

DATED OCTOBER 20, 2020

OFFICIAL STATEMENT

**New Issue
Book-Entry Only**

Not Rated

In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) 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 of 1986, as amended, that have been or must be satisfied prior to or subsequent to the issuance of the Bonds, (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”, (iv) interest on the Bonds is exempt from State of Arkansas income tax, and (v) the Bonds are exempt from property taxes in the State of Arkansas. (See TAX EXEMPTION AND LEGAL MATTERS.)

\$5,000,000

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER REVENUE BONDS,
SERIES 2020**

Dated: Date of Delivery

Due: June 1, as shown

The payment of principal of and interest on the Water and Sewer Revenue Bonds (the “Bonds”) is secured by a pledge of the net revenues derived from the operation of the water treatment, storage and distribution system, wastewater treatment system, and sanitation system (the “System”) of the City of Gentry, Arkansas (the “City”), a lien on the System properties, and by a statutory mortgage lien on a portion of the waterworks component of the System on a parity of security with a pledge of such net revenues and mortgage lien securing the City’s Water and Sewer Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”), as more particularly set forth in the First Supplemental Trust Indenture by and between the City and Simmons Bank, Pine Bluff, Arkansas, as Trustee (the “Trustee”). The Bonds are special obligations of the City, and neither the faith and credit of the City, the State, nor Gentry County, Arkansas (the “County”) are pledged to the payment of the Bonds, nor shall the issuance of the Bonds directly, indirectly or contingently obligate the City, the State, or the County to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Bonds, except as described herein with respect to the net revenues of the System.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2021, and the Bonds mature on June 1 of each year, bear interest and are priced to yield as shown on the succeeding page. Interest will be paid by check or draft of the Trustee, by mail to the person reflected as registered owner on the registration book maintained by Trustee, as bond registrar, on the 15th day of the month preceding the interest payment date.

The Bonds of each maturity will be initially issued as a single registered Bond registered in the name of Cede & Co., the nominee of The Depository Trust Company (DTC), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by 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, subject to prior sale, when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Mitchell, Williams, Selig, Gates and Woodyard, P.L.L.C., Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. It is expected that the Bonds will be available for delivery on or about November 30, 2020.

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

Stephens

Dated: As of Date of Delivery.

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BONDS MATURITY SCHEDULE

\$2,690,000 Serial Bonds

Year (June 1)	Amount	Rate (%)	Yield (%)	CUSIP
2021	\$100,000	2.000	0.720	37254E AF1
2022	215,000	2.000	0.770	37254E AG9
2023	215,000	2.000	0.870	37254E AH7
2024	220,000	2.000	0.970	37254E AJ3
2025	225,000	2.000	1.080	37254E AK0
2026*	230,000	2.000	1.300	37254E AL8
2027*	235,000	2.000	1.450	37254E AM6
2028*	240,000	2.000	1.600	37254E AN4
2029*	245,000	2.000	1.750	37254E AP9
2030*	250,000	2.000	1.850	37254E AQ7
2031	255,000	2.000	2.000	37254E AR5
2032	260,000	2.000	2.100	37254E AS3

\$2,310,000 Term Bonds

\$815,000 2.250% Term Bonds Due June 1, 2035; Yield 2.300%; CUSIP 37254E AT1
\$1,495,000 2.450% Term Bonds Due June 1, 2040; Yield 2.450%; CUSIP 37254E AU8

*Priced to December 1, 2025 optional redemption date.

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 Underwriter has gathered the information in this Official Statement from sources it believes to be reliable, including primarily the City. The Underwriter does not guarantee this information as to its completeness or its accuracy.

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

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

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

The CUSIP numbers shown herein have been assigned by an organization not affiliated with the City. Neither the City, nor the Underwriter nor the Trustee were responsible for the selection of CUSIP numbers, and neither make any representation as to the accuracy of such numbers on the or as indicated herein.

This Official Statement contains descriptions and summaries of the Bonds, the City, the Authorizing Legislation, and the Trust Indenture, and related matters. Such descriptions and summaries do not purport to be comprehensive or definitive. All references to the Bonds, the City, the Authorizing Legislation, and the Trust Indenture are qualified in their entirety by reference to the actual texts of the Bonds, the City, the Authorizing Legislation, and the Trust Indenture. All terms capitalized herein and not otherwise defined shall have the meanings set forth in the Trust Indenture. A summary of the Trust Indenture, including definitions of certain terms contained therein, is included in this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

5,000,000
CITY OF GENTRY, ARKANSAS
WATER AND SEWER SYSTEM REVENUE BONDS,
SERIES 2020

INTRODUCTION

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

This Official Statement is furnished to prospective investors in connection with the sale by the City of Gentry, Arkansas (the “City”), a city of the first class existing under the laws of and a political subdivision of the State of Arkansas (the “State”), of its Water and Sewer Revenue Bonds, Series 2020, in the aggregate principal amount of \$4,885,000* (the “Bonds”). The Bonds mature and bear interest as shown inside the front cover.

The Bonds are dated November 30, 2020*. The Bonds are being issued to finance the cost of (i) purchasing and installing of certain additional improvements to the City’s water treatment, storage and distribution system, wastewater treatment system, and sanitation system (the “System”), including, but not limited to an elevated water storage tank and other improvements, (ii) funding a debt service reserve, and (iii) paying costs incidental thereto. See **PURPOSES OF BONDS**.

The Bonds will be issued pursuant to Ordinance No. 20-831 adopted by the City Council of the City on October 20, 2020 (the “Bond Ordinance”).

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or an integral multiple thereof. Interest is payable June 1, 2021, and semiannually thereafter on each December 1 and June 1. Principal is payable at the principal office of Simmons Bank, Pine Bluff, Arkansas, which is the Trustee and Paying Agent for the registered owners of the Bonds (the “Trustee”). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The Bonds shall be subject to redemption at the option of the City from funds from any source, on and after December 1, 2025, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed to the redemption date. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest in the Bonds is excludable from gross income for federal income tax purposes, subject to the City’s compliance with all requirements of the Internal Revenue Code of 1986, as amended, (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”, (iv) interest on the Bonds is exempt from State income tax, and

(v) the Bonds are exempt from property sales tax in the State. See **TAX EXEMPTION AND LEGAL MATTERS, Tax Exemption**.

The Bonds are primarily payable from, and are secured by a pledge of, the net revenues derived from the operation of the System and are further secured by a statutory mortgage lien on a portion of the waterworks component of the System and a lien on other System properties, as more particularly set forth in the Trust Indenture dated September 28, 2016 by and between the City and the Trustee, as amended and supplemented by a First Supplemental Trust Indenture to be entered into by and between the City and the Trustee (together, the “Trust Indenture”). Such pledge is on a parity of security with a pledge of such net revenues and mortgage lien securing the City’s Water and Sewer Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”). See **SECURITY FOR THE BONDS** and **THE TRUST INDENTURE**.

The City is a city of the first class existing under the laws of and a political subdivision of the State located in Benton County, Arkansas (the “County”). The City is authorized and empowered under the Constitution and laws of the State of Arkansas, including particularly Amendment 65 to the Arkansas Constitution and Arkansas Code Annotated §§ 14-234-201 *et seq.*, §§14-235-201 *et seq.*, and §§ 14-164-401 *et seq.* (collectively, the “Authorizing Legislation”) to issue and sell revenue bonds for the purpose purchasing and installing additional improvements to the System, funding a debt service reserve, and paying costs incidental thereto. See **THE CITY**.

It is expected that the Bonds will be available for delivery on or about November 30, 2020* through the facilities of The Depository Trust Company, in New York, New York.

The City and Simmons Bank, Pine Bluff, Arkansas, as dissemination agent, have entered into a Continuing Disclosure Agreement with regards to the Bonds (the “Continuing Disclosure Agreement”) in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See **THE CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Trust Indenture and the Continuing Disclosure Agreement, each summarized herein, are available upon request from Stephens Inc. 111 Center Street, 23rd Floor, Little Rock, Arkansas 72201.

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

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AUTHORITY TO ISSUE BONDS

The City is authorized by the Constitution and laws of the State of Arkansas, including particularly Amendment 65, Arkansas Code Annotated §§ 14-234-201 *et seq.*, §§14-235-201 *et seq.*, and §§ 14-164-401 *et seq.* (collectively, the “Authorizing Legislation”) to acquire, operate and maintain the System, and to supply water and wastewater services to its customers and to make a charge therefor. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, including particularly the Authorizing Legislation, the Bond Ordinance, and the Trust Indenture. See **THE TRUST INDENTURE**. The Bonds will not be general obligations for which the faith and credit of the City, the State, the County, or any political subdivision thereof is pledged. The payment of principal of and interest on the Bonds is payable from and is primarily secured by a pledge of the net revenues derived from operation of the System and statutory mortgage lien on the waterworks portion of the System pursuant to the terms of the Trust Indenture. See **THE BONDS**, Security.

PURPOSES OF BONDS

Purposes. The Bonds are being issued to finance the cost of constructing the Improvements (as described below), funding a debt service reserve for the Bonds, and paying costs incidental to the issuance of the Bonds.

Proceeds of the Bonds may be invested in Permitted Investments as set forth in the Trust Indenture.

The Improvements. The City anticipates that the improvements to the System to be constructed with proceeds of the Bonds will include construction and installation of a new composite elevated water storage tank to provide water storage for the “Y City” pressure plane zone of the System, which serves the eastern portion of the City’s water distribution system together with the construction and installation of various other improvements to the System (collectively, the “Improvements” or the “Project”).

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SOURCES AND USES

Sources and Uses of Bonds. The sources and uses of funds to finance the construction of the Improvements to the System are estimated to be as follows:

Sources of Funds

Par Amount of Bonds	\$5,000,000.00
Net Original Issue Premium (Discount)	43,073.45

TOTAL SOURCES **\$5,043,073.45**

Uses of Funds

Costs of Issuance*	\$131,609.70
Deposit to 2020 Construction Fund	4,750,000.00
Deposit to 2020 Debt Service Reserve Fund	161,463.75

TOTAL USES **\$5,043,073.45**

* Includes, among other costs, underwriter's discount, trustee fees, and bond counsel fees.

The payment of Underwriters' 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 Underwriters' discount. The net proceeds of the Bonds, consisting of the principal amount of the Bonds, plus net reoffering premium, less Underwriter's discount, will be (a) transferred to the Trustee to be applied to the payment of costs of issuance of the Bonds, (b) deposited to the 2020 Construction Fund for construction of the Project, (c) deposited to the 2020 Debt Service Reserve Fund, and (d) deposited to the 2020 Costs of Issuance Account for the Bonds as more particularly described in the Trust Indenture.

The Bonds are secured under the Trust Indenture. For a summary of the terms of the Trust Indenture, see **THE TRUST INDENTURE** herein. The City may issue additional bonds on a parity of security with the Bonds, but the ability of the City to issue any additional bonds on a parity with the Bonds is contingent upon compliance with the requirements of the Trust Indenture. See **SECURITY FOR THE BONDS; ADDITIONAL BONDS, Additional Bonds**.

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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). 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 transaction in deposited securities through electronic computerized book-entry changes in 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, AND EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Trust Indenture, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Trust Indenture. The City and the Trustee have no responsibility or obligation to 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 Trust Indenture 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 number thereof. In the event any Bond is

mutilated, lost or destroyed, the Trustee shall authenticate and deliver to the registered owner a new Bond in accordance with the provisions therefor in the Trust Indenture.

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

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

Optional Redemption. The Bonds shall be subject to redemption at the option of the City from funds from any source, on and after December 1, 2025,* in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds 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.

(c) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on June 1, 2035 and 2040 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on June 1 of each of such years as follows:

Bonds Maturing June 1, 2035

<u>Year</u>	<u>Principal Amounts</u>
2033	\$265,000
2034	270,000
2035 (maturity)	280,000

Bonds Maturing June 1, 2040

<u>Year</u>	<u>Principal Amounts</u>
2036	\$285,000
2037	290,000
2038	300,000
2039	305,000
2040 (maturity)	315,000

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.

Notice of early redemption identifying the bonds or portions thereof (which must be \$5,000 or an integral multiple thereof) to be redeemed and the date fixed for redemption shall be made by the Trustee via first class mail or by any other standard means, including electronic or facsimile communication, not less than thirty (30), nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner of any Bond called for redemption, addressed to such registered owner's registered address. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for their redemption have been deposited with the Trustee as provided in the Trust Indenture.

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.**

Security. The Bonds are not general obligations of the City, but are special obligations payable solely from and secured by a pledge of the Revenues of the System, as more particularly described below.

General. The Bonds are not general obligations of the City, but are special obligations of the City primarily payable from, and secured by a pledge of, the net revenues that are derived from the operation of the System and by a statutory mortgage lien on a portion of the waterworks component of the System on a parity of security with a pledge of such net revenues and mortgage lien securing the Series 2016 Bonds. The principal of, redemption premium, if any, and interest on the Bonds may also be paid as provided in the Trust Indenture from moneys in the Debt Service Reserve Fund. See **SECURITY FOR THE BONDS** and **THE TRUST INDENTURE, Security for the Bonds.**

The Bonds are secured under the Trust Indenture. For a summary of the terms of the Trust Indenture, see **THE TRUST INDENTURE** herein. The City may issue additional bonds on a parity of security with the Bonds, but the ability of the City to issue any additional bonds on a parity of security with the Bonds is contingent upon compliance with the requirements of the Trust Indenture. See **SECURITY FOR THE BONDS; ADDITIONAL BONDS, Additional Bonds.**

The System has no taxing power. The resources of the System are limited to the water storage facilities, water distribution facilities, the wastewater collection and treatment facilities, and the revenues derived from the sale of water and fees charged for collection and treatment of wastewater.

Rate Covenants. In the Trust Indenture, the City covenants and agrees that the rates and charges fixed for services of the System will produce Revenues in each fiscal year at least sufficient to (1) pay the System's operation, repair and maintenance expenses and (2) leave a balance equal to 125% of the debt

service requirements for that fiscal year for the Bonds, all Additional Bonds and all Parity Obligations (as defined in the Trust Indenture). The City further covenants and agrees that the rates, fees and charges shall, if and when necessary from time to time, be increased in such manner as will produce Revenues sufficient to meet these requirements. See **THE TRUST INDENTURE**, Rate Covenants.

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SECURITY FOR THE BONDS; ADDITIONAL BONDS

The Bonds will be special limited obligations of the City, primarily payable from, and secured by a pledge of, the net revenues that are derived from the operation of the System, a statutory mortgage lien on a portion of the waterworks component of the System, and a lien on System properties, each as more particularly described in the Trust Indenture, on a parity of security with the Series 2016 Bonds. The Bonds do not constitute an indebtedness of Benton County, Arkansas or the State of Arkansas, nor a general obligation of the City. See **THE TRUST INDENTURE**, Security for the Bonds.

Additional Bonds. The City has reserved the right to issue additional bonds under the Trust Indenture (“Additional Bonds”). Before any Additional Bonds can be issued on a parity with the Bonds (“Parity Obligations”), there must be filed with the Trustee the following, as appropriate:

- (i) a copy, certified by the City Recorder, of the ordinance authorizing the Additional Bonds and directing their delivery to or upon the order of purchasers therein named upon payment of the purchase price therein set forth;
- (ii) a certificate of the Mayor stating that no event of default specified in the Trust Indenture has happened and is then continuing;
- (iii) an opinion of counsel selected by the City but satisfactory to the Trustee that all required legal action precedent to the issuance of the Additional Bonds has been taken and that, when executed, authenticated and delivered, such bonds will be valid, binding and enforceable obligations of the City secured by the Trust Indenture on a parity with previously issued Bonds secured thereby; and
- (iv) a certificate to the effect that “adjusted gross revenues” of the System (hereinafter defined) for the fiscal year immediately preceding the delivery of the Additional Obligations (the “immediately preceding fiscal year”) were sufficient in amount:
 - (a) to pay all operation and maintenance expenses of the System for the immediately preceding fiscal year; and
 - (b) to make all payments into the funds of the System created by the Trust Indenture (exclusive of the Operation and Maintenance Fund and the Bond Fund) required by the provisions of the Trust Indenture to be made during the immediately preceding fiscal year; and
 - (c) to leave a balance equal to not less than 125% of the combined average annual principal and interest requirements during the current or any subsequent fiscal year of the System for (A) the then outstanding Bonds, (B) the Additional Bonds then held by the Trustee for Delivery and (C) any then outstanding Additional Bonds and Parity Obligations. A balance equal to not less than 125% of the average annual principal and interest requirements during the current or any subsequent fiscal year of the System for (A) the then outstanding Bonds, (B) the Additional Bonds then held by the Trustee for Delivery and (C) any then outstanding Additional Bonds and Parity Obligations, if the System has received a projection from a certified consulting engineer that the 125% coverage will be met, which may include increased revenues from revenues to be derived from extensions or betterments being financed, additional customers or rate increases.

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

The term “adjusted gross revenues,” means:

- (a) The gross revenues actually received by the System during the fiscal year immediately preceding the delivery of the Additional Bonds; plus
- (b) Any additional revenues (as projected as to adjusted gross revenues, on the basis of actual water sales) that would have been derived from a rate increase actually placed into effect during such fiscal year if such rate increase had been in effect throughout the fiscal year; plus
- (c) Any additional annual revenues as projected (on the basis of the then current water rates) to be derived from new customers to be served upon completion of improvements then under construction or to be financed from the proceeds of the Additional Bonds delivered to the Trustee.

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

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THE CITY AND THE COUNTY

Location. The City is located in Benton County, Arkansas (the “County”), and is a city of the first class organized and existing under the laws of the state of Arkansas. The City is located in in northwestern Arkansas and is approximately 220 miles northwest of Little Rock, Arkansas. The City is 22 miles west of Bentonville, Arkansas and 13 miles west of the Northwest Arkansas Regional Airport.

Population. The County is comprised of 17 cities and a number of unincorporated townships. Since 1970, the population trend for the City and the County is as follows¹:

<u>Year</u>	<u>City Population</u>	<u>County Population</u>
1970	1,022	50,476
1980	1,468	78,115
1990	1,726	97,499
2000	2,165	153,323
2010	3,158	222,339
2015*	3,753	251,591
2016*	3,792	259,212
2017*	3,810	266,585
2018*	3,910	272,266
2019*	4,023	279,141

*Estimates as of July 1 of each year per.

Transportation. The City is served by State Highways 12 and 59. The nearest commercial airport is Northwest Arkansas Regional Airport, 13 miles east of the City.

City Council and Administration.² The government of the City operates under the mayor-city council form of government, pursuant to which a mayor is elected for four-year term and eight aldermen are elected for two-year terms. The current mayor (whose term expires December 31, 2022), aldermen of the City (whose terms variously expire December 31, 2020 and December 31, 2022), and other elected officials are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Kevin Johnston	Mayor	2022
Jenny Trout	City Clerk	2022
Joel Kurtz	City Attorney	2022
Janice Arnold	Alderman	2020
Jason Barrett	Alderman	2020
Michael Crawford	Alderman	2020
Cindy Philpott	Alderman	2022
Dan Erskin	Alderman	2020
Kristi Reams	Alderman	2022
Jimmy Thorburn	Alderman	2022
Jason Williams	Alderman	2022

¹ Source: U.S. Bureau of the Census.

² Source: Issuer.

Financial Institutions. Banks having branches in the City include Arvest Bank and Grand Savings Bank. Twenty-six banks have branches within Benton County. Bank deposits in Benton County have been as follows for the years indicated³:

<u>Year (as of June 30)</u>	<u>Total Deposits</u>	<u>Average Annual Growth (%)</u>
2010	\$3,408,084	0.5
2011	4,140,761	21.5
2012	4,740,491	14.5
2013	4,075,448	(14.0)
2014	4,007,810	(1.7)
2015	4,238,943	5.8
2016	4,380,415	3.3
2017	5,358,325	22.3
2018	5,151,832	(3.9)
2019	5,503,010	6.8

Education. Primary and secondary education for the City’s inhabitants are provided by the Gentry School District public school system. The University of Arkansas is located 30 miles away in Fayetteville and Northwest Arkansas Community College is located in Bentonville, Arkansas.

Employers. The following are the 10 largest major employers within the County⁴:

<u>Employer</u>	<u>Industry</u>
Walmart Stores, Inc.	Retail Department Stores
J.B. Hunt Transport Services, Inc.	Trucking
Rogers School District	Public Schools
Mercy Health System of Northwest Arkansas	Healthcare
Bentonville School District	Public Schools
Simmons Foods, Inc.	Poultry Processing, Pet Foods, and Prepared Food
McKee Foods Corporation	Snack Cakes Manufacturing
Arvest Bank Group	Financial Institutions
Tyson Foods, Inc.	Poultry Processing
Ozark Mountain Poultry Inc.	Poultry Processing

On September 27, 2017, Simmons Prepared Foods, an affiliate of Simmons Foods, Inc. announced plans to build a new chicken processing facility in Benton County between the cities of Decatur and Gentry, including plans to invest up to \$400 million in the new facility⁵. Simmons Foods announced that it anticipates that the expansion of operations will create approximately 1,500 new jobs, bringing total employment to over 2,300 people by 2022. The new facility began operations in late 2019.

Litigation. There is no material litigation pending or threatened against the City that would materially adversely affect the financial condition of the City.

³ Source: Federal Deposit Insurance Corporation.

⁴ Source: Arkansas Economic Development Commission.

⁵ Source: Simmons Prepared Foods press release dated September 27, 2017.

City and County Economic Data.

Per Capita Personal Income. Per capita personal income estimates for the County since 2011 are as follows⁶:

<u>Year</u>	<u>Per Capita Personal Income</u>	<u>Average Annual Growth (%)</u>
2011	56,332	--
2012	66,858	18.7
2013	64,251	(3.9)
2014	74,292	15.6
2015	78,852	6.1
2016	82,031	4.0
2017	84,658	3.2
2018	88,890	5.0

Total Personal Income. Total personal income estimates for the County since 2011 are as follows⁷:

<u>Year</u>	<u>Personal Income (in 000's)</u>	<u>Average Annual Growth (%)</u>
2011	12,908,748	--
2012	15,708,112	21.7
2013	15,387,184	(2.0)
2014	18,192,850	18.2
2015	19,844,978	9.1
2016	21,265,196	7.2
2017	22,561,813	6.1
2018	24,232,084	7.4

Average Unemployment. The annual average unemployment rates for the County and the State of Arkansas since 2011 are as follows⁸:

<u>Year</u>	<u>Benton County (%)</u>	<u>State (%)</u>
2012	6.0	7.6
2013	5.6	7.2
2014	4.6	6.0
2015	3.8	5.0
2016	2.9	3.9
2017	2.9	3.7
2018	2.9	3.7
2019	2.6	3.5
2020	6.3*	7.1 ⁺

*Source: Arkansas Workforce Services, as of June, 2020.

⁺As of July, 2020.

⁶ Source: U.S. Bureau of Economic Analysis.

⁷ Source: U.S. Bureau of Economic Analysis.

⁸ Source: U.S. Bureau of Labor Statistics.

THE WATER AND SEWER SYSTEM

Management. The Director of Public Works, who is responsible for management of the entire System, is Laymon Donohew. Mr. Donohew has been with the System for approximately 33 years. He is also responsible for the System’s day-to-day operations. The City employs eight additional full-time System employees in addition to Mr. Donohew, with an additional two open positions.

Water Supply; Water Purchase Contracts. The System is a distribution and storage-only system and the water is supplied by the Benton/Washington Regional Public Water Authority (“Two Ton”). The City’s current rate for purchase of water from Two Ton is \$2.34 per thousand and the contract for such purchase extends to 2037. The current average daily usage is approximately 2,650,000 gallons.

Water System Facilities. The City’s water system presently includes a 1,000,000 gallon water storage tank and a 500,000 gallon water storage tank, together with several miles of water mains. The City anticipates that the Improvements to be constructed with proceeds of the Bonds will include construction and installation of new composite elevated water storage tank to provide water storage for the “Y City” pressure plane zone of the System, which serves the eastern portion of the City’s water distribution system together with the construction and installation of various other improvements to the System.

Water Sales; Customers. The volume of water sold by the System for the past five years was as follows:

<u>Year Ending December 31</u>	<u>Average Daily Gallons</u>	<u>Maximum Daily Gallons</u>	<u>Total Annual Gallons Sold</u>
2015	684,204	1,154,833	249,819,000
2016	701,463	844,613	256,034,000
2017	663,332	765,742	242,116,000
2018	695,169	800,516	253,737,000
2019	887,531	2,410,445	323,949,000
2020*	2,650,000		

*As of September 30, 2020.

Water Rates. Below are the City’s current monthly water rates:

<i>Water Rates Based on Meter Size - Within City Limits</i>		
5/8 inches x 3/4 inches	\$14.12	First 1,000 gallons
1 inch	\$19.77	First 1,000 gallons
1 1/2 inches	\$25.41	First 1,000 gallons
2 inches	\$40.92	First 1,000 gallons
3 inches	\$155.23	First 1,000 gallons
4 inches	\$197.58	First 1,000 gallons
6 inches	\$297.42	First 1,000 gallons
8 inches	\$409.23	First 1,000 gallons

<i>Water Rates after First 1,000 Gallons - Within City Limits</i>		
1,001 to 15,000 gallons	\$5.51	Minimum Charge
15,001 to 50,000 gallons	\$5.29	Per 1,000 gallons
50,001 to 300,000 gallons	\$5.08	Per 1,000 gallons
300,001 to 1,000,000 gallons	\$4.67	Per 1,000 gallons
1,000,001 to 5,000,000 gallons	\$4.31	Per 1,000 gallons
In excess of 5,000,000 gallons	\$2.84	Per 1,000 gallons
<i>Water Rates Based on Meter Size - Outside City Limits</i>		
5/8 inches x 3/4 inches	\$33.86	First 1,000 gallons
1 inch	\$47.41	First 1,000 gallons
1 1/2 inches	\$59.89	First 1,000 gallons
2 inches	\$98.23	First 1,000 gallons
3 inches	\$372.53	First 1,000 gallons
4 inches	\$474.04	First 1,000 gallons
6 inches	\$711.19	First 1,000 gallons
8 inches	\$982.14	First 1,000 gallons
<i>Water Rates after First 1,000 Gallons - Outside City Limits</i>		
1,001 to 15,000 gallons	\$9.39	Minimum Charge
15,001 to 50,000 gallons	\$7.62	Per 1,000 gallons
50,001 to 300,000 gallons	\$5.86	Per 1,000 gallons
300,001 to 1,000,000 gallons	\$5.08	Per 1,000 gallons
1,000,001 to 5,000,000 gallons	\$4.53	Per 1,000 gallons
In excess of 5,000,000 gallons	\$2.84	Per 1,000 gallons

Retail Water Customers. The System had the following number of retail water customers during the years set forth below:

<u>Year Ending December 31</u>	<u>Total Residential Water Customers</u>	<u>Total Commercial Water Customers</u>
2015	2014	317
2016	2081	364
2017	2107	340
2018	2145	406
2019	2268	339

Sewer System Facilities. The City operates a trickle filter system that is in excellent condition. The plant is designed for an average flow of 0.5 MGD. The total hydraulic capacity is 1.7 MGD and the average amount treated is at 300,000 gallons.

Sewer Rates. Below are the City's current monthly sewer rates:

<i>Sewer Rates - Within City Limits</i>		
First 1,000 gallons	\$8.04	Minimum Charge
1,001 to 5,000 gallons	\$2.96	Per 1,000 gallons
5,001 to 50,000 gallons	\$2.26	Per 1,000 gallons
All over 50,000 gallons	\$1.46	Per 1,000 gallons
<i>Sewer Rates - Outside City Limits</i>		
First 1,000 gallons	\$13.33	Minimum Charge
1,001 to 5,000 gallons	\$3.74	Per 1,000 gallons
5,001 to 50,000 gallons	\$2.26	Per 1,000 gallons
All over 50,000 gallons	\$1.46	Per 1,000 gallons

Retail Sewer Customers. The System had the following number of retail Sewer customers during the years set forth below:

<u>Year Ending December 31</u>	<u>Total Residential Sewer Customers</u>	<u>Total Commercial Sewer Customers</u>
2015	1070	130
2016	1080	141
2017	1140	142
2018	1232	140
2019	1131	140

Largest System Customers. Below are the 10 largest customers of the System and the consumption of each for the calendar year ended December 31, 2019. See **BONDHOLDERS' RISKS**.

<u>Customer Name</u>	<u>Customer Type</u>	<u>Percent of Total Gallons Purchased</u>	<u>Yearly Water Usage (Gallons)</u>	<u>Yearly Water Revenue</u>	<u>Yearly Sewer Revenue</u>	<u>Total Revenue</u>	<u>Percent of Total System Revenues</u>
McKee Foods Corp.	Commercial	22.32%	72,313,350	\$300,217	\$100,641	\$400,858	13.78%
Simmons Foods, Inc.	Commercial	15.20%	49,241,000	216,458	0	216,458	7.44%
SWEPCO	Commercial	1.24%	4,006,500	24,017	6,355	30,372	1.04%
Gentry Schools	Public	1.04%	3,358,590	18,796	7,428	26,224	0.90%
Ozark Academy	Commercial	0.54%	1,754,470	14,109	4,092	18,201	0.63%
Cargill	Commercial	0.51%	1,654,050	8,838	3,016	11,855	0.41%
Cobb Vantress	Commercial	0.50%	1,627,250	11,032	0	11,032	0.38%
Pioneer Woods Apt.	Residential	0.26%	856,000	4,792	1,783	6,576	0.23%
Jim Pigeon	Commercial	0.15%	484,500	4,265	0	4,265	0.15%
Pugh Farms LLC	Commercial	0.06%	179,800	1,378	0	1,378	0.05%

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FINANCIAL INFORMATION

A summary of Audited Financial Statements of the System for the fiscal years ended December 31, 2015 through 2019 is below together with a summary of the City-prepared unaudited financial statements of the System for the nine-month periods ended September 30, 2019 and 2020. The Audited Financial Statements of the System for the fiscal years ended December 31, 2018 and 2019 are attached as Appendix A hereto together with the unaudited City-prepared financial statements of the System for the nine-month periods ended September 30, 2019 and 2020. Berry & Associates, P.A., the City's independent auditor for the System, has been engaged to perform and has not performed, since the date of its report included herein, any procedures on the Audited Financial Statements addressed in that report. Berry & Associates, P.A. has not performed any procedures relating to this Official Statement.

	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>9 MONTHS ENDED 09/30/20</u>	<u>9 MONTHS ENDED 09/30/19</u>
Operating Revenues	\$2,908,342	\$2,560,800	\$2,454,300	\$2,340,272	\$2,168,381	\$3,764,000	\$1,980,281
Interest & Other Income	\$23,764	\$15,122	\$6,848	\$5,047	\$4,921	\$10,377	\$17,721
TOTAL OP. REVENUE:	\$2,932,106	\$2,575,922	\$2,461,148	\$2,345,319	\$2,173,302	\$3,774,377	\$1,998,002
OPERATING EXPENSES:	(\$2,484,088)	(\$2,018,049)	(\$1,944,803)	(\$1,856,251)	(\$1,953,758)	(\$3,420,694)	(\$1,747,307)
NET OPERATING REVENUE:	\$448,018	\$557,873	\$516,345	\$489,068	\$219,544	\$353,683	\$250,695
ADD BACK: Depreciation & Amortization	\$268,056	\$248,431	\$246,407	\$248,494	\$245,434	\$201,625	\$201,042
NET REVENUES AVAILABLE FOR DEBT SERVICE:	\$716,074	\$806,304	\$762,752	\$737,562	\$464,978	\$553,308	\$451,737

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DEBT SERVICE SCHEDULES

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

Fiscal Year (Ending Dec. 31)	Principal	Rate (%)	Interest	Net New Debt Service
2020	-			
2021	\$100,000.00	2.000	\$54,685.63	\$154,684.63
2022	215,000.00	2.000	106,765.00	321,765.00
2023	215,000.00	2.000	102,465.00	317,465.00
2024	220,000.00	2.000	98,165.00	318,165.00
2025	225,000.00	2.000	93,765.00	318,765.00
2026	230,000.00	2.000	89,265.00	319,265.00
2027	235,000.00	2.000	84,665.00	319,665.00
2028	240,000.00	2.000	79,965.00	319,965.00
2029	245,000.00	2.000	75,165.00	320,165.00
2030	250,000.00	2.000	70,265.00	320,265.00
2031	255,000.00	2.000	65,265.00	320,265.00
2032	260,000.00	2.000	60,165.00	320,165.00
2033	265,000.00	2.250	54,965.00	319,965.00
2034	270,000.00	2.250	49,002.50	319,002.50
2035	280,000.00	2.250	42,927.50	322,927.50
2036	285,000.00	2.450	36,627.50	321,627.50
2037	290,000.00	2.450	29,645.00	319,645.00
2038	300,000.00	2.450	22,540.00	322,540.00
2039	305,000.00	2.450	15,190.00	320,190.00
2040	315,000.00	2.450	7,717.50	322,717.50
Total	\$5,000,000.00		\$1,239,214.63	\$6,239,214.63

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Set forth below are the debt service requirements for the Bonds and the Series 2016 Bonds during each fiscal year ending December 31 throughout the term of the Bonds:

Fiscal Year (Ending Dec. 31)	Series 2020 Bonds Debt Service	Series 2016 Bonds Debt Service	Total Debt Service
2021	\$208,067.13	\$231,265.00	\$439,332.13
2022	319,615.00	233,215.00	552,830.00
2023	315,315.00	234,745.00	550,060.00
2024	315,965.00	235,845.00	551,810.00
2025	316,515.00	231,885.00	548,400.00
2026	316,965.00	232,865.00	549,830.00
2027	317,315.00	233,725.00	551,040.00
2028	317,565.00	233,925.00	551,490.00
2029	317,715.00	233,450.00	551,165.00
2030	317,765.00	232,825.00	550,590.00
2031	317,715.00	232,050.00	549,765.00
2032	317,565.00	231,125.00	548,690.00
2033	316,983.75	234,843.75	551,827.00
2034	315,965.00	233,203.13	549,168.13
2034	319,777.50	231,406.26	551,183.76
2036	318,136.25	234,375.01	552,511.26
2037	316,092.50	25,390.63	341,483.13
2038	318,865.00		318,865.00
2039	316,453.75		316,453.75
2040	318,858.75		318,858.75
Total	\$6,239,214.63	\$3,756,138.78	\$9,995,353.41

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ESTIMATED DEBT SERVICE COVERAGE

The following reflects revenues of the City from operation of the System available for debt service based on historical results for the fiscal year ended December 31, 2019:

	<u>FYE 2019</u>
ESTIMATED NET INCOME FOR DEBT SERVICE^(A):	\$716,074
Maximum Annual Debt on the Bonds ^{(B)*}	\$322,928
Maximum Annual Debt Service on the Bonds and the Series 2016 Bonds ^{(C)*}	\$552,830.00
DEBT SERVICE COVERAGE ON THE BONDS AND THE SERIES 2016 BONDS^{(A)/(C)*}	1.30X

^(A)See **FINANCIAL INFORMATION**.

*Assumes an average interest rate of 2.2663493% on the Bonds.

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THE TRUST INDENTURE

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

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

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature located thereon or therein, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining comprising the System now owned or leased by the City in Benton County, Arkansas or to be financed or refinanced by Bonds issued under the Trust Indenture, including specifically, a statutory mortgage lien on the waterworks portion of the System.

(b) All other System properties of whatever nature now owned by the City and comprising the System or acquired, constructed or equipped as part of the Project and not covered by the properties described in (a) above, including, without limitation, all assets, franchises, and rights, privileges, licenses, and rights of way.

(c) All revenues and income of the System while any bonds issued under the Trust Indenture are outstanding, including particularly, the income received by the City from the water users and wastewater rate payers, and all other persons, firms, boards, corporations, or organizations of any nature.

(d) All moneys in the Bond Fund (hereinafter described), the Construction Fund, and the Refunding Fund established pursuant to the Trust Indenture and all investments therein and earnings thereon.

(e) Replacement properties for the System (as described in the Trust Indenture) and any and all other property of every name and nature from time to time heretofore or hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds, by the City or by any other person, firm or corporation to the Trustee, which is authorized to receive any and all such property at any time and at all times and to hold and to apply the same subject to the terms of the Trust Indenture.

Rate Covenant. Under the Trust Indenture, the City covenants and agrees that it will fix, charge and collect rates, fees and charges for water and sewer services furnished by the System that shall produce total revenues in each fiscal year sufficient to (1) pay the System’s operation, repair and maintenance expenses, (2) make all required deposits to the Debt Service Reserve Fund, and (3) leave a balance equal to 125% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity Obligations. The City covenants that it will revise the System rates, fees and charges from time to time as necessary to comply with this covenant.

If the City fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made.

If the City complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the total Net Revenues in each of these fiscal years are sufficient to make the payments and deposits provided for in clause (1) above and leave a balance equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds and Parity Obligations.

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

Gross Receipts Fund. All Revenues received by the System shall be paid upon receipt into a special fund designated "Gross Receipts Fund."

Operation and Maintenance Fund. Under the Trust Indenture, there is required to be paid from the Gross Receipts Fund into a fund designated "Operation and Maintenance Fund," not later than the first day of each month while any Bonds issued under the Trust Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of the Fund, to pay the reasonable monthly expenses of operation, repair and maintenance (exclusive of depreciation expense and debt service charges and expenses) of the properties of the System for such month, and, to the extent determined by the City, to pay costs of betterments and improvements to the properties of the System, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and the cost of major repair and maintenance expenses and costs of betterments and improvements, 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 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 properties of the System during the next succeeding four (4) months, such surplus may be transferred and deposited in the Bond Fund.

Bond Fund. (a) After the required deposit has been made in the Operation and Maintenance Fund, there shall be paid from the Gross Receipts Fund into the "2020 Bond Fund" (the "Bond Fund"), not later than the 15th day of each month, an amount equal to the sum of:

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

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

(b) The City shall receive a credit against required monthly deposits into the Bond Fund for any moneys placed into the Bond Fund other than pursuant to paragraph (a).

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

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

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

Construction Fund. There is created under the Trust Indenture a special fund to be designated "Series 2020 Construction Fund" or "Construction Fund." Moneys in the Series 2020 Construction Fund shall be disbursed to the City for Project costs that shall include costs of acquisition, costs of construction, architect's and engineer's fees, and other allowable costs of the Series 2020 Project. Such expenditures shall be paid in accordance with and pursuant to written draw requests that shall be signed by the Mayor, the City's Finance Director, the Public Works Director, or their designee. Each draw request shall specify: (i) the number of the request for payment; (ii) the name of the person, firm or corporation to whom payment is to be made; (iii) the amount of the payment; (iv) that the disbursement is for a proper expense of or pertaining to the Project; and (v) the general classification of the expenditure.

Upon receipt of each draw request the Trustee shall issue its check upon the Construction Fund payable to the person, firm or corporation designated in the draw requests. In making such payment from the Construction Fund, the Trustee may rely on any such requisitions and any such certificates delivered to it pursuant to the Trust Indenture and the Trustee shall be relieved of all liability with respect to making such payments in accordance with any such requisitions and such supporting certificate or certificates without inspection of the Project or any other investigations.

Debt Service Reserve Fund or Surety Bond. There is created under the Indenture a special fund to be designated "Debt Service Reserve Fund" (the "Debt Service Reserve Fund") in an amount equal to one-half maximum annual debt service on the Bonds (the "Debt Service Reserve Fund Requirement"), which may include separate accounts for each series of Bonds, for the purpose of paying debt service on the Bonds. After the required deposit has been made in the Operation and Maintenance Fund and into the Bond Fund, the Trustee shall make any required payments into the Debt Service Reserve Fund, amounts equal to the required monthly deposit for the Bonds.

- (a) The sum of \$238,125 is on deposit in the Series 2016 Account of the Debt Service Reserve Fund for the Series 2016 Bonds;
- (b) Upon issuance of the Series 2020 Bonds, the sum of \$161,463.75 shall be deposited to the Series 2020 Account of the Debt Service Reserve Fund for the Series 2020 Bonds, or, in lieu thereof, a surety bond equal to one-half (i.e. 50%) of the maximum annual debt service requirements on the Series 2020 Bonds (the "Surety Bond").
- (c) Moneys held for the credit of the Debt Service Reserve Fund that exceed the Debt Service Fund Requirement shall be withdrawn from the Debt Service Reserve Fund and deposited into the Bond Fund.

If for any reason there shall be a deficiency in the payments made into the Bond Fund for any series of Bonds so that there are unavailable sufficient moneys therein to pay the principal of, premium, if any, and interest on the such series of Bonds as the same become due, any sums then held in the Account

for such series of Bonds in the Debt Service Reserve Fund shall be used to the extent necessary to pay such principal, premium, interest and fees of the Trustee, but the Debt Service Reserve Fund shall be reimbursed as described above. The Debt Service Reserve Fund shall be used solely as described herein, but the moneys therein may be invested as set forth in the Trust Indenture.

Rebate Fund. The Trust Indenture provides for the establishment of a Rebate Fund (the “Rebate Fund”), into which moneys are to be deposited for the purpose of complying with the arbitrage rebate requirements of Section 148(f) of the Internal Revenue Code of 1986.

Determination and Payment of Rebate. The City shall, unless and until the City delivers to the Trustee a written opinion of counsel as described below, make the determinations and take the actions required as are necessary, in the opinion of counsel, to comply with the requirements of Section 148(f) of the Code and the regulations pertaining thereto.

The City shall rebate to the United States, not later than sixty (60) days after the end of the five-year period ending June 1, 2021, and not later than sixty (60) days after the end of each five year period thereafter, an amount which insures that at least ninety percent (90%) of the Rebate Amount at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment or redemption of all principal of the Bonds, an amount sufficient to pay the remaining unpaid balance of the Rebate Amount, all in the manner and as required by Section 148 of the Code and the regulations pertaining thereto.

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

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

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

Gross Receipts Fund Surplus. Any surplus remaining in the Gross Receipts Fund on the first business day of each month after making full provision for the other funds described above may be used for any other lawful purpose.

Parity Obligation Payments. The Trustee and the City further acknowledge that Parity Obligations may be issued by the City in the future. If there are insufficient moneys in the Gross Receipts Fund to make

the monthly payments into the Bond Fund and to make monthly installments with respect to outstanding Parity Obligations (and debt service reserves therefor), the City shall make payments from the Gross Receipts Fund with respect to the Bonds and outstanding Parity Obligations pro rata based upon the outstanding principal amount of the Bonds and Parity Obligations.

Depositories of Funds. The Bond Fund, the Refunding Fund, the Rebate Fund and the Construction Fund shall be established and maintained in the Trustee. The Gross Receipts Fund and the Operation and Maintenance Fund shall be established in such banks or trust companies that are from time to time designated by the City, provided each must be a member of the Federal Deposit Insurance Corporation.

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

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

Investment of Funds.

(a) Moneys held for the credit of the Bond Fund shall be continuously invested and reinvested by the City in Permitted Investments and other investments permitted by Arkansas law that shall mature, or that shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be invested and reinvested by the City in Permitted Investments and other investments permitted by Arkansas law that shall mature, or that shall be subject to redemption by the holder thereof, at the option of such holder, not later than five (5) years after the date of investment or the maturity date of the Bonds, whichever is earlier.

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

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

(e) “Permitted Investments” are defined as (i) all items identified in the Trust Indenture dated September 28, 2016 by and between the City and the Trustee as “Permitted Investments,” (ii) direct or fully guaranteed obligations of the United States of America (“Government Securities”), (iii) 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, (iv) certificates of deposit of banks, including the Trustee, which are members of the Federal Deposit Insurance Corporation, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds, (v) money market funds invested exclusively in Government Securities and obligations described in (iii) above, or (vi) any other investment authorized by applicable laws of the State of Arkansas.

Permitted Investments shall mature, or shall be subject to redemption by the holder thereof, at the option of such holder, not later than the payment date for interest or principal and interest in the case of the Bond Fund. The Trustee shall follow any investment instructions of the City that are not inconsistent with the foregoing provisions of this paragraph.

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

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

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

(a) Default in the due and punctual payment of any interest on any Bond and the continuance thereof for a period of thirty (30) days;

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

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

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

(e) Declaration of bankruptcy by the City.

(f) any other “event of default” as defined in a Parity Obligation or document securing a Parity Obligation.

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

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

Remedies.

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

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

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

If an event of default shall have occurred, and if the Trustee shall have been requested so to do by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding and shall have been indemnified as provided in the Trust Indenture, the Trustee shall be obliged to exercise

such one or more of the rights and powers conferred upon it by the Trust Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interest of the bondholders.

No remedy conferred upon or reserved to the Trustee (or to the bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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

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

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

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

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

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

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

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

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

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

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

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

Supplemental Indentures Not Requiring Consent of Bondholders. The City and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Trust Indenture (a) to cure any ambiguity or formal defect or omission in the Trust Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, collateral or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds, or (d) to make any other change determined by the Trustee, in reliance on opinions of counsel and certifications of the City, to be not materially adverse to the interests of the Bondholders or

which does not involve a change referred to in the Trust Indenture which requires consent of specific Bondholders.

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

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THE CONTINUING DISCLOSURE AGREEMENT

The City will enter into a Continuing Disclosure Agreement with the Trustee, as Dissemination Agent, in the form attached hereto as Appendix C. Reference is made to Appendix C regarding the undertakings made by the City to provide certain updated financial information and operating data for the System annually, and the timely notice of specified material events as described in Securities and Exchange Commission Rule 15c2-12 (the “Rule”). Currently, such information will be made available by the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Markets Access (“EMMA”) system, where said information will be available to the general public, without charge, at www.emma.msrb.org. Annual reports as specified in the Continuing Disclosure Agreement will first be filed for information relating to the System’s fiscal year ending December 31, 2020. As of the date hereof, most recent fiscal year for which the System’s audit is available is for the fiscal year ended December 31, 2019.

The City has agreed, under the terms of the Continuing Disclosure Agreement attached hereto as Appendix C, to provide its annual report for the System, including the System’s audited financial statements, within 270 days of the end of the System’s fiscal year. The audited financial statements for the System will be prepared by a certified public accountant and will be conducted in accordance with either Arkansas law or generally accepted auditing standards and government auditing standards issued by the Controller General of the United States. If the audited financial statements of the System are not available prior to the annual report date, the City may submit the audited financial statements of the System separately from the balance of the annual report and later than the date required above for filing of the annual report if they are not available by that date, but in such event, the audited financial statements shall be submitted within 30 days of receipt and approval by the City. In addition, the City has agreed to provide other financial information and operating data for the System required by the Rule on an annual basis.

During the past five years the City has been party to two undertakings: one in connection with its Water and Sewer Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”) and another in connection with its Sales and Use Tax Revenue Improvement Bonds, Series 2019 (the “Sales Tax Bonds”). As part of its undertaking for the Series 2016 Bonds, the City has agreed to provide to the MSRB annual report for the System, commencing with the System’s fiscal year ended December 31, 2016, to include the System’s audited financial statements, within 270 days of the end of the System’s fiscal year; provided, that if the audited financial statements of the System are not available prior to the annual report date, the City may submit the audited financial statements of the System separately from the balance of the annual report and later than the date required above for filing of the annual report if they are not available by that date, but in such event, the audited financial statements shall be submitted within 30 days of receipt by the City. The annual report for the Series 2016 Bonds shall include the following information: (a) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (b) the number of water and sewer users for the fiscal year then ended and the four previous fiscal years; and (c) the top ten users of the System for the previous fiscal year and a statement as to which users, if any, accounted for 5% or more of System revenues for the preceding fiscal year. In addition, as part of its undertaking for the Sales Tax Bonds, the City has agreed to provide the MSRB annual report for the City, commencing with the City’s fiscal year ended December 31, 2019, to include the City’s audited financial statements, within 240 days of the end of the City’s fiscal year; provided, that if the audited financial statements of the City are not available prior to the annual report date, the City may submit the audited financial statements separately from the balance of the annual report and later than the date required above for filing of the annual report if they are not available by that date, but in such event, the audited financial statements shall be submitted within 30 days of receipt by the City. The annual report for the Sales Tax Bonds shall include certain statistical information, including but not limited to collections and receipts of

the pledged sales and use tax revenues for the latest year for which available and up to the four previous years (as available) and the audited financial statements of the City prepared using accounting practices prescribed by Arkansas Code Annotated Section 10-4-412 as it may be amended from time to time, or any successor statute, and audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The City is in compliance with the undertakings for each of the Series 2016 Bonds and the Sales Tax Bonds.

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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 transaction in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates.

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent to 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 Resolution, 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 Resolution. The City and the Trustee have no responsibility or obligation to 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.

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TAX EXEMPTION AND LEGAL MATTERS

Tax Exemption. In the opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, 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 previous 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 City's water 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 Trust Indenture.

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 (15%) 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 twenty-five percent (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.

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.

Original Issue Discount. The Bonds maturing in the years 2032 and 2035 were sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth inside the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

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

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each of 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.

Premium Bonds. The initial public offering prices of the Bonds maturing in the years 2021 through 2030 were greater than the amount payable on such Bonds at maturity. When the initial public offering price for any Bond is greater than the principal amount thereof, such difference constitutes original issue premium and the Bond is a “Premium Bond”. 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 a Premium Bond callable prior to its 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 a Premium Bond 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 or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their

own tax advisors regarding any pending or proposed federal or state 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.

Bank Qualification. 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 80% of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation which (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than \$10,000,000 of 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, and (3) is so designated by the City. The City has designated the Bonds as "qualified tax-exempt obligations" and has represented and covenanted not to use the System or the proceeds of the Bonds in a manner that would cause the Bonds to be "private activity bonds" within the meaning of the Code, and that the City and its subordinate entities have not and will not issue more than \$10,000,000 of such tax-exempt obligations during calendar year 2020, other than private activity bonds that are not "qualified 501(c)(3) bonds." The City has covenanted not to use the System in a manner which would cause the Bonds to be "private activity bonds."

Future Legislative Changes. Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Bonds from gross income for federal income tax purposes. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the forgoing 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 execute and deliver the Trust Indenture or to issue the Bonds.

There is no litigation pending or known to be threatened that could have a materially adverse effect on the ability of the City to operate its water system or to collect water revenues sufficient to pay the costs of operating and maintaining the water system and to pay debt service on outstanding obligations payable from revenues of the water system.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinions of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, Bond Counsel.

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BONDHOLDERS' RISKS

General. The Bonds together with interest thereon are obligations solely of the City and are to be paid from the net revenues of the System. The Bonds do not, directly or indirectly, obligate the City or any aspect or instrumentality of the State to levy any form of taxation therefor or to make any appropriations for their payment, and the Bonds do not and shall never constitute a charge against the general credit or taxing powers of the City or the State of Arkansas.

The ability of the City to pay principal and interest on the Bonds depends solely upon the continued sale of water and sewer services by the City at levels and rates that are equal to or greater than those levels and rates currently being realized by the System. No guarantee can be given that revenues will be realized by the System's activities that will be sufficient to make payments under the Trust Indenture, or to make other payments in amounts sufficient to pay principal of, premium, if any, and interest on the Bonds. Purchasers of the Bonds should bear in mind that the occurrence of any number of events, some of which are specified in more detail below, could adversely affect the ability of the System to produce its required level of revenues. Future economic and other conditions, economic developments in the service area and governmental regulation, may adversely affect revenues and expenses of the System and consequently, the City's ability to make payments under the Trust Indenture. The future financial condition of the City and the System could also be adversely affected by, among other things, legislation, regulatory actions, increased competition from other water providers due to condemnation, demand for water, demographic changes, changes in the local economy, claims and other litigation and a number of other conditions that are unpredictable, including the following risk factors. This discussion of risk factors is not, and is not intended to be, exhaustive. Some of the changes that are possible in the future are the following:

(1) Governmental Regulation. The System is currently not regulated by the Arkansas Public Service Commission ("PSC"). Any new legislation that would subject the City's rate making authority to PSC jurisdiction could hinder the City's ability to raise System rates on a timely basis and will increase the City's administrative costs for the System.

(2) Environmental Matters. The City currently knows of no environmental matters that could have a negative impact upon the System's operations. Expansion of the System may require the obtaining of various environmental permits associated with, among other things, the right of the City to take additional water from its existing or new sources, to cross wetland areas with its transmission and distribution pipelines and similar matters.

(3) Adverse Economic Conditions. Increased unemployment or other adverse economic conditions that could increase the number of persons who are unable to pay fully for the water or sewer services provided by the City on a timely basis.

(4) Infectious Disease. 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, which has spread to the State and to many of its counties. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies. 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 are expected. The United States Congress has passed relief and stimulus legislation that is intended to address the financial impact of the pandemic on the United States economy and financial markets. It is too early to predict if the legislation will have its intended effect. 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” and issued an executive order requiring the wearing of face coverings where social distancing is not possible beginning July 20, 2020. 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 impact of COVID-19 on the City is just now beginning to be realized and the full impact is not yet known. The City has been proactive in the protection of its employees and residents. During the months of May through July of 2020, the City suspended utility disconnections and did not assess late penalties or shut-off fees to customers of the System. Fees and penalties were reinstated beginning in August of 2020. While it is difficult to quantify the impact on System revenues, the City has not seen an increase in delinquent System accounts nor any significant loss of revenue. More delinquencies may occur in the coming months. The City has sufficient reserves to make debt service payments and does not anticipate having to increase System rates as a result of COVID-19.

(5) Adverse Changes With Wholesale Water Suppliers. Adverse economic conditions or adverse occurrences within those communities supplying water to the System on a wholesale basis could occur.

(6) Matters Relating to the Bonds and the Security for the Bonds. The remedies available to the Trustee or the owners of the Bonds upon an event of default under the Trust Indenture are in many respects dependent upon judicial actions that are often subject to discretion and delay. Upon existing constitutional and statutory law and judicial decisions, including specifically Title 9 of the United States Code (the federal bankruptcy code), the remedies provided in the Trust Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the delivery of the Trust Indenture will be qualified with respect to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. The City is authorized by State law to file for bankruptcy under the United States Bankruptcy Code.

(7) Matters Relating to the Implementation of the Improvements. Forecasts relating to System revenues and expenses depend upon the successful completion and implementation of the Improvements. Risks typical related to construction projects and acquisition of easements are applicable to the Improvements.

(8) Customer Concentrations. **INVESTORS SHOULD BE AWARE THAT, AS OF THE FISCAL YEAR ENDED DECEMBER 31, 2019, APPROXIMATELY 18.78% OF THE SYSTEM REVENUES WERE DERIVED FROM SERVICES PROVIDED TO MCKEE FOODS CORPORATION AND APPROXIMATELY 7.44% OF THE SYSTEM REVENUES WERE DERIVED FROM SERVICES PROVIDED TO SIMMONS FOODS, INC. IN ADDITION, SIMMONS PREPARED FOODS, AN AFFILIATE OF SIMMONS FOODS, INC. ANNOUNCED PLANS TO BUILD A NEW CHICKEN PROCESSING FACILITY IN BENTON COUNTY, WHICH WILL BE SERVED BY THE SYSTEM AND WILL RESULT IN A SUBSTANTIAL INCREASE IN VOLUME OF WATER SALES TO SIMMONS FOODS, INC. AND ITS AFFILIATES. THE NEW FACILITY BEGAN OPERATIONS IN LATE 2019. THERE IS NO CONTRACT BETWEEN THE CITY AND EITHER USER THAT WOULD OBLIGATE EITHER USER TO MAKE ANY PAYMENT TO THE CITY. IN THE EVENT THAT EITHER**

MCKEE FOODS CORPORATION OR SIMMONS FOODS, INC. SHOULD TERMINATE ITS PRODUCTION ACTIVITY IN THE CITY, THE EFFECT ON SYSTEM REVENUES WOULD BE SUBSTANTIAL.

The System's properties have a limited utility for other than water storage, distribution, and sewer treatment purposes. As a result, in the event of a default, any resulting judgment and sale of the properties, the Trustee's remedies and the number of entities that could purchase or lease the System's properties would be limited, and the sales price or rentals generated by the facilities might thus be affected.

If and when an owner of Bonds elects to sell a Bond prior to its maturity, there is no assurance that a market will have been established, maintained and in existence for the purchase and sale of the Bonds.

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MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Trust Indenture authorizing the Bonds may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State 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 maybe 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 Trust Indenture 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. Under the Bond Purchase Agreement (the "Agreement"), Stephens Inc. (the "Underwriter"), has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$4,968,073.45 (par amount *plus* net reoffering premium of \$43,073.45 and *less* Underwriter's discount of \$75,000.00). The Underwriter is committed to purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City or the System.

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 inside front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

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

No Rating. The Bonds are not rated. Neither the City nor the Underwriter undertakes any responsibility to obtain a credit rating for the Bonds.

Underwriter Disclosure. Mark C. Doramus, Chief Financial Officer of Stephens Inc., the Underwriter, serves on the Board of Directors of the Trustee.

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.

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE SYSTEM FOR
THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018
AND
UNAUDITED FINANCIAL STATEMENTS OF THE SYSTEM FOR
THE 9 MONTHS ENDED SEPTEMBER 30, 2020**

Berry & Associates, P.A., the City's independent auditor for the System, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the Audited Financial Statements or Unaudited Financial Statements addressed in that report. Berry & Associates, P.A., has not performed any procedures relating to this Official Statement.

Attached.

**CITY OF GENTRY
WATER AND SEWER FUND
Gentry, Arkansas
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2019 and 2018
and
INDEPENDENT AUDITOR'S REPORT**

**CITY OF GENTRY
WATER AND SEWER FUND
Gentry, Arkansas
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2019 and 2018**

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BERRY & ASSOCIATES, P.A.

Certified Public Accountants

American Institute of CPAs

Arkansas Society of CPAs

Texas Society of CPAs

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**HONORABLE KEVIN JOHNSTON, MAYOR,
AND MEMBERS OF THE CITY COUNCIL**
City of Gentry
Gentry, Arkansas

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Water and Sewer Fund of the City of Gentry, Arkansas, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water and Sewer Fund of the City of Gentry, Arkansas's basic financial statements. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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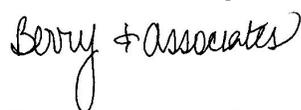
The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020 on our consideration of the Water and Sewer Fund of the City of Gentry, Arkansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water and Sewer Fund of the City of Gentry, Arkansas's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water and Sewer Fund and do not purport to, and do not, present fairly the financial position of the City of Gentry, Arkansas, as of December 31, 2019 and 2018, and the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Berry & Associates, P.A.
Little Rock, Arkansas
January 30, 2020

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
STATEMENTS OF NET POSITION
December 31, 2019 and 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,081,330	\$ 1,071,799
Certificates of deposit	876,005	840,099
Accounts receivable	401,723	202,549
Inventory of supplies	114,709	114,322
Prepaid expenses	15,656	14,565
Total Current Assets	<u>2,489,423</u>	<u>2,243,334</u>
NON-CURRENT ASSETS		
RESTRICTED ASSETS		
Cash and cash equivalents	1,073,358	962,560
Certificates of deposit	190,215	190,162
Total Restricted Assets	<u>1,263,573</u>	<u>1,152,722</u>
Capital assets		
Capital assets, net of accumulated depreciation	<u>5,658,592</u>	<u>5,700,932</u>
TOTAL ASSETS	<u>\$ 9,411,588</u>	<u>\$ 9,096,988</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 150,000	\$ 145,000
Accounts payable	208,250	93,515
Due to general fund	580	-
Total Current Liabilities	<u>358,830</u>	<u>238,515</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer water meter deposits	<u>87,625</u>	<u>79,725</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current maturities	<u>2,990,000</u>	<u>3,140,000</u>
TOTAL LIABILITIES	<u>3,436,455</u>	<u>3,458,240</u>
NET POSITION		
Net investment in capital assets	2,146,372	2,232,950
Unrestricted	3,590,636	3,167,673
Temporarily restricted	238,125	238,125
Total Net Position	<u>5,975,133</u>	<u>5,638,748</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,411,588</u>	<u>\$ 9,096,988</u>

The accompanying notes to the financial statements are an integral part of these statements

CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Water revenue	\$ 2,177,013	\$ 1,843,533
Sanitation revenue	356,415	329,813
Sewer revenue	342,833	351,195
Penalty charges	32,016	31,108
Other income	65	5,151
Total Operating Revenues	<u>2,908,342</u>	<u>2,560,800</u>
OPERATING EXPENSES		
Sanitation collection payments	342,497	333,248
Water purchased	1,042,732	641,121
Operating and office salaries	308,469	278,062
Employee benefits	47,838	41,809
Depreciation and amortization	268,056	248,431
Plant materials and supplies	124,664	134,558
Telephone and utility	36,428	37,860
Insurance, general and group	51,575	43,052
Payroll taxes	24,426	22,236
Wastewater chemicals and expense	6,051	4,855
Repairs and maintenance	90,254	98,934
Miscellaneous	12,896	12,639
Office supplies and expense	11,709	18,247
Laboratory tests	8,121	8,097
Small equipment	49,639	18,518
Professional fees	10,338	20,234
Gas and oil	24,949	22,888
Uniforms	6,044	6,466
Contract labor	6,215	8,950
Alderman fees	6,554	6,375
Computer expense	3,563	10,494
Membership, dues and subscriptions	1,070	975
Total Operating Expenses	<u>2,484,088</u>	<u>2,018,049</u>
OPERATING INCOME	<u>\$ 424,254</u>	<u>\$ 542,751</u>

The accompanying notes to the financial statements are an integral part of these statements

CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING INCOME, Brought forward	\$ <u>424,254</u>	\$ <u>542,751</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	23,764	15,122
Interest expense	<u>(87,215)</u>	<u>(89,915)</u>
Net Non-Operating Expenses	<u>(63,451)</u>	<u>(74,793)</u>
INCOME BEFORE TRANSFERS	360,803	467,958
TRANSFERS OUT	<u>(24,418)</u>	<u>(23,449)</u>
CHANGE IN NET POSITION	336,385	444,509
NET POSITION - BEGINNING OF YEAR	<u>5,638,748</u>	<u>5,194,239</u>
NET POSITION - END OF YEAR	\$ <u><u>5,975,133</u></u>	\$ <u><u>5,638,748</u></u>

The accompanying notes to the financial statements are an integral part of these statements

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,709,168	\$ 2,562,224
Cash payments to supplies	(1,793,726)	(1,445,037)
Cash payments to employees	(308,469)	(278,062)
Net cash provided by operating activities:	<u>606,973</u>	<u>839,125</u>
Cash flows from investing activities:		
Increase in meter deposits payable	7,900	8,300
Net redemption of certificates of deposit	(35,959)	(33,519)
Interest received	23,764	15,122
Net cash used by investing activities:	<u>(4,295)</u>	<u>(10,097)</u>
Cash flows from non-capital financing activities:		
Operating transfers out	(24,418)	(23,449)
Net cash used by non-capital financing activities:	<u>(24,418)</u>	<u>(23,449)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(43,058)	(324,857)
Purchases for construction in progress	(182,658)	(189,562)
Principal payments on long-term debt	(145,000)	(189,478)
Interest payments on long-term debt	(87,215)	(89,915)
Net cash used by capital and related financing activities:	<u>(457,931)</u>	<u>(793,812)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	120,329	11,767
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,034,359</u>	<u>2,022,592</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,154,688</u>	<u>\$ 2,034,359</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 424,254	\$ 542,751
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	268,056	248,431
(Increase) decrease in-		
Accounts receivable	(199,174)	1,424
Prepaid expenses	(1,091)	(5,301)
Inventory	(387)	13,337
Increase (decrease) in-		
Accounts payable	114,735	43,383
Due to general fund	580	-
Reserve for rural water	-	(4,900)
	<u>182,719</u>	<u>296,374</u>
Net cash provided by operating activities:	<u>\$ 606,973</u>	<u>\$ 839,125</u>

The accompanying notes to the financial statements are an integral part of these statements

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Date of Management's Review

Events have been evaluated through January 30, 2020, the date of the financial statements were available to be issued, and management determined that no additional disclosures were required.

Organization

The Water and Sewer Fund of the City of Gentry, Arkansas is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The fund is used to record the revenues and expenses from the operation of the water and sewer system.

Basis of Presentation and Accounting

The accounts of the Fund are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Fund's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Fund is determined by its measurement focus. The transactions of the Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

Estimates

Management of the Fund has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Fund considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Inventories

Inventories consist of expendable supplies held for consumption. Inventory is valued at the lower of cost or market, on a first-in, first-out basis. Cost is deemed to approximate market value.

Budgets and Budgetary Accounting

Prior to the beginning of the new fiscal year, the Council Members adopt an annual budget for the Fund. The budget of the Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, and non-operation income and expense items are not considered. All annual appropriations lapse at fiscal year-end.

Restricted Assets

Certain proceeds of the Fund's revenue, as well as certain resources set aside for the bond repayment and bond agreement requirements, are classified as restricted assets on the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the Fund are also considered restricted.

Receivables

The Fund has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however as of December 31, 2019 management had determined that minimal additional accounts needed to be written off.

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (con't):

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The Fund defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	10-40 years
Water and sewer system	5-40 years
Automobiles and equipment	5-15 years

Long-Term Debt and Costs

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Fund. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Fund's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Equity Classifications

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets- This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Temporarily Restricted- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position- This component of net position consists of net position that does not meet the definition of "restricted."

CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 - MAJOR CUSTOMERS:

Of the total water and sewer revenues, \$2,177,013 and \$342,833, respectively, earned in the year ended December 31, 2019, a total of \$289,911 and \$97,501 were earned from one customer. These earnings represent 13% and 28% respectively, of the total revenues earned for water and sewer services. Additionally, a new plant for Simmons Prepared Foods began operations at the end of 2019 and accounted for \$318,408 in water revenues, which represents 15% of total revenues earned for water.

Of the total water and sewer revenues, \$1,843,533 and \$351,195, respectively, earned in the year ended December 31, 2018, a total of \$312,658 and \$104,164 were earned from one customer. These earnings represent 17% and 30% respectively, of the total revenues earned for water and sewer services.

NOTE 3 - LONG-TERM DEBT:

	December 31, 2019	December 31, 2018
Water and Sewer Revenue Refunding Bonds Series 2016, paid annually with bonds maturing annually through June 2037 (2)	3,140,000	3,285,000
	3,140,000	3,285,000
Less Current Portion	(150,000)	(145,000)
Total Long-Term Portion	\$ 2,990,000	\$ 3,140,000

The Water and Sewer Revenue Refunding Bond Series 2017 dated September 28, 2016, is single bond in the principle amount of \$3,490,000 and bearing interest at a variable rate. The loan will be paid in annual installments for a period of twenty years, with the first installment of \$142,616 principal and interest due June 1, 2017. The revenue bonds have restrictive covenants, including the requirements to establish a debt service reserve in the amount of \$238,125. (2)

The annual maturities of long-term debt payable at December 31, 2019 are as follows:

	Principal	Interest	Total
2020	\$ 150,000	86,765	235,765
2021	150,000	88,939	232,765
2022	155,000	85,739	234,765
2023	160,000	82,639	236,665
2024	165,000	72,825	237,825
2025-2029	875,000	302,445	1,177,445
2030-2034	1,010,000	169,463	1,179,463
2035-2037	475,000	23,594	498,594
	\$ 3,140,000	\$ 912,409	\$ 4,033,287

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 3 - LONG-TERM DEBT (con't):

Long-term activity for the years ended December 31, 2019 and 2018 is as follows:

	Balance December 31, 2018	Additions	Retirements	Balance December 31, 2019	Due Within One Year
Bonds Payable					
Revenue Bonds	\$ 3,285,000	\$ -	\$ (145,000)	\$ 3,140,000	\$ 150,000

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018	Due Within One Year
Bonds Payable					
Revenue Bonds	\$ 3,474,478	\$ -	\$ (189,478)	\$ 3,285,000	\$ 145,000

The Fund has pledged future water customer revenues, net of specified operating expenses, to repay \$3,140,000 in revenue bonds. Proceeds from the bonds were used for building of the Fund's water system and water treatment facility. Principal and interest on the bonds are payable through 2039, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2019 were \$145,000 and \$87,215, respectively. Principal and interest paid in the year ended December 31, 2018 were \$189,478 and \$89,915, respectively.

NOTE 4 - BOND ORDINANCE COMPLIANCE:

Under specific sections of the official statement dated September 14, 2016 for the City of Gentry, Arkansas Water & Sewer Revenue Refunding Bonds Series 2016, the Water and Sewer Fund of the City of Gentry, Arkansas, must establish and maintain the requirements that follow:

- All revenues shall be deposited into an account designated the "City Water - Sewer" account.
- There shall be paid from the "City Water - Sewer" account into the Bond Fund, on the 15th day of each month, an amount equal to the sum of: (1) one-sixth of the next installment of interest on the outstanding Bonds, plus an amount sufficient to provide for Trustee's and Paying Agent's fees; plus (2) one-twelfth of the next installment of principal on the outstanding Bonds.
- Any surplus remaining in the "City Water - Sewer" account on the first business day of each month after making full provision for the other funds described above may be used for any other lawful purpose.

For the years ended December 31, 2019 and 2018, the Water and Sewer Fund of the City of Gentry, Arkansas, was in compliance with the official statement dated September 14, 2016 for the City of Gentry, Arkansas Water & Sewer Revenue Refunding Bonds Series 2016.

NOTE 5 - EMPLOYEE BENEFITS:

Plan Description. The City of Gentry contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 5 – EMPLOYEE BENEFITS (con’t):

for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% of annual covered payroll. The Department’s contributions to APERS for the years ending December 31, 2019 and 2018 were \$47,838 and \$41,809, respectively, equal to the required contributions for the year.

Implementation of GASB 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective with fiscal years beginning after June 15, 2014. The Statement establishes standards for public pension plan obligations for participating employers. Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its’ proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. These financial statements do not include the disclosure related to this accounting principal, but would be included in the government wide financial statements and not the individual fund financial statements.

NOTE 6 –PUBLIC FUNDS; DEPOSITS WITH FINANCIAL INSTITUTIONS:

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized by securities held by the banks in the Fund’s name.

NOTE 7 –CAPITAL ASSETS:

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at December 31, 2019</u>
Land and right-of-way	\$ 34,336	\$ 6,765	\$ -	\$ 41,101
Water and sewer system	7,514,386	29,968	-	7,544,354
Buildings and improvements	361,172	6,325	-	367,497
Automotive equipment	330,342	-	-	330,342
Other equipment	544,623	-	-	544,623
Construction in Progress	189,562	182,658	-	372,220
	<u>8,974,421</u>	<u>225,716</u>	<u>-</u>	<u>9,200,137</u>
Accumulated depreciation	<u>(3,273,489)</u>	<u>(268,056)</u>	<u>-</u>	<u>(3,541,545)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 5,700,932</u>	<u>\$ (42,340)</u>	<u>\$ -</u>	<u>\$ 5,658,592</u>

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 7 – CAPITAL ASSETS (con't):

	Balance at December 31, 2017	Additions	Deletions/ Transfers	Balance at December 31, 2018
Land and right-of-way	\$ 34,336	\$ -	\$ -	\$ 34,336
Water and sewer system	8,345,233	6,937	(837,784)	7,514,386
Buildings and improvements	279,325	84,179	(2,332)	361,172
Automotive equipment	262,099	68,243	-	330,342
Other equipment	383,993	165,498	(4,868)	544,623
Construction in Progress	-	189,562	-	189,562
	<u>9,304,986</u>	<u>514,419</u>	<u>(844,984)</u>	<u>8,974,421</u>
Accumulated depreciation	<u>(3,870,042)</u>	<u>(248,431)</u>	<u>844,984</u>	<u>(3,273,489)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 5,434,944</u>	<u>\$ 265,988</u>	<u>\$ -</u>	<u>\$ 5,700,932</u>

NOTE 8 – RESTRICTED CASH:

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The long-term debt covenants require minimum reserves for debt service reserves (see Note 3).

The following is a list of the restricted cash at December 31:

	2019	2018
Debt Service Reserves	\$ 1,025,561	\$ 927,405
Bond Fund	100,626	96,713
Customer Meter Deposits	<u>137,386</u>	<u>128,605</u>
	<u>\$ 1,263,573</u>	<u>\$ 1,152,722</u>

BERRY & ASSOCIATES, P.A.

Certified Public Accountants

Arkansas Society of CPAs

American Institute of CPAs

Texas Society of CPAs

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**Honorable Kevin Johnston, Mayor,
and Members of the City Council
City of Gentry
Gentry, Arkansas**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water and Sewer Fund of the City of Gentry, Arkansas, (the "Fund") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Department's financial statements and have issued our report thereon dated January 30, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2019-01 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Honorable Kevin Johnston, Mayor,
and Members of the City Council
City of Gentry
Gentry, Arkansas

Response to Findings

The Water and Sewer Fund of the City of Gentry, Arkansas, responses to the findings identified in our audit are described in the accompanying schedule of findings. The Fund's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Berry & Associates, P.A.
Little Rock, Arkansas
January 30, 2020

**CITY OF GENTRY WATER & SEWER FUND
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2019**

2019-01 Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual who is responsible for service billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. Also, the same individual who is responsible for general ledger activity including posting and writing checks also reconciles the bank statement. This finding was also noted in 2018.

Cause: The Fund's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management and the City Council should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the entity might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

Responsible Official's Response: The Fund concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Fund has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
SUPPLEMENTARY INFORMATION
December 31, 2019**

GOVERNMENT:

The Water and Sewer Fund City of Gentry, Arkansas is governed by a mayor and eight aldermen. The records are maintained by the City Water Clerk.

<u>Name</u>	<u>Title</u>
Kevin Johnston	Mayor
Jenny Trout	City Clerk
City Attorney	Joel Kurtz
Janice Arnold	Aldermen
Jason Barrett	Aldermen
Michael Crawford	Aldermen
Cindy Philpott	Aldermen
Kristi Reams	Aldermen
Jimmy Thorburn	Aldermen
Jason Williams	Aldermen
Angelena Sheckler	Water Clerk

USAGE OF THE WATER AND SEWER SYSTEM:

The current water and sewer rates are shown in the following schedules:

	<u>Within Corporate Limits (Per 1,000 Gal)</u>	<u>Outside Corporate Limits (Per 1,000 Gal)</u>
<u>WATER RATES:</u>		
GALLONS		
Minimum water rates for the first 1,000 gallons are based on meter size, and the monthly minimums are as follows:		
5/8" x 3/4"	\$ 13.71	\$ 32.88
1"	19.19	46.03
1 1/2"	24.67	58.15
2"	39.73	95.36
3"	150.71	361.68
4"	191.82	460.23
6"	288.76	690.48
8"	397.31	953.54
Next 14,000	5.35	9.11
Next 35,000	5.13	7.39
Next 250,000	4.93	5.69
Next 700,000	4.53	4.93
Next 4,000,000	4.18	4.53
Excess 5,000,000	2.84	2.84

SEWER RATES:

Minimum 1,000	\$ 7.81	\$ 12.94
Next 4,000	2.88	3.63
Next 45,000	2.20	2.20
Excess 50,000	1.42	1.42

Sewer rates are based on current usage of water.

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER FUND
SUPPLEMENTARY INFORMATION (Continued)
December 31, 2019**

USAGE OF THE WATER AND SEWER SYSTEM, CONT:

As of December 31, 2019, water service and sewer service was provided to 2,607 and 1,271 users, respectively.

Total gallons of water consumed during the year ended December 31, 2019 amounted to approximately 323,949,000.

ACCOUNTING:

The accounting records were found to be adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

Reserve accounts are being properly maintained.

INSURANCE COVERAGE:

	<u>Expiration Date</u>	<u>Amount of Coverage</u>
<u>Property and equipment</u>		
City Hall	12/22/2020	\$ 350,000
Water Utility Building		50,000
Pump House		45,000
Sewer Treatment Plant		52,000
Sewer Plant Lab		40,000
City Water Shop		200,000
Water Supt's Office		65,000
Sludge Drying Facility		150,000
City Maintenance Shop		250,000
Water Tower Control Building		15,000
Water Dept. Equipment Storage		150,000
Fidelity Bond	12/31/2020	250,000
<u>Automotive</u>		
Liability insurance	12/22/2020	
Bodily injury		25,000/50,000
Property damage		25,000

Water Fund

1:57 PM

3 Year to Current Actuals

	Year-to-Date		Prior Period
	Jan 2020 Sept 2020 Actual	SEWER JAN 2020 SEPT 2020 ACTUAL	Jan 2019 Sept 2019 Actual
Revenue & Expenditures			
Revenue			
INTEREST EARNED	10,374.46	2.83	17,721.36
TERMS	33.57		53.52
SEWER COLLECTIIONS		235,536.65	
TRANSFER BETWEEN FUNDS	250.00		
WATER/TRASH-	3,528,179.70		
WTR/SWR/TRASH COLLECTIONS	0.00		1,980,227.01
Revenue	\$3,538,837.73	\$235,539.48	\$1,998,001.89
Gross Profit	\$3,538,837.73	\$235,539.48	\$1,998,001.89
Expenses			
ACT 903 FED CLEAN	11,304.00		11,068.50
ALDERMAN MEETING EXPENSE	5,060.28		4,980.66
APERS PAYMENTS	28,720.91	7,878.85	36,503.51
ASSOCIATION DUES	4,035.00		1,070.00
AUDITING SERVICES	4,445.00		3,985.00
BOND PAYMENTS	172,808.92		19,353.28
BUILDING MAINT	4,491.15		14,180.38
CHEMICALS	0.00	3,823.10	4,948.95
COMPUTER EXPENSES	4,031.37		3,972.14
CONTRACT LABOR	6,368.00	0.00	4,715.00
EMPLOYMENT PHYSICAL	0.00		194.00
EQUIPMENT	77,096.56	56,298.34	55,684.37
FIRE SINKING FUND	10,049.50		10,901.00
FUEL & OIL	11,696.49	1,542.00	18,278.13
INSURANCE - BUILDING	100.00		
INSURANCE - MEDICAL	27,340.68	5,583.66	30,599.30
INSURANCE - UNEMPLOYMENT	888.31	196.00	546.78
INSURANCE - VEHICLE	272.33		737.14
INSURANCE - W/C	0.00		
LABORATORY TESTS	0.00	5,705.42	6,654.56
MANHOLE RPLCMNT	0.00	0.00	2,850.00
MATERIALS & SUPPLIES	76,858.90	14,590.16	137,143.59
METER SYSTEM/REP	41,183.77		36,862.23
NEW HIRE	231.16		
OFFICE SUPPLIES	3,911.25		1,230.81
PAYROLL TAXES	14,823.21	3,934.19	18,169.77
POSTAGE EXPENSE	6,558.97		6,216.92
PRINTING EXPENSE	0.00		
PROFESSIONAL FEES	132,008.85	1,500.00	185,068.13
SAFETY EQUIPMENT	1,620.73	179.68	
SALARIES	192,347.25	51,428.51	234,484.06
SALES TAX PAID	81,862.91	20,021.00	105,890.23
SANITATION PAYMENTS	242,342.48		251,475.86
SCHOOLS & TRAINING	47.20	0.00	960.99
SLUDGE HAUL	0.00	6,260.92	5,970.63
SOLID WASTE MANAGEMENT	0.00	6,746.00	7,322.50
TRANSFER BETWEEN FUNDS	250,000.00	0.00	
UNIFORMS	1,468.10	387.34	5,739.71
UTILITIES	24,571.51	210.96	27,245.76
VEHICLE MAINTENANCE	7,498.28	54.75	6,271.56
WATER PURCHASED	1,788,309.81		486,031.64
Expenses	\$3,234,352.88	\$186,340.88	\$1,747,307.09

APPENDIX B
FORM OF CONTINUING DISCLOSURE AGREEMENT

Attached.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”) is executed and delivered by the **CITY OF GENTRY, ARKANSAS** (the “**City**” or the “**Issuer**”) and **REGIONS BANK**, Little Rock, Arkansas (the “**Dissemination Agent**”) in connection with the issuance of the City’s Water and Sewer Revenue Bonds, Series 2020 (the “**Bonds**”). The Bonds are being issued pursuant to Ordinance No. 20-831 of the City, adopted by the City Council of the Issuer on October 20, 2020 (the “**Authorizing Ordinance**”). The City and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5). Notwithstanding any other provision of this Agreement, it is the intent of the Participating Underwriter and the City that the Rule (as defined below) controls the obligations of the parties with respect to the matters addressed herein. In the event of any conflict between the Rule and this Disclosure Agreement, this Disclosure Agreement shall be interpreted and/or modified in writing, as appropriate, so that it complies with and is consistent with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Authorizing Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, 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, Sections 3 and 4 of this 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 Regions Bank, Little Rock, Arkansas, or any successor Dissemination Agent designated in writing by the City and that 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.

“**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Participating Underwriter**” shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as modified by Rule 15c2-12(d)(2), as the same may be amended from time to time.

“**System**” shall mean the City’s municipal water storage and distribution system, wastewater treatment system, and sanitation system.

SECTION 3. Provision of Annual Reports. (a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the System’s fiscal year (presently December 31), commencing with the 2020 fiscal year, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this 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 shall be submitted within 30 days of receipt and approval by the City. If the fiscal year of the System changes, the City shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent 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 Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required for such part in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form as prescribed by the MSRB.

(d) The Dissemination Agent shall file a report with the City and (if the Dissemination Agent is not the Trustee) the Dissemination Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

(e) As and to the extent an Annual Report or Notice of Listed Event is required to be filed under this Disclosure Agreement, the City shall submit such Annual Report or Notice of Listed Event to 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. All documents provided to the MSRB pursuant to this Disclosure Agreement shall be in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

1. The statistical information identified in Part I of the Annual Disclosure Statement attached hereto as Exhibit A; provided, however, if the referenced statistical information is not readily available or ascertainable, and the City determines that it is not material with respect to the collateral securing the Bonds, then such statistical information may be excluded from the Annual Report upon compliance with the procedures for amendment set forth in Section 8 hereof; and

2. The annual audit of the System (which may be included in the annual audit of the City) prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States and applicable state law.

Any or all of the items above may be included by specific reference to 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 internet website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

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

12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

(c) After the occurrence of a Listed Event (excluding an event described in subsection (a)[8] above), whether by notice from the Dissemination Agent or otherwise, the City shall file (or 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.msrb.emma.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Dissemination Agent shall make the filing and notice thereof need not be given under this subsection any earlier than the notice for the underlying event is given to registered owners of affected Bonds pursuant to the terms of the Authorizing Ordinance.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement, and any provisions of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, 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 Trust Indenture for amendments to the Trust Indenture 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 this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), 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.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent, the City or any Beneficial Owner may (and the Trustee, at the request of the Participating 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 this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent and Right of Indemnity. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of 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 gross negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Pages Follow]

Dated: November 30, 2020

City:

CITY OF GENTRY, ARKANSAS

By: _____
Mayor

Dated: November 30, 2020

Dissemination Agent:

REGIONS BANK,
Little Rock, Arkansas

By: _____

Name: _____

Authorized Officer

**EXHIBIT A
FORM OF ANNUAL REPORT**

CITY OF GENTRY, ARKANSAS

101 W. Main Street
Gentry, Arkansas 72734
Phone: (479) 736-2555

20__

Annual Disclosure Statement

regarding

\$5,000,000

**CITY OF GENTRY, ARKANSAS
WATER AND SEWER REVENUE BONDS,
SERIES 2020
DATED NOVEMBER 30, 2020**

For further information, contact:

**Mayor
City of Centerton, Arkansas
Phone: (479) 736-2555**

Filing Date: _____, 20__

**ANNUAL REPORT
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Part 1

1. Statistical and Customer Information

Part II

2. Audited Financial Statements of the System for the Fiscal Year Ended December 31, 20____

Part III

3. Audited Financial Statements of the System for the Fiscal Year Ended December 31, 20____

Part IV

4. Certificate

Part I

1. Statistical and Customer Information.

(a) **Water Sales; Customers.** The volume of water sold by the System for the past five years was as follows:

<u>Year Ending December 31</u>	<u>Average Daily Gallons</u>	<u>Maximum Daily Gallons</u>	<u>Total Annual Gallons Sold</u>
20__	_____	_____	_____
20__	_____	_____	_____
20__	_____	_____	_____
20__	_____	_____	_____
20__	_____	_____	_____

(b) **Retail Water Customers.** The System had the following number of retail water customers during the last five years:

<u>Year Ending December 31</u>	<u>Total Residential Water Customers</u>	<u>Total Commercial Water Customers</u>
20__	_____	_____
20__	_____	_____
20__	_____	_____
20__	_____	_____
20__	_____	_____

(c) **Retail Sewer Customers.** The System had the following number of retail Sewer customers during the last five years:

<u>Year Ending December 31</u>	<u>Total Residential Sewer Customers</u>	<u>Total Commercial Sewer Customers</u>
20__	_____	_____
20__	_____	_____
20__	_____	_____
20__	_____	_____
20__	_____	_____

(d) **Largest System Customers.** Below are the 10 largest customers of the System and the consumption of each for the calendar year ended December 31, 20____. See **BONDHOLDERS' RISKS.**

<u>Customer Name</u>	<u>Customer Type</u>	<u>Percent of Total Gallons Purchased</u>	<u>Yearly Water Usage (Gallons)</u>	<u>Yearly Water Revenue</u>	<u>Yearly Sewer Revenue</u>	<u>Total Revenue</u>	<u>Percent of Total System Revenues</u>
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Part II

2. Audited Financial Statements of the System for the Year Ended December 31, 20____.

The audited financial statements of the System for the fiscal year ended September 30, 20____ were previously filed on the EMMA System.

Part III

3. Audited Financial Statements of the System for the Year Ended December 31, 20____.

[Description of availability of Financial Statements]

Part IV

4. Certificate.

The undersigned, duly authorized to act on behalf of the City, hereby certifies that this Annual Report conforms to the requirements of the Agreement and that the matters set forth herein are true and correct, to the best of his knowledge and belief, as of the date set forth on the cover hereof.

CITY OF GENTRY, ARKANSAS

By: _____
Mayor

Distribution:
Municipal Securities Rulemaking Board
Stephens, Inc., Underwriter
Regions Bank, Trustee

APPENDIX C
FORM OF BOND COUNSEL OPINION

Attached.

[BOND COUNSEL LETTERHEAD]

November 30, 2020

Simmons Bank
Pine Bluff, Arkansas

City of Gentry, Arkansas
Gentry, Arkansas

Stephens Inc.
Little Rock, Arkansas

Re: \$5,000,000 City of Gentry, Arkansas Water and Sewer Revenue Bonds,
Series 2020

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Gentry, Arkansas (the “**City**”) of \$5,000,000 Water and Sewer Revenue Bonds, Series 2020 (the “**Bonds**”). The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the state of Arkansas, including particularly Amendment 65, Arkansas Code Annotated §§ 14-234-201 *et seq.*, §§14-235-201 *et seq.*, and §§ 14-164-401 *et seq.* (the “**Authorizing Legislation**”), applicable judicial decisions, including District of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), pursuant to Ordinance No. 20-831 adopted by the City Council of the City on October 20, 2020 (the “**Bond Ordinance**”), and pursuant to a First Supplemental Trust Indenture dated November 30, 2020 by and between the City and Citizens Bank, Pine Bluff, Arkansas, as trustee (the “**Trustee**”), which amends and supplements that certain Trust Indenture dated September 28, 2016 by and between the City and the Trustee (together, the “**Indenture**”). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion letter. As to questions of fact material to our opinions set forth herein, we have relied upon the representations of the City contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The City is a city of the first class existing under the laws of and a political subdivision of the state of Arkansas with the corporate power to adopt the Bond Ordinance and execute and deliver the Indenture and to perform the agreements on its part contained therein, and issue the Bonds.

2. The Bond Ordinance has been duly adopted by the City Council of the City, and the Indenture has been duly executed and delivered by the City and constitutes a valid and binding obligation of the City enforceable upon the City in accordance with its terms.

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3. Pursuant to the Authorizing Legislation, the Indenture creates a valid lien on the net revenues that are derived from the operation of the City's municipal water storage and distribution system, wastewater treatment system, and sanitation system (the "**System**") and the Bonds are further secured by a statutory mortgage lien on a portion of the waterworks component of the System, as more particularly set forth in the Indenture.

4. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding special obligations of the City, payable solely from the net revenues of the System.

5. The interest on the Bonds (including any original issue discount properly allocable thereto) 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 Internal Revenue Code of 1986, as amended (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. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent (80%) of the portion of such financial institutions' interest expense allocable to interest on the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. The interest on the Bonds is exempt from state of Arkansas income tax and the Bonds are exempt from property taxes in the state of Arkansas.

8. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

It is to be understood that the rights of the registered owners of the Bonds and the enforceability of the Bonds, the Bond Ordinance, and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that hereafter occur.

Simmons Bank
City of Gentry, Arkansas
Stephens Inc.

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Sincerely yours,

MITCHELL, WILLIAMS, SELIG,
GATES & WOODYARD, P.L.L.C.