

NEW ISSUE

BOOK-ENTRY ONLY

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds (and the interest on the Bonds is exempt from State of Arkansas income taxes and the Bonds are exempt from property taxation in the State of Arkansas and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code). See **LEGAL MATTERS, Tax Exemption.***

\$1,195,000
CITY OF DUMAS, ARKANSAS
WATER AND SEWER REFUNDING REVENUE BONDS
SERIES 2020

Dated: Date of Delivery

Due: December 1, as described below

The Bonds will not be general obligations of the City of Dumas, Arkansas (the "City") but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water and sewer system, which pledge is on a parity with the pledge in favor of the City's Water and Sewer Refunding Revenue Bonds, Series 2015. See **THE BONDS, Security.**

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

MATURITY SCHEDULE

\$140,000 1.000% Term Bonds Due December 1, 2023 to Yield 1.000%
\$140,000 1.375% Term Bonds Due December 1, 2026 to Yield 1.375%
\$205,000 2.000% Term Bonds Due December 1, 2030 to Yield 1.750%*
\$275,000 2.125% Term Bonds Due December 1, 2035 to Yield 2.150%
\$435,000 2.500% Term Bonds Due December 1, 2042 to Yield 2.530%

The Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purpose in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by Merchants & Farmers Bank, Dumas, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

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

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

Stephens Inc.

Dated: July 21, 2020

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

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

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

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OFFICIAL STATEMENT
\$1,195,000
CITY OF DUMAS, ARKANSAS
WATER AND SEWER REFUNDING REVENUE BONDS
SERIES 2020

INTRODUCTION TO THE OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Dumas, Arkansas (the "City") of its Water and Sewer Refunding Revenue Bonds, Series 2020, in the aggregate principal amount of \$1,195,000 (the "Bonds"). The Bonds are being issued to refund the City's Water and Sewer Revenue Bonds, Series 2012 (the "Bonds Refunded"), to fund a debt service reserve and to pay expenses of issuing the Bonds. See **THE BONDS, Purposes for Bonds.**

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

The Bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's water and sewer system (the "System"). The pledge of revenues of the System ("Revenues") in favor of the Bonds is on a parity with the pledge of Revenues in favor of the City's Water and Sewer Refunding Revenue Bonds, Series 2015 (the "Parity Bonds"). See **THE BONDS, Security.** The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 960, adopted on July 14, 2020 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE.**

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

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

The Bonds are subject to optional redemption on and after December 1, 2025. The Bonds are also subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days' notice of redemption. See **THE BONDS, Redemption.**

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

It is expected that the Bonds will be available for delivery on or about August 25, 2020, through the facilities of The Depository Trust Company in New York, New York.

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

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Suite 1720, Little Rock, Arkansas 72201, Attention: Public Finance.

THE BONDS

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

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

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

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

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

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

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

(1) Optional Redemption. The Bonds are subject to redemption at the option of the City from funds from any source, on and after December 1, 2025 in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

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

Bonds Maturing December 1, 2023

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2020	\$ 5,000
2021	45,000
2022	45,000
2023 (maturity)	45,000

Bonds Maturing December 1, 2026

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2024	\$50,000
2025	45,000
2026 (maturity)	45,000

Bonds Maturing December 1, 2030

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2027	\$50,000
2028	50,000
2029	50,000
2030 (maturity)	55,000

Bonds Maturing December 1, 2035

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2031	\$55,000
2032	50,000
2033	55,000
2034	55,000
2035 (maturity)	60,000

Bonds Maturing December 1, 2042

<u>Year</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>
2036	\$55,000
2037	60,000
2038	60,000
2039	65,000
2040	65,000
2041	65,000
2042 (maturity)	65,000

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

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

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

Purposes for Bonds. The Bonds are being issued to current refund the Bonds Refunded (the "Refunding"), to fund a debt service reserve and to pay expenses of issuing the Bonds. The proceeds of the Bonds and other available funds held in connection with the Bonds Refunded will be deposited with the trustee for the Bonds Refunded to accomplish the Refunding on the date the Bonds are issued at a price of par plus accrued interest.

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

SOURCES:

Principal Amount of Bonds	\$1,195,000
Existing Funds for Bonds Refunded	116,676
Net Original Issue Discount	<u>(555)</u>

Total Sources	\$1,311,121
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USES:

Refunding Costs	\$1,205,931
Debt Service Reserve	36,409
Costs of Issuance	35,620
Underwriter's Discount	<u>33,161</u>

Total Uses	\$1,311,121
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The payment of Underwriter's discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter's discount.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of Revenues. The pledge of Revenues in favor of the Bonds is on a parity with the pledge in favor of the Parity Bonds. For a schedule of annual debt service requirements for the Bonds, see **DEBT SERVICE REQUIREMENTS**. There is a debt service reserve securing the Bonds in an amount equal to one-half of the maximum annual debt service requirement on the Bonds. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE, Parity Bonds**.

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Arkansas Governor Asa Hutchinson (the "Governor") has declared a state of emergency due to the outbreak of COVID-19 in the State. There have been significant declines in the financial markets in the United States and volatility attributed to

concerns about the duration of the pandemic and its continued economic impact. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

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

The full impact of COVID-19 on the City is not known. The City's operational and financial status in general has remained stable. The City has remained open during normal hours of operation, but has directed citizens to use a drive through window for services. To date the City has not laid off or furloughed any employees. Every department in the City experienced some unbudgeted costs in order to provide protective equipment and cleaning supplies to its employees to limit the spread of COVID-19 within the City offices. The police department experienced lost revenue from housing fewer inmates from other facilities. The courts were closed for the months of March, April, May and June, which means the City lost income from court fees and fines. The Dumas Community Center is currently closed which has also resulted in lost revenue for the City.

There have not yet been any material decreases in, or delays in collections of, revenues of the System. The City has only suspended disconnections in limited circumstances where customers were able to demonstrate that they were experiencing reduced income or complete loss of income due to COVID-19. Approximately four (4) disconnections have been suspended at this time, but the City has provided these customers with payment plans. The City has not waived late penalties for customers of the System. The City has not seen an increase in delinquent System accounts. To date there has not been a material decrease in water or sewer usage.

The City does not anticipate having to increase System rates as a result of COVID-19 and does not believe that the COVID-19 outbreak will materially adversely affect its ability to pay debt service on the Bonds.

THE CITY AND THE COUNTY

Location. The City is located in the southeastern part of the State approximately 81 miles southeast of Little Rock, Arkansas and 165 miles southwest of Memphis, Tennessee. The City is one of the two major retail centers in Desha County (the "County").

Population. Population trends for the City and County are set forth below:

<u>Year</u>	<u>City</u>	<u>County</u>
1990	5,520	16,798
2000	5,238	15,341
2010	4,706	13,008
2019 (Estimate as of July 1)	4,046	11,361

Transportation. The City is served by U.S. Highways Nos. 65 and 165. Several motor freight carriers (interstate common carriers and contract carriers) and the Union Pacific System make daily shipments from the City to major cities across the United States.

A municipal airport with a 5,000 foot, paved and lighted runway serves public aircrafts. The nearest commercial airports are 81 miles away in Little Rock, Arkansas and 55 miles away in Greenville, Mississippi.

Barge loading and unloading facilities are available ten (10) miles east of the City on the Arkansas River.

Government. The government of the City operates under the mayor-city council form of government, pursuant to which a mayor is elected for a four (4) year term and eight (8) council members are elected for two (2) and four (4) year staggering terms. The current mayor and council members, their principal occupations and their terms are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
Flora Simon	Mayor	December 31, 2022
Kenneth Daniels	School maintenance worker	December 31, 2022
Roy Dalton	Retired	December 31, 2020
Franklin Healey	Engineer	December 31, 2022
Ross Martin	Retired	December 31, 2020
Amber Madison	Teacher	December 31, 2020
Jared May	Retired	December 31, 2022
John Owen	Banker	December 31, 2022
Ramona Weatherford	Retired	December 31, 2020

Medical Facilities. The City is served by Delta Memorial Hospital with approximately 25 beds.

Financial Institutions. The City is served by Merchants & Farmers Bank, which has its principal offices in the City, and branches of Connect Bank, First NaturalState Bank and Simmons Bank.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system which is fully accredited by the Arkansas State Department of Education. The University of Arkansas at Pine Bluff and Southeast Arkansas College in Pine Bluff are located approximately 44 miles from the City. The University of Arkansas at Monticello ("UAM") is located approximately 30 miles from the City. The University of Arkansas at Monticello College of Technology-McGehee is a campus of UAM and is located within twenty (20) miles of the City.

Economy. The economy of the City is a mixture of industry, agriculture and commercial trade. The economy of the County is primarily agriculture. Set forth below are the major employers located in the City:

<u>Employer</u>	<u>Business or Product</u>	<u>Number of Employees</u>
SAF Holland	Diesel trailer suspension system	280
Dumas School District	Education	234
Diamond Pet Food	Animal feed	200
Delta Memorial Hospital	Healthcare	185
Cotton Classing	Cotton classing	132
Akin Industries	Upholstery and hardwood products	120

Litigation. There is no material litigation pending or threatened against the City which could have a material adverse impact on the financial condition of the City.

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

<u>Year</u>	<u>Per Capita Personal Income</u>
2014	\$34,463
2015	35,219
2016	35,934
2017	36,384
2018	37,828

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

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

<u>Year</u>	<u>Total Personal Income</u>
2014	\$442,860,000
2015	423,398,000
2016	427,580,000
2017	426,860,000
2018	435,479,000

The annual average unemployment rates for the County and State since 2015 are as follows according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
2015	7.3	5.0
2016	5.4	4.0
2017	4.8	3.7
2018	4.4	3.6
2019	4.5	3.5
2020*	9.6	10.3

*As of April, 2020.

THE SYSTEM

Water System. The water facilities of the System consist of approximately 63 miles of distribution lines and three ground water wells with a gas chlorinated system which pumps into three elevated tanks and throughout the distribution system.

The City sells water wholesale to the Pendleton-Pea Ridge Water Association and the Wells Bayou - Garrett Bridge Water Association ("Wells Bayou"). The contracts are not take, take or pay or requirements contracts.

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

<u>Year</u>	<u>Total Water Use for Year in Gallons</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>
2015	N/A*	N/A*	N/A*
2016	262,331,000	563,000	718,715
2017	259,793,000	682,000	711,762
2018	296,953,000	747,000	813,570
2019	279,523,000	754,000	765,817

*City's master meter was broken during several months in 2015 and the information for 2015 is not available.

Sewer System. The sewer facilities of the System consist of approximately 48 miles of sewer collection lines, 12 lift stations and a treatment plant. The System has four facilitated ponds with a gas chlorinated system.

Management. Patrick Fitzgerald has control of the day-to-day operations of the System. He has held that position for 36 years. The System has 13 full-time employees.

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

Water Rates. The monthly water rates for the System are set forth in Exhibit A.

Sewer Rates. The monthly sewer rates for the System are set forth in Exhibit A.

Customers. The approximate number of water and sewer users by category for each of the past five years is as follows:

<u>Water Users</u>				
<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2015	2,068	271	5	2,344
2016	2,324	270	5	2,599
2017	2,534	262	5	2,801
2018	2,468	264	5	2,737
2019	2,548	264	5	2,817

<u>Sewer Users</u>				
<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2015	1,991	271	5	2,267
2016	2,037	270	5	2,312
2017	2,312	262	5	2,579
2018	2,327	264	5	2,596
2019	2,288	264	5	2,557

Wells-Bayou is the only user of the System that accounts for more than 5% of gross Revenues. Wells-Bayou accounted for approximately 6% of gross Revenues for the fiscal year ended December 31, 2019. The five largest users of the System are set forth below:

1. Wells-Bayou-Garrett Bridge Water Association
2. Pendleton-Pea Ridge Water Association
3. SAF Holland, Inc.
4. Akin Industries
5. Diamond Pet Food

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

THE AUTHORIZING ORDINANCE

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

Rates and General Covenants to Operate. The City covenants and agrees that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant not in the regular employ of the City ("Accountant") a certificate that the Net Revenues (Net Revenues being defined as gross Revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund, and leave a balance equal to at least 110% of the aggregate average annual principal and interest requirements on all outstanding bonds to which Revenues are pledged ("System Bonds"). The City further covenants and agrees that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net Revenues at least equal to 110% of the aggregate average principal and interest

requirements on all System Bonds, which Net Revenues shall also be sufficient to deposit the amounts required to be paid into the Depreciation Fund (hereinafter identified).

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

Funds and Disposition of Revenues. (a) All Revenues shall be deposited into a special fund, in the name of the City, designated the "Waterworks and Sewer Revenue Fund" (the "Revenue Fund"). All moneys at any time in the Revenue Fund shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the System, to the payment of the principal of and interest on outstanding System Bonds, to the maintenance of debt service reserves at the required level, to the providing of the Depreciation Fund (hereinafter described), to the payment of the Trustee's fees and otherwise as described herein.

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

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the Operation and Maintenance Fund in the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

(c) After making the monthly deposit into the Operation and Maintenance Fund there shall be transferred from the Revenue Fund into a special fund created with the Trustee and designated "2020 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times set forth below for the purpose of providing funds for the payment of the principal of and interest on the Bonds.

There shall be paid into the Bond Fund, beginning on the first business day of the month immediately following the month in which the Bonds are delivered, and continuing on the first business day of each month thereafter while any of the Bonds shall be outstanding, a sum equal to 1/6 of the next installment of interest and 1/12 of the next installment of principal on all outstanding Bonds; provided, however, such payments shall be increased through November, 2020 so that approximately level payments are made into the Bond Fund during that period in order to make the interest and principal payments on December 1, 2020.

There is created, as a part of the Bond Fund, a Debt Service Reserve which shall be maintained in an amount equal to one-half of the maximum annual debt service requirement on the Bonds (the "required level"). There shall be deposited into the Debt Service Reserve from proceeds of the Bonds a sum sufficient for such purposes. Should the Debt Service Reserve become impaired or be reduced below the required level, the City shall make additional monthly payments from the Revenue Fund until the impairment or reduction is corrected over a twelve-month period. All earnings on the Debt Service Reserve that increase the amount thereof above the required level shall be transferred to the debt service portion of the Bond Fund.

The City shall also pay into the Bond Fund such additional sums as necessary to provide for Trustee's fees and expenses and any arbitrage rebate due to be paid to the United States Treasury under Section 148(f) of the Code. The City shall receive a credit against monthly payments to the extent of interest earnings on moneys in the Bond Fund, transfers of moneys held in connection with the Bonds Refunded, deposits into the Bond Fund from Bond proceeds and Debt Service Reserve transfers.

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

When the moneys held in the Bond Fund shall be and remain sufficient to pay the principal of and interest on all Bonds then outstanding and the Trustee's fees, there shall be no further obligation to make further payments into the Bond Fund. If for any reason the City shall fail at any time to make any of the required payments into the Bond Fund, any sums then held in the Debt Service Reserve shall be used to the extent necessary for the payment of the principal of and interest on the Bonds.

The Bonds shall be specifically secured by a pledge of all Revenues required to be placed into the Bond Fund. The pledge in favor of the Bonds is irrevocably made according to the terms of the Authorizing Ordinance.

(d) Simultaneously with making the deposit into the Bond Fund, there shall be transferred from the Revenue Fund into the special fund designated "2015 Water and Sewer Revenue Bond Fund" created to secure the Parity Bonds (the "Parity Bond Fund") an amount equal to the required monthly deposit into such fund. The obligation to make the required monthly deposits into the Bond Fund and the Parity Bond Fund shall rank on a parity of security. If the City issues any additional parity bonds, the obligation to make payments into debt service and debt service reserve funds for those bonds shall rank on a parity of security with the obligation to make payments into the Bond Fund and the Parity Bond Fund. In the event the Revenues remaining after the required monthly deposit into the Operation and Maintenance Fund are insufficient to make the full monthly deposits into the Bond Fund, the Parity Bond Fund and the bond funds for the additional parity bonds, the amount deposited into each shall be reduced proportionately.

(e) There shall next be paid from the Revenue Fund into a fund designated "Waterworks and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the fifth day of each month a sum equal to 3% of the Revenues for the preceding month remaining after the required payment into the Operation and Maintenance Fund has been made. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of necessary repairs or replacements made necessary by the depreciation of the System.

(f) Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above may be used, at the option of the City, for the redemption of System Bonds, for extensions, betterments and improvements to the System, or for any other lawful municipal purpose authorized by the City.

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

The City reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund outstanding System Bonds, but the City shall not authorize or issue any such additional bonds ranking on a parity with the Bonds unless there has been procured and filed with the Trustee a statement by an Accountant reciting the opinion, based upon necessary investigation, that (1) the Net Revenues for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 120% of the average annual principal and interest requirement on all the then outstanding System Bonds and the additional bonds then proposed to be issued or (2) the Net Revenues for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, as reflected by a statement by an independent consulting engineer not in the regular employ of the City, and taking into account any rate increase then in effect will equal not less than 120% of the average annual principal

and interest requirements on all then outstanding System Bonds and the additional bonds then proposed to be issued. The term "Net Revenues" means gross Revenues less the amounts required to pay the costs of operation, maintenance and repair of the System determined in accordance with generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses. In making the computation set forth in (1) above, the City, and the Accountant on behalf of the City, may, based upon the opinion or report of an independent consulting engineer not in the regular employ of the City, treat any increase in rates enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in gross Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year.

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

Maintenance; Insurance. The City covenants that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees that it will insure and at all times keep insured, in the amount of the actual value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in the State. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from available moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee.

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

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

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

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

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

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

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

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

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

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

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

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving sixty (60) days' notice in writing to the City Clerk and to the registered owners of the outstanding Bonds. The majority in value of the registered owners of the outstanding Bonds or the City, so long as the City is not in default under the Authorizing Ordinance, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. The Trustee's resignation shall become effective upon the acceptance of the trusts by the successor Trustee.

Investments. (a) Moneys held for the credit of the Bond Fund shall be continuously invested and reinvested pursuant to the direction of the City (or at the discretion of the Trustee in the absence of direction by the City) in Permitted Investments (as hereinafter defined), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, as follows: not later than the payment date for interest or principal and interest for moneys in the debt service portion of the Bond Fund; and not later than seven (7) years or the final maturity of the Bonds, whichever is earlier, for moneys in the Debt Service Reserve.

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

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

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

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

Nonarbitrage. The City covenants that it shall not take any action or suffer or permit any action to be taken or conditions to exist which causes or may cause the interest payable on the Bonds to be included in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the Bonds and Revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants to pay to the United States Treasury any arbitrage rebate due at the time and in the amounts required by Section 148(f) of the Code.

CONTINUING DISCLOSURE AGREEMENT

Past Compliance. The City is a party to continuing disclosure agreements in connection with its outstanding bonds. Over the past five years, the City has been in compliance in all material respects with its obligations pursuant to each continuing disclosure agreement.

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

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

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

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

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

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

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

"Financial Obligation" shall mean a

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than one hundred eighty days (180) after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2020 fiscal year, provide to the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in (1) under Content of Annual Report below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB.

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

(1) Information of the type set forth in this Official Statement under the caption "THE SYSTEM" with respect to (i) the water and sewer users by category for the fiscal year then ended and the four previous fiscal years; and (ii) the top five (5) users of the System for the previous fiscal year and a statement as to which users accounted for 5% or more of Revenues for the preceding fiscal year.

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

standards generally accepted in the United States of America at the time the annual financial statements are audited, then the annual financial statements shall be audited in accordance with State law.

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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FINANCIAL INFORMATION

Set forth in Exhibit B to this Official Statement are the audited financial statements for the System for the fiscal years ended December 31, 2019 and 2018. These financial statements were prepared in accordance with accounting principles generally accepted in the United States and were audited in accordance with auditing standards generally accepted in the United States. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

Revenues and expenses of the System have been summarized by management of the System for the fiscal years ended December 31, 2015-2019, as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues	\$1,329,124	\$1,321,416	\$1,300,945	\$1,348,134	\$1,372,594
Operating Expenses	<u>(920,545)</u>	<u>(850,493)</u>	<u>(844,086)</u>	<u>(893,620)</u>	<u>(749,260)</u>
Operating Income Before Depreciation, Interest and Amortization	408,579	470,923	456,859	454,514	623,334
Depreciation	(228,797)	(221,005)	(214,696)	(209,800)	(245,428)
Interest Expense	(88,819)	(90,705)	(92,448)	(92,347)	(105,510)
Other Non-Operating Revenues (Including Amortization)	<u>15,599</u>	<u>55,625⁽¹⁾</u>	<u>5,192</u>	<u>4,227</u>	<u>(20,663)</u>
Net Income (Loss)	<u>\$106,562</u>	<u>\$214,838</u>	<u>\$154,907</u>	<u>\$156,594</u>	<u>\$251,733</u>

⁽¹⁾ Includes grant award of \$50,000.

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DEBT SERVICE COVERAGE

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

Net Revenues ^{(1)(A)}	\$424,983
Maximum Annual Debt Service Requirements on the Bonds and the Parity Bonds ^{(2)(B)}	\$172,475
Debt Service Coverage ^(A/B)	2.46X

⁽¹⁾ Before depreciation, amortization and interest expense per the audited financial statements of the System for the fiscal year ended December 31, 2019. Includes interest income of \$16,404.

⁽²⁾ Based on a year ending December 31.

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for each year ending December 1:

Year (December 1)	Principal	Interest	Total Debt Service
2020	\$ 5,000	\$ 6,438.33	\$ 11,438.33
2021	45,000	24,093.76	69,093.76
2022	45,000	23,643.76	68,643.76
2023	45,000	23,193.76	68,193.76
2024	50,000	22,743.76	72,743.76
2025	45,000	22,056.26	67,056.26
2026	45,000	21,437.50	66,437.50
2027	50,000	20,818.76	70,818.76
2028	50,000	19,818.76	69,818.76
2029	50,000	18,818.76	68,818.76
2030	55,000	17,818.76	72,818.76
2031	55,000	16,718.76	71,718.76
2032	50,000	15,550.00	65,550.00
2033	55,000	14,487.50	69,487.50
2034	55,000	13,318.76	68,318.76
2035	60,000	12,150.00	72,150.00
2036	55,000	10,875.00	65,875.00
2037	60,000	9,500.00	69,500.00
2038	60,000	8,000.00	68,000.00
2039	65,000	6,500.00	71,500.00
2040	65,000	4,875.00	69,875.00
2041	65,000	3,250.00	68,250.00
2042	65,000	1,625.00	66,625.00
TOTALS	\$1,195,000	\$337,732.19	\$1,532,732.19

Set forth below are the debt service requirements for the Bonds and the Parity Bonds for each year ending December 1:

<u>Year</u> <u>(December 1)</u>	<u>Parity Bonds</u> <u>Debt Service</u>	<u>Bonds</u> <u>Debt Service</u>	<u>Total</u> <u>Debt Service</u>
2020	\$ 100,246.26	\$ 11,438.33	\$ 111,684.59
2021	99,106.26	69,093.76	168,200.02
2022	97,306.26	68,643.76	165,950.02
2023	100,506.26	68,193.76	168,700.02
2024	93,556.26	72,743.76	166,300.02
2025	96,756.26	67,056.26	163,812.52
2026	94,806.26	66,437.50	161,243.76
2027	97,531.26	70,818.76	168,350.02
2028	100,081.26	69,818.76	169,900.02
2029	102,456.26	68,818.76	171,275.02
2030	99,656.26	72,818.76	172,475.02
2031	96,856.26	71,718.76	168,575.02
2032	98,756.26	65,550.00	164,306.26
2033	95,462.50	69,487.50	164,950.00
2034	97,168.76	68,318.76	165,487.52
2035	98,681.26	72,150.00	170,831.26
2036	--	65,875.00	65,875.00
2037	--	69,500.00	69,500.00
2038	--	68,000.00	68,000.00
2039	--	71,500.00	71,500.00
2040	--	69,875.00	69,875.00
2041	--	68,250.00	68,250.00
2042	--	66,625.00	66,625.00
TOTALS	\$1,793,933.90	\$1,532,732.19	\$3,326,666.09

LEGAL MATTERS

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

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

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

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

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) interest

on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

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

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

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

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

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

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

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any

interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

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

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

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

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

MISCELLANEOUS

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$1,161,283.95 (principal amount less net original issue discount of \$554.80 less Underwriter's discount of \$33,161.25. The Underwriter is committed to purchase all of the Bonds if any are purchased.

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

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the City has been authorized by the City.

CITY OF DUMAS, ARKANSAS

By /s/ Flora Simon
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

CITY OF DUMAS WATER RATES

Gallons	Water	Sewer	Gallons	Water	Sewer	Gallons	Water	Sewer
2,000	\$9.00	\$13.25	6,600	\$30.76	\$35.01	11,200	\$47.32	\$51.57
2,100	\$9.60	\$13.85	6,700	\$31.12	\$35.37	11,300	\$47.68	\$51.93
2,200	\$10.20	\$14.45	6,800	\$31.48	\$35.73	11,400	\$48.04	\$52.29
2,300	\$10.80	\$15.05	6,900	\$31.84	\$36.09	11,500	\$48.40	\$52.65
2,400	\$11.40	\$15.65	7,000	\$32.20	\$36.45	11,600	\$48.76	\$53.01
2,500	\$12.00	\$16.25	7,100	\$32.56	\$36.81	11,700	\$49.12	\$53.37
2,600	\$12.60	\$16.85	7,200	\$32.92	\$37.17	11,800	\$49.48	\$53.73
2,700	\$13.20	\$17.45	7,300	\$33.28	\$37.53	11,900	\$49.84	\$54.09
2,800	\$13.80	\$18.05	7,400	\$33.64	\$37.89	12,000	\$50.20	\$54.45
2,900	\$14.40	\$18.65	7,500	\$34.00	\$38.25	12,100	\$50.56	\$54.81
3,000	\$15.00	\$19.25	7,600	\$34.36	\$38.61	12,200	\$50.92	\$55.17
3,100	\$15.60	\$19.85	7,700	\$34.72	\$38.97	12,300	\$51.28	\$55.53
3,200	\$16.20	\$20.45	7,800	\$35.08	\$39.33	12,400	\$51.64	\$55.89
3,300	\$16.80	\$21.05	7,900	\$35.44	\$39.69	12,500	\$52.00	\$56.25
3,400	\$17.40	\$21.65	8,000	\$35.80	\$40.05	12,600	\$52.36	\$56.61
3,500	\$18.00	\$22.25	8,100	\$36.16	\$40.41	12,700	\$52.72	\$56.97
3,600	\$18.60	\$22.85	8,200	\$36.52	\$40.77	12,800	\$53.08	\$57.33
3,700	\$19.20	\$23.45	8,300	\$36.88	\$41.13	12,900	\$53.44	\$57.69
3,800	\$19.80	\$24.05	8,400	\$37.24	\$41.49	13,000	\$53.80	\$58.05
3,900	\$20.40	\$24.65	8,500	\$37.60	\$41.85	13,100	\$54.16	\$58.41
4,000	\$21.00	\$25.25	8,600	\$37.96	\$42.21	13,200	\$54.52	\$58.77
4,100	\$21.40	\$25.65	8,700	\$38.32	\$42.57	13,300	\$54.88	\$59.13
4,200	\$21.80	\$26.05	8,800	\$38.68	\$42.93	13,400	\$55.24	\$59.49
4,300	\$22.20	\$26.45	8,900	\$39.04	\$43.29	13,500	\$55.60	\$59.85
4,400	\$22.60	\$26.85	9,000	\$39.40	\$43.65	13,600	\$55.96	\$60.21
4,500	\$23.00	\$27.25	9,100	\$39.76	\$44.01	13,700	\$56.32	\$60.57
4,600	\$23.40	\$27.65	9,200	\$40.12	\$44.37	13,800	\$56.68	\$60.93
4,700	\$23.80	\$28.05	9,300	\$40.48	\$44.73	13,900	\$57.04	\$61.29
4,800	\$24.20	\$28.45	9,400	\$40.84	\$45.09	14,000	\$57.40	\$61.65
4,900	\$24.60	\$28.85	9,500	\$41.20	\$45.45	14,100	\$57.76	\$62.01
5,000	\$25.00	\$29.25	9,600	\$41.56	\$45.81	14,200	\$58.12	\$62.37
5,100	\$25.36	\$29.61	9,700	\$41.92	\$46.17	14,300	\$58.48	\$62.73
5,200	\$25.72	\$29.97	9,800	\$42.28	\$46.53	14,400	\$58.84	\$63.09
5,300	\$26.08	\$30.33	9,900	\$42.64	\$46.89	14,500	\$59.20	\$63.45
5,400	\$26.44	\$30.69	10,000	\$43.00	\$47.25	14,600	\$59.56	\$63.81
5,500	\$26.80	\$31.05	10,100	\$43.36	\$47.61	14,700	\$59.92	\$64.17
5,600	\$27.16	\$31.41	10,200	\$43.72	\$47.97	14,800	\$60.28	\$64.53
5,700	\$27.52	\$31.77	10,300	\$44.08	\$48.33	14,900	\$60.64	\$64.89
5,800	\$27.88	\$32.13	10,400	\$44.44	\$48.69	15,000	\$61.00	\$65.25
5,900	\$28.24	\$32.49	10,500	\$44.80	\$49.05	15,100	\$61.36	\$65.61
6,000	\$28.60	\$32.85	10,600	\$45.16	\$49.41	15,200	\$61.72	\$65.97
6,100	\$28.96	\$33.21	10,700	\$45.52	\$49.77	15,300	\$62.08	\$66.33
6,200	\$29.32	\$33.57	10,800	\$45.88	\$50.13	15,400	\$62.44	\$66.69
6,300	\$29.68	\$33.93	10,900	\$46.24	\$50.49	15,500	\$62.80	\$67.05
6,400	\$30.04	\$34.29	11,000	\$46.60	\$50.85	15,600	\$63.16	\$67.41
6,500	\$30.40	\$34.65	11,100	\$46.96	\$51.21	15,700	\$63.52	\$67.77

Gallons	Water	Sewer	Gallons	Water	Sewer	Gallons	Water	Sewer
15,800	\$63.88	\$68.13	20,600	\$80.98	\$85.23	25,400	\$96.82	\$101.07
15,900	\$64.24	\$68.49	20,700	\$81.31	\$85.56	25,500	\$97.15	\$101.40
16,000	\$64.60	\$68.85	20,800	\$81.64	\$85.89	25,600	\$97.48	\$101.73
16,100	\$64.96	\$69.21	20,900	\$81.97	\$86.22	25,700	\$97.81	\$102.06
16,200	\$65.32	\$69.57	21,000	\$82.30	\$86.55	25,800	\$98.14	\$102.39
16,300	\$65.68	\$69.93	21,100	\$82.63	\$86.88	25,900	\$98.47	\$102.72
16,400	\$66.04	\$70.29	21,200	\$82.96	\$87.21	26,000	\$98.80	\$103.05
16,500	\$66.40	\$70.65	21,300	\$83.29	\$87.54	26,100	\$99.13	\$103.38
16,600	\$66.76	\$71.01	21,400	\$83.62	\$87.87	26,200	\$99.46	\$103.71
16,700	\$67.12	\$71.37	21,500	\$83.95	\$88.20	26,300	\$99.79	\$104.04
16,800	\$67.48	\$71.73	21,600	\$84.28	\$88.53	26,400	\$100.12	\$104.37
16,900	\$67.84	\$72.09	21,700	\$84.61	\$88.86	26,500	\$100.45	\$104.70
17,000	\$68.20	\$72.45	21,800	\$84.94	\$89.19	26,600	\$100.78	\$105.03
17,100	\$68.56	\$72.81	21,900	\$85.27	\$89.52	26,700	\$101.11	\$105.36
17,200	\$68.92	\$73.17	22,000	\$85.60	\$89.85	26,800	\$101.44	\$105.69
17,300	\$69.28	\$73.53	22,100	\$85.93	\$90.18	26,900	\$101.77	\$106.02
17,400	\$69.64	\$73.89	22,200	\$86.26	\$90.51	27,000	\$102.10	\$106.35
17,500	\$70.00	\$74.25	22,300	\$86.59	\$90.84	27,100	\$102.43	\$106.68
17,600	\$70.36	\$74.61	22,400	\$86.92	\$91.17	27,200	\$102.76	\$107.01
17,700	\$70.72	\$74.97	22,500	\$87.25	\$91.50	27,300	\$103.09	\$107.34
17,800	\$71.08	\$75.33	22,600	\$87.58	\$91.83	27,400	\$103.42	\$107.67
17,900	\$71.44	\$75.69	22,700	\$87.91	\$92.16	27,500	\$103.75	\$108.00
18,000	\$71.80	\$76.05	22,800	\$88.24	\$92.49	27,600	\$104.08	\$108.33
18,100	\$72.16	\$76.41	22,900	\$88.57	\$92.82	27,700	\$104.41	\$108.66
18,200	\$72.52	\$76.77	23,000	\$88.90	\$93.15	27,800	\$104.74	\$108.99
18,300	\$72.88	\$77.13	23,100	\$89.23	\$93.48	27,900	\$105.07	\$109.32
18,400	\$73.24	\$77.49	23,200	\$89.56	\$93.81	28,000	\$105.40	\$109.65
18,500	\$73.60	\$77.85	23,300	\$89.89	\$94.14	28,100	\$105.73	\$109.98
18,600	\$73.96	\$78.21	23,400	\$90.22	\$94.47	28,200	\$106.06	\$110.31
18,700	\$74.32	\$78.57	23,500	\$90.55	\$94.80	28,300	\$106.39	\$110.64
18,800	\$74.68	\$78.93	23,600	\$90.88	\$95.13	28,400	\$106.72	\$110.97
18,900	\$75.04	\$79.29	23,700	\$91.21	\$95.46	28,500	\$107.05	\$111.30
19,000	\$75.40	\$79.65	23,800	\$91.54	\$95.79	28,600	\$107.38	\$111.63
19,100	\$75.76	\$80.01	23,900	\$91.87	\$96.12	28,700	\$107.71	\$111.96
19,200	\$76.12	\$80.37	24,000	\$92.20	\$96.45	28,800	\$108.04	\$112.29
19,300	\$76.48	\$80.73	24,100	\$92.53	\$96.78	28,900	\$108.37	\$112.62
19,400	\$76.84	\$81.09	24,200	\$92.86	\$97.11	29,000	\$108.70	\$112.95
19,500	\$77.20	\$81.45	24,300	\$93.19	\$97.44	29,100	\$109.03	\$113.28
19,600	\$77.56	\$81.81	24,400	\$93.52	\$97.77	29,200	\$109.36	\$113.61
19,700	\$77.92	\$82.17	24,500	\$93.85	\$98.10	29,300	\$109.69	\$113.94
19,800	\$78.28	\$82.53	24,600	\$94.18	\$98.43	29,400	\$110.02	\$114.27
19,900	\$78.64	\$82.89	24,700	\$94.51	\$98.76	29,500	\$110.35	\$114.60
20,000	\$79.00	\$83.25	24,800	\$94.84	\$99.09	29,600	\$110.68	\$114.93
20,100	\$79.33	\$83.58	24,900	\$95.17	\$99.42	29,700	\$111.01	\$115.26
20,200	\$79.66	\$83.91	25,000	\$95.50	\$99.75	29,800	\$111.34	\$115.59
20,300	\$79.99	\$84.24	25,100	\$95.83	\$100.08	29,900	\$111.67	\$115.92
20,400	\$80.32	\$84.57	25,200	\$96.16	\$100.41	30,000	\$112.00	\$116.25
20,500	\$80.65	\$84.90	25,300	\$96.49	\$100.74	30,100	\$112.30	\$116.55

Gallons	Water	Sewer	Gallons	Water	Sewer	Gallons	Water	Sewer
30,200	\$112.60	\$116.85	35,000	\$127.00	\$131.25	39,800	\$141.40	\$145.65
30,300	\$112.90	\$117.15	35,100	\$127.30	\$131.55	39,900	\$141.70	\$145.95
30,400	\$113.20	\$117.45	35,200	\$127.60	\$131.85	40,000	\$142.00	\$146.25
30,500	\$113.50	\$117.75	35,300	\$127.90	\$132.15	40,100	\$142.30	\$146.55
30,600	\$113.80	\$118.05	35,400	\$128.20	\$132.45	40,200	\$142.60	\$146.85
30,700	\$114.10	\$118.35	35,500	\$128.50	\$132.75	40,300	\$142.90	\$147.15
30,800	\$114.40	\$118.65	35,600	\$128.80	\$133.05	40,400	\$143.20	\$147.45
30,900	\$114.70	\$118.95	35,700	\$129.10	\$133.35	40,500	\$143.50	\$147.75
31,000	\$115.00	\$119.25	35,800	\$129.40	\$133.65	40,600	\$143.80	\$148.05
31,100	\$115.30	\$119.55	35,900	\$129.70	\$133.95	40,700	\$144.10	\$148.35
31,200	\$115.60	\$119.85	36,000	\$130.00	\$134.25	40,800	\$144.40	\$148.65
31,300	\$115.90	\$120.15	36,100	\$130.30	\$134.55	40,900	\$144.70	\$148.95
31,400	\$116.20	\$120.45	36,200	\$130.60	\$134.85	41,000	\$145.00	\$149.25
31,500	\$116.50	\$120.75	36,300	\$130.90	\$135.15	41,100	\$145.30	\$149.55
31,600	\$116.80	\$121.05	36,400	\$131.20	\$135.45	41,200	\$145.60	\$149.85
31,700	\$117.10	\$121.35	36,500	\$131.50	\$135.75	41,300	\$145.90	\$150.15
31,800	\$117.40	\$121.65	36,600	\$131.80	\$136.05	41,400	\$146.20	\$150.45
31,900	\$117.70	\$121.95	36,700	\$132.10	\$136.35	41,500	\$146.50	\$150.75
32,000	\$118.00	\$122.25	36,800	\$132.40	\$136.65	41,600	\$146.80	\$151.05
32,100	\$118.30	\$122.55	36,900	\$132.70	\$136.95	41,700	\$147.10	\$151.35
32,200	\$118.60	\$122.85	37,000	\$133.00	\$137.25	41,800	\$147.40	\$151.65
32,300	\$118.90	\$123.15	37,100	\$133.30	\$137.55	41,900	\$147.70	\$151.95
32,400	\$119.20	\$123.45	37,200	\$133.60	\$137.85	42,000	\$148.00	\$152.25
32,500	\$119.50	\$123.75	37,300	\$133.90	\$138.15	42,100	\$148.30	\$152.55
32,600	\$119.80	\$124.05	37,400	\$134.20	\$138.45	42,200	\$148.60	\$152.85
32,700	\$120.10	\$124.35	37,500	\$134.50	\$138.75	42,300	\$148.90	\$153.15
32,800	\$120.40	\$124.65	37,600	\$134.80	\$139.05	42,400	\$149.20	\$153.45
32,900	\$120.70	\$124.95	37,700	\$135.10	\$139.35	42,500	\$149.50	\$153.75
33,000	\$121.00	\$125.25	37,800	\$135.40	\$139.65	42,600	\$149.80	\$154.05
33,100	\$121.30	\$125.55	37,900	\$135.70	\$139.95	42,700	\$150.10	\$154.35
33,200	\$121.60	\$125.85	38,000	\$136.00	\$140.25	42,800	\$150.40	\$154.65
33,300	\$121.90	\$126.15	38,100	\$136.30	\$140.55	42,900	\$150.70	\$154.95
33,400	\$122.20	\$126.45	38,200	\$136.60	\$140.85	43,000	\$151.00	\$155.25
33,500	\$122.50	\$126.75	38,300	\$136.90	\$141.15	43,100	\$151.30	\$155.55
33,600	\$122.80	\$127.05	38,400	\$137.20	\$141.45	43,200	\$151.60	\$155.85
33,700	\$123.10	\$127.35	38,500	\$137.50	\$141.75	43,300	\$151.90	\$156.15
33,800	\$123.40	\$127.65	38,600	\$137.80	\$142.05	43,400	\$152.20	\$156.45
33,900	\$123.70	\$127.95	38,700	\$138.10	\$142.35	43,500	\$152.50	\$156.75
34,000	\$124.00	\$128.25	38,800	\$138.40	\$142.65	43,600	\$152.80	\$157.05
34,100	\$124.30	\$128.55	38,900	\$138.70	\$142.95	43,700	\$153.10	\$157.35
34,200	\$124.60	\$128.85	39,000	\$139.00	\$143.25	43,800	\$153.40	\$157.65
34,300	\$124.90	\$129.15	39,100	\$139.30	\$143.55	43,900	\$153.70	\$157.95
34,400	\$125.20	\$129.45	39,200	\$139.60	\$143.85	44,000	\$154.00	\$158.25
34,500	\$125.50	\$129.75	39,300	\$139.90	\$144.15	44,100	\$154.30	\$158.55
34,600	\$125.80	\$130.05	39,400	\$140.20	\$144.45	44,200	\$154.60	\$158.85
34,700	\$126.10	\$130.35	39,500	\$140.50	\$144.75	44,300	\$154.90	\$159.15
34,800	\$126.40	\$130.65	39,600	\$140.80	\$145.05	44,400	\$155.20	\$159.45
34,900	\$126.70	\$130.95	39,700	\$141.10	\$145.35	44,500	\$155.50	\$159.75

Gallons	Water	Sewer	Gallons	Water	Sewer	Gallons	Water	Sewer
44,600	\$155.80	\$160.05	49,400	\$168.00	\$170.05	54,200	\$180.00	\$179.65
44,700	\$156.10	\$160.35	49,500	\$168.25	\$170.25	54,300	\$180.25	\$179.85
44,800	\$156.40	\$160.65	49,600	\$168.50	\$170.45	54,400	\$180.50	\$180.05
44,900	\$156.70	\$160.95	49,700	\$168.75	\$170.65	54,500	\$180.75	\$180.25
45,000	\$157.00	\$161.25	49,800	\$169.00	\$170.85	54,600	\$181.00	\$180.45
45,100	\$157.25	\$161.45	49,900	\$169.25	\$171.05	54,700	\$181.25	\$180.65
45,200	\$157.50	\$161.65	50,000	\$169.50	\$171.25	54,800	\$181.50	\$180.85
45,300	\$157.75	\$161.85	50,100	\$169.75	\$171.45	54,900	\$181.75	\$181.05
45,400	\$158.00	\$162.05	50,200	\$170.00	\$171.65	55,000	\$182.00	\$181.25
45,500	\$158.25	\$162.25	50,300	\$170.25	\$171.85	55,100	\$182.25	\$181.45
45,600	\$158.50	\$162.45	50,400	\$170.50	\$172.05	55,200	\$182.50	\$181.65
45,700	\$158.75	\$162.65	50,500	\$170.75	\$172.25	55,300	\$182.75	\$181.85
45,800	\$159.00	\$162.85	50,600	\$171.00	\$172.45	55,400	\$183.00	\$182.05
45,900	\$159.25	\$163.05	50,700	\$171.25	\$172.65	55,500	\$183.25	\$182.25
46,000	\$159.50	\$163.25	50,800	\$171.50	\$172.85	55,600	\$183.50	\$182.45
46,100	\$159.75	\$163.45	50,900	\$171.75	\$173.05	55,700	\$183.75	\$182.65
46,200	\$160.00	\$163.65	51,000	\$172.00	\$173.25	55,800	\$184.00	\$182.85
46,300	\$160.25	\$163.85	51,100	\$172.25	\$173.45	55,900	\$184.25	\$183.05
46,400	\$160.50	\$164.05	51,200	\$172.50	\$173.65	56,000	\$184.50	\$183.25
46,500	\$160.75	\$164.25	51,300	\$172.75	\$173.85	56,100	\$184.75	\$183.45
46,600	\$161.00	\$164.45	51,400	\$173.00	\$174.05	56,200	\$185.00	\$183.65
46,700	\$161.25	\$164.65	51,500	\$173.25	\$174.25	56,300	\$185.25	\$183.85
46,800	\$161.50	\$164.85	51,600	\$173.50	\$174.45	56,400	\$185.50	\$184.05
46,900	\$161.75	\$165.05	51,700	\$173.75	\$174.65	56,500	\$185.75	\$184.25
47,000	\$162.00	\$165.25	51,800	\$174.00	\$174.85	56,600	\$186.00	\$184.45
47,100	\$162.25	\$165.45	51,900	\$174.25	\$175.05	56,700	\$186.25	\$184.65
47,200	\$162.50	\$165.65	52,000	\$174.50	\$175.25	56,800	\$186.50	\$184.85
47,300	\$162.75	\$165.85	52,100	\$174.75	\$175.45	56,900	\$186.75	\$185.05
47,400	\$163.00	\$166.05	52,200	\$175.00	\$175.65	57,000	\$187.00	\$185.25
47,500	\$163.25	\$166.25	52,300	\$175.25	\$175.85	57,100	\$187.25	\$185.45
47,600	\$163.50	\$166.45	52,400	\$175.50	\$176.05	57,200	\$187.50	\$185.65
47,700	\$163.75	\$166.65	52,500	\$175.75	\$176.25	57,300	\$187.75	\$185.85
47,800	\$164.00	\$166.85	52,600	\$176.00	\$176.45	57,400	\$188.00	\$186.05
47,900	\$164.25	\$167.05	52,700	\$176.25	\$176.65	57,500	\$188.25	\$186.25
48,000	\$164.50	\$167.25	52,800	\$176.50	\$176.85	57,600	\$188.50	\$186.45
48,100	\$164.75	\$167.45	52,900	\$176.75	\$177.05	57,700	\$188.75	\$186.65
48,200	\$165.00	\$167.65	53,000	\$177.00	\$177.25	57,800	\$189.00	\$186.85
48,300	\$165.25	\$167.85	53,100	\$177.25	\$177.45	57,900	\$189.25	\$187.05
48,400	\$165.50	\$168.05	53,200	\$177.50	\$177.65	58,000	\$189.50	\$187.25
48,500	\$165.75	\$168.25	53,300	\$177.75	\$177.85	58,100	\$189.75	\$187.45
48,600	\$166.00	\$168.45	53,400	\$178.00	\$178.05	58,200	\$190.00	\$187.65
48,700	\$166.25	\$168.65	53,500	\$178.25	\$178.25	58,300	\$190.25	\$187.85
48,800	\$166.50	\$168.85	53,600	\$178.50	\$178.45	58,400	\$190.50	\$188.05
48,900	\$166.75	\$169.05	53,700	\$178.75	\$178.65	58,500	\$190.75	\$188.25
49,000	\$167.00	\$169.25	53,800	\$179.00	\$178.85	58,600	\$191.00	\$188.45
49,100	\$167.25	\$169.45	53,900	\$179.25	\$179.05	58,700	\$191.25	\$188.65
49,200	\$167.50	\$169.65	54,000	\$179.50	\$179.25	58,800	\$191.50	\$188.85
49,300	\$167.75	\$169.85	54,100	\$179.75	\$179.45	58,900	\$191.75	\$189.05

Gallons	Water	Sewer	Gallons	Water	Sewer	Gallons	Water	Sewer
59,000	\$192.00	\$189.25	63,800	\$204.00	\$198.85	68,600	\$216.00	\$208.45
59,100	\$192.25	\$189.45	63,900	\$204.25	\$199.05	68,700	\$216.25	\$208.65
59,200	\$192.50	\$189.65	64,000	\$204.50	\$199.25	68,800	\$216.50	\$208.85
59,300	\$192.75	\$189.85	64,100	\$204.75	\$199.45	68,900	\$216.75	\$209.05
59,400	\$193.00	\$190.05	64,200	\$205.00	\$199.65	69,000	\$217.00	\$209.25
59,500	\$193.25	\$190.25	64,300	\$205.25	\$199.85	69,100	\$217.25	\$209.45
59,600	\$193.50	\$190.45	64,400	\$205.50	\$200.05	69,200	\$217.50	\$209.65
59,700	\$193.75	\$190.65	64,500	\$205.75	\$200.25	69,300	\$217.75	\$209.85
59,800	\$194.00	\$190.85	64,600	\$206.00	\$200.45	69,400	\$218.00	\$210.05
59,900	\$194.25	\$191.05	64,700	\$206.25	\$200.65	69,500	\$218.25	\$210.25
60,000	\$194.50	\$191.25	64,800	\$206.50	\$200.85	69,600	\$218.50	\$210.45
60,100	\$194.75	\$191.45	64,900	\$206.75	\$201.05	69,700	\$218.75	\$210.65
60,200	\$195.00	\$191.65	65,000	\$207.00	\$201.25	69,800	\$219.00	\$210.85
60,300	\$195.25	\$191.85	65,100	\$207.25	\$201.45	69,900	\$219.25	\$211.05
60,400	\$195.50	\$192.05	65,200	\$207.50	\$201.65	70,000	\$219.50	\$211.25
60,500	\$195.75	\$192.25	65,300	\$207.75	\$201.85	70,100	\$219.75	\$211.45
60,600	\$196.00	\$192.45	65,400	\$208.00	\$202.05	70,200	\$220.00	\$211.65
60,700	\$196.25	\$192.65	65,500	\$208.25	\$202.25	70,300	\$220.25	\$211.85
60,800	\$196.50	\$192.85	65,600	\$208.50	\$202.45	70,400	\$220.50	\$212.05
60,900	\$196.75	\$193.05	65,700	\$208.75	\$202.65	70,500	\$220.75	\$212.25
61,000	\$197.00	\$193.25	65,800	\$209.00	\$202.85	70,600	\$221.00	\$212.45
61,100	\$197.25	\$193.45	65,900	\$209.25	\$203.05	70,700	\$221.25	\$212.65
61,200	\$197.50	\$193.65	66,000	\$209.50	\$203.25	70,800	\$221.50	\$212.85
61,300	\$197.75	\$193.85	66,100	\$209.75	\$203.45	70,900	\$221.75	\$213.05
61,400	\$198.00	\$194.05	66,200	\$210.00	\$203.65	71,000	\$222.00	\$213.25
61,500	\$198.25	\$194.25	66,300	\$210.25	\$203.85	71,100	\$222.25	\$213.45
61,600	\$198.50	\$194.45	66,400	\$210.50	\$204.05	71,200	\$222.50	\$213.65
61,700	\$198.75	\$194.65	66,500	\$210.75	\$204.25	71,300	\$222.75	\$213.85
61,800	\$199.00	\$194.85	66,600	\$211.00	\$204.45	71,400	\$223.00	\$214.05
61,900	\$199.25	\$195.05	66,700	\$211.25	\$204.65	71,500	\$223.25	\$214.25
62,000	\$199.50	\$195.25	66,800	\$211.50	\$204.85	71,600	\$223.50	\$214.45
62,100	\$199.75	\$195.45	66,900	\$211.75	\$205.05	71,700	\$223.75	\$214.65
62,200	\$200.00	\$195.65	67,000	\$212.00	\$205.25	71,800	\$224.00	\$214.85
62,300	\$200.25	\$195.85	67,100	\$212.25	\$205.45	71,900	\$224.25	\$215.05
62,400	\$200.50	\$196.05	67,200	\$212.50	\$205.65	72,000	\$224.50	\$215.25
62,500	\$200.75	\$196.25	67,300	\$212.75	\$205.85	72,100	\$224.75	\$215.45
62,600	\$201.00	\$196.45	67,400	\$213.00	\$206.05	72,200	\$225.00	\$215.65
62,700	\$201.25	\$196.65	67,500	\$213.25	\$206.25	72,300	\$225.25	\$215.85
62,800	\$201.50	\$196.85	67,600	\$213.50	\$206.45	72,400	\$225.50	\$216.05
62,900	\$201.75	\$197.05	67,700	\$213.75	\$206.65	72,500	\$225.75	\$216.25
63,000	\$202.00	\$197.25	67,800	\$214.00	\$206.85	72,600	\$226.00	\$216.45
63,100	\$202.25	\$197.45	67,900	\$214.25	\$207.05	72,700	\$226.25	\$216.65
63,200	\$202.50	\$197.65	68,000	\$214.50	\$207.25	72,800	\$226.50	\$216.85
63,300	\$202.75	\$197.85	68,100	\$214.75	\$207.45	72,900	\$226.75	\$217.05
63,400	\$203.00	\$198.05	68,200	\$215.00	\$207.65	73,000	\$227.00	\$217.25
63,500	\$203.25	\$198.25	68,300	\$215.25	\$207.85	73,100	\$227.25	\$217.45
63,600	\$203.50	\$198.45	68,400	\$215.50	\$208.05	73,200	\$227.50	\$217.65
63,700	\$203.75	\$198.65	68,500	\$215.75	\$208.25	73,300	\$227.75	\$217.85

Gallons	Water	Sewer	Gallons	Water	Sewer	Gallons	Water	Sewer
73,400	\$228.00	\$218.05	78,200	\$240.00	\$227.65	83,000	\$252.00	\$237.25
73,500	\$228.25	\$218.25	78,300	\$240.25	\$227.85	83,100	\$252.25	\$237.45
73,600	\$228.50	\$218.45	78,400	\$240.50	\$228.05	83,200	\$252.50	\$237.65
73,700	\$228.75	\$218.65	78,500	\$240.75	\$228.25	83,300	\$252.75	\$237.85
73,800	\$229.00	\$218.85	78,600	\$241.00	\$228.45	83,400	\$253.00	\$238.05
73,900	\$229.25	\$219.05	78,700	\$241.25	\$228.65	83,500	\$253.25	\$238.25
74,000	\$229.50	\$219.25	78,800	\$241.50	\$228.85	83,600	\$253.50	\$238.45
74,100	\$229.75	\$219.45	78,900	\$241.75	\$229.05	83,700	\$253.75	\$238.65
74,200	\$230.00	\$219.65	79,000	\$242.00	\$229.25	83,800	\$254.00	\$238.85
74,300	\$230.25	\$219.85	79,100	\$242.25	\$229.45	83,900	\$254.25	\$239.05
74,400	\$230.50	\$220.05	79,200	\$242.50	\$229.65	84,000	\$254.50	\$239.25
74,500	\$230.75	\$220.25	79,300	\$242.75	\$229.85	84,100	\$254.75	\$239.45
74,600	\$231.00	\$220.45	79,400	\$243.00	\$230.05	84,200	\$255.00	\$239.65
74,700	\$231.25	\$220.65	79,500	\$243.25	\$230.25	84,300	\$255.25	\$239.85
74,800	\$231.50	\$220.85	79,600	\$243.50	\$230.45	84,400	\$255.50	\$240.05
74,900	\$231.75	\$221.05	79,700	\$243.75	\$230.65	84,500	\$255.75	\$240.25
75,000	\$232.00	\$221.25	79,800	\$244.00	\$230.85	84,600	\$256.00	\$240.45
75,100	\$232.25	\$221.45	79,900	\$244.25	\$231.05	84,700	\$256.25	\$240.65
75,200	\$232.50	\$221.65	80,000	\$244.50	\$231.25	84,800	\$256.50	\$240.85
75,300	\$232.75	\$221.85	80,100	\$244.75	\$231.45	84,900	\$256.75	\$241.05
75,400	\$233.00	\$222.05	80,200	\$245.00	\$231.65	85,000	\$257.00	\$241.25
75,500	\$233.25	\$222.25	80,300	\$245.25	\$231.85	85,100	\$257.25	\$241.45
75,600	\$233.50	\$222.45	80,400	\$245.50	\$232.05	85,200	\$257.50	\$241.65
75,700	\$233.75	\$222.65	80,500	\$245.75	\$232.25	85,300	\$257.75	\$241.85
75,800	\$234.00	\$222.85	80,600	\$246.00	\$232.45	85,400	\$258.00	\$242.05
75,900	\$234.25	\$223.05	80,700	\$246.25	\$232.65	85,500	\$258.25	\$242.25
76,000	\$234.50	\$223.25	80,800	\$246.50	\$232.85	85,600	\$258.50	\$242.45
76,100	\$234.75	\$223.45	80,900	\$246.75	\$233.05	85,700	\$258.75	\$242.65
76,200	\$235.00	\$223.65	81,000	\$247.00	\$233.25	85,800	\$259.00	\$242.85
76,300	\$235.25	\$223.85	81,100	\$247.25	\$233.45	85,900	\$259.25	\$243.05
76,400	\$235.50	\$224.05	81,200	\$247.50	\$233.65	86,000	\$259.50	\$243.25
76,500	\$235.75	\$224.25	81,300	\$247.75	\$233.85	86,100	\$259.75	\$243.45
76,600	\$236.00	\$224.45	81,400	\$248.00	\$234.05	86,200	\$260.00	\$243.65
76,700	\$236.25	\$224.65	81,500	\$248.25	\$234.25	86,300	\$260.25	\$243.85
76,800	\$236.50	\$224.85	81,600	\$248.50	\$234.45	86,400	\$260.50	\$244.05
76,900	\$236.75	\$225.05	81,700	\$248.75	\$234.65	86,500	\$260.75	\$244.25
77,000	\$237.00	\$225.25	81,800	\$249.00	\$234.85	86,600	\$261.00	\$244.45
77,100	\$237.25	\$225.45	81,900	\$249.25	\$235.05	86,700	\$261.25	\$244.65
77,200	\$237.50	\$225.65	82,000	\$249.50	\$235.25	86,800	\$261.50	\$244.85
77,300	\$237.75	\$225.85	82,100	\$249.75	\$235.45	86,900	\$261.75	\$245.05
77,400	\$238.00	\$226.05	82,200	\$250.00	\$235.65	87,000	\$262.00	\$245.25
77,500	\$238.25	\$226.25	82,300	\$250.25	\$235.85	87,100	\$262.25	\$245.45
77,600	\$238.50	\$226.45	82,400	\$250.50	\$236.05	87,200	\$262.50	\$245.65
77,700	\$238.75	\$226.65	82,500	\$250.75	\$236.25	87,300	\$262.75	\$245.85
77,800	\$239.00	\$226.85	82,600	\$251.00	\$236.45	87,400	\$263.00	\$246.05
77,900	\$239.25	\$227.05	82,700	\$251.25	\$236.65	87,500	\$263.25	\$246.25
78,000	\$239.50	\$227.25	82,800	\$251.50	\$236.85	87,600	\$263.50	\$246.45
78,100	\$239.75	\$227.45	82,900	\$251.75	\$237.05	87,700	\$263.75	\$246.65

Gallons	Water	Sewer	Gallons	Water	Sewer	Gallons	Water	Sewer
87,800	\$264.00	\$246.85	92,600	\$276.00	\$256.45	97,400	\$288.00	\$266.05
87,900	\$264.25	\$247.05	92,700	\$276.25	\$256.65	97,500	\$288.25	\$266.25
88,000	\$264.50	\$247.25	92,800	\$276.50	\$256.85	97,600	\$288.50	\$266.45
88,100	\$264.75	\$247.45	92,900	\$276.75	\$257.05	97,700	\$288.75	\$266.65
88,200	\$265.00	\$247.65	93,000	\$277.00	\$257.25	97,800	\$289.00	\$266.85
88,300	\$265.25	\$247.85	93,100	\$277.25	\$257.45	97,900	\$289.25	\$267.05
88,400	\$265.50	\$248.05	93,200	\$277.50	\$257.65	98,000	\$289.50	\$267.25
88,500	\$265.75	\$248.25	93,300	\$277.75	\$257.85	98,100	\$289.75	\$267.45
88,600	\$266.00	\$248.45	93,400	\$278.00	\$258.05	98,200	\$290.00	\$267.65
88,700	\$266.25	\$248.65	93,500	\$278.25	\$258.25	98,300	\$290.25	\$267.85
88,800	\$266.50	\$248.85	93,600	\$278.50	\$258.45	98,400	\$290.50	\$268.05
88,900	\$266.75	\$249.05	93,700	\$278.75	\$258.65	98,500	\$290.75	\$268.25
89,000	\$267.00	\$249.25	93,800	\$279.00	\$258.85	98,600	\$291.00	\$268.45
89,100	\$267.25	\$249.45	93,900	\$279.25	\$259.05	98,700	\$291.25	\$268.65
89,200	\$267.50	\$249.65	94,000	\$279.50	\$259.25	98,800	\$291.50	\$268.85
89,300	\$267.75	\$249.85	94,100	\$279.75	\$259.45	98,900	\$291.75	\$269.05
89,400	\$268.00	\$250.05	94,200	\$280.00	\$259.65	99,000	\$292.00	\$269.25
89,500	\$268.25	\$250.25	94,300	\$280.25	\$259.85	99,100	\$292.25	\$269.45
89,600	\$268.50	\$250.45	94,400	\$280.50	\$260.05	99,200	\$292.50	\$269.65
89,700	\$268.75	\$250.65	94,500	\$280.75	\$260.25	99,300	\$292.75	\$269.85
89,800	\$269.00	\$250.85	94,600	\$281.00	\$260.45	99,400	\$293.00	\$270.05
89,900	\$269.25	\$251.05	94,700	\$281.25	\$260.65	99,500	\$293.25	\$270.25
90,000	\$269.50	\$251.25	94,800	\$281.50	\$260.85	99,600	\$293.50	\$270.45
90,100	\$269.75	\$251.45	94,900	\$281.75	\$261.05	99,700	\$293.75	\$270.65
90,200	\$270.00	\$251.65	95,000	\$282.00	\$261.25	99,800	\$294.00	\$270.85
90,300	\$270.25	\$251.85	95,100	\$282.25	\$261.45	99,900	\$294.25	\$271.05
90,400	\$270.50	\$252.05	95,200	\$282.50	\$261.65	100,000	\$294.50	\$271.25
90,500	\$270.75	\$252.25	95,300	\$282.75	\$261.85			
90,600	\$271.00	\$252.45	95,400	\$283.00	\$262.05			
90,700	\$271.25	\$252.65	95,500	\$283.25	\$262.25			
90,800	\$271.50	\$252.85	95,600	\$283.50	\$262.45			
90,900	\$271.75	\$253.05	95,700	\$283.75	\$262.65			
91,000	\$272.00	\$253.25	95,800	\$284.00	\$262.85			
91,100	\$272.25	\$253.45	95,900	\$284.25	\$263.05			
91,200	\$272.50	\$253.65	96,000	\$284.50	\$263.25			
91,300	\$272.75	\$253.85	96,100	\$284.75	\$263.45			
91,400	\$273.00	\$254.05	96,200	\$285.00	\$263.65			
91,500	\$273.25	\$254.25	96,300	\$285.25	\$263.85			
91,600	\$273.50	\$254.45	96,400	\$285.50	\$264.05			
91,700	\$273.75	\$254.65	96,500	\$285.75	\$264.25			
91,800	\$274.00	\$254.85	96,600	\$286.00	\$264.45			
91,900	\$274.25	\$255.05	96,700	\$286.25	\$264.65			
92,000	\$274.50	\$255.25	96,800	\$286.50	\$264.85			
92,100	\$274.75	\$255.45	96,900	\$286.75	\$265.05			
92,200	\$275.00	\$255.65	97,000	\$287.00	\$265.25			
92,300	\$275.25	\$255.85	97,100	\$287.25	\$265.45			
92,400	\$275.50	\$256.05	97,200	\$287.50	\$265.65			
92,500	\$275.75	\$256.25	97,300	\$287.75	\$265.85			

Water Price Increase per 100 Gallon Intervals

Gallons	Water	Sewer
Minimum	\$9.00	\$13.25
2000 - 4000	add \$0.60 per 100	add \$0.60 per 100
4,000 - 5,000	add \$0.40 per 100	add \$0.40 per 100
5,000 - 20,000	add \$0.36 per 100	add \$0.36 per 100
20,000 - 30,000	add \$0.33 per 100	add \$0.33 per 100
30,000 - 45,000	add \$0.25 per 100	add \$0.20 per 100

EXHIBIT B

Audited Financial Statements of the System
for the Fiscal Years Ended December 31, 2019 and 2018

CITY OF DUMAS WATER AND SEWER DEPARTMENT

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
OTHER INFORMATION**

DECEMBER 31, 2019 AND 2018

CITY OF DUMAS WATER AND SEWER DEPARTMENT

DECEMBER 31, 2019 AND 2018

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JACK CHAMI, CPA PLLC

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Dumas, Arkansas

I have audited the accompanying financial statements (Statements of Net Position, Statements of Revenue, Expenses and change in Net Position and Statements of Cash Flows) (business-type activities) of the City of Dumas Water and Sewer Department (the "Department"), a component unit of the City of Dumas as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management 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

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

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

Auditor's Responsibility (Continued)

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

Opinions on the Financial Statements

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Dumas, Arkansas, Water and Sewer Department, as of December 31, 2019 and 2018, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the City of Dumas, Arkansas, Water and Sewer Department are intended to present the financial position, the changes in financial position, and cash flows of only the funds related to the City of Dumas Water and Sewer Department, a component unit of the City of Dumas, for the years 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America. These financial statements do not purport to, and do not, present fairly the financial position and results of operations of the City of Dumas, Arkansas, as of December 31, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis required by accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

The Schedule of Revenues, Expenditures and Changes in Fund Net Assets Budget and Actual (Non-GAAP Budgetary Basis) and Schedule of Names and Titles of Principal Officers, on pages 19 and 20, are presented for purposes of additional analysis and information and are not a required part of the basic financial statements.

Other Information (continued)

The Schedule of Revenues, Expenditures and Changes in Fund Net Assets Budget and Actual (Non-GAAP Budgetary Basis) is the responsibility of management and was derived from, and relates directly to, underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, Expenditures and Changes in Fund Net Assets Budget and Actual (Non-GAAP Budgetary Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my independent auditor's report dated April 29, 2020 on my consideration of the Department's internal control over financial reporting and on compliance and other matters based on my audit of the financial statements performed in accordance with *Government Auditing Standards*. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Jack Chami, CPA PLLC". The signature is written in a cursive, flowing style.

Jack Chami, CPA PLLC
White Hall, Arkansas
April 29, 2020

CITY OF DUMAS WATER AND SEWER DEPARTMENT

STATEMENTS OF NET POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,206,152	\$ 1,351,037
Investments - certificates of deposit	286,392	271,806
Accounts receivable		
- Customers	111,153	111,665
- Other	629	635
Inventories	29,970	26,735
Total current assets	<u>1,634,296</u>	<u>1,761,878</u>
NONCURRENT ASSETS		
Restricted cash	417,590	367,934
Investments - certificates of deposit	347,296	361,882
Restricted investments	134,704	134,704
Total noncurrent assets	<u>899,590</u>	<u>864,520</u>
CAPITAL ASSETS		
Land	82,572	82,572
Utility plant in service	10,199,503	9,878,575
Machinery and equipment	391,734	366,815
	<u>10,673,809</u>	<u>10,327,962</u>
Less accumulated depreciation	6,145,443	5,916,646
Net capital assets	<u>4,528,366</u>	<u>4,411,316</u>
	<u>\$ 7,062,252</u>	<u>\$ 7,037,714</u>

The accompanying notes are an integral part of the financial statements

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 95,000	\$ 95,000
Accounts payable	27,248	14,455
Bond interest payable	7,320	7,477
Sales tax payable	8,316	8,425
Due to other funds	-	10,196
Total current liabilities	<u>137,884</u>	<u>135,553</u>
NONCURRENT LIABILITIES		
Customer deposits	87,196	77,356
Bonds payable	<u>2,258,086</u>	<u>2,352,281</u>
Total noncurrent liabilities	<u>2,345,282</u>	<u>2,429,637</u>
FUND NET POSITIONS		
Invested in capital assets, net of related debt	2,175,280	1,964,034
Restricted for debt service	152,557	152,288
Restricted for maintenance	295,353	251,631
Unrestricted	<u>1,955,896</u>	<u>2,104,571</u>
Total fund net positions	<u>4,579,086</u>	<u>4,472,524</u>
	<u>\$ 7,062,252</u>	<u>\$ 7,037,714</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Water revenues	\$ 686,483	\$ 689,122
Sewer revenues	575,662	578,469
Other revenues	66,979	53,825
Total operating revenues	<u>1,329,124</u>	<u>1,321,416</u>
OPERATING EXPENSES		
Salaries	297,372	295,076
Utilities	161,534	139,792
Insurance	13,417	13,120
Maintenance and operating supplies	187,011	145,419
Payroll taxes	22,895	22,781
Office expense and supplies	8,335	10,979
Rent	60,000	60,000
Vehicle expense	17,834	19,382
Depreciation	228,797	221,005
Legal and accounting	13,805	25,275
Permits and licenses	5,653	5,458
Engineering and testing	65,223	50,964
Employees benefit	40,290	45,003
Other operating expenses	27,176	17,244
Total operating expenses	<u>1,149,342</u>	<u>1,071,498</u>
OPERATING INCOME	<u>179,782</u>	<u>249,918</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	16,404	8,930
Grant	-	50,000
Grant fee	-	(2,500)
Interest expense	(88,819)	(90,705)
Bond discount amortization	(805)	(805)
Total nonoperating revenues (expenses)	<u>(73,220)</u>	<u>(35,080)</u>
NET INCOME	<u>106,562</u>	<u>214,838</u>

The accompanying notes are an integral part of the financial statements

	<u>2019</u>	<u>2018</u>
CHANGE IN NET POSITIONS	106,562	214,838
FUND NET POSITION, BEGINNING OF YEAR	<u>4,472,524</u>	<u>4,257,686</u>
FUND NET POSITION, END OF YEAR	<u>\$ 4,579,086</u>	<u>\$ 4,472,524</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,329,642	\$ 1,325,543
Cash paid to suppliers	(513,434)	(459,874)
Cash paid to general fund for rent	(60,000)	(60,000)
Cash paid to general fund for payroll related expenses	(337,662)	(340,079)
Net cash provided by operating activities	<u>418,546</u>	<u>465,590</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Trasnfers from other funds	(10,195)	10,195
Net increase (decrease) in customer deposits	<u>9,839</u>	<u>(2,021)</u>
Net cash (used) provided by noncapital financing activities	<u>(356)</u>	<u>8,174</u>
CASH FLOWS (TO) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(345,847)	(178,798)
Principal paid on bonds obligation	(95,000)	(90,000)
Interest paid on bonds obligation	<u>(88,976)</u>	<u>(90,765)</u>
Net cash used by capital and related financing activities	<u>(529,823)</u>	<u>(359,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>16,404</u>	<u>8,930</u>
Net cash provided by investing activities	<u>16,404</u>	<u>8,930</u>

The accompanying notes are an integral part of the financial statements

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(95,229)	123,131
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,853,675</u>	<u>1,730,544</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,758,446</u>	<u>\$ 1,853,675</u>
	<u>2019</u>	<u>2018</u>
ADJUSTMENTS TO RECONCILE NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 179,782	\$ 249,918
Items not requiring (providing) cash:		
Depreciation and amortization	228,797	221,005
Change in:		
Accounts receivable	518	4,127
Inventories	(3,235)	(12,364)
Accounts payable	<u>12,684</u>	<u>2,904</u>
	<u>\$ 418,546</u>	<u>\$ 465,590</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The City of Dumas Water and Sewer Department (the "Department"), a component unit, is an operating entity of the City of Dumas (the "City"). The Department is independent with respect to revenue, expenses, assets and liabilities, is prohibited by loan agreements from converting any revenue or assets to general use and is not responsible for any other departments' debt. These financial statements include only those funds that relate to the operations of the Department. The Department is located in South East region of the State of Arkansas and provides water and sewer services for the City of Dumas and provide water services only to Wells Bayou and Pendleton, both of which are rural communities located in Desha County.

The Department prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Therefore, revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of when cash is received or paid. Accounting principles generally accepted in the United States of America applicable to municipal government proprietary units, such as the Department, generally include pronouncements of the Financial Accounting Standards Board ("FASB") relating to for-profit businesses and, in addition, certain 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 amounts and disclosures reported in the financial statements. These estimates represent management's evaluation of information available as of the date the financial statements were prepared and are subject to varying degrees of reliability. Accordingly, actual results could differ from the estimates reflected in these financial statements.

Cash Equivalents

For purposes of the statement of cash flows, the Department considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Cash Fund Descriptions and Restricted Cash Fund Requirements

A description of cash funds and their requirements is as follows:

Revenue Fund – The Revenue Fund receives all revenues from customers and disburses them as required.

Operations and Maintenance Fund – The Operations and Maintenance Fund pays the necessary and ordinary maintenance and operational expenditures of the Department.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Fund Descriptions and Restricted Cash Fund Requirements (Continued)

Bond and Debt Service Reserve Funds – These Funds receive amounts sufficient to cover the annual principal and interest payments on outstanding debt, as well as related trustee's fees. The Bond Fund is also required to maintain a debt service reserve in an amount equal to the lesser of the maximum annual principal and interest requirements or 10% of the principal amount of the bonds. Payments on the bonds are handled in the Bond Fund.

Depreciation Fund –The Depreciation Fund is maintained in order to pay for repairs to the Department. Each month, after the required payment is made to the operations and maintenance account, 3% of the remaining revenues received are deposited into the depreciation fund.

The above listed funds have been established by ordinances passed by the City Council. The City Council members meet monthly to discuss the Department's performance, monitor and approve all expenses and disbursements out of these funds. The City Council confirms that disbursements are appropriate and in compliance with the purpose of the fund used for disbursement.

Accounts Receivable

The Department provides credit to its customers on terms that are customary for municipal utilities. The Department terminates service to delinquent customers and, in addition, holds deposits that can be offset against delinquent account balances. Department management reviews accounts receivable on a periodic basis and provides an allowance for accounts they determine are uncollectable. In estimating uncollectable amounts, management uses significant judgment and considers factors such as geographic location, overall economic conditions and historical customer performance. While management feels the Department's processes effectively address its exposure to doubtful accounts, changes in economic conditions in the Department's geographically concentrated service area may require adjustment to the allowance recorded by the Department. At December 31, 2019 and 2018, management determined that an allowance for doubtful accounts was not necessary. No provision has been made for used but unbilled water for the years 2019 and 2018.

Inventory

Inventories consist primarily of water and sewer pipes, water meters, clamps and chemicals. Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Water and sewer plant and machinery and equipment placed in service are stated at original cost. The Department provides for depreciation on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives of the assets by category are as follows:

Water plant	40 years
Sewer plant	40 years
Machinery and equipment	5-20 years

This City capitalizes new purchased assets of \$5,000 or above.

Revenue Recognition

Revenues from water and sewer sales are recognized at the time of service delivery based on actual or estimated water meter readings.

Reclassifications

Certain reclassifications were made to the amounts in the 2018 financial statements in order to conform to the 2019 financial statement presentation.

NOTE 2: CASH, CERTIFICATES OF DEPOSIT AND RESTRICTED FUNDS

The Department maintains cash and cash equivalents, certificates of deposit and restricted fund accounts shown on the statement of fund net assets on deposit with two local financial institutions that provide insurance through the Federal Deposit Insurance Corporation ("FDIC") on balances up to \$250,000. Funds on deposit with these two financial institutions exceeded, at certain times throughout the year, the Federal Deposit Insurance Corporation ("FDIC") limit. These financial institutions have pledged securities to collateralize balances in excess of FDIC limits. The pledged collateral is held by the financial institutions in the Department's name. The amounts of collateralized uninsured deposits were approximately \$1,641,864 and \$1,736,500 at December 31, 2019 and 2018, respectively.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2: CASH, CERTIFICATES OF DEPOSIT AND RESTRICTED FUNDS (CONTINUED)

Cash, cash equivalents and restricted funds consisted of the following at December 31:

	2019	2018
Unrestricted		
Revenue fund	\$ 1,137,872	\$ 1,305,796
Operations and maintenance fund	68,280	45,241
	<u>1,206,152</u>	<u>1,351,037</u>
Restricted		
Depreciation fund	295,354	251,631
Water customer deposits	104,384	98,718
Restricted for 2015 debt service	8,425	8,187
Restricted for 2012 debt service	9,427	9,398
	<u>417,590</u>	<u>367,934</u>
	<u>\$ 1,623,742</u>	<u>\$ 1,718,971</u>

Investments consisted of the following at December 31:

	2019	2018
Unrestricted		
Certificate of deposits	<u>\$ 633,688</u>	<u>\$ 633,688</u>
Restricted		
Restricted for bond debt service	51,228	51,228
Restricted for bond debt service	83,476	83,476
	<u>134,704</u>	<u>134,704</u>
	<u>\$ 768,392</u>	<u>\$ 768,392</u>

Certificates of deposits are purchased with maturities of six to thirty six months and earn interest ranging from 0.25% to 2.60%. See note 1 for restrictions.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 3: CAPITAL ASSETS:

Capital asset activity for the Department for the year ended December 31, was as follows:

	<u>2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019</u>
Land	\$ 82,572	\$ -	\$ -	\$ 82,572
Utility plant in service	9,878,575	320,928	-	10,199,503
Office machinery and equipment	18,275	-	-	18,275
Vehicles and equipment	<u>348,540</u>	<u>24,919</u>	<u>-</u>	<u>373,459</u>
	10,327,962	<u>345,847</u>	<u>-</u>	10,673,809
Less accumulated depreciation	<u>5,916,646</u>	<u>228,797</u>	<u>-</u>	<u>6,145,443</u>
	<u>\$ 4,411,316</u>			<u>\$ 4,528,366</u>

In 2018, the department received \$50,000 from Delta Regional Authority to help the Department to recover some of the cost of Banks Street pump station construction. Delta Regional Authority charged the Department \$2,500 grant fee.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 4: BONDS PAYABLE

Bonds payable consisted of the following at December 31:

	<u>2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>2019</u>
Series 2012 water and sewer revenue bonds payable in increasing annual principal installments with interest rate at rates ranging from 1.40% to 4.25%.	\$ 1,230,000	\$ -	\$ 35,000	\$ 1,195,000
Series 2015 water and sewer revenue bonds payable in increasing annual principal installments with interest rate at rates ranging from 1.90% to 3.875%.	1,235,000	-	60,000	1,175,000
	<u>2,465,000</u>	<u>-</u>	<u>95,000</u>	<u>2,370,000</u>
Less current maturities	95,000			95,000
	<u>2,370,000</u>			<u>2,275,000</u>
Original issue discount				
2015 Original issue discount	20,134	-	-	20,134
Amortization of original issue discount				
2015 Original issue discount	(2,415)	-	805	(3,220)
	<u>17,719</u>	<u>-</u>	<u>805</u>	<u>16,914</u>
	<u>\$ 2,352,281</u>			<u>\$ 2,258,086</u>

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 4: BONDS PAYABLE (CONTINUED)

The Department's revenues are pledged to secure payment of the bonds. The bond agreements require, among other things, maintenance of insurance coverage, charging user fees adequate to retire the bonds and the maintenance and financing of certain reserve accounts (Note 1). In December 2015, the Department issued series 2015 revenue bonds to redeem series 2010 bonds. Series 2015 revenue bonds carry lower interest rates. The lower interest rate will help the Department save on interest expense. In addition, in 2012, the Department issued new bonds to finance the construction of new water and sewer lines as well as performing some major maintenance projects.

The Department was in compliance with the provisions of the bond covenants during the years ended December 31, 2019 and 2018. Please see footnote number 10 for more information.

Future maturities of long-term debt are as follows:

	Principal	Interest	Total
2020	\$ 95,000	\$ 87,092	\$ 182,092
2021	95,000	84,972	179,972
2022	95,000	82,192	177,192
2023	100,000	79,412	179,412
2024	100,000	76,272	176,272
2025 to 2029	570,000	328,282	898,282
2030 to 2034	680,000	213,910	893,910
2035 to 2039	415,000	91,825	506,825
2040 to 2042	220,000	18,913	238,913
	\$ 2,370,000	\$ 1,062,870	\$ 3,432,870

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

The Department's financial instruments are cash, certificates of deposit, accounts receivable, supplies inventory, accounts payable, other current liabilities and long-term debt. The recorded values of cash, certificates of deposit, accounts receivable, supplies inventory, accounts payable and other current liabilities approximate their fair values based on their short-term nature. The recorded value of long-term debt approximates its fair value, as interest approximates market rates.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 6: RETIREMENT PLAN

The employees of the Department participate in the City's pension plan. The plan is a single employer defined benefit plan created and operated under the City of Dumas' ordinances. All full-time employees of the Department are covered under the plan. Employees do not make contributions to the plan. The City is required to make contributions based on an actuarially computed percentage of gross wages of covered employees in accordance with the City of Dumas funding policy. The plan provides a monthly benefit determined using earnings over a participant's career payable as a life annuity with a 10-year certain period. Terminate participants may elect to receive a lump sum distribution. There were no change to the plan provision in 2019. The City of Dumas is the plan sponsor and, such as, has the authority to establish and/or amend Plan's provisions.

Under the funding policy of the City of Dumas, the contributions for the plan year from 8/15/2019 through 8/14/2020 are

	<u>Dollar amount</u>	<u>Percent</u>
Employer	100,818	6.46%
Employees	-	0.00%

The most recent measurement date of the net pension liability was 8/14/2019.

NOTE 7: INSURANCE

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties that insures several municipalities in the State of Arkansas. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not yet exceeded commercial insurance coverage for the past two fiscal years.

NOTE 8: COMMITMENTS

The Department insures itself against certain risks through participation with other Arkansas municipal entities in a public entity risk pool. The Department records its contributions to the pool as insurance expense. Management of the Department does not believe that any additional assessments related to periods prior to December 31, 2019 will be material.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 9: RELATED PARTY TRANSACTIONS

Rent expense of \$60,000 was paid for each of the years ended December 31, 2019 and 2018, and represents amounts paid to the City for office space used by the Department. The Department has no written lease for this space. The amount of rent paid to the City is approved annually by the City Council ordinance adopting the Department's operating budget for the year.

Additionally, the Department reimbursed the City \$360,557 and \$362,860 for the years ended December 31, 2019 and 2018, respectively, for payroll and health insurance costs.

NOTE 10: EVALUATION OF SUBSEQUENT EVENTS

The Department has evaluated subsequent events through April 29, 2020, the date which the financial statements were available to be issued. On August 13th, 2019 the City Council approved the proceeding with the Winchester Waste Water Improvement Project. According to the project Memorandum of Agreement (MOA) the City of Winchester agrees to pay \$2,029 per month for the purpose of transmitting Winchester's sewage to the existing Dumas system. The agreed upon amount is due on or before the 15th of each month in which the invoice is submitted. Winchester will have access to the books and records of the Departments that pertain to Winchester's sewer service in order for Winchester quantify the fairness of the service price. The Department will be responsible for the construction, installation, owning and operating the infrastructure necessary to collect sewage conveyed and discharged from Winchester. The Department shall own all of the sewer system and possess all rights and privileges to the project. The Department agrees to accept and collect all sewage conveyed and discharged from Winchester to Dumas. Funding for the project will require that the City of Dumas (the Department) to enter into a loan agreement with Arkansas Natural Resources Commission (ARNC) whereby Dumas will receive a forgivable loan in the amount of \$3,000,000 from ARNC with the loan proceeds to be used to construct and install the infrastructure necessary to collect sewage conveyed and discharged from within Winchester limits. The Department will also receive a loan from ANRC for \$975,000 which will be used for improvements to the existing sewer system of the City of Dumas, including but limited to, replacement of 1,500 of sewer lines and upgrading pump station.

In addition, the Department entered into a contract with an investment banking institution to refinance Series 2012 Water and Sewer Revenue Bonds. The refinancing will allow the Department to take advantage of the lower interest rate currently available. Procedures towards refinancing the Series 2012 Water and Sewer Revenue Bonds have started at the date this report has been prepared.

The Department's management has determined that there were no other significant subsequent events that should be disclosed in the financial statements or in the notes to the financial statements.

CITY OF DUMAS WATER AND SEWER DEPARTMENT

SCHEDULE OF FINDINGS AND RESPONSE

DECEMBER 31, 2019

Repeat Finding # 2019-1

Condition

Due to the limited number of City office personnel, we noted that some personnel are responsible for incompatible duties of sending monthly bills to customers, collecting cash from customers, updating customers' records in the system, giving credit to customers on their invoices and depositing cash at the bank.

Criteria

Management is responsible for establishing and maintaining proper segregation of duties that ensure effective internal control over the accounting cycle.

Effect

Because of the lack of segregation of duties, there is an increase risk that fraud or error could occur and not be prevented or detected in a timely manner.

Recommendation

Management should implement and monitor internal controls to decrease the risk of fraud or error by segregating the duties of accounting personnel to the greatest possible degree. This is a repeat finding.

Response

Department management responded and indicated that their offices will segregate the duties of accounting personnel to the extent possible with the current staffing levels.

JACK CHAMI, CPA PLLC

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INDEPENDENT AUDITORS' 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

Members of the City Council
Dumas, Arkansas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Water and Sewer Department, a component unit of the City of Dumas, Arkansas (the "Department") as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued my report thereon dated April 29, 2020.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and response as item finding # 2019-1, that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and response as item finding # 2019-1.

City of Dumas Water & Sewer Department Response to Finding

City of Dumas Water & Sewer Department response to the finding identified in my audit is described in the accompanying schedule of findings and response, the Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Jack Chami CPA PLLC". The signature is written in a cursive, flowing style.

Jack Chami, CPA PLLC
Little Rock, Arkansas
April 29, 2020

OTHER INFORMATION

CITY OF DUMAS WATER AND SEWER DEPARTMENT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET
POSITIONS, BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

YEAR ENDED DECEMBER 31, 2019

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Water revenues	\$ 686,483	\$ 735,000	\$ (48,517)
Sewer revenues	575,662	596,000	(20,338)
Penalties	40,485	40,000	485
Connections and disconnections	15,310	7,000	8,310
Miscellaneous income	3,616	-	3,616
Act 1053	7,568	8,000	(432)
Interest income	16,404	7,000	9,404
Total revenues	<u>1,345,528</u>	<u>1,393,000</u>	<u>(47,472)</u>
OPERATING EXPENSES			
Salaries	297,372	307,240	(9,868)
Utilities	161,534	143,566	17,968
Insurance and bonds	13,417	13,200	217
Repairs and maintenance	187,011	192,500	(5,489)
Payroll taxes	22,895	23,965	(1,070)
Office expense and supplies	8,335	11,000	(2,665)
Rent	60,000	60,000	-
Vehicle expense	17,834	15,000	2,834
Legal and accounting	13,805	21,000	(7,195)
Permits and licenses	5,653	6,000	(347)
Engineering and testing	65,223	51,800	13,423
Employees benefits	40,290	47,179	(6,889)
Other operating expenses	27,176	31,431	(4,255)
Interest expense	88,819	-	88,819
Capital outlay	-	440,888	(440,888)
Bond principal payments (1)	<u>-</u>	<u>184,117</u>	<u>(184,117)</u>
Total expenditures and capital outlays	<u>1,009,364</u>	<u>1,548,886</u>	<u>(539,522)</u>

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
EXCESS OF REVENUES OVER EXPENDITURES, CAPITAL OUTLAYS AND TRANSFERS	336,164	(155,886)	492,050
FUND NET ASSETS, BEGINNING	<u>4,472,524</u>	<u>4,472,524</u>	
FUND NET ASSETS, ENDING (NON-GAAP BUDGETARY BASIS)	<u>4,808,688</u>	<u>\$ 4,316,638</u>	<u>\$ 492,050</u>
ADJUSTMENTS TO GAAP			
Bond discount amortization (2)	(805)		
Depreciation	<u>(228,797)</u>		
	<u>(229,602)</u>		
FUND NET ASSETS, ENDING (GAAP BASIS)	<u>\$ 4,579,086</u>		

- 1- Bond principal payments and capital outlay are cash outlays for budgetary purposes but are not expenses under GAAP basis of accounting. During the year 2019, \$95,000 was used to make payments on the 2012 and 2015 Series bond principal. Please refer to note 3 & 4 to the financial statements for more information.
- 2- Bond discount amortization and depreciation expense are non-cash expenses under GAAP basis accounting and are not included in the Department's budget.

CITY OF DUMAS WATER AND SEWER DEPARTMENT
SCHEDULE OF NAMES AND TITLES OF PRINCIPAL OFFICERS
DECEMBER 31, 2019

<u>TITLE</u>	<u>NAME</u>
Mayor	Flora Simon*
City Council Members	1. T. C. Pickett 2. Roy Dalton 3. Flora Simon* 4. Franklin Healey 5. Romona Weatherford 6. Ross Martin 7. John Owen 8. Lonzell Dodds
City Clerk	Erma Coburn**
Financial Officer	Sherry Douglas
Office Administrator	Sean McCormick

* Effective January 7, 2019, Mrs. Flora Simon was elected Mayor of the City of Dumas.

** Effective January 7, 2019, Mrs. Erma Coburn was re-elected City Clerk of the City of Dumas.

** Erma Coburn resigned her position effective December 31, 2019. Shelly Billingsly was appointed as a City Clerk effective January 21, 2020.