NEW ISSUE **RATING: S&P: A+ (Stable Outlook)[1]**
BOOK ENTRY ONLY

*In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Series 2021A Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Series 2021A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) the Series 2021A Bonds are "qualified tax exempt obligations" within the meaning of Section 265 of the Internal Revenue Code, (iv) interest on the Series 2021B Bonds is **NOT** excludable from gross income for federal income tax purposes, (v) interest on the Series 2021A Bonds and the Series 2021B Bonds is exempt from State of Arkansas income tax, and (vi) the Series 2021A Bonds and the Series 2021B Bonds are exempt from property taxes in the State of Arkansas. (See **TAX MATTERS**.)*

$29,035,000
COMMUNITY WATER SYSTEM PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS WATER REVENUE BONDS

$4,180,000
SERIES 2021A

$24,855,000
TAXABLE REFUNDING SERIES 2021B

Dated: Date of Delivery

Due: October 1, as shown on the inside front cover

Interest on the Series 2021A Bonds and the Series 2021B Bonds (collectively, the "Bonds") is payable on April 1 and October 1 of each year, commencing April 1, 2022, and the Bonds mature (on October 1 of each year), bear interest and are priced to yield as shown on the inside front cover.

The Bonds are obligations only of the Authority and are not obligations of the State of Arkansas or any political subdivision thereof. The Authority has no taxing power. The Bonds are secured pursuant to the terms of a Trust Indenture dated as of the dated date of the Bonds (the "Indenture") between the Authority and Regions Bank, with offices in Little Rock, Arkansas, as Trustee (the "Trustee") as described herein. In the Indenture, the Authority grants a lien and security interest in certain of its property and pledges its revenues as security for the payment of principal of and interest on the Bonds. Such pledge of revenues and lien and security interest are on a parity with the Parity Bonds (as defined herein) and senior to the Subordinate Obligation (as defined herein) as described herein.

The Bonds of each maturity and series will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by 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, subject to approval as to the legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. Delivery of the Bonds is expected in New York, New York, on or about June 22, 2021.

Stephens Inc.

Dated: May 19, 2021

[1] See **RATING** herein.

$29,035,000
COMMUNITY WATER SYSTEM PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE BONDS

MATURITY SCHEDULE

$4,180,000 SERIES 2021A

$685,000 Serial Bonds

Year (October 1)	Amount	Rate(%)	Yield(%)	Year (October 1)	Amount	Rate(%)	Yield(%)
2022	$ 90,000	2.000	0.300	2025	$120,000	2.000	0.700
2023	115,000	2.000	0.400	2026	125,000	2.000	0.850
2024	110,000	2.000	0.550	2027	125,000	2.000	1.000

$ 245,000 2.000% Term Bonds due October 1, 2029 to Yield 1.300%*
$ 265,000 2.000% Term Bonds due October 1, 2031 to Yield 1.550%*
$ 410,000 2.000% Term Bonds due October 1, 2034 to Yield 1.800%*
$1,255,000 2.000% Term Bonds due October 1, 2038 to Yield 2.050%
$1,320,000 2.125% Term Bonds due October 1, 2042 to Yield 2.200%

$24,855,000 TAXABLE REFUNDING SERIES 2021B

$16,230,000 Serial Bonds

Year (October 1)	Amount	Rate(%)	Yield(%)	Year (October 1)	Amount	Rate(%)	Yield(%)
2022	$ 345,000	0.450%	0.450%	2030	$1,125,000	2.130%	2.130%
2023	1,030,000	0.550	0.550	2031	1,145,000	2.230	2.230
2024	1,040,000	0.800	0.800	2032	1,180,000	2.330	2.330
2025	1,045,000	1.110	1.110	2033	1,205,000	2.430	2.430
2026	1,055,000	1.260	1.260	2034	1,230,000	2.530	2.530
2027	1,070,000	1.530	1.530	2035	1,260,000	2.630	2.630
2028	1,095,000	1.670	1.670	2036	1,300,000	2.730	2.730
2029	1,105,000	1.980	1.980				

$4,120,000 3.000% Term Bonds due October 1, 2039 to Yield 3.000%
$4,505,000 3.100% Term Bonds due October 1, 2042 to Yield 3.100%

* Priced to first optional redemption date, October 1, 2027.

No dealer, broker, salesman or any other person has been authorized by the Authority 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 Authority. 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 affairs of the Authority 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 Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the Authority. The Underwriter does not guarantee this information as to its completeness or its accuracy.

By its purchase of the Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents, or directors in reaching its decision to purchase the Bonds.

The investor, by its purchase of the Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of and agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture 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

$29,035,000
COMMUNITY WATER SYSTEM PUBLIC
WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE BONDS

$4,180,000 **SERIES 2021A**	**$24,855,000** **TAXABLE REFUNDING SERIES 2021B**

INTRODUCTION

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, the inside cover page hereof, and the appendices hereto. A full review should be made of the entire Official Statement, as well as the Indenture described herein.

This Official Statement is furnished to prospective investors in connection with the sale by the Community Water System Public Water Authority of the State of Arkansas (the "Authority") of its Water Revenue Bonds, Series 2021A in the aggregate principal amount of $4,180,000 (the "Series 2021A Bonds"), dated as of the date of delivery thereof, and its Water Revenue Bonds, Taxable Refunding Series 2021B in the aggregate principal amount of $24,855,000 (the "Series 2021B Bonds" and, together with the Series 2021A Bonds, the "Bonds"), dated as of the date of delivery thereof. The Bonds mature and bear interest as shown on the inside front cover of this Official Statement.

The Series 2021A Bonds are being issued to provide funds to be used to finance costs of acquiring, constructing and equipping betterments and improvements to the Authority's water facilities. The Series 2021B Bonds are being issued to provide funds to be used to advance refund the Authority's Water Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds"). See **PURPOSES FOR THE BONDS** herein. The Bonds are issued under and are secured by a Trust Indenture dated as of the delivery date of the Bonds (the "Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee"). See **THE INDENTURE**.

The Bonds will be issued pursuant to a Resolution adopted by the Board of Directors of the Authority.

Payment of principal of the Bonds will be made at the designated corporate trust office of the Trustee in Little Rock, Arkansas. Payment of interest on the Bonds shall be by check or draft to the registered owner of the Bonds.

In the Indenture, the Authority grants a lien and security interest in certain of its property and pledges its revenues as security for the payment of principal and interest on the Bonds. Such pledge of revenues and lien and security interest are on a parity with the Parity Bonds (as defined in **OUTSTANDING OBLIGATIONS**) and senior to the Subordinate Obligation (as defined in **OUTSTANDING OBLIGATIONS**). (See **SECURITY FOR THE BONDS, THE AUTHORITY** and **THE ENTITIES AND THE SERVICE AREA**.)

This Official Statement contains brief descriptions of the Bonds, security for the Bonds, the Authority, the Entities (as hereinafter defined) and the Indenture. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each document or statute for the complete details of all terms and conditions. Terms not defined herein shall have the meanings set forth in the respective documents.

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BOOK ENTRY 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 and series will be issued in the principal amount of such maturity and series 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 & Closing 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 Authority 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 Authority 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 Authority, 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 Authority 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 Authority 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 Authority 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 Indenture, 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 Indenture. The Authority 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 Indenture to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

PURPOSES OF BONDS

The Series 2021A Bonds are being issued (i) to finance costs of acquiring, constructing, and equipping betterments and improvements to the Authority's water facilities, including particularly, without limitation, additions and refurbishments to the treatment plant and replacement of one or more pumping stations (collectively, the "Project"), (ii) to partially fund a debt service reserve, and (iii) to pay costs of issuing the Series 2021A Bonds.

Work on the Project is expected to commence in August 2021 and is expected to be completed in January 2023.

The Series 2021B Bonds are being issued (i) to advance refund the Series 2012A Bonds (the "Refunding"), (ii) to partially fund a debt service reserve, and (iii) to pay costs of issuing the Series 2021B Bonds.

A portion of the proceeds from the sale of the Series 2021B Bonds will be deposited with the trustee for the Series 2012A Bonds and invested in United States Treasury Obligations (State and Local Government Series) that will provide a cash flow sufficient to pay principal of and interest on the Series 2012A Bonds on each payment date to and including October 1, 2022 and to redeem the Series 2012A Bonds maturing after October 1, 2022 on October 1, 2022 at a price of par plus accrued interest.

The Series 2012A Bonds were issued to current refund the Authority's Water Revenue Refunding and Construction Bonds, Series 2002B (the "Series 2002B Bonds"). The Series 2002B Bonds were issued to current refund various obligations of the Authority and to finance extensions, betterments and improvements to the Authority's water facilities.

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The uses of proceeds and funds to finance the Project and accomplish the Refunding are estimated to be as follows:

	Series 2021A Bonds	Series 2021B Bonds	Total
PROCEEDS:			
Principal Amount of Bonds	$4,180,000	$24,855,000	$29,035,000
Net Original Issue Premium	29,164	--	29,164
Available Moneys[(1)]	--	2,075,357	2,075,357
TOTAL	$4,209,164	$26,930,357	$31,139,521
USES:			
Project Costs	$4,002,776	--	$ 4,002,776
Refunding Costs	--	$25,713,325	25,713,325
Debt Service Reserve	148,294	881,783	1,030,077
Costs of Issuance	19,429	105,340	124,769
Underwriter's Discount	38,665	229,909	268,574
TOTAL	$4,209,164	$26,930,357	$31,139,521

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 **UNDERWRITING** for a description of the Underwriter's discount. The Authority will deposit the principal amount of the Bonds plus original issue premium and less Underwriter's discount, original issue discount Refunding deposit, and debt service reserve deposit into a special fund in the Trustee designated "2021 Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be expended for expenses of issuing the Bonds and for the Project. 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 a statement to the effect that the disbursement is for a proper expense of or pertaining to the Project or expenses of issuing the Bonds. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE INDENTURE, Investment of Funds.**

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(1) Held in funds and accounts securing the Series 2012A Bonds.

THE BONDS

Generally. The Bonds are dated, mature, bear interest and interest is payable on the Bonds as set forth on the cover page and inside front cover hereof. Payment of each installment of interest shall be made to the person in whose name a Bond is registered on the registration books of the Authority maintained by the Trustee at the end of the 15th day (whether or not a business day) of the month next preceding each interest payment date (the "Record Date") irrespective of any transfer or exchange of a Bond subsequent to such Record Date and prior to such interest payment date. Such interest payments shall be by check of the Trustee mailed to such registered owner at the address appearing on such registration books.

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 Indenture. In the event any Bond is mutilated, lost or destroyed, the Authority shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Indenture.

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 series, maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

There shall be no charge to the transferor or transferee for any transfer, except an amount or amounts sufficient to reimburse the Authority and the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Neither the Authority nor the Trustee shall be required to make transfers of registration with respect to any Bond or portion thereof called for redemption prior to maturity within thirty (30) days prior to its redemption date.

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

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

Redemption. The Series 2021A Bonds are subject to extraordinary, optional and mandatory sinking fund redemption, and the Series 2021B Bonds are subject to optional and mandatory sinking fund redemption, as follows:

(1) Extraordinary Redemption. The Series 2021A Bonds must be redeemed from proceeds of the Series 2021A Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date.

(2) Optional Redemption. The Bonds of each series are callable at the option of the Authority on and after October 1, 2027, in whole or in part at any time at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption. If fewer than all of the Bonds of a series shall be called for redemption, the particular maturities of the Bonds of a series to be redeemed shall be selected by the Authority in its discretion. If fewer than all of the Bonds of any one maturity of a series 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 Series 2021A Bonds maturing on October 1 in the years 2029, 2031, 2034, 2038, and 2042, and the Series 2021B Bonds maturing on October 1 in the years 2039 and 2042 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on October 1 of each year as follows:

Series 2021A Bonds Maturing October 1, 2029

Year	Principal Amount
2028	$120,000
2029 (maturity)	125,000

Series 2021A Bonds Maturing October 1, 2031

Year	Principal Amount
2030	$130,000
2031 (maturity)	135,000

Series 2021B Bonds Maturing October 1, 2034

Year	Principal Amount
2032	$130,000
2033	140,000
2034 (maturity)	140,000

Series 2021A Bonds Maturing October 1, 2038

Year	Principal Amount
2035	$150,000
2036	265,000
2037	415,000
2038 (maturity)	425,000

Series 2021A Bonds Maturing October 1, 2042

Year	Principal Amount
2039	$435,000
2040	290,000
2041	295,000
2042 (maturity)	300,000

Series 2021B Bonds Maturing October 1, 2039

Year	Principal Amount
2037	$1,335,000
2038	1,370,000
2039 (maturity)	1,415,000

Series 2021B Bonds Maturing October 1, 2042

Year	Principal Amount
2040	$1,450,000
2041	1,505,000
2042 (maturity)	1,550,000

Notice of Redemption. The Trustee shall give notice of the call for redemption by first class mail placed in the mails, postage prepaid, or other acceptable standard means of delivery, including facsimile or electronic communications, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner or any Bond called for redemption, addressed to such registered owner's registered address. After the date specified in such call, the Bonds or portions thereof (which must be integral multiples of $5,000) so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

COVID-19 DISCLOSURE

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

The full impact of COVID-19 on the Authority and its wholesale and retail water customers is not known. The Authority expects that its available funds will be sufficient to fund its essential services and make all debt service payments. The Authority suspended disconnections and waived late penalties from March 2020 through September 2020 and, as a result, revenues from penalties were down in 2020. There have not been any material decreases in, or delays in collections of, revenues of the Authority derived from the sale of water to wholesale customers. The total number of gallons sold in 2020 exceeds the gallons sold in 2019 (see **THE AUTHORITY, Water Sales** herein). The Authority does not foresee any future financial difficulties for the Authority as a result of COVID-19.

The Authority has implemented several changes to its operations to protect its employees and the public. These measures have included mask requirements, remote work and alternating schedules for office staff, temperature checks, social distancing, and limiting public access to the Authority's facilities.

SECURITY FOR THE BONDS

In the Indenture, the Authority grants a lien on and security interest in certain of its property and pledges its revenues as security for the payment of principal of and interest on the Bonds. The property on which a mortgage lien and security interest is granted is part of the Trust Estate. Such pledge of revenues and lien and security interest in certain of the Authority's property is on a parity with the Parity Bonds and senior to the Subordinate Obligation. See **THE INDENTURE, Security for the Bonds** and **OUTSTANDING OBLIGATIONS**. See **THE AUTHORITY** and

THE ENTITIES AND THE SERVICE AREA for a list of current wholesale customers and information about such wholesale customers and retail customers.

The resolution securing the Subordinate Obligation (the "2005 Resolution") contains a provision that bonds cannot be issued with a pledge and lien senior to or on a parity with that securing the Subordinate Obligation unless an independent certified public accountant certifies that (i) net revenues of the Authority's water system (gross revenues less operation and maintenance expenses, but not including depreciation) for the fiscal year preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 115% of the maximum annual debt service on all the outstanding obligations secured by a pledge of revenues of the Authority's water system and the proposed additional bonds or (ii) net revenues of the Authority's water system (gross revenues less operation and maintenance expenses, but not including depreciation) for the fiscal year succeeding the year in which such additional bonds are to be issued are projected to be sufficient in amount, taking into consideration any enacted increase in revenues, to be not less than 115% of the maximum annual debt service on all the outstanding obligations secured by a pledge of revenues of the Authority's water system and the proposed additional bonds (the "2005 Test"). The Authority is able to meet the 2005 Test with respect to the issuance of the Bonds, and the Bonds are secured by a pledge and lien senior to that securing the Subordinate Obligation. See **FINANCIAL INFORMATION**, **OUTSTANDING OBLIGATIONS** and **ESTIMATED DEBT SERVICE COVERAGE** herein.

The Authority has no taxing power. The resources of the Authority are limited to the water facilities and the revenues derived from the sale of water produced by said facilities including payments made by wholesale water purchasers pursuant to wholesale water purchase contracts and payments made by retail customers.

The Authority is a public water authority organized for the purpose of providing treated drinking water on a regional basis (see **THE AUTHORITY**). Specifically, the Authority takes water from Greers Ferry Lake and treats it for sale to its wholesale and retail customers. In order to accomplish this purpose, the Authority issued certain obligations to finance the construction of intake, treatment and distribution facilities. The Authority has entered into a water supply contract with the United States Corps of Engineers which entitles the Authority to withdraw municipal and industrial water from the Greers Ferry Lake in specified amounts and obligates the Authority to make certain payments (see **THE AUTHORITY**).

The Authority will fund, with proceeds of the Bonds, a debt service reserve in an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds. See **THE INDENTURE, Debt Service Reserve Fund**.

Additional Bonds. The Authority has reserved the right to issue additional bonds under the Indenture. Before any Additional Bonds can be issued on a parity with the Bonds, there must be filed with the Trustee the following:

(1) A copy, certified by the Secretary of the Authority, of the resolution authorizing the Additional Bonds and directing their delivery to or upon the order of purchasers therein named upon payment of the purchase price therein set forth or therein referred to;

(2) A certificate of the President of the Authority stating that no event of default specified in the Indenture has happened and is then continuing;

(3) An opinion of counsel selected by the Authority but satisfactory to the Trustee that all required legal action precedent to the issuance of the Additional Bonds have been taken and that, when executed, authenticated and delivered, such

bonds will be valid, binding and enforceable obligations of the Authority secured by the Indenture on a parity with previously issued bonds secured thereby; and

(4) A certificate of an independent certified public accountant to the effect that "adjusted gross revenues" of the Authority (hereinafter defined) for the fiscal year immediately preceding the delivery of the Additional Bonds (the "immediately preceding fiscal year") were sufficient in amount:

(a) to pay all operation and maintenance expenses of the Authority (exclusive of depreciation and debt service expenses) for the immediately preceding fiscal year; and

(b) to leave a balance equal to not less than 110% of the maximum annual principal and interest requirements during the current or any subsequent fiscal year of the Authority for (A) the then outstanding Bonds (exclusive of any Bonds to be deemed paid upon delivery of the Additional Bonds), (B) the Additional Bonds then held by the Trustee for delivery and (C) any then outstanding Parity Obligations (hereinafter defined) (exclusive of any Parity Obligations that are to be refunded upon delivery of the Additional Bonds and for which the holders of the Parity Obligations or their agent must have agreed to releasing the lien on revenues and the mortgaged properties securing the Parity Obligations as a result of the refunding).

The Additional Bonds shall be dated, interest shall be payable semiannually on the dates, the principal shall mature as serial bonds or as term bonds, or as a combination thereof, and they may contain provisions for redemption prior to maturity as well as other provisions, all as shall be set forth in the resolution authorizing their issuance. The authorizing resolution shall set forth the details concerning the Additional Bonds, which shall be embodied in a supplemental indenture by and between the Authority and the Trustee. All such Additional Bonds shall be issued on a parity with all other bonds issued under the Indenture, including the Bonds.

The term "adjusted gross revenues" means:

(1) The gross revenues actually received by the Authority during the fiscal year immediately preceding the delivery of the Additional Bonds; plus

(2) Any additional revenues (as projected by the accountant executing the certificate as to adjusted gross revenues, on the basis of actual water sales) that would have been derived from a rate increase actually placed into effect after the beginning of such fiscal year if such rate increase had been in effect throughout the fiscal year; plus

(3) Any additional annual revenues as projected in a certificate of an independent consulting engineer (on the basis of the then current water rates) to be derived from new customers to be served upon completion of improvements then under construction or to be financed, in whole or in part, from the proceeds of the Additional Bonds delivered to the Trustee.

The Authority may issue bonds or other obligations of indebtedness other than under the Indenture. Such obligations may be issued on a parity with bonds issued under the Indenture, including the Bonds, subject to meeting the requirements for the issuance of Additional Bonds, as described above ("Parity Obligations"). Otherwise, other obligations shall be subject and subordinate to all bonds then outstanding or thereafter issued under the Indenture.

The Parity Bonds are the only currently outstanding Parity Obligations. See **OUTSTANDING OBLIGATIONS**.

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THE AUTHORITY

Generally. The Authority is a public water authority organized for the purpose, generally stated, of acquiring title to, treating, selling and distributing water stored in Greers Ferry Lake (which was constructed by the United States of America on the Little Red River in the State of Arkansas), and acquiring, constructing, equipping and operating improvements for the removal, storage, treatment and distribution of the water. The Authority is governed by a Board of Directors. The Authority was originally formed in 1970 as an Arkansas non-profit corporation (the "Corporation"). In 2002, pursuant to Act No. 115 of 2001 of the Acts of Arkansas, the Corporation was reorganized as the Authority.

Water System Facilities and Water Purchase Contracts. The Authority's existing water treatment and distribution system comprises two components, retail water distribution facilities and regional wholesale water transmission line facilities. All of the Authority's water facilities, including removal, treatment, storage and distribution facilities will collectively be referred to as the "System."

The Authority currently operates a 10 million gallons-per-day ("MGD") treatment facility that consists of 6 MGD of conventional rapid sand filters and 4 MGD of ultrafiltration membranes. The treatment facility supplies both retail and wholesale customers.

The Authority's existing retail water distribution system consists of approximately 363 miles of 2 inch to 10 inch water lines, eleven (11) booster pump stations and sixteen (16) storage tanks.

Construction of the Authority's existing regional wholesale water transmission line system, known as the Faulkner/Cleburne Counties Water Transmission Line Project (the "Faulkner/Cleburne Project"), was completed on October 3, 1996 and is comprised of a ductile iron transmission pipe ranging in size from eighteen (18) to twenty four (24) inches, which runs approximately sixty (60) miles from the Authority's intake structure on Greers Ferry Lake and which provides approximately 3.68 MGD in wholesale water service to certain of its wholesale water purchasers (the "Faulkner/Cleburne Entities") which in turn provide water service to approximately 21,024 water meters that represents a population of approximately 54,242. Additional appurtenances to the Faulkner/Cleburne Project include two (2) booster pump stations and five (5) water storage tanks. The costs of the Faulkner/Cleburne Project approximated $30,000,000 and were financed through $18,000,000 amount of loans and $12,000,000 amount of grants from United States Department of Agriculture Rural Development, Arkansas Natural Resources Commission and Arkansas Industrial Development Commission.

The Authority has entered into a series of wholesale water purchase contracts with the wholesale water purchasers receiving water service from the Faulkner/Cleburne Project. The Faulkner/Cleburne Entities served by the Authority's existing transmission system have individually entered into a wholesale water purchase contract, the most recent version of which was entered into between the Authority and each Faulkner/Cleburne entity in October 2012 (collectively, the "2012 Faulkner/Cleburne Contracts" and each a "2012 Faulkner/Cleburne Contract").

The 2012 Faulkner/Cleburne Contracts provide that each purchaser agrees to pay the Authority a rate per 1,000 gallons of water taken. Currently, such rate is $3.22 per 1,000 gallons (such rate was increased from $3.20 per 1,000 gallons effective January 1, 2021, which $3.20 per 1,000 gallons rate was in effect from January 1, 2019 until December 31, 2020). Each purchaser under a 2012 Faulkner/Cleburne Contract has agreed to purchase a minimum volume of water per month. In the event that a purchaser does not take the minimum volume of water during any billing month, such purchaser shall be invoiced for the minimum volume at the applicable rate per 1,000 gallons (currently $3.22 per 1,000 gallons). The Authority has the right to adjust the rate so that the rate is sufficient to compensate the Authority for all costs involved in the production, treatment and delivery of the water, including any costs associated with financing of debt service, plus a factor of ten percent (10%) over and above the total costs. It is anticipated that the rate will be adjusted effective January 1 of each year, but it may also be adjusted as deemed necessary by the Authority during the course of any calendar year. The 2012 Faulkner/Cleburne Contracts will remain in full force and effect until the later of (i) December 31, 2042 or (ii) until any financing, replacement financing or additional financing obligations incurred by the Authority to provide water requirements for the Faulkner/Cleburne Entities is satisfied and paid in full. A portion of the Project being financed with proceeds of the Bonds is for the purpose of providing water requirements for the Faulkner/Cleburne Entities, and, as such, so long as the Bonds are outstanding, the term of the 2012 Faulkner/Cleburne Contracts is extended to the maturity date for the Bonds (October 1, 2042).

Except as hereafter set forth in this paragraph, the 2012 Faulkner/Cleburne Contracts provide that each Faulkner/Cleburne Entity shall consider the Authority as its sole and exclusive supplier of water to its customers and that it will not enter into any other agreements or arrangements to obtain water from any third parties, utilize existing water wells or supplemental water supplies or otherwise cease relying on the Authority as its sole and exclusive supplier of water. The Vilonia Waterworks Association ("Vilonia") has maintained and is anticipated to continue to maintain a secondary water connection with the Mid-Arkansas Utilities Public Water Authority, f.k.a. North Pulaski Water Association, and a tertiary connection with the Lonoke-White Public Water Authority with such water purchases being in addition to its obligations to obtain water from the Authority. Vilonia will still be required to take its contractual minimum amount of water (348,000,000 gallons per year) regardless of how much water it takes from the other suppliers. The City of Damascus, Arkansas has maintained and is authorized to maintain a connection to the Bee Branch water system solely as an emergency source in the event the delivery of water by the Authority is interrupted.

The Authority has additionally entered into a wholesale water purchase contract with West Stone County Water Association Public Water Authority and has agreed to supply it with an average daily flow of 0.204 million gallons of potable water per day at a rate of $2.05 per thousand (1,000) gallons of water sold.

See **THE ENTITIES AND THE SERVICE AREA** for a list of the current wholesale water purchasers.

In the Indenture, the Authority covenants to comply with the terms of each of its wholesale water purchase contracts and to take the necessary steps, including legal action, if necessary, to enforce the provisions thereof.

If a wholesale water purchase contract is terminated pursuant to court order or settlement of litigation involving the Authority and a wholesale water purchaser, the Authority agrees to make its best effects to secure another wholesale water purchase contract from a new purchaser if the wholesale water purchaser whose wholesale water purchase contract is being terminated accounted for more than 5% of the revenue of the Authority for the prior fiscal year.

Each wholesale water purchaser's source of payment is limited to revenues from its respective water system. FURTHER, THE REVENUES DERIVED FROM EACH WHOLESALE WATER PURCHASER'S WATER SYSTEM ARE NOT PLEDGED BY THE WHOLESALE WATER PURCHASERS TO THE REPAYMENT OF THE BONDS AND ARE SUBJECT TO THE DEBT REQUIREMENTS ON ANY OUTSTANDING BONDS OF THE WHOLESALE WATER PURCHASERS SECURED BY WATER REVENUES. PAYMENTS MADE TO THE AUTHORITY BY THE WHOLESALE WATER PURCHASERS ARE CONSIDERED BY THE

WHOLESALE WATER PURCHASERS TO BE OPERATING EXPENSES. See **SECURITY FOR THE BONDS** and **THE ENTITIES AND THE SERVICE AREA**.

The System's existing retail water distribution and transmission lines extend into eastern Van Buren County, southern Stone County, western and southern Cleburne County and diagonally across Faulkner County. The Authority currently serves approximately 7,035 retail water meters representing a population of approximately 17,799. See Appendix B for a map of the Service Area.

Acquisition of Shirley Water Facilities. In 2019, the Authority acquired the water system of the Town of Shirley, Arkansas ("Shirley") and began serving the Shirley water users as retail customers. Prior to the acquisition, Shirley was a wholesale customer. Retail rates paid by the Shirley customers are currently $25.00 for the first 1,000 gallons and $4.50 per 1,000 gallons thereafter. The transfer of Shirley from wholesale to retail was effective as of April 22, 2019.

Potential Water Partnership, Long-Term Water Purchase Agreement, or Other Arrangement. The Authority and a water provider that is outside of the Authority's immediate service area have entered into preliminary discussions regarding a potential partnership, long-term water purchase agreement, or other arrangement under which the Authority, through its water facilities, would provide water to such provider. At this time, a decision has not been made as to whether to pursue such potential partnership, long-term water purchase agreement, or other arrangement, and the overall structure, scope, and infrastructure requirements of any partnership, long-term water purchase agreement or other arrangement have not been determined.

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Water Sales. The volume of water sold by the Authority for the past five years and the maximum available output for the past five years was as follows:

TOTAL GALLONS SOLD

Year	Retail	Wholesale	Total	Available for Sale
2016	246,226,200	1,239,092,700	1,485,318,900	3,650,000,000
2017	247,857,400	1,242,058,535	1,489,915,935	3,650,000,000
2018	262,320,800	1,327,643,700	1,589,964,500	3,650,000,000
2019	252,347,100	1,338,989,558	1,591,336,658	3,650,000,000
2020	269,397,600	1,347,840,000	1,617,237,600	3,650,000,000

The volume for water sold by the Authority to retail customers for each County in the Service Area (as defined in **THE ENTITIES AND THE SERVICE AREA**) for the past five years was as follows:

Year	Cleburne County	Faulkner County	Stone County	Van Buren County	Total
2016	131,213,942	18,688,569	935,659	95,388,030	246,226,200
2017	132,083,208	18,812,377	941,858	96,019,957	247,857,400
2018	139,790,754	19,910,149	996,819	101,623,078	262,320,800
2019	131,446,747	18,720,761	948,810	101,230,782	252,347,100
2020	126,745,520	30,754,416	817,094	111,080,570	269,397,600

The number of retail customers for each County in the Service Area, as determined by number of meters, for the past five years was as follows:

Year	Cleburne County	Faulkner County	Stone County	Van Buren County	Total
2016	3,532	503	25	2,567	6,627
2017	3,552	506	25	2,582	6,665
2018	3,571	509	25	2,596	6,701
2019	3,602	513	26	2,774	6,915
2020	3,678	552	25	2,788	7,043

The volume of water sold by the Authority to wholesale water purchasers for each County in the Service Area for the past five years was as follows:

Year	Cleburne County	Faulkner County	Stone County	Van Buren County	Total
2016	53,030,000	1,062,071,000	55,653,100	68,338,600	1,239,092,700
2017	55,775,000	1,067,014,942	51,887,700	67,380,893	1,242,058,535
2018	60,928,000	1,136,947,000	57,187,700	72,581,000	1,327,643,700
2019	60,331,000	1,165,797,000	53,453,300	59,408,258	1,338,989,558
2020	57,515,000	1,177,280,000	52,680,000	60,365,000	1,347,840,000

The volume of water purchased by each wholesale water purchaser for the past five years is as follows:

Entity	2020	2019	2018	2017	2016
Vilonia	331,335,000	337,208,000	316,566,000	308,080,000	302,327,000
Greenbrier	350,648,000	337,394,000	340,664,000	310,683,000	315,853,000
Mayflower	209,509,000	210,867,000	198,829,000	187,103,000	191,340,000
Wooster	111,860,000	106,727,000	118,215,000	113,840,000	108,415,000
Quitman	57,515,000	60,331,000	60,928,000	55,775,000	53,030,000
Beaverfork	104,958,000	111,528,000	99,489,000	89,639,000	88,845,000
Damascus	60,365,000	55,150,058	60,105,000	55,410,000	57,285,000
Guy	68,970,000	62,073,000	63,184,000	58,290,000	55,291,000
West Stone County	52,680,000	53,453,300	57,187,700	51,887,700	55,653,100
Shirley(1)	0	4,258,200	12,476,000	11,350,835	11,053,600

(1) See **THE AUTHORITY, Acquisition of Shirley Water Facilities** herein.

No retail user of the System accounted for more than 5% of gross water revenues for 2020. The following is a list of wholesale customers which accounted for more than 5% of gross water revenues for 2020.

Wholesale Customer	% of Total Gross Water Revenues
Greenbrier	15.55
Vilonia	15.07
Mayflower	9.29
Wooster	4.96
Beaverfork	4.66

Board of Directors and Administration. The Board of Directors of the Authority consists of 5 members who serve staggered three-year terms. The current members of the Board of Directors, their offices, their occupations and the year of their term expiration are as follows:

Name	Office	Occupation	Term Expires
John Buster	President	Marketing Executive	2023
Terry Robinson	Director	Municipal Government	2023
Brenda Smith	Treasurer	Retired, Manufacturing/Quality Control	2022
Gerald Bates	Vice President	Retired, Manufacturing	2022
Jackie Melton	Director	Retired, Manufacturing	2024

Juanice Carr, an employee of the Authority, serves as Secretary of the Authority.

The general manager of the Authority's water system is Timothy Shaw. Mr. Shaw began service with the Authority in May 2001 and has been General Manager since February 2003. Prior to becoming General Manager of the Authority, he was a project manager for the Authority. Before coming to the Authority, Mr. Shaw received his Master of Environmental Science degree from the University of Wisconsin - Green Bay and was employed by the Wisconsin Department of Natural Resources, Division of Environmental Quality, as an environmental specialist in charge of enforcing Safe Drinking Water Act regulations in several counties of Wisconsin. Just prior to employment with the Authority, Mr. Shaw was Vice President of Shaw Builders, Inc., a custom home construction company. Mr. Shaw holds both Treatment and Distribution Class Four Operator's Licenses as issued by the Arkansas Department of Health.

The controller of the Authority is Diane Phillips. Ms. Phillips has been with the Authority since October 2009. Prior to becoming the controller, Ms. Phillips worked for Conestoga Wood Specialties, a cabinet manufacturer, in Mountain View, Arkansas for 18 years as Accounting Supervisor/Site Controller. Ms. Phillips earned her Associates degree in 2002 from Ozarka College and then her Bachelor of Science degree in Accounting from Lyon College in 2007.

The name and age of the executive officers of the Authority and how long each has served in such capacity are as follows:

Name	Position	Age	Length of Service
Timothy Shaw	General Manager	56	20 years (18 in present position)
Diane Phillips	Controller	51	12 years (12 in present position)

The System has 30 full time employees.

Retail Water Rates. The Authority increased retail water rates effective January 1, 2019 (such increase was an increase on each base rate in the amount of $2.25; the prior rates went into effect on January 1, 2017). The following is a schedule of current and prior water rates for retail customers of the System:

	Current Rates (Effective 1/1/2020)	Prior Rates (Effective from 1/1/2019 to 12/31/2019)	Prior Rates (Effective from 1/1/2017 to 12/31/2018
Main Retail System 3/4" Meter			
0 - 1,000 gallons	$25.00 (minimum)	$24.50 (minimum)	$22.25 (minimum)
All over 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons
Main Retail System 1 1/2" Meter			
0 - 10,000 gallons	$49.40 (minimum)	$48.90 (minimum)	$46.65 (minimum)
10,001 – 12,500 gallons	4.65 per 1,000 gallons	4.65 per 1,000 gallons	4.65 per 1,000 gallons
12,501 - 20,000 gallons	4.00 per 1,000 gallons	4.00 per 1,000 gallons	4.00 per 1,000 gallons
All over 20,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons
Main Retail System 2" Meter			
0 - 15,000 gallons	$60.95 (minimum)	$60.45 (minimum)	$58.20 (minimum)
15,001 - 20,000 gallons	4.65 per 1,000 gallons	4.65 per 1,000 gallons	4.65 per 1,000 gallons
20,001 - 30,000 gallons	4.00 per 1,000 gallons	4.00 per 1,000 gallons	4.00 per 1,000 gallons
All over 30,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons
Main Retail System 3" Meter			
0 - 20,000 gallons	$73.55 (minimum)	$73.05 (minimum)	$70.80 (minimum)
20,001 - 30,000 gallons	4.65 per 1,000 gallons	4.65 per 1,000 gallons	4.65 per 1,000 gallons
30,001 - 40,000 gallons	4.00 per 1,000 gallons	4.00 per 1,000 gallons	4.00 per 1,000 gallons
All over 40,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons

Main Retail System 4" Meter[1]			
0 - 25,000 gallons	$90.00 (minimum)	N/A	N/A
25,001 - 35,000 gallons	4.65 per 1,000 gallons		
35,001 - 45,000 gallons	4.00 per 1,000 gallons		
All over 45,000 gallons	2.75 per 1,000 gallons		
92/263 Project			
0 - 1,000 gallons	$25.00 (minimum)	$24.50 (minimum)	$22.25 (minimum)
All over 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons
Twin Cove/Budd Creek/Lexington 110, Faulkner/Cleburne/Tannenbaum			
0 - 1,000 gallons	$25.00 (minimum)	$24.50 (minimum)	$22.25 (minimum)
All over 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons
Silver Ridge/Tomahawk			
0 - 1,000 gallons	$25.00 (minimum)	$24.50 (minimum)	$22.25 (minimum)
All over 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons
Crossroads, Centerville, Lake Park/Circle Acres			
0 - 1,000 gallons	$25.00 (minimum)	$24.50 (minimum)	$22.25 (minimum)
All over 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons	4.50 per 1,000 gallons
Irish Hills 3/4" Meter			
0 – 1,000 gallons	$25.00 (minimum)	N/A[3]	N/A[2]
All over 1,000 gallons	4.50 per 1,000 gallons		
Ash Drive 3/4" Meter			
0 – 1,000 gallons	$25.00 (minimum)	N/A[3]	N/A[2]
All over 1,000 gallons	4.50 per 1,000 gallons		
Leech Road			
0 – 1,000 gallons	$43.50 (minimum)	N/A[3]	N/A[2]
1,000 – 10,000 gallons	4.50 per 1,000 gallons		
All over 10,000 gallons	3.50 per 1,000 gallons		
Woolly Hollow			
0 - 7,000 gallons	$90.95 (minimum)	$90.45 (minimum)	$88.20 (minimum)
7,001 - 12,000 gallons	4.20 per 1,000 gallons	4.20 per 1,000 gallons	4.20 per 1,000 gallons
12,001 - 17,000 gallons	3.00 per 1,000 gallons	3.00 per 1,000 gallons	3.00 per 1,000 gallons
All over 17,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons

[1] New meter category added in 2021.
[2] New project area; no rate increase.
[3] Rates were not increased from prior rates.

Faulkner/Cleburne Retail 2" Meter			
0 - 7,000 gallons	$76.25 (minimum)	$75.75 (minimum)	$73.50 (minimum)
7,001- 12,000 gallons	3.50 per 1,000 gallons	3.50 per 1,000 gallons	3.50 per 1,000 gallons
All over 12,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons	2.75 per 1,000 gallons
Shirley[1]			
0 – 1,000 gallons	$25.00 (minimum)	N/A[3]	N/A[2]
All over 1,000 gallons	4.50 per 1,000 gallons		

[1] See **THE AUTHORITY**, **Acquisition of Shirley Water Facilities** herein.
[2] New project area; no rate increase.
[3] Rates were not increased from prior rates.

Litigation. There is no litigation or regulatory proceeding pending or threatened against the Authority or its water system that would have a material adverse financial impact on the Authority or the operation of its water system.

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FINANCIAL INFORMATION

Attached hereto as Appendix A are the financial statements of the Authority as of December 31, 2020 and 2019, and for the years then ended, which have been audited by BKD, LLP, independent auditors, as stated in their report appearing therein. The notes set forth in Appendix A are an integral part of the financial statements, and the statements and the notes should be read in their entirety. The Authority did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the financial statements for the fiscal years ended December 31, 2020 and 2019. BKD, LLP also has not performed any procedures relating to this Official Statement.

The following is a summary of audited financial statements of the Authority for the fiscal years ended December 31, 2016 through 2020.

	2020	2019	2018	2017	2016
OPERATING REVENUES	$7,495,269	$7,348,766	$7,010,741	$6,670,502	$6,621,694
OPERATING EXPENSES	(4,681,545)	(4,300,243)	(4,325,523)	(4,234,251)	(3,967,335)
OPERATING INCOME (LOSS) (Before Depreciation and Amortization)	2,813,724	3,048,523	2,685,218	2,436,251	2,654,359
DEPRECIATION	(1,619,142)	(1,596,200)	(1,496,220)	(1,621,479)	(1,601,798)
NET NON-OPERATING REVENUES (EXPENSES)	(1,142,257)	(1,196,763)	(1,236,853)	(1,153,778)	(1,150,231)
NET INCOME (LOSS)[1]	$52,325	$255,560	$(47,855)	$(339,006)	$(97,670)

[1]Amount does not include capital contributions.

OUTSTANDING OBLIGATIONS

The Bonds are secured by a pledge of the revenues of the Authority and a lien on and security interest in certain of the Authority's property, which pledge of revenues and lien and security interest are on a parity of security with the pledge in favor of the Parity Bonds and senior to the pledge in favor of the Subordinate Obligation. See **SECURITY FOR THE BONDS**. The "Parity Bonds" include the Authority's Water Revenue Refunding Bonds, Series 2012B, the Authority's Water Revenue Bonds, Series 2018, and the Authority's Water Revenue Refunding and Improvement Bonds, Series 2019. The "Subordinate Obligation" consists of the Authority's Water Refunding and Improvement Revenue Bond, Series 2005, dated September 27, 2005.

The following is the debt service schedule for the Parity Bonds.

Year	Series 2012B Debt Service	Series 2018 Debt Service	Series 2019 Debt Service	Total Parity Bonds Debt Service
2021	$90,462.10	$324,425.00	$293,581.26	$708,468.36
2022	87,731.06	322,750.00	294,306.26	704,787.32
2023		99,293.75	294,881.26	394,175.01
2024		104,050.00	295,306.26	399,356.26
2025		98,806.25	296,281.26	395,087.51
2026		103,562.50	292,781.26	396,343.76
2027		98,318.75	294,125.01	392,443.76
2028		98,156.25	295,250.01	393,406.26
2029		102,912.50	296,043.76	398,956.26
2030		102,587.50	296,156.26	398,743.76
2031		102,262.50	295,681.26	397,943.76
2032		101,912.50	295,056.26	396,968.76
2033		101,537.50	294,281.26	395,818.76
2034		106,068.75	293,356.26	399,425.01
2035		100,600.00	292,281.26	392,881.26
2036		129,662.50	295,981.26	425,643.76
2037		133,068.75	294,456.26	427,525.01
2038		136,287.50	292,781.26	429,068.76
2039		129,506.25	295,881.26	425,387.51
2040		289,725.00	293,756.26	583,481.26
2041		286,756.25	291,328.13	578,084.38
2042		288,506.25	293,515.63	582,021.88
2043		284,831.25	295,390.63	580,221.88
2044		285,725.00	292,031.25	577,756.25
2045		286,231.25	293,437.50	579,668.75
2046		286,350.00	294,531.25	580,881.25
2047		286,081.25		286,081.25
2048		285,425.00		285,425.00
TOTAL	$178,193.16	$5,075,400.00	$7,652,459.59	$12,906,052.75

The following is the debt service schedule for the Parity Bonds and the Subordinate Obligation.

Year	Parity Bonds Debt Service	Subordinate Obligation Debt Service	Parity Bonds and Subordinate Obligation Total Debt Service
2021	$ 708,468.36	$ 294,882	$ 1,003,350.36
2022	704,787.32	294,882	999,669.32
2023	394,175.01	294,882	689,057.01
2024	399,356.26	294,882	694,238.26
2025	395,087.51	294,882	689,969.51
2026	396,343.76	294,882	691,225.76
2027	392,443.76	294,882	687,325.76
2028	393,406.26	294,882	688,288.26
2029	398,956.26	294,882	693,838.26
2030	398,743.76	294,882	693,625.76
2031	397,943.76	294,882	692,825.76
2032	396,968.76	294,882	691,850.76
2033	395,818.76	294,882	690,700.76
2034	399,425.01	294,882	694,307.01
2035	392,881.26	294,882	687,763.26
2036	425,643.76	147,415	573,058.76
2037	427,525.01		427,525.01
2038	429,068.76		429,068.76
2039	425,387.51		425,387.51
2040	583,481.26		583,481.26
2041	578,084.38		578,084.38
2042	582,021.88		582,021.88
2043	580,221.88		580,221.88
2044	577,756.25		577,756.25
2045	579,668.75		579,668.75
2046	580,881.25		580,881.25
2047	286,081.25		286,081.25
2048	285,425.00		285,425.00
TOTAL	$12,906,052.75	$4,570,645	$17,476,697.75

The Authority has entered into an Allocation Agreement dated as of April 29, 2020 (the "MAWA Agreement") with the Mid-Arkansas Water Alliance ("MAWA") relating to the purchase by the Authority of an undivided interest in the joint water storage space in Greers Ferry Lake reserved to MAWA by the United States of America. Pursuant to the MAWA Agreement, the Authority is paying MAWA a portion of MAWA's cost of acquiring such joint storage space in Greers Ferry Lake. The portion of the payment allocated to the Authority is approximately $48,552 per year through 2049; provided, however, that such annual amount to be paid by the Authority may increase or decrease in the event that the Authority requests a reallocation of its share of the undivided interest in the future. The Authority must also pay a share of the operation and maintenance costs charged to MAWA by the United States of America. The Authority has not pledged its revenues to secure payment of amounts due under the MAWA Agreement.

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DEBT SERVICE SCHEDULES

Set forth below are the debt service requirements for the Series 2021A Bonds during each year ending December 31:

Year (Ending December 31)	Series 2021A Bonds Principal	Series 2021A Bonds Interest	Total Series 2021A Bonds Debt Service
2021	--	--	--
2022	$ 90,000	$ 108,693.75	$ 198,693.75
2023	115,000	83,450.00	198,450.00
2024	110,000	81,150.00	191,150.00
2025	120,000	78,950.00	198,950.00
2026	125,000	76,550.00	201,550.00
2027	125,000	74,050.00	199,050.00
2028	120,000	71,550.00	191,550.00
2029	125,000	69,150.00	194,150.00
2030	130,000	66,650.00	196,650.00
2031	135,000	64,050.00	199,050.00
2032	130,000	61,350.00	191,350.00
2033	140,000	58,750.00	198,750.00
2034	140,000	55,950.00	195,950.00
2035	150,000	53,150.00	203,150.00
2036	265,000	50,150.00	315,150.00
2037	415,000	44,850.00	459,850.00
2038	425,000	36,550.00	461,550.00
2039	435,000	28,050.00	463,050.00
2040	290,000	18,806.26	308,806.26
2041	295,000	12,643.76	307,643.76
2042	300,000	6,375.00	306,375.00
TOTAL	$4,180,000	$1,200,868.77	$5,380,868.77

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Set forth below are the debt service requirements for the Series 2021B Bonds during each year ending December 31:

Year (Ending December 31)	Series 2021B Bonds Principal	Series 2021B Bonds Interest	Total Series 2021B Bonds Debt Service
2021	--	--	--
2022	$ 345,000	$ 721,956.00	$ 1,066,956.00
2023	1,030,000	564,687.50	1,594,687.50
2024	1,040,000	559,022.50	1,599,022.50
2025	1,045,000	550,702.50	1,595,702.50
2026	1,055,000	539,103.00	1,594,103.00
2027	1,070,000	525,810.00	1,595,810.00
2028	1,095,000	509,439.00	1,604,439.00
2029	1,105,000	491,152.50	1,596,152.50
2030	1,125,000	469,273.50	1,594,273.50
2031	1,145,000	445,311.00	1,590,311.00
2032	1,180,000	419,777.50	1,599,777.50
2033	1,205,000	392,283.50	1,597,283.50
2034	1,230,000	363,002.00	1,593,002.00
2035	1,260,000	331,883.00	1,591,883.00
2036	1,300,000	298,745.00	1,598,745.00
2037	1,335,000	263,255.00	1,598,255.00
2038	1,370,000	223,205.00	1,593,205.00
2039	1,415,000	182,105.00	1,597,105.00
2040	1,450,000	139,655.00	1,589,655.00
2041	1,505,000	94,705.00	1,599,705.00
2042	1,550,000	48,050.00	1,598,050.00
TOTAL	$24,855,000	$8,133,123.50	$32,988,123.50

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Set forth below are the debt service requirements for the Series 2021A Bonds and the Series 2021B Bonds during each year ending December 31:

Year (Ending December 31)	Series 2021A Bonds Debt Service	Series 2021B Bonds Debt Service	Total Debt Service
2021	--	--	--
2022	$ 198,693.75	$ 1,066,956.00	$ 1,265,649.75
2023	198,450.00	1,594,687.50	1,793,137.50
2024	191,150.00	1,599,022.50	1,790,172.50
2025	198,950.00	1,595,702.50	1,794,652.50
2026	201,550.00	1,594,103.00	1,795,653.00
2027	199,050.00	1,595,810.00	1,794,860.00
2028	191,550.00	1,604,439.00	1,795,989.00
2029	194,150.00	1,596,152.50	1,790,302.50
2030	196,650.00	1,594,273.50	1,790,923.50
2031	199,050.00	1,590,311.00	1,789,361.00
2032	191,350.00	1,599,777.50	1,791,127.50
2033	198,750.00	1,597,283.50	1,796,033.50
2034	195,950.00	1,593,002.00	1,788,952.00
2035	203,150.00	1,591,883.00	1,795,033.00
2036	315,150.00	1,598,745.00	1,913,895.00
2037	459,850.00	1,598,255.00	2,058,105.00
2038	461,550.00	1,593,205.00	2,054,755.00
2039	463,050.00	1,597,105.00	2,060,155.00
2040	308,806.26	1,589,655.00	1,898,461.26
2041	307,643.76	1,599,705.00	1,907,348.76
2042	306,375.00	1,598,050.00	1,904,425.00
TOTAL	$5,380,868.77	$32,988,123.50	$38,368,992.27

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Set forth below are the debt service requirements for the Bonds, the Parity Bonds and the Subordinate Obligation (See **OUTSTANDING OBLIGATIONS**) during each year ending December 31:

Year (Ending Dec. 31)	Bonds Debt Service	Parity Bonds Debt Service	Subordinate Obligation Debt Service	Total Debt Service
2021	--	$ 708,468.36	$ 294,882	$ 1,003,350.36
2022	$ 1,265,649.75	704,787.32	294,882	2,265,319.07
2023	1,793,137.50	394,175.01	294,882	2,482,194.51
2024	1,790,172.50	399,356.26	294,882	2,484,410.76
2025	1,794,652.50	395,087.51	294,882	2,484,622.01
2026	1,795,653.00	396,343.76	294,882	2,486,878.76
2027	1,794,860.00	392,443.76	294,882	2,482,185.76
2028	1,795,989.00	393,406.26	294,882	2,484,277.26
2029	1,790,302.50	398,956.26	294,882	2,484,140.76
2030	1,790,923.50	398,743.76	294,882	2,484,549.26
2031	1,789,361.00	397,943.76	294,882	2,482,186.76
2032	1,791,127.50	396,968.76	294,882	2,482,978.26
2033	1,796,033.50	395,818.76	294,882	2,486,734.26
2034	1,788,952.00	399,425.01	294,882	2,483,259.01
2035	1,795,033.00	392,881.26	294,882	2,482,796.26
2036	1,913,895.00	425,643.76	147,415	2,486,953.76
2037	2,058,105.00	427,525.01		2,485,630.01
2038	2,054,755.00	429,068.76		2,483,823.76
2039	2,060,155.00	425,387.51		2,485,542.51
2040	1,898,461.26	583,481.26		2,481,942.52
2041	1,907,348.76	578,084.38		2,485,433.14
2042	1,904,425.00	582,021.88		2,486,446.88
2043		580,221.88		580,221.88
2044		577,756.25		577,756.25
2045		579,668.75		579,668.75
2046		580,881.25		580,881.25
2047		286,081.25		286,081.25
2048		285,425.00		285,425.00
TOTAL	$38,368,992.27	$12,906,052.75	$4,570,645	$55,845,690.02

ESTIMATED DEBT SERVICE COVERAGE

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

Net Income (Loss)[1]	$52,325
Plus: Depreciation[1]	1,619,142
Interest Expense[1]	1,387,953
Plus: Estimated Revenues Increase[2]	26,074
Estimated Funds Available for Debt Service[(A)]	$3,085,494
Maximum Annual Debt Service on the Bonds and the Parity Bonds[(B)(3)(4)]	2,486,447
Coverage[(A/B)]	1.24X
Maximum Annual Debt Service on the Bonds, the Parity Bonds and the Subordinate Obligation[(C)(3)]	2,486,954
Coverage[(A/C)]	1.24X

(1) Based on the audited financial statements of the Authority for the fiscal year ended December 31, 2020. See **FINANCIAL INFORMATION** herein and Appendix A attached hereto.
(2) Effective January 1, 2021 the Authority increased rates under the 2012 Faulkner/Cleburne Contracts. See **THE AUTHORITY, Water System Facilities and Water Purchase Contracts** herein. The amount of "Estimated Revenues Increase" is the amount of operating revenues that would have been realized by the Authority based upon total water usage during the fiscal year ended December 31, 2020 if the 2012 Faulkner/Cleburne Contracts wholesale rates during the entirety of the fiscal year ended December 31, 2020 had been increased at the level of the rate increase implemented on January 1, 2021. Based on calculations by the Authority.
(3) See **OUTSTANDING OBLIGATIONS** for a description of the Parity Bonds and the Subordinate Obligation.

THE ENTITIES AND THE SERVICE AREA

Entities Generally. The "Entities" are the water customers of the Authority that purchase, from time to time, water on a wholesale basis under contract. Currently, the Entities are the City of Quitman, Arkansas, the City of Guy, Arkansas, the City of Greenbrier, Arkansas, the Town of Wooster, Arkansas, the Beaverfork Public Water Authority of the State of Arkansas (as successor to the Beaverfork Volunteer Fire Department), the Vilonia Waterworks Association (a municipal public facilities board), the Town of Damascus, Arkansas, the City of Mayflower, Arkansas, and West Stone County Water Association Public Water Authority. Each Entity has entered into a wholesale water purchase contract with the Authority. See **THE AUTHORITY**. Entities and retail customers are located in Cleburne County, Arkansas ("Cleburne County"), Faulkner County, Arkansas ("Faulkner County"), Van Buren County, Arkansas ("Van Buren County") and Stone County, Arkansas ("Stone County" and, together with Cleburne County, Faulkner County and Van Buren County, the "Counties").

Each current Entity had the following number of water customers, determined by number of meters, as of December 31, 2020:

	Number of Water Customers				
Entity	2020	2019	2018	2017	2016
Quitman	1,760	1,720	1,746	1,780	1,689
Guy	2,277	2,262	2,140	2,183	2,044
Greenbrier	10,590	10,317	9,925	10,121	9,327
Wooster	4,384	4,162	3,881	3,958	3,802
Beaverfork	3,509	3,527	3,289	3,354	2,924
Vilonia Water Association	23,612	22,967	22,325	22,766	21,523
Damascus	2,277	2,315	2,239	2,283	2.282
Mayflower	8,050	7,873	7,646	7,797	7,887
West Stone County	1,387	1,374	1,202	1,226	1,210

Shirley has been excluded from the foregoing chart. See **THE AUTHORITY, Acquisition of Shirley Water Facilities** herein.

Service Area Generally. The Service Area of the Authority consists of southern Cleburne County, portions of Faulkner County, southern Stone County and eastern Van Buren County. See Appendix B for a map of the Service Area. See **THE AUTHORITY** for information regarding the retail and wholesale customers in each County in the Service Area.

The Counties in the Service Area are located in central and northern Arkansas. The county seat of Cleburne County is Heber Springs, which is approximately 60 miles northeast of Little Rock, Arkansas and approximately 134 miles west of Memphis, Tennessee. The county seat of Faulkner County is Conway, which is approximately 30 miles north of Little Rock, Arkansas and approximately 180 miles west of Memphis, Tennessee. The county seat of Stone County is Mountain View, which is approximately 110 miles north of Little Rock, Arkansas and approximately 155 miles northwest of Memphis, Tennessee. The county seat of Van Buren County is Clinton, which is approximately 70 miles north of Little Rock, Arkansas and approximately 165 miles northeast of Memphis, Tennessee.

The municipalities in Cleburne County and their populations (based upon 2019 estimates) are:

Municipality	Population
Concord	233
Greers Ferry	856
Heber Springs	6,916
Higden	122
Quitman*	719

The municipalities in Faulkner County and their populations (based upon 2019 estimates) are:

Municipality	Population
Conway	67,638
Damascus*	383
Enola	355
Greenbrier*	5,665
Guy*	788
Holland	577
Mayflower*	2,391
Mt. Vernon	149
Twin Groves	337
Vilonia	4,623
Wooster*	1,113

The municipalities in Stone County and their populations (based upon 2019 estimates) are:

Municipality	Population
Fifty-Six	174
Mountain View	2,863

The municipalities in Van Buren County and their populations (based upon 2019 estimates) are:

Municipality	Population
Clinton	2,520
Fairfield Bay	2,189
Shirley[1]	275

[1] See **THE AUTHORITY, Acquisition of Shirley Water Facilities** herein.

Population. Since 1970, the population trend for the Counties in the Service Area has been as follows:

Year	Cleburne County	Faulkner County	Stone County	Van Buren County	Total
1970	10,349	31,578	6,838	8,275	57,040
1980	16,909	46,192	9,022	13,357	85,480
1990	19,411	60,006	9,775	14,008	103,200
2000	24,046	86,014	11,499	16,192	137,751
2010	25,970	113,237	12,394	17,295	168,896
2019(1)	24,919	126,007	12,394	17,296	180,616

Economy. The Service Area is primarily rural. There are no major employers or major industries located within the Service Area. A loss of employment due to closing or relocation of an industry, manufacturing plant or major employer located within the vicinity of the Service Area could have an adverse impact on the number of retail customers served by the Authority and/or the number of customers served by an Entity or Entities.

Additional Economic Data. Total personal income estimates for the Counties in the Service Area are as follows:(2)

Year	Cleburne County	Faulkner County
2015	$907,062,000	$4,234,235,000
2016	886,653,000	4,332,002,000
2017	920,450,000	4,497,216,000
2018	943,044,000	4,717,904,000
2019	970,400,000	4,907,842,000

Year	Stone County	Van Buren County
2015	$363,592,000	$499,364,000
2016	359,382,000	486,954,000
2017	372,740,000	491,966,000
2018	382,483,000	505,582,000
2019	395,107,000	524,432,000

(1) Estimate

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

Per capita personal income estimates for the Counties in the Service Area are as follows:[(1)]

Year	Cleburne County	Faulkner County
2015	$35,774	$34,924
2016	35,222	35,448
2017	36,731	36,406
2018	37,731	37,702
2019	38,942	38,949

Year	Stone County	Van Buren County
2015	$29,355	$29,710
2016	28,730	29,213
2017	29,772	29,722
2018	30,712	30,393
2019	31,593	31,697

The annual average unemployment rates for the Counties in the Service Area and the State of Arkansas since 2016 are as follows, according to the Arkansas Department of Workforce Services:

	Average Annual Unemployment Rate(%)				
Year	Cleburne County	Faulkner County	Stone County	Van Buren County	State
2016	5.9	3.8	5.1	6.9	4.0
2017	4.9	3.3	4.8	5.5	3.7
2018	4.5	3.2	4.5	5.2	3.7
2019	4.5	3.0	4.7	5.0	3.5
2020	5.0	3.5	5.3	5.5	6.1
2021*	6.4	4.5	7.2	6.7	5.3

*As of February 2021.

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

THE INDENTURE

The following is a brief summary of the Indenture pursuant to which the Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture copies of which are on file with the Trustee. For purposes of this caption, the term "Bonds" includes the Bonds offered hereby and any outstanding Additional Bonds.

Security for the Bonds. Under the Indenture, the Authority grants to the Trustee in order to secure the payment of the principal of, premium, if any, and interest on the Bonds, a lien on and security interest in the Trust Estate:

The "Trust Estate" is defined as all right, title and interest of the Authority in and to (a) all revenues and income of the Authority; (b) all real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature located thereon or therein situated in Cleburne, Faulkner, Stone and Van Buren Counties, Arkansas with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining, now owned or leased by the Authority or to be acquired or constructed as part of the improvements to be financed or refinanced by Bonds issued under the Indenture or to be acquired or constructed as part of the facilities financed by Parity Obligations, including particularly, without limitation, the real property described in Exhibit A to the Indenture; (c) all other properties of whatever nature, including particularly, without limitation, personal property, now owned by the Authority or acquired, constructed or equipped as part of the improvements financed or refinanced with proceeds of Bonds or as part of the facilities financed by Parity Obligations and not covered by the properties described in (b) above, including, without limitation, all assets, franchises, rights, privileges, licenses and rights of way; (d) all moneys in the funds created and held hereunder (except for the Rebate Fund) and all investments therein and earnings thereon; (e) all wholesale water purchase and sale contracts that have been executed by the Authority and various communities or other wholesale water purchasers; and (f) replacement properties (as described in Section 803 of the Indenture) and all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under the Indenture by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee, along with all substitutions therefor and products and proceeds therefrom, whether now existing or hereafter arising.

Rate Covenant. Under the Indenture, the Authority covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall generate Net Revenues (defined as all revenues generated by the Authority less and except, however, all reasonable and necessary costs of operating and maintaining the Authority's water system, and all other general and administrative costs and expenses of the Authority, but not including depreciation, amortization and interest expenses) in each fiscal year that are equal to or greater than 110% of that fiscal year's debt service required on the outstanding Bonds and Parity Obligations for each year. The Authority covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

If the Authority fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the Authority complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the Net Revenues in each of these fiscal years are equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds and Parity Obligations.

In the Indenture the Authority further covenants that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall generate Net Revenues in each fiscal year sufficient to pay debt service for such fiscal year on all obligations of the Authority which are secured by a pledge of any of the Authority's revenues or by a security interest in any of the Authority's properties.

Funds. The following Funds are to be established or maintained under the Indenture.

Revenue Fund. All revenues and income received by the Authority shall be paid upon receipt into the general fund of the Authority identified herein as the "Revenue Fund."

Bond Fund. (a) There shall be paid from the Revenue Fund into the Bond Fund, not later than the 20th day of each month, an amount equal to the sum of:

(1) one sixth (1/6) of the next installment of interest on the outstanding Bonds, plus an amount sufficient to provide for Trustee's and Paying Agent's fees (the required payments for the months after delivery, and before the first interest payment date, of any series of Bonds shall be adjusted if necessary, so that the deposits made and any accrued or capitalized interest from the sale of the Bonds will be sufficient to cover the interest due and Trustee's and Paying Agent's fees); plus

(2) one twelfth (1/12) of the next installment of principal on the outstanding Bonds; provided, however, the monthly deposits under this paragraph for the months after delivery and before the first principal payment date, of any series of Bonds shall be adjusted if necessary so that the deposits made will be sufficient to cover the principal due and provided that the deposits herein required for any series of Bonds need not commence until the time necessary to accumulate the first principal maturity or mandatory sinking fund redemption date of such series of Bonds in twelve monthly installments.

(b) The Authority may, from time to time, withdraw from the Bond Fund any moneys held therein which exceed an amount equal to required deposits pursuant to paragraph (a) ("Excess Bond Fund Moneys"). Otherwise, the Authority shall receive a credit against required monthly deposits into the Bond Fund to the extent of Excess Bond Fund Moneys on the date the deposit is due.

(c) If for any reason the funds in the Bond Fund shall at any time be insufficient to meet any required payment, then the amount of any such deficiency shall be paid immediately from the Revenue Fund into the Bond Fund.

(d) When the moneys in the Bond Fund, together with moneys in the Debt Service Reserve Fund shall be and remain sufficient to pay the principal of and interest on all outstanding Bonds issued under the Indenture, and the Trustee's and Paying Agent's fees, there shall be no obligation to make any further payments into the Bond Fund.

(e) The moneys in the Bond Fund shall be used solely for the payment of the principal of the interest on the Bonds and the Trustee's and Paying Agent's fees and for no other purpose, except as provided in paragraph (b).

Debt Service Reserve Fund. The Indenture provides for the establishment of a Debt Service Reserve Fund (the "Debt Service Reserve Fund") in an amount equal to one-half of the maximum annual debt service requirements on the Bonds; provided, however, such required level shall be reduced to the extent that the deposit into the Debt Service Reserve Fund from the proceeds of a series of Additional Bonds to meet one-half of the maximum annual principal and interest on all outstanding Bonds would exceed 10% of the issue price of such Additional Bonds (the "Required Level").

(a) Upon the issuance of each series of Bonds, there shall be deposited in the Debt Service Reserve Fund the amount necessary to maintain the Debt Service Reserve Fund at the Required Level after issuance of that series of Bonds.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be used for payment of principal of and interest on Bonds for which Bond Fund moneys are not available and for no other purpose except as specifically permitted herein. If the amount held in the Debt Service Reserve Fund shall ever be less than the Required Level, the Fund shall be restored in twenty four (24) equal monthly installments.

(c) Moneys held for the credit of the Debt Service Reserve Fund which exceed the Required Level shall be withdrawn from the Debt Service Reserve Fund and deposited into the Bond Fund.

(d) In lieu of depositing moneys into the Debt Service Reserve Fund, the requirements of this section may be satisfied by depositing with the Trustee a surety bond or debt service reserve insurance policy in the principal amount equal to the requirement, or portion, being satisfied. The surety bond or debt service reserve insurance policy must be issued by an insurance company rated not less than "A" or "A2" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), or Moody's Investors Service, Inc., respectively, and must provide for payment to the Trustee, upon demand, of all or any part of the principal amount which may be needed for use for any purpose for which the Debt Service Reserve Fund moneys may be used under the Indenture.

Parity Obligation Payments. The Trustee and the Authority further acknowledge that Parity Obligations are outstanding and may be issued by the Authority in the future. If there are insufficient moneys in the Revenue Fund to make the monthly payments into the Bond Fund and the Debt Service Reserve Fund and to make monthly installments with respect to outstanding Parity Obligations (and debt service reserves therefor), the Authority shall make payments from the Revenue Fund with respect to the Bonds and outstanding Parity Obligations pro rata based upon the outstanding principal amount of the Bonds and Parity Obligations.

Subordinate Obligation Payments. The Trustee and the Authority further acknowledge that the Subordinate Obligation is outstanding and additional subordinate obligations may be issued by the Authority in the future. All monthly payments from the Revenue Fund with respect to the Subordinate Obligation and all subordinate obligations issued in the future shall be paid from moneys in the Revenue Fund after all monthly payments have been made into the Bond Fund and the Debt Service Reserve Fund and monthly installments have been made with respect to outstanding Parity Obligations (and debt service reserves therefor).

Revenue Fund Surplus. Any surplus remaining in the Revenue Fund, after making full provisions for the other funds described above, shall be used to pay the operation and maintenance expenses of the Authority for such month. Any balance may be used for any lawful purpose. The monthly surplus may be withdrawn and deposited in such fund or account as specified by the Board of Directors of the Authority.

Depositories of Funds. The Bond Fund, the Construction Fund, the Rebate Fund and the Debt Service Reserve Fund shall be established and maintained in the Trustee. The Revenue Fund and all other funds of the Authority shall be established in such banks or trust companies that are from time to time designated by the Authority, provided each must be a member of the Federal Deposit Insurance Corporation.

All moneys in any of the above funds in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by perfected pledges of Government Securities (as hereinafter defined) or other securities authorized by Arkansas law to secure public deposits or invested as authorized by the Indenture.

Nonpresentment of Bonds. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if there shall have been deposited with the Paying Agent for the purpose, or left in trust if previously so deposited, funds sufficient to pay the principal thereof, together with all interest unpaid and due thereon, to the date of maturity thereof, or to the date fixed for redemption thereof, as the case may be, for the benefit of the holder thereof, all liability of the Authority to the holder thereof for the payment of the principal thereof and interest thereon shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such fund or funds, without liability for interest thereon, for the benefit of the holder of the Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond.

Rebate Fund. The Rebate Fund shall be held in trust by the Trustee and, except as provided below, shall be held for the benefit of the United States of America. The Rebate Fund shall not be held for the benefit of the bondholders or the Trustee.

Determination and Payment of Rebate. The Authority shall, unless and until the Authority delivers to the Trustee a written opinion of counsel as described below, make the determinations and take the actions required as are necessary, in the opinion of counsel, to comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations pertaining thereto. The Authority shall rebate to the United States, not later than sixty (60) days after the end of the five year period set forth in the Indenture, and not later than sixty (60) days after the end of each five year period thereafter, an amount which insures that at least ninety percent (90%) of the Rebate Amount at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment or redemption of all principal of the Series 2021A Bonds for which interest is excludable from federal income taxation, an amount sufficient to pay the remaining unpaid balance of the Rebate Amount, all in the manner and as required by Section 148 of the Code and the regulations pertaining thereto.

Upon receipt by the Trustee of a written request of the Authority certifying that certain amounts in the Rebate Fund are not subject to rebate and an opinion of Bond Counsel (hereinafter defined) to the effect that failure to rebate such amounts will not cause interest on the Series 2021A Bonds to become includable in gross income of the bondholders for federal income tax purposes under existing laws, regulations, rulings and decisions, the Trustee shall transfer any such amounts to the credit of the Bond Fund. Except as provided in the previous sentence, moneys in the Rebate Fund shall be applied solely to meet the Authority's rebate obligations.

Exemption from Rebate. Notwithstanding the foregoing, in the event the Trustee is furnished with a written opinion of Bond Counsel, to the effect that it is not necessary under existing laws, regulations, rulings and decisions to pay any portion of earnings on investments held under the Indenture or otherwise to the United States in order to assure the exclusion from gross income for federal income tax purposes of interest on the Series 2021A Bonds, all amounts at the time on deposit in the Rebate Fund shall be transferred as specified in such opinion.

Investment of Funds. Moneys held as part of the funds under the Indenture shall be invested in "Eligible Investments" pursuant to the terms of the Indenture.

(a) Moneys held for the credit of the Debt Service Reserve Fund shall, at the direction of the Authority, be invested and reinvested by the Trustee in Eligible Investments maturing (except in the case of money market funds) within ten (10) years from the date of investment.

(b) Moneys held for the credit of the Rebate Fund shall be invested and reinvested by the Trustee in Government Securities which shall mature not later than the date or dates on which the money held for the credit of the Rebate Fund will be required for the purposes intended.

(c) Moneys held for the credit of any other fund under the Indenture may be invested and reinvested, as directed by the Authority, in Eligible Investments which shall mature (except in the case of money market funds) not later than the date or dates on which the money held for the credit of the particular fund will be required for the purposes intended as determined by the Authority.

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

(e) "Eligible Investments," as used in Section 701 of the Indenture, include only:

(1) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series); direct obligations of the United States Treasury which have been stripped by the Treasury itself, including CATS and TIGRS; the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and obligations issued by the following agencies which are backed by the full faith and credit of the United States: United States Export-Import Bank, including direct obligations or fully guaranteed certificates of beneficial ownership; Farmers Home Administration, including certificates of beneficial ownership; Federal Financing Bank; General Services Administration, including participation certificates; U.S. Maritime Administration, including guaranteed Title XI financing; and U.S. Department of Housing and Urban Development, including project notes, local authority bonds, new communities debentures, and U.S. public housing notes and bonds (collectively, "Government Securities");

(2) Direct obligations of an agency, instrumentally or government-sponsored enterprise created by 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;

(3) Money market funds comprised exclusively of Government Securities, investments described in (2) above, or other securities authorized by Arkansas law to secure public deposits;

(4) Time or demand deposits or certificates of deposit of banks, including the Trustee, that are members of the Federal Deposit Insurance Corporation and, to the extent not insured by the Federal Deposit Insurance Corporation, secured by a valid and enforceable pledge of Government Securities or other securities authorized by Arkansas law to secure public funds; and

(5) (i) obligations the interest on which is excluded from gross income of the owner thereof for federal income tax purposes under Section 103(a) of the Code, that are rated in the two highest long-term or short-term rating categories by S&P or Moody's, and are not private activity bonds under the Code; and (ii) United States Treasury-State and Local Government Series, demand deposit securities. If a bond rating agency other than S&P or Moody's is maintaining a rating on the bonds, ratings comparable to those described above shall be required for such obligations.

(f) The Trustee shall determine the market value of all investments from funds held by it on March 21 and September 21 of each year and shall report the market value to the Authority.

Defeasance. Any Bonds shall be deemed to have been paid for purposes of the Indenture if there has been deposited with the Trustee in trust either (a) moneys in an amount, or noncallable Government Securities the principal of and interest on which will, together with any moneys held by the Trustee at the same time and available for such purpose pursuant to the Indenture, without further investment or reinvestment of either the principal amounts thereof or the interest earnings thereon, provide amounts which will be sufficient to pay when due the principal, interest, and premium, if any, to become due and payable on or prior to the respective redemption dates or maturity dates of such Bonds, and (b) in case any of such Bonds are to be redeemed on any date prior to their maturity, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving of such notice.

Events of Default. Each of the following is an event of default under the Indenture:

(a) Default in the due and punctual payment of any interest on any Bond or any Parity Obligation;

(b) Default in the due and punctual payment of any moneys required to be paid into the Bond Fund, the Debt Service Reserve Fund or the Rebate Fund and the continuation thereof for a period of thirty (30) days;

(c) Default in the due and punctual payment of the principal of any Bond whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

(d) Default in the performance or observance of any other of the covenants, agreements or conditions in the Indenture, or in the Bonds, or in Parity Obligations or documents securing Parity Obligations, and the continuance thereof for a period of thirty (30) days after written notice to the Authority by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds;

(e) Declaration of bankruptcy by the Authority; and

(f) Any other "event of default" as defined in a Parity Obligation or document securing a Parity Obligation.

The term "default" shall mean default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, in the Bonds, in any Parity Obligation or in any document securing a Parity Obligation, exclusive of any period of grace required to constitute a default an "event of default" as hereinabove provided, or as provided in a Parity Obligation or a document securing a Parity Obligation.

Acceleration. Upon the occurrence of an event of default, the Trustee may, and upon the written request of the holders of twenty five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture (regardless of series) shall, by notice in writing delivered to the Authority, declare the principal of all Bonds secured and then outstanding under the Indenture and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

Remedies. (a) **Right of Entry**. Upon the occurrence of any event of default, the Authority, upon demand of the Trustee, shall forthwith surrender to it the actual possession of all or any part of the properties comprising the Trust Estate with the books, papers and accounts of the Authority pertaining thereto and to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise; and the Trustee, with or without such permission, may collect, receive and sequester the revenues, earnings, income, products and profits therefrom and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the properties, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the trustee, and all taxes, assessments and other charges prior to the lien of the Indenture which the Trustee may deem it wise to pay, all expenses of such repairs and improvements, and apply the remainder of the money so received by the Trustee in accordance with the applicable provisions of the Indenture. Whenever all that is due upon such Bonds and installments of interest under the terms of the Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the Authority, its successors or assigns.

While in possession of such property, the Trustee shall render annually to the registered owners a summarized statement of income and expenditures in connection therewith.

(b) **Other Remedies**. Upon the occurrence of an event of default the Trustee may, as an alternative, proceed either after entry or without entry, to pursue any available remedy by suit at law or equity to enforce the payment of the principal of and interest on the Bonds then outstanding, including, without limitation, foreclosure and mandamus against the Authority.

If an event of default shall have occurred, and if the Trustee shall have been requested so to do by the holders of twenty five percent (25) in aggregate principal amount of Bonds then outstanding and shall have been indemnified as provided in the Indenture, the Trustee shall be obliged to exercise such one or more of the rights and powers conferred upon it by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the bondholders.

No remedy conferred upon or reserved to the Trustee (or to the bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default, whether by the Trustee or by the bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Bondholders' Right to Direct. Anything in the Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds outstanding shall have the right, at any time, by any instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Appointment of Receiver. Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondholders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the property comprising the Trust Estate and of the tolls, rents, revenues, issues earnings, income, products and profits thereof, pending such proceedings with such powers as the court making such appointment shall confer.

Applications of Moneys. Available moneys shall be applied by the Trustee as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: to the payment of the Trustee and Paying Agent for amounts due for outstanding fees and expenses, including fees and expenses of agents and counsel;

Second: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Third: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

Fourth: to the payment of the interest on and the principal of the Bonds, and to the redemption of bonds.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Limitation of Bondholder Rights. No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for the appointment of a receiver or any other remedy, unless a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which it is deemed to have notice, nor unless such default shall have become an event or default and the holders of twenty five percent (25%) in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in the Indenture nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy.

Waivers by Trustee. The Trustee may in its discretion waive any event of default under the Indenture and its consequences and rescind any declaration or maturity of principal, and shall do so upon the written request of the holders of fifty percent (50%) in principal amount of all Bonds outstanding (of all series but not necessarily of each series); provided, however, that there shall not be waived (a) any event of default in the payment of principal of any Bonds outstanding at the date of maturity specified therein or (b) any default in the payment of the interest or of deposits into the Bond Fund unless prior to the waiver or rescission all arrears of interest, with interest at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of Bond Fund payments, as the case may be, and all expenses of the Trustee shall have been paid or provided for and in case of any such waiver or rescission or in case any proceeding taken by the Trust on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the Authority and the bondholders shall be restored to their former positions and rights, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance or Additional Bonds, or (d) to make any other change determined by the Trustee to be not materially adverse to the interests of the Bondholders or which does not involve a change referred to in Section 1202 of the Indenture which requires consent of specific Bondholders.

Supplemental Indentures Requiring Consent of Bondholders. The holders of not less than two thirds (2/3) in aggregate principal amount of the Bonds then outstanding (of all series but not necessarily each series) shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such supplemental indenture or indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that no supplemental indenture shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien upon the Trust Estate or a pledge of the revenues pledged to Bonds issued under the Indenture other than the lien and pledge created and authorized by the Indenture or which purports to be on a parity with the lien and pledge created by and authorized by the Indenture except as authorized by the original indenture, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

THE CONTINUING DISCLOSURE AGREEMENT

Past Compliance. In the past five years, the Authority has been party to multiple continuing disclosure agreements with respect to its outstanding bonds. The agreements require that the Authority file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time period set forth in the agreements. The following summarizes a non-exhaustive discussion of the Authority's compliance with its continuing disclosure obligations over the past five years.

As part of its annual reports, the Authority has been obligated to file on EMMA certain statistical information concerning the Authority. The informational annual reports for the fiscal years ended December 31, 2015, 2016, 2017, 2019, and 2020 were timely filed. With respect to one bond issue (the Authority's Water Revenue Bonds, Series 2018), the annual report for the fiscal year ended December 31, 2018 was filed 51 days late.

The Authority has also been obligated to file on EMMA audited financial statements of the Authority. If the audited financial statements were not available at the time the annual report was due, the Authority was obligated to file the audited financial statements of the System within a set number of days after the audited financial statements become available. The audited financial statements of the Authority for the fiscal years ended December 31, 2015, 2016, 2017, 2018, 2019, and 2020 have been timely filed.

In addition, the Authority did not file notice of non-compliance with its continuing disclosure undertakings in the case of the late filing of the annual report for the fiscal year ended December 31, 2018.

The Authority has undertaken steps to ensure continued future compliance with its continuing disclosure undertakings.

Generally. The Authority will enter into a Continuing Disclosure Agreement with respect to the Bonds. Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

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

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

"Annual Report" shall mean an Annual Report provided by the Authority 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 the Bond (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Regions Bank, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Dissemination Agent and 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 Reports. (a) The Authority shall, or cause the Dissemination Agent to, not later than 180 days after the end of the Authority's fiscal year (presently December 31) commencing with the report after the end of the 2021 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, 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. Each 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 Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the Authority. If the fiscal year of the Authority changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing each Annual Report to the MSRB, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee for the issue (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 Authority and the Dissemination Agent to determine if the Authority is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB.

Content of Annual Reports. Each of the Authority's Annual Reports shall contain or incorporate by reference the following:

Information of the type set forth in the Official Statement under the caption **THE AUTHORITY** concerning water sales for the last fiscal year and the four previous fiscal years; information of the type set forth in the Official Statement under the caption **THE ENTITIES AND THE SERVICE AREA** concerning current Entities and the number of customers of each Entity for the last fiscal year and the four previous fiscal years; and the annual audit of the Authority prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States and applicable 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 Authority or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) The Authority shall give, or cause to be given, a notice of the occurrence of any of the following events with respect to the Bonds within ten (10) business days of the occurrence thereof:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on the 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 Bonds, or other material events adversely affecting the tax status of the Bonds;

7. modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. defeasances;

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 Authority;

13. the consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course

of business, the entry into a definitive agreement to undertake such an 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; and

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) The Dissemination Agent shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to paragraph (f) below.

(c) After the occurrence of a Listed Event, the Authority shall determine, in a timely manner which will allow the Dissemination Agent to file the notice within the time-frame prescribed by paragraph (f) below, if such event must be reported under applicable federal securities laws.

(d) If the Authority has determined that the occurrence of a Listed Event must be reported under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to paragraph (f). The Authority may submit to the Dissemination Agent the form of the notice to be provided pursuant to paragraph (f).

(e) If in response to a request under paragraph (b) above, the Authority determines that the Listed Event would not be required to be reported under applicable federal securities laws, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to paragraph (f).

(f) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall 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 Authority. If the Authority has provided a form of the notice as set forth in paragraph (d) above, the Dissemination Agent shall file the Authority's form of notice. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Events described in subsections (a)(8) and (9) need not be given any earlier than the notice for the underlying event is given to the registered owners of affected Bonds pursuant to the terms of the Indenture.

(g) The Trustee shall provide the Authority with notice of the occurrence of the change of name of the Trustee in a timely manner which will allow the Authority to make a filing of a Listed Event within the time-frame set forth in this Section.

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

Dissemination Agents. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under a Continuing Disclosure Agreement, and may discharge any such Dissemination 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 Authority pursuant to a Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent. Regions Bank shall be the initial Dissemination Agent.

Amendment; Waiver. Notwithstanding any other provision of a Continuing Disclosure Agreement, the Authority and the Dissemination Agent 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 the Authority with respect to the Bonds, or the type of business conducted;

(b) The Continuing Disclosure Agreement, 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 affected Bonds in the same manner as provided in the Indenture for the affected Bonds for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel in reliance upon certifications of the Authority, 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 Authority shall describe such amendment in the next Annual Report with respect to that issue, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. 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 Authority 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 Authority 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 Authority 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 Authority or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Underwriter 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 Authority or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under a Continuing Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Dissemination Agents and Rights of Indemnity. The Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its 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 its 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 gross negligence or willful misconduct.

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

TAX MATTERS

State Law. In the opinion of Friday, Eldredge & Clark, LLP, 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.

Federal Law. Series 2021A Bonds. In the opinion of Bond Counsel, interest on the Series 2021A 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 Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021A 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 Series 2021A Bonds and the Authority's water system. Failure to comply with certain of such requirements could cause the interest on the Series 2021A Bonds to be so included in gross income retroactive to the date of issuance of the Series 2021A Bonds. The Authority has covenanted to comply with all such requirements in the Indenture.

Prospective purchasers of the Series 2021A 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 Series 2021A Bonds, (ii) interest on the Series 2021A 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

Series 2021A 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 Series 2021A Bonds.

Prospective purchasers of the Series 2021A 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 Series 2021A Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2021A 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 Authority has designated the Series 2021A Bonds as "qualified tax-exempt obligations" and has covenanted not to use the improvements refinanced with proceeds of the Series 2021A Bonds and the proceeds of the Series 2021A Bonds in a manner which would cause the Series 2021A Bonds to be "private activity bonds," within the meaning of the Code, and has represented that the Authority and its subordinate entities do not expect to issue more than $10,000,000 of such tax-exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during calendar year 2021.

Prospective purchasers of the Series 2021A Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas individual income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

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

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Series 2021A Bonds.

As shown on the inside cover page of this Official Statement, certain of the Series 2021A Bonds are being sold at a premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

As shown on the inside cover page of this Official Statement, certain of the Series 2021A Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth inside the front cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2021A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2021A 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 Series 2021A Bonds. Prospective purchasers of the Series 2021A 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 Series 2021A 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.

Series 2021B Bonds. Any federal tax advice contained in this Official Statement pertaining to the Series 2021B Bonds was written to support the promotion or marketing of the Series 2021B Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2021B Bonds under the Code, the Regulations and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Series 2021B Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Series 2021B Bond and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "Foreign Investors," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary does not discuss the tax laws of any state other than Arkansas or any local or foreign governments. Potential purchasers of the Series 2021B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2021B Bonds.

General. Although there are not any regulations, published rulings, or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 2021B Bonds, Bond Counsel has advised that the Series 2021B Bonds will be treated for federal income tax purposes as evidences of indebtedness of the State and not as an ownership interest in the trust estate securing the Series 2021B Bonds or as an equity interest in the State or any other party, or in a separate association taxable as a corporation. Although the Series 2021B Bonds are issued by the State, interest on the Series 2021B Bonds (including original issue discount, if any, as discussed below) is not excludable from gross income for federal income tax purposes under Code Section 103. Interest on the Series 2021B Bonds will be fully subject to federal income taxation. Thus, owners of the Series 2021B Bonds generally must include interest (including any original issue discount and market discount) on the Series 2021B Bonds in gross income for federal income tax purposes.

In general, interest paid on the Series 2021B Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2021B Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount) will be treated as a return of capital.

Market Discount. An investor that acquires a Series 2021B Bond for a price less than the adjusted issue price of such Series 2021B Bond (or an investor who purchases a Series 2021B Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (i) in the case of a Series 2021B Bond originally issued at a discount, the amount by which the issue price of such Series 2021B Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (ii) in the case of a Series 2021B Bond not originally issued at a discount, the amount by which the stated redemption price of such Series 2021B Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2021B Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described at "Sale or Other Dispositions" under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in legislative history will apply. Under those rules, market discount will be included in income, in the case of a Series 2021B Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2021B Bond who acquired a Series 2021B Bond at a market discount also may be required to defer, until the maturity date of such Series 2021B Bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2021B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2021B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2021B Bond for the days during the taxable year on which the owner held the Series 2021B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction to be taken into account in the taxable year in which the Series 2021B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If a Series 2021B Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Series 2021B Bond. The adjusted basis of a Series 2021B Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series 2021B Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series 2021B Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss taxable at the applicable rate determined by the Code if the Series 2021B Bond to which it is attributable is held as a "capital asset."

Gain on the sale or other disposition of a Series 2021B Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series 2021B Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Market Discount"). In addition, if the State is determined (pursuant to regulations that have yet to be promulgated under Code Section 1271(g)(2)(A)) to have had an intention on the date of original issuance of the Series 2021B Bonds to call all or a portion of the Series 2021B Bonds prior to maturity, then gain on the sale or other disposition of a Series 2021B Bond in an amount equal to the original issue discount not previously includable in gross income would be required to be treated as ordinary income taxable at the applicable rate determined by the Code.

Backup Withholding. Payments of principal and interest (including original issue discount) on the Series 2021B Bonds, as well as payments of proceeds from the sale of Series 2021B Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code with respect to interest or original issue discount on the Series 2021B Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Series 2021B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2021B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2021B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on Series 2021B Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2021B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2021B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2021B Bond.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an "ERISA Plan") and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series 2021B Bond, could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the State or any underwriter of the Series 2021B Bonds, might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code

Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if Series 2021B Bonds are acquired by such plans or arrangements with respect to which the State or any underwriter is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2021B Bonds.

The foregoing summary as to Series 2021B Bonds is not intended as an exhaustive recital of the potential tax consequences of holding the Series 2021B Bonds. Prospective purchasers of the Series 2021B Bonds should consult their tax advisors with respect to the federal, state and local tax consequences of the ownership of the Series 2021B Bonds. Bond Counsel will not render any opinion with respect to any federal tax consequences of ownership of the Series 2021B Bonds.

LEGALITY

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

LITIGATION

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 Authority to execute and deliver the Indenture or to issue the Bonds.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Indenture authorizing the Bonds 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 of Arkansas or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws. 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 Indenture authorizing the Bonds 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 Authority at purchase prices as follows: $4,170,498.55 (principal amount less Underwriter's discount of $38,665.00 plus net original issue premium of $29,163.55) with respect to the Series 2021A Bonds and $24,625,091.25 (principal amount less Underwriter's discount of $229,908.75) with respect to the Series 2021B Bonds, plus accrued interest to the date of delivery. 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 front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

The Underwriter retains the right to conduct related and/or unrelated business with the Authority and its agents, to include the purchase of securities for the purpose accomplishing the purposes for which the Bonds are being issued.

RATING

S&P has assigned a credit rating of "A+ (Stable Outlook)" for the Bonds. Any rating issued reflect only the view of the rating agency. Any explanation of the significance of such rating may only be obtained from the rating agency. There is no assurance that such rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Neither the Authority nor the Underwriter undertakes any responsibility either to bring to the attention of the owners of the Bonds downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and/or projections contained in this Official Statement reflect various estimates and assumptions by the Authority concerning anticipated results. No representations or warranties are made by the Authority as to the accuracy of any such statements, assumptions or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events, some of which are not within the control of the Authority. Accordingly, actual results may vary from the projected results, and such variations may be material. When used in this Official Statement, the words "anticipate," "believe," "estimate," "project," "predict," "expect," "intend," and words or phrases of similar import are intended to identify forward-looking statements.

Although the Authority believe that the expectations reflected in such forward-looking statements are reasonable, the Authority cannot give any assurance that such expectations will prove to have been correct. Actual results could differ materially from expectations for other reasons as well. Actual results may vary materially from those described herein as anticipated, believed, estimated, projected, predicted, expected or intended. Forward-looking statements speak only as of the date they are made, and the Authority undertakes no obligations to update such statements in light of new information, future events or otherwise.

MISCELLANEOUS

Any statement 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 Authority 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 Authority has been authorized by the Authority.

COMMUNITY WATER SYSTEM PUBLIC
WATER AUTHORITY OF THE STATE OF
ARKANSAS

By: /s/ John Buster
President

APPENDIX A

Community Water System

Public Water Authority of the State of Arkansas

Independent Auditor's Reports and Financial Statements

December 31, 2020 and 2019

Community Water System
Public Water Authority of the State of Arkansas
December 31, 2020 and 2019

Contents

BKD
CPAs & Advisors

400 W. Capitol Avenue, Suite 2500 | P.O. Box 3667 | Little Rock, AR 72203-3667
501.372.1040 | Fax 501.372.1250 | bkd.com

Independent Auditor's Report

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Community Water System Public Water Authority of the State of Arkansas (the Authority) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Water System Public Water Authority of the State of Arkansas as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of functional expenses, schedules of water sales, the schedules of insurance coverage and the list of board of directors as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of functional expenses is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of water sales, the schedules of insurance coverage and the list of board of directors have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 9, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Little Rock, Arkansas
March 9, 2021

Community Water System
Public Water Authority of the State of Arkansas
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2020 and 2019

Introduction

This management's discussion and analysis of the financial performance of Community Water System Public Water Authority of the State of Arkansas (the Authority) provides an overview of the Authority's financial activities for the years ended December 31, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

- Operating (unrestricted) cash and cash equivalents decreased in 2020 by $170,153, or 14%, and increased in 2019 by $80,279, or 7%.
- Net position increased in 2020 by $288,730, or 2%, and increased in 2019 by $320,822, or 2%.
- The Authority reported operating income of $1,194,582 and $1,452,323 in 2020 and 2019, respectively.

Using This Annual Report

The Authority's financial statements consist of three statements—the balance sheets, the statements of revenues, expenses and changes in net position and the statements of cash flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, contributors or grantors. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?" The balance sheets and the statements of revenues, expenses and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, any deferred outflows of resources, all liabilities and any deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. The Authority's total net position—the difference between assets plus deferred outflows of resources, if any, and liabilities plus deferred inflows of resources, if any—is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Authority's meter base, measures of the quantity and quality of services provided to its customers and local economic factors also should be considered to assess the overall financial health of the Authority.

The Statements of Cash Flows

The statements of cash flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities (when applicable). It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Authority's Net Position

Net position is the difference between assets plus deferred outflows of resources, if any, and liabilities plus deferred inflows of resources, if any, reported in the balance sheets. The Authority's net position, shown in *Table 1*, increased in 2020 and increased in 2019 by $288,730 and $320,822, or 2% both years.

Table 1: Assets, Deferred Outflows of Resources, Liabilities and Net Position

	2020	2019	2018
Assets			
Cash and cash equivalents	$ 1,039,682	$ 1,209,835	$ 1,129,556
Restricted cash and cash equivalents – current	1,210,680	1,068,920	1,241,923
Certificates of deposit	602,134	591,118	579,537
Investments	131,913	146,245	117,448
Accounts receivable	881,282	897,427	829,048
Other current assets	578,601	620,221	653,632
Capital assets, net	46,166,497	45,407,887	44,456,760
Other noncurrent assets	2,822,973	4,204,757	4,456,730
Total assets	53,433,762	54,146,410	53,464,634
Deferred Outflows of Resources	112,767	119,305	104,139
Total assets and deferred outflows of resources	$ 53,546,529	$ 54,265,715	$ 53,568,773
Liabilities			
Current liabilities	$ 1,485,128	$ 1,656,162	$ 1,562,171
Long-term debt	36,272,839	37,142,344	36,860,550
Other liabilities – noncurrent	156,603	123,980	123,645
Total liabilities	37,914,570	38,922,486	38,546,366
Net Position			
Net invested in capital assets	10,469,219	10,431,597	9,211,421
Restricted	2,260,979	1,864,314	2,675,501
Unrestricted	2,901,761	3,047,318	3,135,485
Total net position	15,631,959	15,343,229	15,022,407
Total liabilities and net position	$ 53,546,529	$ 54,265,715	$ 53,568,773

During 2020, there was an decrease in unrestricted cash and cash equivalents of $170,153, or 14%, primarily due to the Authority using more cash during the current year to fund operations. Unrestricted cash and cash equivalents increased in 2019 by $80,279, or 7%, primarily due to the Authority using less cash during the year to fund operations. There was a decrease in restricted assets in 2020 of $1,240,024, or 24%, and a decrease in 2019 of $424,976, or 7%, due to expenditures on capital projects.

Capital assets, net of accumulated depreciation, increased $758,610 after depreciation expense of $1,619,142 during 2020. During 2019, capital assets, net of accumulated depreciation, increased $951,127, including the effect of depreciation expense of $1,596,200.

Table 2: Operating Results and Changes in Net Position

	2020	2019	2018
Operating Revenues			
Net water sales	$ 7,214,712	$ 7,090,102	$ 6,767,311
Other operating revenues	280,557	258,664	243,430
Total operating revenues	7,495,269	7,348,766	7,010,741
Operating Expenses			
Production expense	1,991,606	2,020,019	1,922,597
Transmission and distribution expense	1,954,300	1,588,958	1,598,064
General and administrative expense	908,828	889,262	879,262
Faulkner/Cleburne Counties distribution expense	1,445,953	1,398,204	1,421,820
Total operating expenses	6,300,687	5,896,443	5,821,743
Operating Income	1,194,582	1,452,323	1,188,998
Nonoperating Revenues (Expenses)			
Gain on disposal of capital assets	5,852	4,000	-
Investment income	85,391	141,786	43,396
Other income	154,453	135,790	101,407
Bond issuance costs	-	(98,465)	(97,483)
Interest expense	(1,387,953)	(1,379,874)	(1,284,173)
Net nonoperating expenses	(1,142,257)	(1,196,763)	(1,236,853)
Income (Loss) Before Capital Contributions	52,325	255,560	(47,855)
Capital Contributions	236,405	65,262	-
Change in Net Position	$ 288,730	$ 320,822	$ (47,855)

Operating Income

In 2020, the Authority's operating income decreased by $257,741 compared to 2019, as shown in *Table 2*. The decrease was driven primarily by an increase of approximately $323,000 in repairs and maintenance in 2020 compared to 2019.

In 2019, the Authority's operating income increased by $263,325 compared to 2018, as shown in *Table 2*. The primary component of the increase in operating income is an increase in net water sales of approximately $323,000 in 2019 compared to 2018.

Nonoperating Revenues and Expenses

The Authority also has investment income and interest expense, of which investment income decreased by $56,395 in 2020 compared to 2019 due to a decrease in rates and unrealized losses on investments. Interest expense increased by $8,079 in 2020 compared to 2019 due to a full year of interest expense on the debt issued in 2019. Capital contributions increased by $171,143 in 2020 compared to 2019.

Investment income increased by $98,390 in 2019 compared to 2018 due to increase in rates and unrealized gains on investments. Interest expense increased by $95,701 in 2019 compared to 2018 due to the issuance of additional debt in 2019. Capital contributions increased by $65,262 in 2019 compared to 2018.

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and nonoperating revenues and expenses.

Capital Asset and Debt Administration

Capital Assets

At the end of 2020 and 2019, the Authority had $46,166,497 and $45,407,887, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 3* to the financial statements. In 2020, the Authority added $2,332,971 in system infrastructure. In 2019, the Authority added $2,547,327 in new system infrastructure.

Debt

At December 31, 2020, the Authority had $37,144,020 outstanding in revenue bonds and lease payable, which decreased by 696,126, or 2%. At the end of 2019, the Authority had $37,840,146 in bonds payable, which increased by $36,391, or 0.10%. During the 2019, the Authority issued $5,350,000 of revenue refunding and improvement bonds (Series 2019) to refund the Series 2014 Bonds and to finance the cost of certain capital improvements as detailed in *Note 4*.

Contacting the Authority's Financial Management

This financial report is designed to provide customers, suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority by calling 501.825.7294.

Community Water System
Public Water Authority of the State of Arkansas
Balance Sheets
December 31, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets		
Cash and cash equivalents	$ 1,039,682	$ 1,209,835
Restricted cash and cash equivalents – current	1,210,680	1,068,920
Investments	131,913	146,245
Certificates of deposit	602,134	591,118
Accounts receivable – customers	859,110	869,932
Accounts receivable – other	22,172	27,495
Inventory	475,353	519,561
Prepaid expenses	103,248	100,660
Total current assets	4,444,292	4,533,766
Noncurrent Assets		
Restricted assets		
Cash and cash equivalents	1,849,243	3,125,241
Investments	2,183,350	2,147,376
Accrued interest receivable	1,060	1,060
	4,033,653	5,273,677
Less amount required to meet current obligations	1,210,680	1,068,920
Total restricted assets	2,822,973	4,204,757
Capital assets – nondepreciable	4,827,159	5,399,719
Capital assets – depreciable, net	41,339,338	40,008,168
Total capital assets, net	46,166,497	45,407,887
Total noncurrent assets	48,989,470	49,612,644
Total assets	53,433,762	54,146,410
Deferred Outflows of Resources		
Deferred amount on bond refundings	112,767	119,305
Total assets and deferred outflows of resources	$ 53,546,529	$ 54,265,715

Liabilities and Net Position

	2020	2019
Current Liabilities		
Current maturities of long-term debt	$ 841,643	$ 697,802
Accounts payable – trade	239,659	338,293
Accrued expenses	13,540	9,211
Unearned revenue	3,332	239,738
Accrued interest payable	386,954	371,118
Total current liabilities	1,485,128	1,656,162
Noncurrent Liabilities		
Bonds payable, net	36,272,839	37,142,344
Lease liability	29,538	-
Customer meter deposits	127,065	123,980
Total noncurrent liabilities	36,429,442	37,266,324
Total liabilities	37,914,570	38,922,486
Net Position		
Net investment in capital assets	10,469,219	10,431,597
Restricted for debt service	2,260,979	1,864,314
Unrestricted	2,901,761	3,047,318
Total net position	15,631,959	15,343,229
Total liabilities and net position	$ 53,546,529	$ 54,265,715

Community Water System
Public Water Authority of the State of Arkansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Water sales		
Retail	$ 2,986,560	$ 2,891,403
Wholesale	4,228,152	4,198,699
	7,214,712	7,090,102
Service fees	17,300	11,560
Miscellaneous operating revenues	263,257	247,104
Total operating revenues	7,495,269	7,348,766
Operating Expenses		
Production expense	1,991,606	2,020,019
Transmission and distribution expense	1,954,300	1,588,958
General and administrative expense	908,828	889,262
Faulkner/Cleburne Counties distribution expense	1,445,953	1,398,204
Total operating expenses	6,300,687	5,896,443
Operating Income	1,194,582	1,452,323
Nonoperating Revenues (Expenses)		
Gain on disposal of capital assets	5,852	4,000
Investment income	85,391	141,786
Other income	154,453	135,790
Bond issuance costs	-	(98,465)
Interest expense	(1,387,953)	(1,379,874)
Net nonoperating expenses	(1,142,257)	(1,196,763)
Income Before Capital Contributions	52,325	255,560
Capital Contributions	236,405	65,262
Increase in Net Position	288,730	320,822
Net Position, Beginning of Year	15,343,229	15,022,407
Net Position, End of Year	$ 15,631,959	$ 15,343,229

Community Water System
Public Water Authority of the State of Arkansas
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Customer receipts	$ 7,230,857	$ 7,021,723
Service fee receipts	17,300	11,560
Other receipts	417,710	382,894
Payments to suppliers and contractors	(2,493,520)	(2,053,707)
Payments to employees	(972,633)	(944,676)
Other payments	(1,264,992)	(1,232,238)
Net cash provided by operating activities	2,934,722	3,185,556
Capital and Related Financing Activities		
Acquisition of capital assets	(2,330,298)	(2,404,821)
Proceeds from sale of capital assets	5,852	4,000
Capital contributions	-	305,000
Bond issuance costs	-	(98,465)
Principal paid on long-term debt	(697,801)	(5,268,206)
Proceeds from issuance of debt	-	5,350,000
Interest paid on long-term debt	(1,411,359)	(1,519,169)
Net cash used in capital and related financing activities	(4,433,606)	(3,631,661)
Investing Activities		
Sale of investments	-	253,202
Sale of certificates of deposit	602,134	1,390,000
Purchase of certificates of deposit	(602,134)	-
Investment income	52,733	101,408
Net cash provided by investing activities	52,733	1,744,610
Increase (Decrease) in Cash and Cash Equivalents	(1,446,151)	1,298,505
Cash and Cash Equivalents, Beginning of Year	4,335,076	3,036,571
Cash and Cash Equivalents, End of Year	$ 2,888,925	$ 4,335,076
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 1,039,682	$ 1,209,835
Restricted cash and cash equivalents	1,849,243	3,125,241
Total cash and cash equivalents	$ 2,888,925	$ 4,335,076

Community Water System
Public Water Authority of the State of Arkansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,194,582	$ 1,452,323
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	1,619,142	1,596,200
Other income	154,453	135,790
Change in operating assets and liabilities		
Accounts receivables	16,145	(68,379)
Prepaid expenses	(2,588)	(5,945)
Inventory	44,208	39,356
Accounts payable	(98,634)	39,790
Accrued expenses and other liabilities	7,414	(3,579)
Net cash provided by operating activities	$ 2,934,722	$ 3,185,556
Noncash Investing, Capital and Financing Activities		
Lease obligation incurred for lease asset	$ 47,455	$ -
Capital asset acquisition included in accounts payable	$ -	$ 142,506

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Community Water System Public Water Authority of the State of Arkansas (the Authority) is a Public Water Authority authorized and formed under Arkansas Code Ann. 4-35-201 to 217. The purpose of the Authority is to associate its users together for their mutual benefit for the purpose of constructing, maintaining and operating a water system. The system is supported primarily through service revenue and other user fees.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, investment income and interest on capital assets – related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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

Use of Estimates

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

Cash Equivalents

The Authority considers all liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

Accounts Receivable

Accounts receivable consist of amounts due from customers for water sales and are stated at the amount billed to customers plus any accrued and unpaid late fees. Accounts receivable are ordinarily due on the 15th of the month following the month billed. Accounts that are unpaid after the due date are charged a late fee. Accounts more than 30 days past due are considered delinquent and service is disconnected. Accounts are written off as bad debts based on individual credit evaluation and specific circumstances of the account. No allowance for uncollectible accounts has been recorded as of December 31, 2020 and 2019, because management believes any potential uncollectible accounts are immaterial to the financial statements.

Inventories

Inventories consist of materials and supplies used in operations and are stated at the lower of cost or market. Cost is determined using the weighted-average cost.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in money market mutual funds are carried at amortized cost.

Investment income includes dividend and interest income, realized gains and losses on investments and the net change for the year in the fair value of investments carried at fair value. Investment income is included as nonoperating revenue in the statements of revenues, expenses and changes in net position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

The following estimated useful lives are being used by the Authority:

Supply, treatment and distribution facilities	10–50 years
Equipment	3–10 years
Water storage space	40 years

Property acquired with grant funds is considered to be owned by the Authority while used in the program for which it was purchased or in future authorized programs. In addition, the federal government has a reversionary interest in the property. The disposition of property purchased, as well as any proceeds therefrom, is subject to federal regulation.

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Deferred Outflows of Resources

The Authority reports the consumption of net position applicable to future periods as deferred outflows of resources in a separate section of its balance sheets.

Unearned Revenue

Unearned revenue represents an advance on a grant award for which the Authority has not met all of the applicable eligibility requirements.

Risk Management

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

Net Position

Net position of the Authority is classified into three components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors or others external to the Authority, including amounts deposited with trustees as required by bond indentures.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria.

Operating revenues include activities that have the characteristics of exchange transactions, such as assessments levied, industrial surcharges, connection fee and other water fees and are reported as operating revenues. Transactions which are capital, financing or investing related are reported as nonoperating revenues.

Income Taxes

As an essential government function of the State of Arkansas, the Authority is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Authority is subject to federal income tax on any unrelated business taxable income.

Government Grants

Support funded by grants is recognized as the Authority performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Note 2: Deposits, Investments and Investment Income

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas; bonds of any city, county, school district or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2020 and 2019, respectively, $1,626,656 and $1,492,595 of the Authority's bank balances of $1,876,656 and $1,742,595 were exposed to custodial credit risk as follows:

	2020	2019
Uninsured and collateral held by pledging financial institution in other than the Authority's name	$ 1,626,656	$ 1,492,595

Investments

Arkansas statutes authorize the Authority to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the *Investment Company Act of 1940* and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

At December 31, 2020 and 2019, the Authority had the following investments and maturities:

	December 31, 2020				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
U.S. treasury notes	$ 2,113,005	$ 1,498,160	$ 614,845	$ -	$ -
Fixed income	70,345	70,345	-	-	-
		$ 1,568,505	$ 614,845	$ -	$ -
Equities	131,913				
	$ 2,315,263				

	December 31, 2019				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
U.S. treasury notes	$ 2,004,318	$ 470,684	$ 1,533,634	$ -	$ -
Fixed income	143,058	-	143,058	-	-
		$ 470,684	$ 1,676,692	$ -	$ -
Equities	146,245				
	$ 2,293,621				

Certain immaterial revisions have been made to the above disclosure to include the maturities of investments at December 31, 2019. This revision did not have an impact on the financial statements.

Interest Rate Risk – The Authority's policy does not limit the maturity of a single investment. The average-weighted maturities of the underlying investments in the Authority's money market mutual funds are less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2020 and 2019, the Authority's investment in money market mutual funds were rated AAAm and Aaa-mf by Standard & Poor's and Moody's, respectively.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Authority's investment policy does not specifically address credit risk, concentration of credit risk or custodial credit risk.

Summary of Carrying Values

The carrying values of deposits and investments shown are included in the balance sheets as follows:

	2020	2019
Carrying value		
Deposits	$ 2,543,089	$ 2,422,907
Investments	3,263,233	4,796,908
	$ 5,806,322	$ 7,219,815
Included in the following balance sheet captions:		
Current assets		
Cash and cash equivalents	$ 1,039,682	$ 1,209,835
Certificates of deposit	602,134	591,118
Investments	131,913	146,245
Restricted assets		
Cash and cash equivalents	1,849,243	3,125,241
Investments	2,183,350	2,147,376
	$ 5,806,322	$ 7,219,815

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs. Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost.

The Authority's recurring fair value measurements as of December 31, 2020, consist of U.S. treasury notes, fixed income and common stock securities, which are valued using quoted market prices (Level 1 inputs). The Authority's recurring fair value measurements as of

December 31, 2019, consist of U.S. treasury notes and common stock securities, which are valued using quoted market prices (Level 1 inputs).

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments by fair value level				
Equities	$ 131,913	$ 131,913	$ -	$ -
U.S. treasury notes	2,113,005	2,113,005	-	-
Fixed income	70,345	70,345	-	-
Total investments by fair value level	$ 2,315,263	$ 2,315,263	$ -	$ -
December 31, 2019				
Investments by fair value level				
Equities	$ 146,245	$ 146,245	$ -	$ -
U.S. treasury notes	2,004,318	2,004,318	-	-
Fixed income	143,058	143,058	-	-
Total investments by fair value level	$ 2,293,621	$ 2,293,621	$ -	$ -

Investment Income

Total investment return is comprised of the following:

	2020	2019
Interest and dividend income	$ 99,723	$ 112,989
Net realized and unrealized gains (losses) on investments	(14,332)	28,797
	$ 85,391	$ 141,786

Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2020 and 2019

Note 3: Capital and Lease Assets

Capital and lease assets activity for the years ended December 31, 2020 and 2019, was:

	2020				
	Beginning Balance	Additions	Disposals	Net Transfers	Ending Balance
Capital Assets, Nondepreciable					
Land and land rights	$ 464,663	$ -	$ -	$ -	$ 464,663
Construction in progress	4,935,056	2,332,971	-	(2,905,531)	4,362,496
Total capital assets, nondepreciable	5,399,719	2,332,971	-	(2,905,531)	4,827,159
Capital Assets, Depreciable					
Supply, treatment and distribution facilities	71,294,295	47,455	86,200	2,905,531	74,161,081
Water storage space	1,000,478	-	-	-	1,000,478
Total capital assets, depreciable	72,294,773	47,455	86,200	2,905,531	75,161,559
Total capital assets	77,694,492	2,380,426	86,200	-	79,988,718
Less accumulated depreciation					
Supply, treatment and distribution facilities	31,856,104	1,593,903	83,526	-	33,366,481
Water storage space	430,501	25,239	-	-	455,740
	32,286,605	1,619,142	83,526	-	33,822,221
Total capital assets, net	$ 45,407,887	$ 761,284	$ 2,674	$ -	$ 46,166,497

The activity above includes an equipment lease valued at $47,455 with no accumulated depreciation as of December 31, 2020.

Community Water System
Public Water Authority of the State of Arkansas
Notes to Financial Statements
December 31, 2020 and 2019

	2019				
	Beginning Balance	Additions	Disposals	Net Transfers	Ending Balance
Capital Assets, Nondepreciable					
Land and land rights	$ 464,663	$ -	$ -	$ -	$ 464,663
Construction in progress	2,483,076	2,535,905	-	(83,925)	4,935,056
Total capital assets, nondepreciable	2,947,739	2,535,905	-	(83,925)	5,399,719
Capital Assets, Depreciable					
Supply, treatment and distribution facilities	71,231,752	11,422	32,804	83,925	71,294,295
Water storage space	1,000,478	-	-	-	1,000,478
Total capital assets, depreciable	72,232,230	11,422	32,804	83,925	72,294,773
Total capital assets	75,179,969	2,547,327	32,804	-	77,694,492
Less accumulated depreciation					
Supply, treatment and distribution facilities	30,317,946	1,570,962	32,804	-	31,856,104
Water storage space	405,263	25,238	-	-	430,501
	30,723,209	1,596,200	32,804	-	32,286,605
Total capital assets, net	$44,456,760	$ 951,127	$ -	$ -	$45,407,887

Note 4: Long-Term Debt

The following is a summary of long-term obligation transactions for the Authority for the years ended December 31, 2020 and 2019:

	2020				
Description	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds payable (A)	$ 3,672,444	$ -	$ 167,801	$ 3,504,643	$ 173,726
Revenue bonds payable (B)	24,390,000	-	200,000	24,190,000	205,000
Revenue bonds payable (C)	250,000	-	80,000	170,000	85,000
Revenue bonds payable (E)	3,135,000	-	215,000	2,920,000	220,000
Revenue bonds payable (F)	5,350,000	-	35,000	5,315,000	140,000
Lease liability (H)	-	47,455	-	47,455	17,917
	36,797,444	47,455	697,801	36,147,098	841,643
Premium on 2012 bonds	1,058,270	-	46,355	1,011,915	-
Discount on 2019 bonds	(15,568)	-	(575)	(14,993)	-
	1,042,702	-	45,780	996,922	-
	$ 37,840,146	$ 47,455	$ 743,581	$ 37,144,020	$ 841,643

	2019				
Description	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds payable (A)	$ 3,834,524	$ -	$ 162,080	$ 3,672,444	$ 167,802
Revenue bonds payable (B)	24,590,000	-	200,000	24,390,000	200,000
Revenue bonds payable (C)	325,000	-	75,000	250,000	80,000
Revenue bonds payable (D)	4,475,000	-	4,475,000	-	-
Revenue bonds payable (E)	3,340,000	-	205,000	3,135,000	215,000
Revenue bonds payable (F)	-	5,350,000	-	5,350,000	35,000
Note payable (G)	151,126	-	151,126	-	-
	36,715,650	5,350,000	5,268,206	36,797,444	697,802
Premium on 2012 bonds	1,104,625	-	46,355	1,058,270	-
Discount on 2014 bonds	(16,520)	-	(16,520)	-	-
Discount on 2019 bonds	-	(15,663)	(95)	(15,568)	-
	1,088,105	(15,663)	29,740	1,042,702	-
	$ 37,803,755	$ 5,334,337	$ 5,297,946	$ 37,840,146	$ 697,802

(A) The revenue bonds payable consist of Water Refunding and Improvement Revenue Bonds Series 2005 in the original amount of $5,450,000 dated October 1, 2005, which bear interest at 2.50% and an additional service fee of 1.00%. The bonds are payable in semi-annual installments through April 15, 2036. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

(B) The revenue bonds payable consist of Water Revenue Refunding Bonds Series 2012A in the original amount of $25,700,000 dated November 1, 2012, which bear interest at 1.00% to 4.00%. The bonds are payable in semi-annual installments through October 2042. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

(C) The revenue bonds payable consist of Water Revenue Refunding Bonds Series 2012B in the original amount of $745,000 dated November 1, 2012, which bear interest at 3.213%. The bonds are payable in semi-annual installments through October 2022. The Authority is required to make monthly deposits to the debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

(D) The revenue bonds payable consist of Water Revenue Refunding Bonds Series 2014 in the original amount of $5,015,000 dated March 1, 2014, which bear interest at 1.00% to 4.25%. The bonds were payable in semi-annual installments through February 2039. The bonds were refunded during 2019 by the Series 2019 Bonds.

(E) The revenue bonds payable consist of Construction Refunding Bonds Series 2018 in the original amount of $3,340,000, dated July 31, 2018, which bear interest at 3.00% to 3.950%. The bonds are payable at annual installments through February 2048. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

(F) On October 17, 2019, the Authority issued $5,350,000 of revenue refunding and improvement bonds (Series 2019) to refund the Series 2014 Bonds and to finance the cost of certain capital improvements. The difference between the reacquisition price and the net carrying amount of the refunded bonds of $120,047 is reported as a deferred outflow of resources in the balance sheets and is being amortized through the year 2039 using the straight-line method. The bonds bear interest at 2.125% to 3.125% and are payable in semi-annual installments through February 2046. The Authority is required to make monthly deposits to the bond fund and debt service fund in varying amounts to meet principal and interest requirements. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $220,000. The current refunding decreased total debt service payments over the next 20 years by approximately $375,000. The bonds are secured by the net revenues and accounts receivable of the Authority and the assets restricted under the bond indenture agreement.

(G) Payable $5,550 per month with remaining balance paid on November 15, 2019, including interest at 3.15%, secured by certificates of deposit.

(H) The Authority leases equipment for $1,595 per month, including interest at 3.125%, with a final payment due July 2023. The lease has an end of lease purchase option of $1.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as restricted assets in the balance sheets. The indenture agreements also require the Authority to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 110% and restrictions on incurrence of additional debt. If the Authority fails to comply with its covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the covenant.

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds and lease payable outstanding at December 31, 2020:

	Principal	Interest
2021	$ 841,643	$ 1,386,392
2022	868,345	1,362,254
2023	1,102,264	1,340,462
2024	1,142,785	1,297,273
2025	1,184,591	1,252,193
2026–2030	6,758,768	5,465,329
2031–2035	8,363,820	3,917,274
2036–2040	8,964,881	2,347,077
2041–2045	5,820,000	645,300
2046–2050	1,100,001	56,919
	$ 36,147,098	$ 19,070,473

Note 5: Construction Commitments

At December 31, 2020, the Authority had the following commitments:

	Project Authorization	Expended Through December 31, 2020	Remaining Commitment
Plant Improvements	$ 216,000	$ 180,750	$ 35,250
Edgemont Station	48,000	38,500	9,500
Total	$ 264,000	$ 219,250	$ 44,750

Note 6: Pension Plan

The Authority contributes to a non-trusted defined contribution SEP-IRA pension plan (the Plan) covering substantially all employees who have been employed at least two years and who have attained the age of 21. The Plan was established to provide retirement and death benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and may be amended by the board of directors of the Authority. At December 31, 2020 and 2019, there were approximately 25 and 30 plan members, respectively. The Authority contributes 10% of employees' eligible compensation to the Plan. Contributions made by the Authority totaled $121,807 and $116,921 during 2020 and 2019, respectively. Employees are fully vested in all contributions to the Plan.

Supplementary Information

Community Water System
Public Water Authority of the State of Arkansas
Schedule of Functional Expenses
Year Ended December 31, 2020

	Production Expense	Transmission and Distribution Expense	General and Administrative Expense
Operating Expenses			
Materials and supplies	$ 277,647	$ 7,815	$ 32,140
Salaries and fringe benefits	105,844	83,453	783,336
Contract billing and remittance	-	-	96,294
Repairs and maintenance	724,542	951,714	55,806
Grounds maintenance	8,414	4,757	11,364
Utilities and telephone	465,492	245,219	19,544
Cleaning and janitorial	761	-	939
Postage	-	-	2,376
Licenses and fees	990	552	-
Insurance	41,329	26,130	14,078
Directors' expense	-	-	15,368
Dues	-	-	6,287
Travel expense	-	-	2,096
Consulting fees	4,200	-	10,075
Annual meeting	-	-	10,507
Advertising and promotion	-	-	6,056
Other expense	2,207	4,328	120,238
Depreciation expense	360,180	630,332	16,835
Administrative allocation	-	-	(294,511)
	1,991,606	1,954,300	908,828
Nonoperating Expense			
Interest expense	456,982	400,511	44,156
Total functional expenses	$ 2,448,588	$ 2,354,811	$ 952,984

Faulkner/ Cleburne Counties Distribution Expense	Total
$ 2,704	$ 320,306
-	972,633
-	96,294
260,408	1,992,470
5,489	30,024
252,882	983,137
-	1,700
-	2,376
-	1,542
13,435	94,972
-	15,368
-	6,287
-	2,096
-	14,275
-	10,507
-	6,056
4,729	131,502
611,795	1,619,142
294,511	-
1,445,953	6,300,687
486,304	1,387,953
$ 1,932,257	$ 7,688,640

Community Water System
Public Water Authority of the State of Arkansas
Schedules of Water Sales (Unaudited)
Years Ended December 31, 2020 and 2019

	2020	2019
Gross water revenue		
Retail	$ 2,986,560	$ 2,891,403
Wholesale	4,228,152	4,198,699
Total revenue (water sales)	$ 7,214,712	$ 7,090,102
Number of connections (including wholesale connections)	7,022	6,929
Number of gallons sold		
Retail	269,397,600	252,347,100
Retail wholesale	52,680,000	57,711,500
Wholesale	1,295,160,000	1,256,509,000
Total gallons sold	1,617,237,600	1,566,567,600

Community Water System
Public Water Authority of the State of Arkansas
Schedules of Insurance Coverage (Unaudited)
December 31, 2020 and 2019

	2020	2019
Real and personal property	$ 27,000,000	$ 27,000,000
General liability	2,000,000	2,000,000
Personal injury limit	1,000,000	1,000,000
Products completed	2,000,000	2,000,000
Each occurrence limit	1,000,000	1,000,000
Fire damage limit	300,000	300,000
Medical expense	5,000	5,000
Business auto	1,000,000	1,000,000
Uninsured motorist	1,000,000	1,000,000
Cyber liability	1,000,000	1,000,000
Equipment floater	3,000–213,490	3,000–213,490
Umbrella policy		
Each occurrence	2,000,000	2,000,000
Products completed	2,000,000	2,000,000
Workers' compensation		
Each incident	500,000	500,000
Policy limit	500,000	500,000
Each employee	500,000	500,000
Surety bond	1,000,000	1,000,000
Employer fidelity bond	5,000 deductible	5,000 deductible
Boiler and machinery coverage	18,100,000	18,100,000

Community Water System
Public Water Authority of the State of Arkansas
Board of Directors (Unaudited)
December 31, 2020

Name	Title
John Buster	President
Gerald Bates	Vice President
Brenda Smith	Treasurer
Terry Robinson	Board Member
Jackie Melton	Board Member

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*

Independent Auditor's Report

Board of Directors
Community Water System
Public Water Authority of the State of Arkansas
Greers Ferry, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Water System Public Water Authority of the State of Arkansas (the Authority), which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 9, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

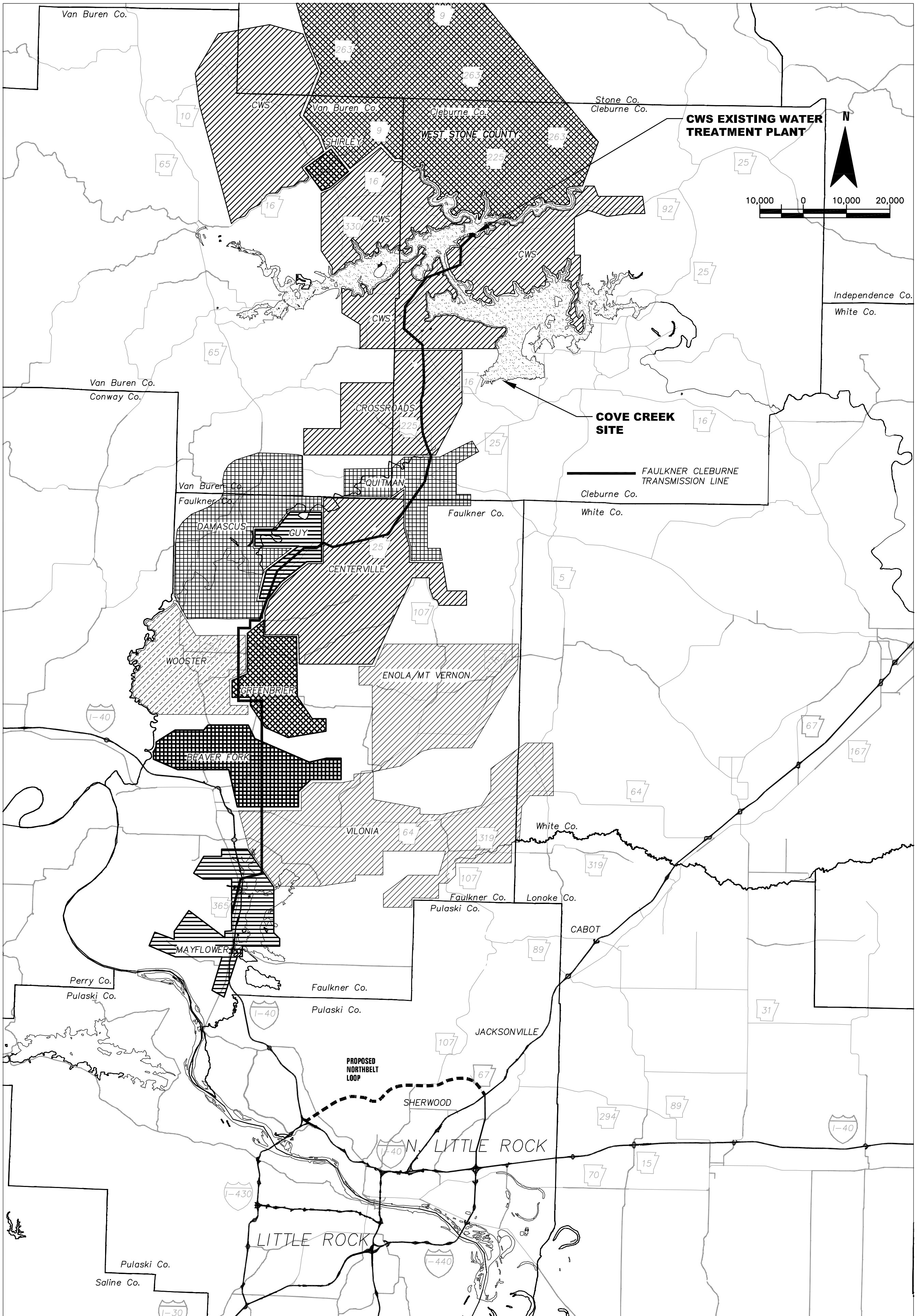
Purpose of this Report

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

BKD, LLP

Little Rock, Arkansas
March 9, 2021

APPENDIX B



HANSON & MCLAUGHLIN, LLC
LITTLE ROCK, ARKANSAS

COMMUNITY WATER SYSTEM

FIGURE 1
CWS SERVICE AREA

JULY 2007