

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 interest on the Bonds is exempt from State of Arkansas income taxes, the Bonds are exempt from property taxation in the State of Arkansas, the 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.***

\$8,945,000
CITY OF BLYTHEVILLE, ARKANSAS
SEWER REVENUE BONDS
SERIES 2020

Dated: Date of Delivery

Due: February 1, as described below

The Bonds will not be general obligations of the City of Blytheville, Arkansas (the "City"), but will be special obligations, secured by a pledge of and payable from the net revenues derived from the operation of the City's sewer system.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2021 and the Bonds mature (on February 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE
\$3,580,000 Serial Bonds

<u>Year</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>	<u>Year</u>	<u>Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>
2022	\$215,000	3.000	0.800	2029	\$260,000	2.000	1.550*
2023	220,000	3.000	0.850	2030	265,000	2.000	1.700*
2024	230,000	3.000	0.900	2031	270,000	2.000	1.800*
2025	235,000	3.000	1.000	2032	275,000	2.000	1.900*
2026	245,000	3.000	1.100	2033	280,000	2.000	2.000
2027	250,000	2.000	1.200*	2034	285,000	2.000	2.100
2028	255,000	2.000	1.400*	2035	295,000	2.125	2.200

\$1,570,000 2.375% Term Bonds Due February 1, 2040 to Yield 2.450%

\$1,775,000 2.500% Term Bonds Due February 1, 2045 to Yield 2.650%

\$2,020,000 2.700% Term Bonds Due February 1, 2050 to Yield 2.800%

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 purpose 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 The Farmers & Merchants 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.

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

Stephens Inc.

Dated: September 22, 2020

* Priced to first optional redemption date, February 1, 2026.

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

\$8,945,000
CITY OF BLYTHEVILLE, ARKANSAS
SEWER REVENUE 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 exhibit hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Blytheville, Arkansas (the "City") of its Sewer Revenue Bonds, Series 2020, in the aggregate principal amount of \$8,945,000 (the "Bonds"). The Bonds are being issued to finance all or portion of the costs of acquiring, constructing and equipping betterments and improvements to the City's sewer system (the "Project"), to fund a debt service reserve and to pay expenses of issuing the Bonds. See **THE BONDS, Purpose for Bonds**.

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

The Bonds are not general obligations of the City, but are special obligations payable solely from the net revenues derived from the operation of the City's sewer system (the "System"). 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. 1898, adopted on September 15, 2020 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest is payable February 1, 2021 and semiannually thereafter on each February 1 and August 1. Principal is payable at the principal office of The Farmers & Merchants 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 February 1, 2026 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on February 1 in the years 2040, 2045 and 2050 are subject to mandatory sinking

fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), (iv) interest on the Bonds is exempt from State income tax and (v) the Bonds are not subject to property taxes in the State. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about October 28, 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, Suite 1720 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 only 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

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

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

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

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

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

(2) Optional Redemption. The Bonds are subject to redemption at the option of the City from funds from any source, on and after February 1, 2026, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on February 1 in the years 2040, 2045 and 2050 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on February 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing February 1, 2040

<u>Years</u>	<u>Principal Amounts</u>
2036	\$300,000
2037	305,000
2038	315,000
2039	320,000
2040 (maturity)	330,000

Bonds Maturing February 1, 2045

<u>Years</u>	<u>Principal Amounts</u>
2041	\$335,000
2042	345,000
2043	355,000
2044	365,000
2045 (maturity)	375,000

Bonds Maturing February 1, 2050

<u>Years</u>	<u>Principal Amounts</u>
2046	\$380,000
2047	395,000
2048	405,000
2049	415,000
2050	425,000

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

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

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

Purpose for Bonds. The Bonds are being issued to finance all or a portion of the costs of the Project, to fund a debt service reserve and to pay expenses of issuing the Bonds.

The Project includes particularly, without limitation, a new sequencing batch reactor treatment plant, a new force main and two new pumping stations. Work on the Project is expected to be completed by December 31, 2022.

The sources and uses of funds to accomplish the Project are estimated by the City as follows:

SOURCES:

Principal Amount of Bonds	\$8,945,000
Net Original Issue Discount	<u>(4,695)</u>
Total Sources	\$8,940,305

USES:

Project Costs	\$8,525,000
Debt Service Reserve	219,640
Costs of Issuance	129,703
Underwriter's Discount	<u>65,962</u>
Total Uses	\$8,940,305

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. The Underwriter will also be reimbursed for certain costs of closing and delivering the Bonds. The City will deposit the principal amount of the Bonds, plus original issue premium, less original issue discount, Underwriter's discount, debt service reserve deposit, and certain issuance costs, into a special fund established with the Trustee and designated "Sewer Revenue Bond Construction Fund, Series 2020" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed by the City solely in payment of costs of the Project, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of the net revenues derived from the operation of the System. There is a Debt Service Reserve securing the Bonds in an amount equal to one-half of the maximum annual debt service requirement on the Bonds (based on a year ending February 1). The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE, Parity Bonds.**

COVID-19 Disclosure. The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Arkansas Governor Asa Hutchinson (the "Governor") has declared a state of emergency due to the outbreak of COVID-19 in the State. There has been significant volatility in the financial markets in the United States attributed to concerns about the duration of the pandemic and its continued economic impact. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

In an attempt to slow the spread of COVID-19 in the State, the Governor has taken numerous and wide-spread actions designed to mandate or encourage "social distancing." Developments with respect to COVID-19 and the State's responses to COVID-19 (including governmental mandates) continue to occur at a rapid pace, including on a daily basis, and the swift spread of the outbreak may continue to increase in severity for an unknown period of time.

The full impact of COVID-19 on the City is not known. For the first six months of 2020, the City's sales and use tax collections decreased by 2% compared to the same time period in 2019, and collections of revenues of the System decreased by 3% compared to the same time period in 2019. However, the City believes its current liquidity and the current liquidity for the System are sufficient to maintain essential services and pay current and future debt obligations of the City and of the System. The City is not aware of any major businesses in the City that have closed due to COVID-19 that would have a materially adverse effect on collections of revenues within the City. City officials do not foresee any future financial difficulties for the City as a result of COVID-19.

The City has implemented changes to working conditions to protect employees and the general public such as staggered work shifts, social distancing, and requiring employees to wear masks. The City has been awarded a Department of Justice Emergency Supplemental Grant in the amount of \$50,805.00, and the City has applied for a COVID Emergency Grant for the Fire Department as well as an Office of Emergency Management State Relief Grant. The funding from these grants will be used to reimburse the City for expenditures related to COVID-19.

THE CITY AND THE COUNTY

Location. The City is located approximately 190 miles northeast of Little Rock, Arkansas and 69 miles north of Memphis, Tennessee. The City lies within an area which is considered by a number of seismologists to be subject to major earthquake damage in the event of an earthquake along and in proximity of the New Madrid Fault. Whether an earthquake might occur while any of the Bonds are outstanding, the extent of damage to properties located within the City and the effect upon the City's ability to pay debt service cannot be predicted.

Population. The population trends for the City and County since 1970 are set forth below:

<u>Year</u>	<u>City</u>	<u>County</u>
1970	24,752	62,060
1980	23,844	59,517
1990	22,906	57,525
2000	18,272	51,979
2010	15,620	46,480
2019*	13,455	40,651

*Estimate as of July 1

Transportation. The City is served by State Highway Nos. 18, 239, 312 and 151, U.S. Highway No. 61 and Interstate Highway No. 55. Several motor freight carriers and the Burlington Northern/Santa Fe Railroad make daily shipments from the City to major cities across the United States. A barge terminal and port are located ten miles east of the City.

The Blytheville Municipal Airport has a 5,000-foot, paved runway. In addition, the Arkansas International Airport (formerly Eaker Air Force Base) has an 11,000 foot runway. The nearest commercial service is located 69 miles away in Memphis, Tennessee.

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

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
James Sanders	Mayor	December 31, 2022
Vera James	Retired	December 31, 2022
Barbara McAdoo	Small Business Owner	December 31, 2020
R. L. Jones	Pastor	December 31, 2020
John Musgraves	Nucor Steel	December 31, 2022
John Mayberry	Bail Bonds, Teacher, Pastor	December 31, 2020
Matt Perrin	Director of Operations, Blytheville KIPP School	December 31, 2022

Medical Facilities. The City is served by one hospital (with approximately 99 beds) and approximately 10 physicians and surgeons.

Financial Institutions. The City is served by Farmers Bank & Trust Company, which has its principal offices in the City. The City is also served by a branch of Southern Bancorp Bank.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system. Located within the City are three elementary schools and three middle schools/high schools in the public school system.

Arkansas Northeastern College is located in the City. Arkansas State University, located in Jonesboro, Arkansas, is approximately 53 miles from the City.

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

<u>Company</u>	<u>Product</u>	<u>Number of Employees</u>
Nucor Yamato	Steel Producer	875
Nucor Steel Hickman	Steel Producer	870
Mississippi County Hospital System	Hospital	450
Blytheville Public Schools	Education	418
Tenaris	Pipe Producer	225
Arkansas Northeastern College	Education	250
Walmart	Retailer	240
Nibco	Manufacturer	200
City of Blytheville	Government	190
Zekelman Ind./Atlas Tube	Pipe Producer	130
Primetals	Steel Manufacturer	125
Lowe's	Home Goods Retailer	100

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

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

<u>Year</u>	<u>Per Capita Personal Income</u>
2014	\$28,742
2015	28,844
2016	28,609
2017	29,581
2018	31,428

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

<u>Year</u>	<u>Total Personal Income</u>
2014	\$1,271,845,000
2015	1,260,921,000
2016	1,226,709,000
2017	1,244,569,000
2018	1,296,065,000

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

Set forth below are the annual average unemployment rates for the County and the State since 2015 according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
2015	9.0	5.0
2016	6.8	4.0
2017	5.9	3.7
2018	5.6	3.6
2019	5.1	3.5
2020*	12.6	8.2

* As of June 2020

THE SYSTEM

General. The System is composed of 269.8 miles of collection lines, 56 pumping stations and 3 treatment plants. The treatment plants have a treatment capacity of 1.6 million gallons per day ("MGD"), 1.4 MGD and 800,000 gallons per day. The System is owned by the City and operated under the direct control of the City Council. Operation and management of the System is provided by a utility staff under the direction of a general manager. Gary Carr, age 60, is the manager of the System and has served in that role for the last 4 years. The System employs 10 persons.

Users. The average number of sewer users by category for each of the past five (5) years is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2015	5,694	575	6,269
2016	5,555	563	6,118
2017	5,472	559	6,031
2018	5,410	546	5,956
2019	5,365	550	5,915

No user of the System accounts for more than 5% of gross revenues of the System. The following were the largest users of the System in 2019:

1. Nibco
2. Blytheville School District
3. Mississippi County Hospital System
4. Pear Tree Park Apartments
5. Arkansas Northeastern College

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

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

CLASS I RESIDENTIAL

This classification shall include all residences, mobile homes, and apartment units, each individual unit in a housing project and in multi-family dwellings, and churches now served or served hereafter by the System.

Subclass IA. Each Class I user which is billed by the City's Water Department for 3,000 gallons per month or less shall pay a monthly rate of \$16.97.

Subclass IB. Each Class I user which is billed by the City's Water Department for more than 3,000 gallons per month, but less than 6,000 gallons per month shall pay a monthly rate of \$19.32.

Subclass IC. Each Class I user which is billed by the City's Water Department for more than 6,000 gallons per month, but less than 9,000 gallons per month shall pay a monthly rate of \$22.21.

Subclass ID. Each Class I user which is billed by the City's Water Department for more than 9,000 gallons per month, but less than 12,000 gallons per month shall pay a monthly rate of \$24.52.

Subclass IE. Each Class I user which is billed by the City's Water Department for more than 12,000 gallons per month, but less than 15,000 gallons per month shall pay a monthly rate of \$26.83.

Subclass IF. Each Class I user which is billed by the City's Water Department for more than 15,000 gallons per month, but less than 20,000 gallons per month shall pay a monthly rate of \$29.14.

Subclass IG. Each Class I user which is billed by the City's Water Department for 20,000 gallons or more per month shall pay a monthly rate of \$31.39.

CLASS I COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was less than 5,000 gallons. Each Class I Commercial customer shall pay a monthly rate of \$36.28.

CLASS II COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 5,000 to 10,000 gallons. Each Class II Commercial customer shall pay a monthly rate of \$39.87.

CLASS III COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 10,000 to 15,000 gallons. Each Class III Commercial customer shall pay a monthly rate of \$43.86.

CLASS IV COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 15,000 to 20,000 gallons. Each Class IV Commercial customer shall pay a monthly rate of \$48.24.

CLASS V COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 20,000 to 25,000 gallons. Each Class V Commercial customer shall pay a monthly rate of \$53.07.

CLASS VI COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 25,000 to 50,000 gallons. Each Class VI Commercial customer shall pay a monthly rate of \$158.07.

CLASS VII COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 50,000 to 75,000 gallons. Each Class VII Commercial customer shall pay a monthly rate of \$173.90.

CLASS VIII COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 75,000 to 100,000 gallons. Each Class VIII Commercial customer shall pay a monthly rate of \$191.27.

CLASS IX COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 100,000 to 125,000 gallons. Each Class IX Commercial customer shall pay a monthly rate of \$210.43.

CLASS X COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 125,000 to 150,000 gallons. Each Class X Commercial customer shall pay a monthly rate of \$231.48.

CLASS XI COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 150,000 to 200,000 gallons. Each Class XI Commercial customer shall pay a monthly rate of \$254.63.

CLASS XII COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 200,000 to 250,000 gallons. Each Class XII Commercial customer shall pay a monthly rate of \$258.18.

CLASS XIII COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 250,000 to 500,000 gallons. Each Class XIII Commercial customer shall pay a monthly rate of \$431.72.

CLASS XIV COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 500,000 to 1,000,000 gallons. Each Class XIV Commercial customer shall pay a monthly rate of \$689.53.

CLASS XV COMMERCIAL

This classification shall include all commercial and industrial users whose monthly water consumption for the preceding calendar year was 1,000,000 gallons or more. Each Class XV Commercial customer shall pay a monthly rate of \$689.53 for the first 1,000,000 gallons plus twenty cents (\$.20) per 1,000 gallons over 1,000,000 gallons.

CLASS XVI-MOTELS AND HOTELS WITHOUT RESTAURANTS

This classification shall include all motels and hotels without restaurants. Each Class XVI Motel and Hotel user without Restaurant shall pay a monthly rate of \$6.50 per room.

CLASS XVII-MOTELS AND HOTELS WITH RESTAURANTS

This classification shall include all motels and hotels with restaurants. Each Class XVII Motel and Hotel user with Restaurant shall pay a monthly rate of \$6.50 per room plus \$200.00.

CLASS XVIII-HOSPITALS AND NURSING HOMES

This classification shall include all hospitals, clinics with rooms available for overnight occupancy by patients, rest homes, homes for the elderly and nursing homes. Each Class XVIII Hospital and Nursing Home shall pay a monthly rate of \$6.50 per room. If all rooms are not equipped with toilets, owners may petition for adjustments of the total monthly sewer fee; as may any other user with a unique user situation.

DOGWOOD WATER ASSOCIATION

Customers serviced by Dogwood Water Association will be charged, depending on the classification applicable for such customer, as set forth above.

SERVICE OUTSIDE THE CITY

Base Meter Charge

<u>Size</u>	
3/4"	\$17.56
1"	43.89
2"	140.44
3"	263.31
4"	438.86
6"	877.72

Volumetric Charge. In addition to the base charge, all customers will be charged a volumetric rate of \$4.32 per 1,000 gallons; provided, however, a cap of 5,000 gallons of water usage shall apply for residential customers and educational institutions.

Yarbo Water Association will be charged a flat rate of \$16.97 per customer.

THE AUTHORIZING ORDINANCE

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

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

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 not in the regular employ of the City ("Accountant"), a certificate that the net revenues of the System (net revenues being defined as gross revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal sewer facilities other than depreciation, interest and amortization of deferred bond discount expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund (described below), and leave a balance equal to at least 110% of the maximum annual principal and interest requirements on all outstanding bonds to which net revenues of the System are pledged ("System Bonds"). The City further covenants that the rates shall, if and when necessary from time to time, be increased in such manner as will produce net revenues sufficient to provide the required deposits into the Depreciation Fund and leave a balance equal to at least 110% of the maximum annual principal and interest requirements on all System Bonds.

(b) 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 shall be construed to prohibit the City from making such dispositions of properties of the System and such replacements and substitutions for properties of the System as shall be necessary or incidental to the efficient operation of the System as a revenue-producing undertaking.

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

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

If in any fiscal year any surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount necessary to meet the requirements thereof during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

(c) After making the monthly deposit into the Operation and Maintenance Fund, there shall be paid from the Revenue Fund into a fund created with the Trustee and designated "2020 Sewer Revenue Bond Fund" (the "Bond Fund") on the first business day of each month, until all outstanding bonds, with interest thereon, have been paid in full or provision made for such payment, a sum equal to 1/6 of the next installment of interest due on the Bonds plus 1/12 of the next installment of principal due on the Bonds; provided, however, the monthly deposits into the Bond Fund through January, 2021 shall be increased to 1/3 of the installment of interest on the Bonds due February 1, 2021, and provided the monthly deposits into the Bond Fund representing principal of the Bonds shall not commence until February 2021.

There shall be maintained, as a part of the Bond Fund, a Debt Service Reserve which is required to be maintained in an amount equal to one-half of the maximum annual debt service requirement on the Bonds (based on a year ending February 1) (the "Required Level"). The Debt Service Reserve is being initially funded to the Required Level with proceeds of the Bonds. Should the Debt Service Reserve be reduced below the Required Level, the deficiency shall be cured by increasing the monthly payments into the Bond Fund to 1/5 of the next installment of interest plus 1/10 of the next installment of principal until the Required Level is reached.

The City shall also pay into the Bond Fund such additional sums as necessary to provide for the Trustee's fees and expenses and any arbitrage rebate payment due to be paid to the United States Treasury under Section 148(f) of the Code. The City shall receive a credit against deposits into the Bond Fund from interest earnings on moneys in the Bond Fund and transfers into the Bond Fund derived from earnings in the Debt Service Reserve during the preceding month.

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

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 in the amount of any such payment as described above. The Debt Service Reserve shall be used solely as described in the Authorizing Ordinance, but the moneys therein may be invested as set forth below.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the next succeeding twelve month period and in excess of the Required Level, such surplus shall, at the option of the City, either be applied to the redemption of the Bonds that may be called for redemption prior to maturity, paid to the City for deposit into the Revenue Fund, or used to pay any arbitrage rebate due under Section 148(f) of the Code.

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

(d) After making the required payments into the Operation and Maintenance Fund and the Bond Fund, there shall be transferred from the Revenue Fund into a special fund designated "Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the first business day of each month, an amount equal to 3% of the gross revenues from the operation of the System for the preceding month. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of repairs or replacements made necessary by the depreciation of the System. Any surplus over the current year's and next year's estimated replacements may be transferred to the Revenue Fund.

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

Parity Bonds. So long as any of the Bonds are outstanding, the City shall not issue any bonds claimed to be entitled to a priority of lien on the revenues of the System over the lien securing the Bonds. The City 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 bonds issued for such purposes, but the City shall not authorize or issue any such additional bonds ranking on a parity with the outstanding Bonds unless and until there shall have been procured and filed with the Trustee a statement by an Accountant reciting that, based upon necessary investigation, net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 110% of the maximum annual principal and interest requirements on all then outstanding System Bonds and the additional bonds then proposed to be issued. The term "net revenues" means gross revenues of the System less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal sewer facilities other than depreciation, interest and amortization of deferred bond discount expenses. In making the computation set forth above, additional amounts may be added to the net revenues of the completed fiscal year immediately preceding the issuance of additional bonds, as follows: if, prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year, the City shall have increased its rates or charges imposed for services of the System there may be added to the net revenues of such fiscal year the additional net revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City.

Accounts and Records. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the registered owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of the Bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Maintenance; Insurance. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees 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 the State. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund, second from moneys in the Operation and Maintenance Fund, and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

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

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

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if any arbitrage rebate due the United States Treasury under Section 148(f) of the Code has been paid or provided for to the satisfaction of the Trustee, and if the Trustee has been paid its fees and expenses, the Trustee will take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and canceled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of 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.

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

No registered owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any power or right unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein

or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more registered owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder except in the manner described in the Authorizing Ordinance. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the outstanding Bonds.

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 a majority in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

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

The Trustee may consent to any variation or change in the Authorizing Ordinance to cure any ambiguity, defect or omission in the Authorizing Ordinance or any amendment thereto or any other change that the Trustee determines is not, in the Trustee's opinion, materially adverse to the interests of the owners of the Bonds, without the consent of the owners of the Bonds then outstanding.

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

any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. The Trustee's resignation shall become effective upon the acceptance of the trusts by the successor Trustee.

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

(b) Moneys held for the credit of the Debt Service Reserve shall be invested and reinvested pursuant to the direction of the City, or in the absence of such direction by the Trustee in its discretion, in Permitted Investments, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than five (5) years after the date of investment or the final maturity date of the Bonds, whichever is earlier.

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

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

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

Nonarbitrage. The City covenants that it shall not take any action or suffer or permit any action to be taken or conditions to exist which causes or may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the Bonds and System revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants to pay to

the United States Treasury from System revenues any arbitrage rebate due at the time 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 a party to certain continuing disclosure agreements in connection with its outstanding bonds. Such agreements require the City to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations for the past five years.

As part of each annual report, the City has been obligated to file the audited financial statements of the City or the City's water system (the "Water System"), as appropriate for the type of bond issue (e.g., sales and use tax bonds and water revenue bonds). If filed later than the date the annual report that year is due, the audited financial statements must be filed within 30 days of receipt thereof.

The audited financial statements of the Water System for the fiscal years ended December 31, 2015 and 2017 were filed 121 and 223 days late, respectively. The Water System's audited financial statements for the fiscal years ended December 31, 2018 and 2019 were timely filed. Audited financial statements for the Water System for the fiscal year ended December 31, 2016 were not required to be filed because the water revenue bonds for which the report was due were redeemed in full in May 2017. Notices concerning the City's failure to timely file were not filed on EMMA.

The audited financial statements of the City for the fiscal year ended December 31, 2019 are not yet available. The 2019 fiscal year is the only year (in the past five years) for which such financial statements of the City are required to be filed.

The City's continuing disclosure agreements have also required that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data varies depending on the type of bond issue and how each is secured. During the past five years, all supplemental information required by the continuing disclosure agreements in connection with bonds secured by revenues of the Water System was timely filed, except as described below.

The information required to be provided for the fiscal years ended December 31, 2015 and 2016 included rates for the Water System for the fiscal year then ended and the previous fiscal year. In both instances, only the then current rates for the Water System or the rates for the fiscal year then ended (and not the previous fiscal year) were included.

The supplemental information required by the continuing disclosure agreement in connection with bonds secured by collections of a sales and use tax for the fiscal year ended December 31, 2019 was timely filed.

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

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

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

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

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

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

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

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

"Financial Obligation" shall mean a

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 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 thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in 1 under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send 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 in this Official Statement under the caption **THE SYSTEM** with respect to (i) the average number of sewer users for the fiscal year then ended and the four previous fiscal years and (ii) the top five (5) users of the System for the previous fiscal year and a statement as to which users accounted for 5% or more of System revenues for the preceding fiscal year.

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

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

7. 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 in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

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

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

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The

Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

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

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

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

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

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

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

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

under the Continuing Disclosure Agreement in the event of any failure of the City, the Dissemination Agent or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

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

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

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FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the System for the fiscal year ended December 31, 2019. Such audited financial statements were prepared using accounting principles generally accepted in the United States of America and were audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 revenues and expenses of the System for the years ended December 31, 2015-2019 which has been prepared using the audited financial statements of the System.

	Year Ended December 31				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues	\$1,783,975	\$1,755,154	\$1,805,862	\$1,823,224	\$1,772,088
Operating Expenses (Excluding Depreciation and Amortization)	<u>(1,163,705)</u>	<u>(1,153,950)</u>	<u>(1,294,560)</u>	<u>(1,204,378)</u>	<u>(1,161,260)</u>
Operating Income Before Depreciation and Amortization	620,270	601,204	511,302	618,846	610,828
Depreciation	(478,143)	(463,942)	(427,144)	(922,137)	(635,362)
Amortization Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,877)</u>
Interest Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>(675)</u>	<u>(8,742)</u>
Nonoperating Income (Expense) (Including Interest Income)	<u>4,796</u>	<u>3,397</u>	<u>2,262</u>	<u>(118,375)</u>	<u>(376,289)</u>
Net Income (Loss)	<u>\$146,923</u>	<u>\$140,659</u>	<u>\$86,420</u>	<u>(422,341)</u>	<u>\$(411,442)</u>

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DEBT SERVICE COVERAGE

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

Net Revenues ⁽¹⁾	\$625,066
Maximum Annual Debt Service ⁽²⁾	439,280
Debt Service Coverage	1.42X

(1)"Net Revenues" means gross revenues of the System less amounts necessary to pay operation, maintenance and repair of the System (excluding depreciation expenses, interest and bond amortization expenses) based upon the audited financial statements of the System for the fiscal year ended December 31, 2019. Includes interest income of \$4,796.

(2) Based on a year ending February 1.

[Remainder of page intentionally left blank]

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for each year ending February 1.

<u>Year</u> <u>(February 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2021	--	\$ 56,735.49	\$ 56,735.49
2022	\$ 215,000	219,621.26	434,621.26
2023	220,000	213,171.26	433,171.26
2024	230,000	206,571.26	436,571.26
2025	235,000	199,671.26	434,671.26
2026	245,000	192,621.26	437,621.26
2027	250,000	185,271.26	435,271.26
2028	255,000	180,271.26	435,271.26
2029	260,000	175,171.26	435,171.26
2030	265,000	169,971.26	434,971.26
2031	270,000	164,671.26	434,671.26
2032	275,000	159,271.26	434,271.26
2033	280,000	153,771.26	433,771.26
2034	285,000	148,171.26	433,171.26
2035	295,000	142,471.26	437,471.26
2036	300,000	136,202.50	436,202.50
2037	305,000	129,077.50	434,077.50
2038	315,000	121,833.76	436,833.76
2039	320,000	114,352.50	434,352.50
2040	330,000	106,752.50	436,752.50
2041	335,000	98,915.00	433,915.00
2042	345,000	90,540.00	435,540.00
2043	355,000	81,915.00	436,915.00
2044	365,000	73,040.00	438,040.00
2045	375,000	63,915.00	438,915.00
2046	380,000	54,540.00	434,540.00
2047	395,000	44,280.00	439,280.00
2048	405,000	33,615.00	438,615.00
2049	415,000	22,680.00	437,680.00
2050	425,000	11,475.00	436,475.00
Totals:	\$8,945,000	\$3,750,566.89	\$12,695,566.89

LEGAL MATTERS

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

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

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

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

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

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

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 System 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 reasonably 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 the 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 Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

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

As shown on the front cover of this Official Statement, certain of the Bonds are being sold at an original issue 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 excludable from gross income for federal income tax purposes, as described above.

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. 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

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$8,810,602.15 (principal amount less net original issue discount of \$4,695.35 and less Underwriter's discount of \$129,702.50). The Underwriter is committed to purchase all of the Bonds if any are purchased.

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

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 BLYTHEVILLE, ARKANSAS

By: /s/ James Sanders
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

AUDITED FINANCIAL STATEMENTS OF THE SYSTEM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

BLYTHEVILLE SEWER
(A COMPONENT UNIT OF
THE CITY OF BLYTHEVILLE, AR)
FINANCIAL STATEMENTS (AUDITED)
DECEMBER 31, 2019

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, AR 72396

BLYTHEVILLE SEWER

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Meyer & Ward, P.A.
Certified Public Accountants
P.O. Box 1045
Wynne, AR 72396

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
Blytheville Sewer
Blytheville, AR 72315

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the business-type activities of the Blytheville Sewer, a component unit of the City of Blytheville, Arkansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Blytheville Sewer Department as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 15 – 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note A, the accompanying financial statements present the financial position, and the changes in financial position, and cash flows of the City that are attributable to the transactions of the Blytheville Sewer Department. They do not purport to, and they do not, present fairly the financial position of the City of Blytheville, as of December 31, 2019, the changes in financial position or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, on our consideration of the Blytheville Sewer Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

March 27, 2020

BLYTHEVILLE SEWER
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 964,659
Accounts receivable	157,274
Prepaid Expenses	<u>3,459</u>
Total Current Assets	<u>1,125,392</u>

CAPITAL ASSETS, NET	<u>8,251,524</u>
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TOTAL ASSETS	<u><u>\$ 9,376,916</u></u>
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The accompanying notes are an integral part of these financial statements.

BLYTHEVILLE SEWER
STATEMENT OF NET POSITION
DECEMBER 31, 2019

LIABILITIES

Current Liabilities

Accounts payable	\$ 29,578
Total Current Liabilities	<u>29,578</u>

Net Position

Invested in capital assets, net of related debt	8,251,524
Unrestricted	<u>1,095,814</u>
Total Net Position	<u>9,347,338</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,376,916</u>
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The accompanying notes are an integral part of these financial statements.

BLYTHEVILLE SEWER
STATEMENT OF REVENUES AND EXPENSES- cont'd
FOR THE YEAR ENDED
DECEMBER 31, 2019

OPERATING REVENUES	
Sewer Fees, Blytheville	\$ 1,646,687
Sewer Fees, Dogwood	43,493
Sewer Fees, Yarbro	6,555
Sewer Fees, Precoat Metals	60,576
Miscellaneous	26,664
Total Operating Revenue	<u>1,783,975</u>
OPERATING EXPENSES:	
Salaries and Wages	438,491
Payroll Taxes	33,002
Retirement	17,234
Workers Compensation	889
Grounds Maintenance	1,906
Repairs	57,897
Utilities	330,654
Telephone	9,566
Insurance	34,813
Office expense	667
General Supplies	32,775
Dues and Subscriptions	3,435
Professional fees	28,825
Fuel	20,943
Group Insurance	54,661
Unemployment	1,316
Chemicals	4,320
Uniforms	18,070
Permits and Inspections	31,948
Postage and Freight	390
Laboratory testing	39,029
Industry testing	120
Depreciation	478,143
Advertising and publications	1,724
License Fees	320
Miscellaneous	710
Total Operating Expenses	<u>1,641,848</u>
OPERATING INCOME (LOSS)	<u>\$ 142,127</u>

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

BLYTHEVILLE SEWER
STATEMENT OF REVENUES AND EXPENSES- cont'd
FOR THE YEAR ENDED
DECEMBER 31, 2019

NONOPERATING REVENUES (EXPENSES)	
Transfers to other City Funds	-
Interest income	4,796
Interest expense	-
Nonoperating revenues (expenses)	4,796
INCREASE (DECREASE) IN NET POSITION	146,923
Net Position at beginning of year	9,200,415
Net Position at end of year	\$ 9,347,338

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

BLYTHEVILLE SEWER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2019

Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,777,555
Payments to suppliers	(731,641)
Payments to employees	(438,491)
Net cash provided by operating activities	<u>607,423</u>
Cash flows from capital and related financing activities	
Principal paid on capital debt	-
(Increase) decrease in restricted assets	-
Interest paid on capital debt	-
Purchase of property and equipment	(862,270)
Net cash provided (used) by capital and related activities	<u>(862,270)</u>
Cash flows from investing activities	
Interest income	4,796
Transfers to other City Funds	-
Net cash provided (used) by investing activities	<u>4,796</u>
Increase (decrease) in cash and cash equivalents	(250,051)
Cash and cash equivalents, beginning of year	1,214,710
Cash and cash equivalents, end of year	<u>\$ 964,659</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 142,127
Depreciation	478,143
(Increase) Decrease in:	
Accounts receivable	(6,420)
Prepaid Expenses	(38)
Increase (Decrease) in :	
Accounts Payable	(6,389)
Unearned Revenue	-
	<u>\$ 607,423</u>

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

BLYTHEVILLE SEWER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Blytheville Sewer (the Department) is a component unit of the City of Blytheville, AR. The financial statements present only the Blytheville Sewer, and do not include any other funds of the City of Blytheville, AR, and are not intended to be government wide financial statements for the City of Blytheville, AR.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. The accompanying financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

ACCOUNTS RECEIVABLE

Accounts Receivable are presented at estimated net realizable value. Revenues are reported net of all discounts and allowances, including bad debts.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Expenditures for major renewals and betterments are capitalized while minor replacements, maintenance, and repairs, which do not improve or extend the life of such assets, are charged to operations as incurred. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. Estimated useful lives range are 5 – 10 years for office furniture and equipment to 40 years for sewer system.

CASH AND CASH EQUIVALENTS

The Blytheville Sewer Department considers all cash, and certificates of deposits purchased with a maturity of three months or less to be cash equivalents. Deposits restricted pursuant to loan agreements or for other purposes are not considered cash equivalents.

ESTIMATES

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

BLYTHEVILLE SEWER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

CREDIT RISK

Financial instruments which potentially subject the Department to concentrations of credit risk consist principally of temporary cash investments. The Department places its temporary cash investments with financial institutions, and its policy is to limit the amount of credit exposure to any one financial institution. The Department's policy is to limit such investments to amounts covered by FDIC coverage, and securities pledged to collateralize deposits.

ADVERTISING

Advertising costs are expensed when incurred.

NET POSITION

Net Position is divided into three components:

- Investments in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – amounts that are restricted by the Department's creditors, (for example, debt covenants), by laws and regulations of other governments, or by other contributors.
- Unrestricted – all other net position is reported in this category.

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses of the Department consist of charges for services, and the costs of providing those services, excluding interest costs.

RESTRICTED RESOURCES

When an expense is incurred that could be paid by using either restricted or unrestricted resources, the Department's policy is to first apply the expenditure toward restricted resources.

BLYTHEVILLE SEWER
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE B – CONTINGENCIES

The Blytheville Sewer Department is subject to governmental regulations regarding water quality and waste disposal. Fines may result from noncompliance.

NOTE C – CONCENTRATION OF CREDIT RISKS:

The entity's policy is for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation Insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at December 31, 2019. The categories of risk are described as follows:

Category 1 - Insured or collateralized by the entity or by the entity of its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institutions trust department or by its agent in the entity's name.

Category 3 - Uncollateralized

At December 31, 2019, Deposits are categorized as follows:

		Category		
		1	2	3
	Carrying amount			
Deposits with Financial Institutions	\$ 964,409	<u>\$ 306,784</u>	<u>\$ 657,625</u>	<u>\$ -</u>
Petty Cash	250			
Cash	<u>\$ 964,659</u>			

Sales – All of the Blytheville Sewer revenues are earned from sewer services provided to local area residents.

BLYTHEVILLE SEWER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE E - PROPERTY AND EQUIPMENT

A Summary of activity for property plant and equipment accounts is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets not subject to depreciation:				
Land	\$ 407,369	\$ -	\$ -	\$ 407,369
Construction In Process	<u>137,938</u>	<u>399,573</u>	<u>137,938</u>	<u>399,573</u>
Assets subject to depreciation				
Equipment	1,089,646	23,169		1,112,815
Trucks	598,354			598,354
Building and System - Waste Water Annexation	4,365,193	577,463		4,942,656
Building and System - Office	3,985,687			3,985,687
	8,690,639			8,690,639
		-		-
	<u>18,729,519</u>	<u>600,632</u>	<u>-</u>	<u>19,330,151</u>
Total	19,274,826	1,000,205	-	20,137,093
Less Accumulated Depreciation	(11,407,431)	(478,138)	-	(11,885,569)
Net Property and Equipment	<u>\$ 7,867,395</u>	<u></u>	<u>\$ -</u>	<u>\$ 8,251,524</u>

NOTE F: RETIREMENT PLAN:

All Sewer Department employees are covered under the City of Blytheville Pension Plan. All full time employees 21 or older are eligible to participate after one year's service. The Sewer Department contributes 6% of each participating employee's covered payroll. Contributions are fully vested after 5 years of service. Total employer contributions for 2019 was \$17,234.

NOTE G: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report. No events were noted which would require disclosure.

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, ARKANSAS 72396

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

Mayor and City Council
Blytheville Sewer
Blytheville, AR 72432

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Blytheville Sewer as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Blytheville Sewer's basic financial statements and have issued our report thereon dated March 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Blytheville Sewer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Blytheville Sewers' internal control. Accordingly, we do not express an opinion on the effectiveness of the Blytheville Sewers' 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 Department's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

March 27, 2020

**BLYTHEVILLE SEWER
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Actual	Budget	Variance
OPERATING REVENUES			
Sewer Fees, Blytheville	\$ 1,646,687	\$ 1,805,521	\$ 158,834
Sewer Fees, Dogwood	43,493	-	(43,493)
Yarbro Water Collections	6,555	-	(6,555)
Sewer Fees, Precoat Metals	60,576	-	(60,576)
Miscellaneous	26,664	-	(26,664)
Total Operating Revenue	<u>1,783,975</u>	<u>1,805,521</u>	<u>21,546</u>
OPERATING EXPENSES:			
Salaries and Wages	438,491	530,000	91,509
Payroll Taxes	33,002	41,000	7,998
Retirement	17,234	25,000	7,766
Amortization	-	-	-
Travel & Meetings	-	600	600
Workers Compensation	889	16,000	15,111
Engineering	-	798,481	798,481
Grounds Maintenance	1,906	2,000	94
Repairs	57,897	452,500	394,603
Utilities	330,654	305,200	(25,454)
Telephone	9,566	12,000	2,434
Water Utilities	-	-	-
Insurance	34,813	86,000	51,187
Office expense	667	-	(667)
General Supplies	32,775	30,000	(2,775)
Dues and Subscriptions	3,435	5,000	1,565
Professional fees	28,825	10,000	(18,825)
Fuel	20,943	24,000	3,057
Group Insurance	54,661	-	(54,661)
Unemployment	1,316	3,000	1,684
Chemicals	4,320	7,000	2,680
Uniforms	18,070	15,000	(3,070)
Permits and Inspections	31,948	20,000	(11,948)
Postage and Freight	390	250	(140)
Laboratory testing	39,029	-	(39,029)
Industry testing	120	-	(120)
Depreciation	478,143	-	(478,143)
Collection Fees	-	-	-
Advertising and publications	1,724	1,500	(224)
License Fees	320	400	80
Miscellaneous	710	126,000	125,290
Total Operating Expenses	<u>1,641,848</u>	<u>2,510,931</u>	<u>869,083</u>
OPERATING INCOME (LOSS)	<u>\$ 142,127</u>	<u>\$ (705,410)</u>	<u>\$ (847,537)</u>

BLYTHEVILLE SEWER
 BUDGETARY COMPARISON SCHEDULE - cont'd
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Actual	Budget	Variance
NONOPERATING REVENUES (EXPENSES)			
Transfers to other City Funds	-	-	-
Interest income	4,796	-	(4,796)
Nonoperating revenues (expenses)	4,796	-	(4,796)
INCREASE (DECREASE) IN NET POSITION	<u>\$ 146,923</u>	<u>\$ 1,139,121</u>	<u>\$ 992,198</u>