u>2,506,873</u>
Restricted cash	843,208
Certificates of deposit	252,002
Bond Funds	<u>4,555,204</u>
Total restricted cash and certificates of deposit	<u>5,650,414</u>
Total cash and certificates of deposit	<u>\$ 8,157,287</u>

NOTE 3 - LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

Governmental Fund Types

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations on which the principal and interest are fully guaranteed by the United States of America.

Municipal Judge's and Clerk's Retirement

Municipal Judge's and Clerk's Retirement Funds are restricted to insured or collateralized bank deposits and interest-bearing securities issued by the State of Arkansas or the United States of America.

NOTE 4 - LEGAL DEBT LIMIT OF PROPERTY TAX SECURED BOND ISSUES

The City is subject to a constitutional limitation for bonded indebtedness equal to twenty percent (20%) of the total assessed value of real and personal property. At December 31, 2018 there were no property tax secured bond issues.

NOTE 5 - PLEDGED ASSETS

All fixed assets and revenues of the Water and Waste Water Fund are pledged as security for revenue bonds issued and outstanding as described in Note 9.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 - AGREEMENT WITH CARROLL-BOONE WATER DISTRICT

The City has contracted with Carroll-Boone Water District to purchase all its water from the District at one dollar and fifty cents (\$1.50) per thousand gallons. Additionally, the City may be required to pay its pro rata share of any revenue short fall of the District. Under this agreement, the City is subject to a demand charge of forty-four cents (\$0.44) per thousand gallons for water purchases from other sources.

NOTE 7 - RETIREMENT PLANS

Firemen's Pension Fund

The Firemen's Pension Fund was established and is maintained under Arkansas statutes and was administered by a board comprised of the Mayor (Chairman), the City Clerk (Secretary/Treasurer), and five active firemen until November, 2018.

The state of Arkansas Fire and Police Pension Review Board took over custodianship of the fund in November 2018 and is responsible for the coordination of the actuarial valuations performed on the Policeman's and Fireman's Pension and Relief Funds. All assets were transferred to the State of Arkansas in November, 2018.

Local Police and Fire Retirement System

Regular and volunteer firemen and policemen of the City whose date of hire is after December 31, 1982, are required to participate in the Arkansas Local Police and Fire Retirement System (LOPFI). LOPFI was established and is maintained under Arkansas statutes and is administered by a five-member board appointed by the Governor of Arkansas. A Financial report for the plan may be obtained from the Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas 72203.

This plan is a multiple-employer public employee retirement system defined benefit plan providing death, disability, and retirement benefits for its members. Normal retirement age under this plan is age 55 with 20 years of credited service or age 60 with less than 20 years of credited service. An early retirement option, with reduced benefits, is available to employees age 50 with 20 years of service.

The normal costs are funded in the year in which incurred. The City contributes all of the actuarially computed contribution. This computed contribution is the present value of projected benefits estimated to be payable in the future as a result of employee service to date.

The State of Arkansas is responsible for the coordination of the actuarial valuations performed on the Arkansas Local Police and Fire Retirement System. Employees terminating from the plan before normal retirement age, with 5, but less than 20 years of credited service, may receive future benefits provided the employee does not withdraw his/her accumulated contributions and lives to his/her annuity starting date.

Municipal Judge and Clerk Retirement Fund

The City contributes a portion of court fees to the Arkansas District Judges Retirement System (ADJRS) and to the Arkansas Public Employees Retirement System (APERS). Any deficiencies for retirement obligations will be met by payment from the City's General Fund.

Money Purchase Pension Plan

The City adopted a money purchase pension plan, administered by Wells Fargo, effective March 1, 1993. Full time employees with one year of service and not covered by another City pension plan are eligible. The City contributes nine percent (9%) of covered compensation of each participant. For the year ended December 31, 2018, the City contributed \$ 88,106 to the plan on a covered payroll of \$978,956.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 - WATER AND SEWER RATES

Water and Sewer rates are set by City Ordinance. The rates in effect as of January 1, 2018 were as follows:

<u>Water Rates</u>	<u>Inside City Limits</u> <u>01/01/18</u>	<u>Outside City Limits</u> <u>01/01/18</u>
First 2,000 gallons	\$11.60	\$13.60 minimum
Next 18,000 gallons	\$3.60	\$3.95 per 1,000 gallons
Next 80,000 gallons	\$3.35	\$3.70 per 1,000 gallons
Next 200,000 gallons	\$3.20	\$3.55 per 1,000 gallons
All usage in excess of 300,000 gallons	\$3.10	\$3.45 per 1,000 gallons
<u>Waste Water Rates</u>	<u>01/01/18</u>	
First 2,000 gallons	\$9.50 minimum	
Next 8,000 gallons	\$3.45 per 1,000 gallons	
Next 90,000 gallons	\$3.20 per 1,000 gallons	
Over 100,000 gallons	\$2.50 per 1,000 gallons	

NOTE 9 - LONG-TERM DEBT

Long-Term Debt of the Water and Sewer Department consists of revenue and sales tax bonds described as follows:

Water and Sewer Revenue Bonds Series 2012 issued in December 1, 2012, in the amount of \$5,145,000, payable from the revenues derived from the operation of the system, interest rates ranging from 2% to 3.75% and payable semi-annually on the 1 st of June and December. Principal payments are due in varying amounts on the 1 st of June.	\$ 4,205,000
Less Current Portion and Unamortized Bond Discount	<u>347,256</u>
Water and Sewer Bonds Outstanding, Net of Current Portion and Unamortized Bond Discount	<u>\$ 3,857,744</u>

Aggregate Maturities of the Series 2012 Bonds at December 31, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 250,000	\$ 135,950	\$ 385,950
2020	250,000	130,825	380,825
2021	260,000	124,825	384,825
2022	265,000	117,935	382,935
2023	270,000	110,240	380,240
2024 to 2027	1,185,000	358,143	1,543,143
2028 to 2032	1,725,000	198,937	1,923,937
Totals	<u>\$ 4,205,000</u>	<u>\$ 1,176,855</u>	<u>\$ 5,381,855</u>
Unamortized Discount	<u>(97,256)</u>		
Net Balance	<u>\$ 4,107,744</u>		

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Interest costs for the Series 2012 totaled \$145,223 in the year ended December 31, 2018, including amortization of bond discounts of \$4,373.

In addition to the Water and Sewer Bonds described above the City has issued other bonds. Under the modified accrual basis of accounting, these bonds are not presented in the combined balance sheet of All Other Funds in the Aggregate or the General or Street Funds.

Sales and Use Tax Bonds Series 2017 issued October 10, 2017, in the amount of \$6,465,000, payable from the City's 0.5% sales and use tax, interest rate varying from 2.0% to 3.0%, payable annually on the 1st of September, beginning September 1, 2018. There are sinking fund requirements for the bonds maturing in 2021 – 2030.

Year	Principal	Interest	Total
2019	\$ 450,000	\$ 147,738	\$ 597,738
2020	455,000	138,738	593,738
2021	465,000	129,638	594,638
2022	475,000	120,338	595,338
2023	485,000	110,738	595,738
2024	495,000	101,237	596,237
2025 to 2030	3,235,000	335,831	3,570,831
Totals	<u>\$ 6,060,000</u>	<u>\$ 1,084,258</u>	<u>\$ 7,144,258</u>

In addition, the Water and Sewer Department issued Water and Sewer Revenue Bonds on August 27, 2018, in the amount of \$1,681,000, payable from revenues of the water and waste water system, interest rate of 2.75%, payable interest only for the first two years and then \$5,951 per month, including interest, until paid

Year	Principal	Interest	Total
2019	\$ -	\$ 46,228	\$ 46,228
2020	8,403	61,606	70,009
2021	25,667	45,745	71,412
2022	26,394	45,018	71,412
2023	27,121	44,291	71,412
2024 to 2027	115,754	169,894	285,648
2028 to 2032	165,370	191,690	357,060
Totals	<u>\$ 368,709</u>	<u>\$ 604,472</u>	<u>\$ 973,181</u>

The aggregate maturities of all bonds outstanding as of December 31, 2018, are as follows:

Year	Principal	Interest	Total
2019	\$ 700,000	\$ 329,916	\$ 1,029,916
2020	713,403	331,169	1,044,572
2021	750,667	300,208	1,050,875
2022	766,394	283,291	1,049,685
2023	782,121	265,269	1,047,390
2024 to 2027	3,345,754	862,956	4,208,710
2028 to 2032	3,575,370	492,776	4,068,146
Totals	<u>\$ 10,633,709</u>	<u>\$ 2,865,585</u>	<u>\$ 13,499,294</u>

The City of Berryville retired total debt in the amount of \$650,000 during 2018.

**CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 – RESTRICTED AND COMMITTED ASSETS

Restricted assets are cash reserves restricted by Bond or Loan covenants. These covenants establish the reserve funds, the manner of accumulation, and allowable expenditures. The City was in compliance with the bond covenants as of December 31, 2018.

Committed assets are cash reserves designated for future purposes by those charged with governance (City Council).

NOTE 11- CONCENTRATIONS

The City of Berryville Water and Waste Water Department is operating a water and sewer system in Berryville, Arkansas. Although the Department has a diverse customer base, a portion of its customer's ability to honor their water and waste water bill is dependent upon the economy of Northwest Arkansas.

During 2018, service to one customer accounted for 48% of all water and waste water service receipts.

NOTE 12 – FUND BALANCE AND NET POSITION

Nonspendable, restricted, committed, assigned and unassigned fund balances, and net position and contributed equity are as follows:

	<u>General</u>	<u>Street Fund</u>	<u>Proprietary Funds</u>	<u>Other Funds and Trust Funds</u>
Nonspendable:				
Land	\$ -	\$ -	\$ -	\$ 77,917
Restricted:				
Fire, Police, Street	227,491	2,409,479	-	-
Water and Wastewater	-	-	1,340,081	-
Bond Payment	-	-	--	506,513
Park Commission	--	--	--	953,812
Firemen's Pension & Relief	-	-	-	--
Local Firemen's Retirement	-	-	-	12,407
Local Police Retirement	-	-	-	109,259
Thomas Estate Cemetery Trust	-	-	-	3,149
Committed:				
Rural Fire Fund	-	-	-	111,051
Saunders Museum	-	-	-	26,066
Cemetery Fund	-	-	-	94,624
Park Commission Fund	-	-	-	78,402
Tourism Commission Fund	-	-	-	19,187
Industrial Park Fund	-	-	-	29,355
Swimming Pool	--	-	-	3,436
Capital Improvements Reserve	-	-	-	-
Unassigned:	938,459	397,243	-	--
Unrestricted Net Position	-	-	3,232,955	-
Contributed Equity	-	-	5,682,284	-
Total Fund Balance and Net Position	<u>\$ 1,165,950</u>	<u>\$ 2,806,722</u>	<u>\$ 10,255,320</u>	<u>\$ 2,025,178</u>

CITY OF BERRYVILLE, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 - RISK MANAGEMENT

The City's comprehensive risk management program is administered with the assistance of a professional risk management broker. The City is exposed to the risk of various losses such as theft of, damage to, and destruction of assets; errors and omissions; and personal injury. The City limits losses and manages risk through the purchase of insurance policies with several different carriers. In addition, the City instituted various safety programs to reduce losses. The budgeting process includes provision for accumulating funds to cover deductibles and any minor items, which would not be covered by commercially purchased policies. There have been no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage in the past three fiscal years.

NOTE 14 – ACCOUNTS RECEIVABLE

Receivables include amounts due from other governments as well as amounts due from water and waste water customers. No allowance for bad debts has been provided, as all amounts due from other governments was collected in January 2019 and any uncollectible amounts on water and waste water receivables has traditionally been insignificant and would not be material to the financial statements.

NOTE 15 - CAPITAL ASSETS

The financial statements include only the capital assets of the Water and Waste Water Department. The assets are recorded at cost and depreciation is taken over estimated lives of 5-40 years. Depreciation expense for the year ended December 31, 2018 was \$488,270, and accumulated depreciation at December 31, 2018 was \$12,785,614.

A supplemental Schedule of Capital Assets is included which summarizes cost and, if applicable, accumulated depreciation for all fixed assets owned by the City of Berryville.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2019, the date on which the financial statements were available to be issued.

CITY OF BERRYVILLE, ARKANSAS
STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
GENERAL AND STREET FUNDS - MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018
REQUIRED SUPPLEMENTARY INFORMATION

	General			Street Fund		
	Budget	Actual	Over/ (Under) Budget	Budget	Actual	Over/ (Under) Budget
Revenues						
Intergovernmental Revenue - State	\$ 82,000	\$ 84,838	\$ 2,838	\$ 350,000	\$ 375,134	\$ 25,134
Taxes	1,685,000	1,761,582	76,582	215,000	236,900	21,900
Licenses and Permits	33,000	34,449	1,449	-	-	-
Grant Revenue	-	-	-	-	-	-
Fees, Fines and Forfeitures	121,200	101,703	(19,497)	-	-	-
Other	840,800	929,795	88,995	10,500	31,687	21,187
Interest and Dividends	1,200	8,801	6,801	300	53,215	52,915
Charges for Services	533,000	538,029	5,029	-	-	-
Total Revenue	3,296,200	3,458,397	162,197	575,800	696,936	121,136
Expenses						
Administrative	1,084,300	937,970	(146,330)	\$ -	\$ -	-
Capital Outlay	1,200,000	1,012,343	(187,657)	1,500,000	1,436,400	(63,600)
Fire	128,800	102,880	(25,920)	-	-	-
Highways and Streets	-	-	-	584,800	425,141	(159,659)
Law Enforcement	993,400	1,045,739	52,339	-	-	-
Museum	15,000	10,000	(5,000)	-	-	-
Total Expenses	3,421,500	3,108,932	(312,568)	2,084,800	1,861,541	(223,259)
Revenues In Excess of (Less Than) Expenses	(125,300)	349,465	474,765	(1,509,000)	(1,164,605)	344,395
Other Financing Sources (Uses)						
Operating Transfer In	29,000	-	(29,000)	-	-	-
Operating Transfer Out	(913,100)	(863,524)	49,576	-	-	-
Other Gain (Loss)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(884,100)	(863,524)	20,576	-	-	-
	\$ (1,009,400)	\$ (514,059)	\$ 495,341	\$ (1,509,000)	\$ (1,164,605)	\$ 344,395

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
 COMBINING BALANCE SHEET
 PROPRIETARY FUNDS - MODIFIED ACCRUAL BASIS
 AS OF DECEMBER 31, 2018

ASSETS

	<u>Water and Waste Water</u>	<u>Community Center</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 399,582	\$ 68,090	\$ 467,672
Investments - Certificates of Deposit	559,356	-	559,356
Accounts Receivable	232,043	-	232,043
Inter-fund Transfers Receivable	-	-	-
Total Current Assets	<u>1,190,981</u>	<u>68,090</u>	<u>1,259,071</u>
Restricted and Committed Assets			
Cash and Cash Equivalents	676,022	45,520	721,542
Investments - Certificates of Deposit	206,060	-	206,060
Investments - Brokerage Account	457,999	-	457,999
Total Restricted Assets	<u>1,340,081</u>	<u>45,520</u>	<u>1,385,601</u>
Property and Equipment, Net	<u>13,687,712</u>	-	<u>13,687,712</u>
Other Assets	<u>62,136</u>	-	<u>62,136</u>
Total Assets	<u>\$ 16,280,910</u>	<u>\$ 113,610</u>	<u>\$ 16,394,520</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts Payable	\$ 65,312	\$ 26,830	\$ 92,142
Inter-fund Transfers Payable	-	-	-
Accrued Interest	12,140	-	12,140
Payroll and Related Taxes Payable	8,871	-	8,871
Sales Tax Payable	11,604	-	11,604
Current Portion of Long-Term Debt	285,000	-	285,000
Total Current Liabilities	<u>382,927</u>	<u>26,830</u>	<u>409,757</u>
Current Liabilities Payable from Restricted Assets			
Customer Meter Deposits	111,351	-	111,351
Total Current Liabilities from Restricted Assets	<u>111,351</u>	-	<u>111,351</u>
Long-Term Debt			
Revenue Bonds Payable	5,618,092	-	5,618,092
Total Long-Term Liabilities	<u>5,618,092</u>	-	<u>5,618,092</u>
Total Liabilities	<u>6,112,370</u>	<u>26,830</u>	<u>6,139,200</u>
Net Position			
Restricted	1,340,081	-	1,340,081
Assigned	-	-	-
Unrestricted Net Position	3,146,175	86,780	3,232,955
Contributions and Grants	5,682,284	-	5,682,284
Total Net Position	<u>10,168,540</u>	<u>86,780</u>	<u>10,255,320</u>
Total Liabilities and Net Position	<u>\$ 16,280,910</u>	<u>\$ 113,610</u>	<u>\$ 16,394,520</u>

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS - MODIFIED ACCRUAL BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Waste and Waste Water</u>	<u>Community Center</u>	<u>Total Proprietary</u>
Revenues			
Charges for Services	\$ 2,597,653	\$ 240,932	\$ 2,838,585
Total Operating Revenue	<u>2,597,653</u>	<u>240,932</u>	<u>2,838,585</u>
Expenses			
Operating Expenses	2,316,455	642,297	2,958,752
Depreciation	488,270	-	488,270
Total Expenses	<u>2,804,725</u>	<u>642,297</u>	<u>3,447,022</u>
Operating Income (Loss)	<u>(207,072)</u>	<u>(401,365)</u>	<u>(608,437)</u>
Non-Operating Revenues (Expenses)			
Interest Income	27,852	108	27,960
Sales Tax Revenue	207,326	-	207,326
Grant Revenue	1,271,339	-	1,271,339
Other Income	34,551	20	34,571
Bond Interest	(148,792)	-	(148,792)
Bond Cost Amortization	(4,373)	-	(4,373)
Bond Proceeds	-	-	-
Bond Issue Costs	-	-	-
Transfers In (Out)	(44,770)	473,270	428,500
Total Non-Operating Revenues (Expenses)	<u>1,343,133</u>	<u>473,398</u>	<u>1,816,531</u>
Net Income (Loss)	<u>1,136,061</u>	<u>72,033</u>	<u>1,208,094</u>
Debt Previously Shown as Financing Source	<u>(509,329)</u>	<u>-</u>	<u>(509,329)</u>
Net Position, Beginning of Year	<u>9,541,808</u>	<u>14,747</u>	<u>9,556,555</u>
Net Position, End of Year	<u>\$ 10,168,540</u>	<u>\$ 86,780</u>	<u>\$ 10,255,320</u>

CITY OF BERRYVILLE, ARKANSAS
COMBINING BALANCE SHEET
ALL OTHER FUNDS IN THE AGGREGATE
MODIFIED ACCRUAL BASIS
AS OF DECEMBER 31, 2018

	Saunders Museum Fund	Cemetery Fund	Rural Fire Fund	Park Commission Fund	Industrial Park Fund	Tourism Commission Fund	Swimming Pool Fund	Thomas Estate Cemetery Trust	Debt Service Fund	Total All Other Funds
Assets										
Cash and Cash Equivalents	\$ 10,200	\$ 93,317	\$ 65,200	\$ 83,331	\$ 29,355	\$ 17,719	\$ 3,998	\$ 3,149	\$ -	\$ 303,120
Investments - Certificates of Deposit	16,133	-	-	-	-	-	-	-	-	19,282
Accounts Receivable	2,952	1,475	-	2,951	-	1,476	-	-	-	8,854
Restricted and Committed Assets	-	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-	-
Investments - Certificates of Deposit	-	-	45,851	-	-	-	-	-	-	45,851
Investments - Brokerage Account	-	-	-	-	-	-	-	-	-	-
Investments - Industrial Park Land	-	-	-	953,812	-	-	-	-	506,513	1,460,325
Total Assets	\$ 29,285	\$ 94,792	\$ 111,051	\$ 1,040,094	\$ 107,272	\$ 19,195	\$ 3,998	\$ 3,149	\$ 506,513	\$ 1,915,349
Liabilities and Fund Balance										
Liabilities										
Accounts Payable	\$ 2,935	\$ 168	\$ -	\$ 5,115	\$ -	\$ 8	\$ 562	\$ -	\$ -	\$ 8,788
Payroll and Related Taxes Payable	284	-	-	2,765	-	-	-	-	-	3,049
Sales Tax Payable	-	-	-	-	-	-	-	-	-	-
Total Liabilities	3,219	168	-	7,880	-	8	562	-	-	11,837
Fund Balance										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	953,812	-	-	-	-	506,513	1,460,325
Committed	26,066	94,624	111,051	78,402	107,272	19,187	3,436	3,149	-	443,187
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	26,066	94,624	111,051	1,032,214	107,272	19,187	3,436	3,149	506,513	1,903,512
Total Liabilities and Fund Balance	\$ 29,285	\$ 94,792	\$ 111,051	\$ 1,040,094	\$ 107,272	\$ 19,195	\$ 3,998	\$ 3,149	\$ 506,513	\$ 1,915,349

CITY OF BERRYVILLE, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
ALL OTHER FUNDS IN THE AGGREGATE
MODIFIED ACCRUAL BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Saunders Museum Fund	Cemetery Fund	Rural Fire Fund	Park Commission Fund	Industrial Park Fund	Tourism Commission Fund	Swimming Pool Fund	Thomas Estate Cemetery Trust	Debt Service Fund	Total All Other Funds
Revenues										
Taxes	\$ -	\$ 6,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 898,387	\$ 905,006
Grant Revenue	2,200	-	-	-	-	-	-	-	-	2,200
Other	30	1,147	-	14,000	-	-	-	-	-	15,177
Interest and Dividends	114	210	844	-	66	34	7	23	8,987	28,360
Charges for Services	5,655	5,750	24,350	48,619	17,920	-	21,629	-	-	123,923
Total Revenue	7,989	13,726	25,194	80,694	17,986	34	21,636	23	907,374	1,074,666
Expenses										
Rural Fire	-	-	10,143	-	-	-	-	-	-	10,143
Cemetery	-	13,251	-	-	-	-	-	-	-	13,251
Debt Service	-	-	-	-	-	-	-	-	699,730	699,730
Industrial Park	-	-	-	-	151,442	-	-	-	-	151,442
Museum	52,500	-	-	-	-	-	-	-	-	52,500
Parks and Recreation	-	-	-	407,032	-	-	-	-	-	407,032
Swimming Pool	-	-	-	-	-	-	46,987	-	-	46,987
Tourism	-	-	-	-	-	9,637	-	-	-	9,637
Total Expenses	52,500	13,251	10,143	407,032	151,442	9,637	46,987	-	699,730	1,390,722
Revenues In Excess of (Less Than) Expenses	(44,501)	475	15,051	(326,338)	(133,456)	(9,603)	(25,351)	23	207,644	(316,056)
Other Financing Sources (Uses)										
Sales Tax Revenue	37,888	18,944	-	37,888	-	18,944	-	-	-	113,664
Operating Transfer In	10,000	-	-	158,000	150,000	-	27,000	-	-	345,000
Operating Transfer Out	-	-	-	-	-	-	-	-	-	-
Bond Proceeds Received	-	-	-	-	-	-	-	-	344,811	344,811
Bond Issue Costs	-	-	-	(1,975)	-	-	-	-	(45,942)	(47,917)
Other Gain (Loss)	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	47,888	18,944	-	193,913	150,000	18,944	27,000	-	298,869	755,558
Revenues In Excess of (Less Than) Expenses and Other Sources (Uses)	3,387	19,419	15,051	(132,425)	16,544	9,341	1,649	23	506,513	439,502
Fund Balance										
Beginning of Year	22,679	75,205	96,000	1,164,639	90,728	9,846	1,787	3,126	-	1,464,010
End of Year	26,066	94,624	111,051	1,032,214	107,272	19,187	3,436	3,149	506,513	1,903,512

CITY OF BERRYVILLE, ARKANSAS
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 TRUST FUNDS - MODIFIED ACCRUAL BASIS
 AS OF DECEMBER 31, 2018

	Firemen's Pension And Relief	Local Firemen's Retirement	Local Police Retirement	Total Trust Funds
Assets				
Restricted Assets				
Cash and Cash Equivalents	\$ -	\$ 12,407	\$ 109,259	\$ 121,666
Investments - Certificates of Deposit	-	-	-	-
Investments - Brokerage Account	-	-	-	-
Total Assets	\$ -	\$ 12,407	\$ 109,259	\$ 121,666

Liabilities and Fund Balance

Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Inter-fund Transfers Payable	-	-	-	-
Accrued Interest	-	-	-	-
Payroll and Related Taxes Payable	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -

Fund Balance

Nonspendable	-	-	-	-
Restricted	-	12,407	109,259	121,666
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unrestricted Net Position of Proprietary Funds	-	-	-	-
Contributed Fund Balance	-	-	-	-
Total Fund Balance	\$ -	\$ 12,407	\$ 109,259	\$ 121,666

Total Liabilities and Fund Balance

	\$ -	\$ 12,407	\$ 109,259	\$ 121,666
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See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
 TRUST FUNDS - MODIFIED ACCRUAL BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Firemen's Pension And Relief	Local Firemen's Retirement	Local Police Retirement	Total Trust Funds
Revenues				
Act 1373 Funds	\$ 4,403	\$ -	\$ -	\$ 4,403
Interest and Dividends	1,640	32	226	1,898
Charges for Services	-	-	-	-
Total Revenue	6,043	32	226	6,301
Expenses				
Administrative	4,405	-	-	4,405
Payments to Beneficiaries	27,360	1,025	86,885	115,270
Total Expenses	31,765	1,025	86,885	119,675
Revenues In Excess of (Less Than) Expenses	(25,722)	(993)	(86,659)	(113,374)
Other Financing Sources (Uses)				
Operating Transfer In	24	-	90,000	90,024
Operating Transfer Out	-	-	-	-
Transfer to State of Arkansas	(317,117)	-	-	(317,117)
Other Gain (Loss)	1,084	-	-	1,084
Total Other Financing Sources (Uses)	(316,009)	-	90,000	(226,009)
Revenues In Excess of (Less Than) Expenses and Other Sources (Uses)	(341,731)	(993)	3,341	(339,383)
Fund Balance				
Beginning of Year	341,731	13,400	105,918	461,049
End of Year	\$ -	\$ 12,407	\$ 109,259	\$ 121,666

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
AS OF DECEMBER 31, 2018

	2017	Additions	Deletions	2018
General Government				
Land	\$ 163,688	\$ -	\$ -	\$ 163,688
Buildings	217,235	-	-	217,235
Improvements Other than Buildings	35,830	-	-	35,830
Equipment	103,797	-	-	103,797
Total General Government	<u>520,550</u>	<u>-</u>	<u>-</u>	<u>520,550</u>
Public Safety				
Law Enforcement				
Equipment	540,589	102,838	-	643,427
Buildings	226,290	-	-	226,290
Animal Control				
Building and Improvements	32,949	-	-	32,949
Equipment'	20,599	-	-	20,599
Fire				
Land	35,280	-	-	35,280
Buildings and Equipment	1,719,001	-	-	1,719,001
Total Public Safety	<u>2,574,708</u>	<u>102,838</u>	<u>-</u>	<u>2,677,546</u>
Streets				
Streets and Bridges	7,533,940	1,463,495	-	8,997,435
Parking Lots and Improvements	362,374	-	-	362,374
Equipment	432,404	-	-	432,404
Buildings	8,392	-	-	8,392
Total Streets	<u>8,337,110</u>	<u>1,463,495</u>	<u>-</u>	<u>9,800,605</u>
Museum				
Buildings	159,172	-	-	159,172
Improvements Other than Buildings	240,553	-	-	240,553
Equipment	15,464	-	-	15,464
Total Museum	<u>415,189</u>	<u>-</u>	<u>-</u>	<u>415,189</u>
Recreation				
Park Land	59,000	-	-	59,000
Buildings	236,689	-	-	236,689
Improvements Other than Buildings	850,705	288,733	-	1,139,438
Equipment	93,051	-	-	93,051
Total Recreation	<u>1,239,445</u>	<u>288,733</u>	<u>-</u>	<u>1,528,178</u>
Cemetery				
Land	88,418	-	-	88,418
Improvements Other than Buildings	99,063	-	-	99,063
Equipment	3,500	-	-	3,500
Cemetery	<u>190,981</u>	<u>-</u>	<u>-</u>	<u>190,981</u>
Industrial Park				
Land	90,080	-	-	90,080
Improvements	275,167	-	-	275,167
Equipment	13,766	-	-	13,766
Industrial Park	<u>379,013</u>	<u>-</u>	<u>-</u>	<u>379,013</u>
Municipal Court				
Leasehold Improvements	6,583	-	-	6,583
Equipment	8,785	-	-	8,785
Total Municipal Court	<u>15,368</u>	<u>-</u>	<u>-</u>	<u>15,368</u>
Recycling				
Equipment	21,099	-	-	21,099
Total Recycling	<u>21,099</u>	<u>-</u>	<u>-</u>	<u>21,099</u>

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF BERRYVILLE, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
AS OF DECEMBER 31, 2018

	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Tourism				
Miscellaneous Assets	17,311	-		17,311
Total Tourism	<u>17,311</u>	<u>-</u>	<u>-</u>	<u>17,311</u>
Child Care Project				
Buildings	\$ 199,005	\$ -	\$ -	\$ 199,005
Total Child Care Project	<u>199,005</u>	<u>-</u>	<u>-</u>	<u>199,005</u>
Armory Building				
Buildings	\$ -	\$ 1,004,482	\$ -	\$ 1,004,482
Total Armory Building	<u>-</u>	<u>1,004,482</u>	<u>-</u>	<u>1,004,482</u>
Community Center				
Land	429,093	-	-	429,093
Plant and Property	4,596,047	30,804	-	4,626,851
Equipment	69,210	-	-	69,210
Total Community Center	<u>5,094,350</u>	<u>30,804</u>	<u>-</u>	<u>5,125,154</u>
Swimming Pool				
Plant and Property	348,762	-	-	348,762
Machinery and Equipment	40,629	-	-	40,629
Total Swimming Pool	<u>389,391</u>	<u>-</u>	<u>-</u>	<u>389,391</u>
Total General Fixed Assets	<u>\$ 19,393,520</u>	<u>\$ 2,890,352</u>	<u>\$ -</u>	<u>\$ 22,283,872</u>
Water Department				
Land	\$ 112,334	\$ -	\$ -	\$ 112,334
Buildings	125,193	-	-	125,193
Water Lines and Systems	8,046,256	3,267,375	-	11,313,631
Machinery and Equipment	305,551	51,270	-	356,821
Total Water Department	<u>8,589,334</u>	<u>3,318,645</u>	<u>-</u>	<u>11,907,979</u>
Less Depreciation	(4,808,663)	(148,148)	-	(4,956,811)
Water Department, Net	<u>3,780,671</u>	<u>3,170,497</u>	<u>-</u>	<u>6,951,168</u>
Waste Water Department				
Land	38,959	-	-	38,959
Buildings	22,614	-	-	22,614
Property and Plant	7,036,440	-	-	7,036,440
Machinery and Equipment	742,193	30,526	-	772,719
Waste Water Treatment Plant	6,616,515	78,099	-	6,694,614
Total Waste Water Department	<u>14,456,721</u>	<u>108,625</u>	<u>-</u>	<u>14,565,345</u>
Less Depreciation	(7,488,681)	(340,122)	-	(7,828,803)
Waste Water Department, Net	<u>6,968,040</u>	<u>(231,497)</u>	<u>-</u>	<u>6,736,543</u>
Total Water and Waste Water Departments	<u>\$ 10,748,711</u>	<u>\$ 2,939,000</u>	<u>\$ -</u>	<u>\$ 13,687,713</u>
Cost of Capital Assets - Summary				
General Government	\$ 520,550	\$ -	\$ -	\$ 520,550
Public Safety	2,574,708	102,838	-	2,677,546
Streets	8,337,110	1,463,495	-	9,800,605
Water and Waste Water	23,046,055	3,427,270	-	26,473,325
Other Funds in the Aggregate	7,961,152	1,324,019	-	9,285,171
Total Cost All Funds and Departments	<u>\$ 42,439,575</u>	<u>\$ 6,317,622</u>	<u>\$ -</u>	<u>\$ 48,757,197</u>

See Independent Auditor's Report and Notes to Financial Statements.

**CITY OF BERRYVILLE, ARKANSAS
SCHEDULE OF BONDS OUTSTANDING
AS OF DECEMBER 31, 2018**

Water and Sewer Revenue Bonds Series 2012

Year	Principal Payable December 1st	Int. Rate	Interest Payable	
			June 1st	December 1st
2019	250,000	2.00-3.75%	67,975	67,975
2020	250,000	2.00-3.75%	65,413	65,412
2021	260,000	2.05-3.75%	62,412	62,413
2022	265,000	2.40-3.75%	58,968	58,967
2023	270,000	2.65-3.75%	55,120	55,120
2024 thru 2027	1,185,000	2.75-3.75%	179,072	179,071
2028 thru 2032	1,725,000	3.45-3.75%	99,468	99,469
	-	3.75%	-	-
	<u>\$ 4,205,000</u>		<u>\$ 588,428</u>	<u>\$ 588,427</u>

Sales and Use Tax Bonds Series 2017

Year	Principal Payable December 1st	Int. Rate	Interest Payable
2019	450,000	2.00-3.00%	147,738
2020	455,000	2.00-3.00%	138,738
2021	465,000	2.00-3.00%	129,638
2022	475,000	2.00-3.00%	120,338
2023	485,000	2.00-3.00%	110,738
2024	495,000	2.00-3.00%	101,237
2025 thru 2030	3,235,000	2.00-3.00%	335,831
	-		-
	<u>\$ 6,060,000</u>		<u>\$ 1,084,258</u>

Water and Sewer Revenue Bonds 2018

Year	Principal Payable December 1st	Int. Rate	Interest Payable
2019	-	2.75%	46,228
2020	8,403	2.75%	61,606
2021	25,667	2.75%	45,745
2022	26,394	2.75%	45,018
2023	27,121	2.75%	44,291
2024 thru 2027	115,754	2.75%	169,894
2028 thru 2032	165,370	2.75%	191,690
	-		-
	<u>\$ 368,709</u>		<u>\$ 604,472</u>

See Independent Auditor's Report and Notes to Financial Statements

THE
KILLINGSWORTH FIRM
CPA • PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
City of Berryville, Arkansas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Berryville, Arkansas (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Berryville, Arkansas basic financial statements, and have issued my report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Berryville, Arkansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Berryville, Arkansas' internal control. Accordingly, I do not express an opinion on the effectiveness of City of Berryville, Arkansas' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Berryville, Arkansas's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Berryville, Arkansas
Page 2 of 2

Purpose of this Report

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

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The Kelly A. Fin CPA, PLLC
The Killingsworth Firm CPA, PLLC

November 15, 2019
Berryville, Arkansas

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THE
KILLINGSWORTH FIRM
CPA • PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH ARKANSAS STATE REQUIREMENTS**

To the Honorable Mayor and Members of the City Council
City of Berryville, Arkansas

I have examined management's assertions that the City of Berryville, Arkansas (the City) complied with the following Arkansas statutes during the year ended December 31, 2018.

Arkansas Code Ann. 14-58-101 requires the independent auditor to include, as a minimum and as an integral part of the annual financial report, a review and comment on substantial compliance with each of the following:

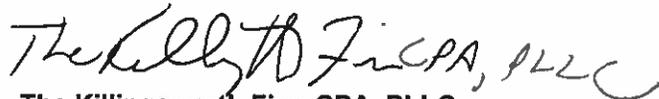
- a) Municipal Accounting Law of 1973 (14-59-101 et seq.)
- b) District Courts and City Courts Accounting Law (16-10-201 et seq.)
- c) Improvement contracts (22-9-202 to 22-9-204)
- d) Budgets, purchases and payment of claims, etc. (14-58-201 et seq. and 14-58-301 et seq.)
- e) Investment of public funds (19-1-501 et seq.)
- f) Deposit of public funds (19-8-101 through 19-8-107)

Management is responsible for the City's compliance with those requirements. My responsibility is to express an opinion on the City's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the City's compliance with specific requirements.

In my opinion, the City of Berryville, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2018.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specific parties.


The Killingsworth Firm CPA, PLLC

November 15, 2019
Berryville, Arkansas

EXHIBIT C

System Rate Structure

Water Rates

Prior Water Rate Structure. Set forth below is the rate structure for the water facilities of the System, which was in effect prior to the water rate increase and which became effective April 1, 2015:

Water Rates

<u>Volume</u>	<u>Customers Inside City Limits</u>	<u>Customers Outside City Limits</u>
First 2,000 gallons	\$11.50 (minimum)	\$13.50 (minimum)
Next 18,000 gallons	3.55 per 1,000 gallons	3.90 per 1,000 gallons
Next 80,000 gallons	3.30 per 1,000 gallons	3.65 per 1,000 gallons
Next 200,000 gallons	3.15 per 1,000 gallons	3.50 per 1,000 gallons
Over 300,000 gallons	3.05 per 1,000 gallons	3.40 per 1,000 gallons

New Water Rate Structure. Set forth below is the rate structure for the water facilities of the System, which has been in effect since January 1, 2018. The City increased the minimum charge for customers outside the City limits to \$22.00, which became effective August 6, 2019. See **THE SYSTEM, Water System.**

Water Rates

<u>Volume</u>	<u>Customers Inside City Limits</u>	<u>Customers Outside City Limits</u>
First 2,000 gallons	\$11.60 (minimum)	\$13.60 (minimum)
Next 18,000 gallons	3.60 per 1,000 gallons	3.95 per 1,000 gallons
Next 80,000 gallons	3.35 per 1,000 gallons	3.70 per 1,000 gallons
Next 200,000 gallons	3.20 per 1,000 gallons	3.55 per 1,000 gallons
Over 300,000 gallons	3.10 per 1,000 gallons	3.45 per 1,000 gallons

Sewer Rates

Prior Sewer Rate Structure. Set forth below is the rate structure for the sewer facilities of the System, which was in effect prior to the sewer rate increase and which became effective June 2, 2015:

Sewer Rates

<u>Volume</u>	<u>Monthly Charge</u>
First 2,000 gallons	\$9.00 (minimum)
Next 8,000 gallons	3.25 per 1,000 gallons
Next 90,000 gallons	3.00 per 1,000 gallons
Over 100,000 gallons	2.00 per 1,000 gallons

New Sewer Rate Structure. Set forth below is the rate structure for the sewer facilities of the System, which has been in effect since January 1, 2018. See also **THE SYSTEM, Sewer System.**

Sewer Rates

<u>Volume</u>	<u>Monthly Charge</u>
First 2,000 gallons	\$9.50 (minimum)
Next 8,000 gallons	3.45 per 1,000 gallons
Next 90,000 gallons	3.20 per 1,000 gallons
Over 100,000 gallons	2.50 per 1,000 gallons