NEW ISSUE **BOOK-ENTRY ONLY**

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

$1,500,000
CITY OF LAVACA, ARKANSAS
WATER AND SEWER REFUNDING AND IMPROVEMENT
REVENUE BONDS
SERIES 2021

Dated: Date of Delivery Due: November 1, as shown below

The Bonds will not be general obligations of the City of Lavaca, Arkansas (the "City") but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water and sewer system. See **THE BONDS,** <u>Security</u>.

Interest on the Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2022 and the Bonds mature (on November 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

$130,000 0.500% Term Bonds Due November 1, 2023 to Yield 0.500%
$135,000 0.750% Term Bonds Due November 1, 2025 to Yield 0.800%
$140,000 1.125% Term Bonds Due November 1, 2027 to Yield 1.150%
$140,000 1.375% Term Bonds Due November 1, 2029 to Yield 1.450%
$145,000 1.625% Term Bonds Due November 1, 2031 to Yield 1.650%
$385,000 2.000% Term Bonds Due November 1, 2036 to Yield 2.050%
$425,000 2.250% Term Bonds Due November 1, 2041 to Yield 2.300%

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 U.S. Bank National Association, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

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

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

Stephens Inc.

Dated: August 16, 2021

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

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

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$1,500,000
CITY OF LAVACA, ARKANSAS
WATER AND SEWER
REFUNDING AND IMPROVEMENT
REVENUE BONDS
SERIES 2021

INTRODUCTION TO THE OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Lavaca, Arkansas (the "City"), of its Water and Sewer Refunding and Improvement Revenue Bonds, Series 2021, in the aggregate principal amount of $1,500,000 (the "Bonds"). The Bonds are being issued to refund the City's outstanding Water and Sewer Refunding Revenue Bonds, Series 2012 (the "Bonds Refunded"), to finance all or a portion of the costs of acquiring, constructing and equipping betterments and improvements to the sewer facilities of the City's water and sewer system (the "Improvements"), to fund a debt service reserve, and to pay expenses of issuing the Bonds. See **THE BONDS**, Purposes for Bonds.

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

The Bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's water and sewer system (the "System"). See **THE BONDS**, Security.

The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 2021-02, adopted on August 9, 2021 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or integral multiple thereof. Interest is payable May 1, 2022, and semiannually thereafter on each May 1 and November 1. Principal is payable at the principal office of U.S. Bank National Association as trustee and paying agent (the "Trustee"). Interest is payable by the Trustee by check or draft to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of $5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS**, Generally.

The Bonds are subject to optional redemption on and after November 1, 2026 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds are also subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days' notice of redemption. See **THE BONDS,** Redemption.

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

It is expected that the Bonds will be available for delivery on or about September 14, 2021, through the facilities of The Depository Trust Company in New York, New York.

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

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

THE BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bonds Maturing November 1, 2023

Year (November 1)	Principal Amount
2022	$65,000
2023 (maturity)	65,000

Bonds Maturing November 1, 2025

Year (November 1)	Principal Amount
2024	$65,000
2025 (maturity)	70,000

Bonds Maturing November 1, 2027

Year (November 1)	Principal Amount
2026	$70,000
2027 (maturity)	70,000

Bonds Maturing November 1, 2029

Year (November 1)	Principal Amount
2028	$70,000
2029 (maturity)	70,000

Bonds Maturing November 1, 2031

Year (November 1)	Principal Amount
2030	$70,000

2031 (maturity)	75,000

Bonds Maturing November 1, 2036

Year (November 1)	Principal Amount
2032	$75,000
2033	75,000
2034	75,000
2035	80,000
2036 (maturity)	80,000

Bonds Maturing November 1, 2041

Year (November 1)	Principal Amount
2037	$80,000
2038	85,000
2039	85,000
2040	85,000
2041 (maturity)	90,000

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

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

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

Purposes for Bonds. The Bonds are being issued to refund the Bonds Refunded (the "Refunding"), finance all or a portion of the costs of the Improvements, fund a debt service reserve and pay expenses of issuing the Bonds. The Bonds Refunded were issued to current refund the City's Water and Sewer Revenue Bonds, Series 2006 (the "2006 Bonds"). The 2006 Bonds financed improvements to the System. A portion of the proceeds from the sale of the Bonds and other available funds held in connection with the Bonds Refunded will be used to accomplish the Refunding on the date the Bonds are issued at a price of par plus accrued interest.

The Improvements will include particularly, without limitation, replacement of an existing concrete sewer main with new sanitary sewer lines, including manholes and service connections. Work on the Improvements is expected to be completed by November 2021.

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

SOURCES:	
Principal Amount of Bonds	$1,500,000
Existing Funds for Bonds Refunded	105,510
Original Issue Discount	(7,538)
Total Sources	$1,597,972
USES:	
Cost of Improvements	$1,040,000
Refunding Costs	445,399
Debt Service Reserve	46,822
Costs of Issuance	28,251
Underwriter's Discount	37,500
Total Uses	$1,597,972

The payment of Underwriter's discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS**, Underwriting for a description of the Underwriter's discount. The City will deposit the net proceeds of the Bonds (principal amount less any original issue discount, debt service reserve deposit, Underwriter's discount, Refunding deposit and certain issuance costs) into a special fund established with the Trustee and designated "Water and Sewer Revenue Bond Construction Fund, Series 2021" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed by the City solely in payment of costs of the Improvements, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE**, Investments.

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of the revenues derived from operation of the System. For a schedule of annual debt service requirements for the Bonds, see **DEBT SERVICE REQUIREMENTS**.

There is a Debt Service Reserve securing the Bonds in an amount equal to one-half of the maximum annual principal and interest requirement on the Bonds. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE**, Parity Bonds.

Sebastian County, Arkansas (the "County") has levied and is collecting a county-wide 1% sales and use tax (the "Tax"). The Tax is set to expire on June 30, 2024 unless voters of the County approve the continuation of the Tax at an election the Quorum Court of the County is expected to call. In accordance with the provisions of the statutes authorizing the levy of the Tax, a portion of the revenues from the Tax (the "City's Portion of Sales and Use Tax Revenues") are paid to the City for so long as the Tax is in effect. A part of the City's Portion of Sales and Use Tax Revenues has been designated for use in connection with the System. So long as such designation continues, that part of the City's Portion of Sales and Use Tax Revenues so designated shall be deemed revenues of the System. However, no part of the City's Portion of the Sales and Use Tax Revenues is pledged for payment of the Bonds and the City shall have no obligation to the owners of the Bonds to continue the designation of, or to use, any part of the City's Portion of Sales and Use Tax Revenues for the benefit of the System.

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

To date, the COVID-19 pandemic has not negatively impacted the System. The City expects that its available funds will be sufficient to fund its essential services and make all debt service payments. The System also expects its available funds are adequate to fund its services and make all debt service payments.

THE CITY AND THE COUNTY

Generally. The City is located in the County which is in western Arkansas. The City is situated 15 miles east of Fort Smith, Arkansas, 145 miles southeast of Tulsa, Oklahoma, and 175 miles west of Little Rock, Arkansas.

Population. Population trends for the City and the County are as follows:

Year	City	County
1980	1,218	95,172
1990	1,440	99,590
2000	1,839	115,101
2010	2,289	125,744
2020*	2,439	127,590

*Estimate as of July 1.

Transportation. The City is served by State Highway Nos. 96, 253 and 255. The Fort Smith Regional Airport, located 15 miles away, provides commercial service. More than 30 motor freight carriers service the Fort Smith metropolitan statistical area, which includes the City.

Government. The government of the City operates under the mayor-city council form of government, pursuant to which a mayor is elected for a four-year term (term expires December 31, 2022) and six council members are elected for two-year terms (terms expire December 31, 2022). The current mayor and council members of the City and their principal occupations are as follows:

Name	Occupation
Hugh Hardgrave, Mayor	Data Center Operator
Rick Edgerton	Retired
Benny Hunter	Retired
Mike Ray	Freight Equip Specialist
Lorie Robertson	Marketing
Gerald Schaeffer II	Retired
Leo Dale Teague	Safety Officer

Medical Facilities. Fort Smith, Arkansas, located approximately 15 miles from the City, serves as a regional medical center with two principal hospitals, Baptist Health-Fort Smith and Mercy Hospital Fort Smith, having approximately 828 acute care beds. In addition, an 80-bed rehabilitation center and a 114-bed psychiatric hospital are located in Fort Smith. There are over 275 physicians practicing in that area.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system. Located within the City, there is one elementary school (K-4), one middle school (5-8), and one high school (9-12).

The University of Arkansas-Fort Smith is located 15 miles from the City. It has four-year degree programs and continues its collaboration with other universities to offer graduate degrees locally. Webster University and John Brown University also offer graduate degrees in Fort Smith.

Financial Institutions. The City is served by a branch of The First National Bank of Fort Smith and Farmers Bank.

Economy. Set forth below are the major employers located in the City (having 20 or more employees):

Employer	Business or Product	Number of Employees
Lavaca Public Schools	Public School	122
Steffey's Pizza	Restaurant	22
City of Lavaca	Local Government	20

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

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

Year	Per Capita Personal Income
2015	$39,636
2016	39,814
2017	40,598
2018	41,416
2019	42,821

Total personal income estimates for the County are as follows[1]:

Year	Total Personal Income
2015	$5,049,029,000
2016	5,071,726,000
2017	5,187,817,000
2018	5,283,482,000
2019	5,473,680,000

The annual average unemployment rates for the County and State since 2016 are as follows according to the Arkansas Department of Workforce Services:

	Annual Average Unemployment Rate (%)	
Year	County	State
2016	3.7	4.0
2017	3.6	3.7
2018	3.5	3.7
2019	3.3	3.5
2020	6.0	6.1
2021*	4.0	4.4

*As of May, 2021.

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

THE SYSTEM

General. The System is operated under the control of the City Council. The manager of the System is H. Dwayne Wallace, who is 52 years of age and has more than 15 years of experience in utility work and management. The System has five employees.

Water System. The City obtains its water from the Franklin Sebastian Public Water Authority of the State of Arkansas ("FSPWA"). The System connects to FSPWA at a metering station located at the intersection of Highways 22 and 96 as well as a metering station located on Featherhill Road. The City has approximately 49 miles of 2, 3, 4, 6, 8 and 12-inch waterlines that provide water to customers within the City and surrounding area.

Sewer System. The City has approximately 23 miles of 6, 8, 15, and 24-inch sewer lines that collect wastewater from customers within the City. All wastewater flows to a central pump station. The wastewater is pumped through 1.7 miles of 10-inch force main pipe to the City's wastewater treatment lagoons. The City has a 3-cell wastewater treatment lagoon system that has a capacity of 0.4 million gallons per day. A pump station pumps the effluent from the lagoon through 2 miles of force main pipe to a discharge point in the Arkansas River.

Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use in Gallons
2016	217,983	346,000	79,564,000
2017	211,019	341,000	77,022,000
2018	211,676	438,000	77,262,000
2019	207,813	349.000	75,852,000
2020	239,035	499,000	87,248,000

Water Rates. Set forth below are the water rates for the System:

Inside City Limits

Number of Gallons	Rates
0-2,000	$17.80 (minimum)
Over 2,000	7.40 per 1,000 gallons

Outside City Limits

Number of Gallons	Rates
0-2,000	$24.10 (minimum)
Over 2,000	7.40 per 1,000 gallons

Sewer Rates. Set forth below are the monthly sewer rates for the System:

Number of Gallons	Rates
0-2,000	$4.35 (minimum)
Over 2,000	2.90 per 1,000 gallons

Customers. There are 412 water users and five (5) sewer users located outside the City. The approximate number of water and sewer users by category for each of the past five (5) years is as follows:

Water Users

Year	Residential	Commercial	Total
2016	1,328	29	1,357
2017	1,332	29	1,361
2018	1,340	29	1,369
2019	1,369	30	1,399
2020	1,373	30	1,403

Sewer Users

Year	Residential	Commercial	Total
2016	834	29	863
2017	843	29	872
2018	842	29	871
2019	842	30	872
2020	842	30	872

Major Users. No user of the System accounted for more than 5% of System revenues in 2020.

The following were the largest users of the System in 2020:

1. Lavaca Public Schools
2. Lavaca Car Wash
3. Steffey's Pizza
4. Mi Casita Mexican Restaurant
5. First Baptist Church

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

THE AUTHORIZING ORDINANCE

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

Rates and General Covenants to Operate. The City covenants and agrees that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the net revenues of the System (net revenues being defined as gross revenues plus the City’s Portion of Sales and Use Tax Revenues designated for and transferred to the System less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities excluding depreciation, interest and amortization of deferred bond discount expenses), with the reduced rates, will always be equal to at least 120% of the maximum annual principal and interest requirements on all outstanding obligations payable from System revenues ("System Obligations"). The City further covenants and agrees that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues at least equal to 120% of the maximum annual principal and interest requirements on all System Obligations.

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

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

(b) There shall first be paid from the Revenue Fund into a fund designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on or before the first day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month. There shall be included in operation expenses all payments to be paid by the City pursuant to the Interlocal Cooperation Agreement for Water Transmission Line Construction, Management and Use and For Purchase and Sale of Potable Water, dated December 29, 2009 between the City, the City of Charleston, Arkansas, River South Rural Water District and the FSPWA (the "Interlocal Agreement").

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

(c) After making the monthly deposit into the Operation and Maintenance Fund, there shall be paid from the Revenue Fund, into a fund to be established with the Trustee designated "2021 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the Bonds, as they mature, with Trustee's fees, and as a Debt Service Reserve.

There shall be paid into the Bond Fund on the first business day of each month, until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment a sum equal to 1/6 of the next installment of the interest due on the Bonds and 1/12 of the next installment of principal due on the Bonds; provided, however, that (a) payments through April 2022 shall be in an amount equal to 1/7 of the interest on the Bonds due on May 1, 2022 and 1/13 of the principal of the Bonds due on November 1, 2022 and (b) payments in May 2022 through October 2022 shall be in an amount equal to 1/6 of the interest on the Bonds due on November 1, 2022 and 1/13 of the principal of the Bonds due on November 1, 2022.

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

There shall be maintained, as a part of the Bond Fund, a Debt Service Reserve which the City agrees to continuously maintain in an amount equal to one-half of the maximum annual principal and interest requirement on the Bonds (the "Required Level"). If the Debt Service Reserve is reduced below the Required Level, the City's monthly payments shall be increased to 1/5 of the next installments of interest on the Bonds, plus 1/10 of the next installments of principal of the Bonds until the Required Level is reached. All earnings on the Debt Service Reserve that increase the amount thereof above the Required Level shall be transferred to the debt service portion of the Bond Fund.

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

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds as the same become due, any sums then held in the Debt Service Reserve shall be used to the extent necessary to pay such principal and interest but the Debt Service Reserve shall be reimbursed from the Revenue Fund in the amount of any such payment as described above. The Debt Service Reserve shall be used solely as described in the Authorizing Ordinance, but the moneys therein may be invested as set forth below.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the next succeeding twelve month period and in excess of the Required Level of the Debt Service Reserve, such surplus shall at the option of the City either be applied to the redemption of the Bonds that may be called for redemption prior to maturity or paid to the City for deposit into the Revenue Fund.

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

(d) After making the required payments into the Operation and Maintenance Fund and the Bond Fund, there shall be paid from the Revenue Fund into a special fund designated "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the first day of each month, a sum equal to $1,000. Moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of necessary repairs or replacements made necessary by the depreciation of the System.

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

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

The City may issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund bonds payable from revenues of the System. However, the City shall not authorize or issue any such additional bonds ranking on a parity of security with the Bonds, unless and until there shall have been procured and filed with the City Recorder and the Trustee a statement by an Accountant not in the regular employ of the City reciting, based upon necessary investigation, that (1) net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 120% of the maximum annual principal and interest requirements on all of the then outstanding System Obligations and the additional bonds then proposed to be issued or (2) net revenues of the System for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, as reflected by a statement by an independent consulting engineer not in the regular employ of the City, and taking into account any rate increase then in effect, shall equal not less than 120% of the maximum annual principal and interest requirements on all then outstanding System Obligations and the additional bonds then proposed to be issued. The term "net revenues" means gross revenues of the System (including the average annual amount of the City's Portion of Sales and Use Tax Revenues designated for and transferred to the System over the prior two fiscal years) less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and amortization of deferred bond discount expenses. For the purpose of the computation under (1) above, additional amounts may be added to the net revenues of the completed fiscal year immediately preceding the issuance of additional bonds, as follows: if, prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year, the City shall have increased its rates or charges imposed for services of the System, there may be added to the net revenues of such fiscal year the additional net revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trustee. The Trustee's resignation shall become effective upon the acceptance of the trusts by the successor Trustee.

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

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

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

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

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

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

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

CONTINUING DISCLOSURE AGREEMENT

During the past five years, the City has had no outstanding obligations for which it has had continuing disclosure obligations.

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

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

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

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

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

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

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

"Financial Obligation" shall mean a

(A) debt obligation;

(B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) guarantee of obligations described in (A) or (B).

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or shall cause the Dissemination Agent to, not later than one hundred eighty days (180) after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2021 fiscal year, provide to the MSRB through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event.

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

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

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

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

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

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

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

7. Modifications to rights of security holders, if material.

8. Bond calls (excluding mandatory sinking fund redemptions), if material.

9. Defeasances and tender offers.

10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure

Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City, the Dissemination Agent or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

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

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

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FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the City for the fiscal year ended December 31, 2020. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and were audited in accordance with auditing standards generally accepted in the United States of America. These financial statements deal with the City, including the System and System revenues, and should be read in their entirety, together with any notes and supplemental information affixed thereto.

Revenues and expenses of the System are summarized below by management of the City for the fiscal years ended December 31, 2016-2020.

	Fiscal Year				
	2020	2019	2018	2017	2016
Operating Revenues*	$869,655	$842,257	$864,189	$904,415	$904,124
Operating Expenses (Excluding Depreciation and Amortization)	(543,875)	(617,763)	(533,225)	(524,466)	(554,521)
Operating Income Before Depreciation and Amortization Expense	325,780	224,494	330,964	379,949	349,603
Depreciation and Amortization Expense	(159,623)	(157,287)	(158,795)	(150,693)	(142,622)
Interest Expense	(20,429)	(18,582)	(21,741)	(21,500)	(24,553)
Non-operating Revenues (Expenses) (Including Interest Income)	180,043	138,255	(115,073)	(43,737)	(42,988)
Net Gain	$325,771	$186,880	$35,355	$164,019	$139,440

*Includes the part of the City's Portion of Sales and Use Tax Revenues designated for use in connection with the System as follows: $101,738 (2020); $96,268 (2019); $95,033 (2018); $122,017 (2017); and $140,152 (2016). These moneys may be used for operation and maintenance of the System. However, no part of these funds are pledged for payment of the Bonds and may not be used by the City to pay debt service on the Bonds.

DEBT SERVICE COVERAGE

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

	Including Tax Revenues	Excluding Tax Revenues
Net Revenues[1]	$287,225	$185,487[2]
Maximum Annual Debt Service for the Bonds[(B)(3)]	93,644	93,644
Debt Service Coverage[(A/B)]	3.07X	1.98X

(1) "Net Revenues" means gross revenues of the System less amounts necessary to pay operation, maintenance and repair of the System (excluding depreciation expenses, interest and bond amortization expenses) based upon the audited financial statements with respect to the System for the fiscal year ended December 31, 2020. Takes into account, as an operating expense, the sum of $44,315 paid to FSPWA pursuant to the Interlocal Agreement. See **THE AUTHORIZING ORDINANCE**, Funds and Disposition of Revenues. Includes $5,760 of interest income.
(2) Excludes $101,738 of the City's Portion of Sales and Use Tax Revenues designated for and transferred to the System which may be used for operation and maintenance of the System but may not be used to pay debt service on the Bonds. See **THE BONDS**, Security.
(3) Based on a year ending November 1.

[Remainder of this page intentionally left blank.]

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for the years ending November 1:

Year (Ending November 1)	Bond Principal	Bond Interest	Total Debt Service
2022	$65,000	$ 28,016.58	$ 93,016.58
2023	65,000	24,456.26	89,456.26
2024	65,000	24,131.26	89,131.26
2025	70,000	23,643.76	93,643.76
2026	70,000	23,118.76	93,118.76
2027	70,000	22,331.26	92,331.26
2028	70,000	21,543.76	91,543.76
2029	70,000	20,581.26	90,581.26
2030	70,000	19,618.76	89,618.76
2031	75,000	18,481.26	93,481.26
2032	75,000	17,262.50	92,262.50
2033	75,000	15,762.50	90,762.50
2034	75,000	14,262.50	89,262.50
2035	80,000	12,762.50	92,762.50
2036	80,000	11,162.50	91,162.50
2037	80,000	9,562.50	89,562.50
2038	85,000	7,762.50	92,762.50
2039	85,000	5,850.00	90,850.00
2040	85,000	3,937.50	88,937.50
2041	90,000	2,025.00	92,025.00
Totals	$1,500,000	$ 326,272.92	$ 1,826,272.92

LEGAL MATTERS

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

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

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

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

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

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

The City has designated the Bonds as "qualified tax-exempt obligations." Under the Code, such 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 issuer. The City has (1) covenanted not to use the System in a manner which would cause the Bonds to be "private activity bonds," and (2) represented 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 2021.

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

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

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any other legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

MISCELLANEOUS

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of $1,454,961.65 (principal amount less original issue discount of $7,538.35 less Underwriter's discount of $37,500). The Underwriter is committed to purchase all of the Bonds if any are purchased.

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

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

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

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

CITY OF LAVACA, ARKANSAS

By /s/ Hugh Hardgrave
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

Audited Financial Statements of the City
for the Fiscal Year Ended December 31, 2020

CITY OF LAVACA, ARKANSAS

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2020

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAVACA, ARKANSAS
DECEMBER 31, 2020

CONTENTS

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Lavaca, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Lavaca, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, where due to fraud or error.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lavaca, Arkansas, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and supplemental information for employer pension plans on pages 48 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 19, 2021, on our consideration of City of Lavaca, Arkansas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lavaca, Arkansas' 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 City of Lavaca, Arkansas' internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 19, 2021

BASIC FINANCIAL STATEMENTS

CITY OF LAVACA, ARKANSAS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2020

Assets and Deferred Outflows		Governmental Activities		Business-Type Activities		Total
Current Assets						
Cash and cash equivalents	$	1,023,233	$	596,750	$	1,619,983
Certificates of deposit		492,933		430,253		923,186
Restricted checking and savings accounts		-		110,643		110,643
Restricted certificates of deposit		-		135,000		135,000
Accounts receivable		79,324		84,456		163,780
Prepaid expenses		1,394		934		2,328
Total Current Assets		1,596,884		1,358,036		2,954,920
Capital Assets, Net		3,566,670		2,748,770		6,315,440
Total Assets		5,163,554		4,106,806		9,270,360
Deferred Outflows						
Deferred amount on refunding of debt, net of amortization		-		13,580		13,580
Deferred amounts related to pensions		127,184		35,432		162,616
Total Deferred Outflows		127,184		49,012		176,196
Total Assets and Deferred Outflows	$	5,290,738	$	4,155,818	$	9,446,556
Liabilities, Deferred Inflows, and Net Position						
Current Liabilities						
Accounts payable		3,513		26,922		30,435
Accrued interest		446		3,653		4,099
Meter deposits		-		49,420		49,420
Current maturity of long-term debt		28,984		73,444		102,428
Total Current Liabilities		32,943		153,439		186,382
Non-current Liabilities						
Long-term debt, net of unamortized bond discounts		173,209		401,186		574,395
Net pension liability		473,854		122,662		596,516
Total Non-current Liabilities		647,063		523,848		1,170,911
Total Liabilities		680,006		677,287		1,357,293
Deferred Inflows						
Deferred amounts related to pensions		89,090		7,780		96,870
Total Deferred Inflows		89,090		7,780		96,870
Net Position						
Net investment in capital assets		3,364,477		2,332,472		5,696,949
Restricted		-		182,967		182,967
Unrestricted		1,157,165		955,312		2,112,477
Total Net Position		4,521,642		3,470,751		7,992,393
Liabilities, Deferred Inflows, and Net Position	$	5,290,738	$	4,155,818	$	9,446,556

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

		Program Revenues		Net (Expense) Revenue And Change In Net Assets		
Functions/Programs	**Expenses**	**Charges For Services**	**Capital Grants & Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities						
Administration	$ 277,329	$ 12,885	$ 38,392	$ (226,052)	$ -	$ (226,052)
Police	307,465	-	98,875	(208,590)	-	(208,590)
Fire	68,399	-	15,000	(53,399)	-	(53,399)
Streets	254,809	-	-	(254,809)	-	(254,809)
Criminal justice	270	2,301	-	2,031	-	2,031
Interest on long-term debt	7,562	-	-	(7,562)	-	(7,562)
Total Governmental Activities	915,834	15,186	152,267	(748,381)	-	(748,381)
Business-Type Activities						
Water and Sewer	723,927	726,687	-	-	2,760	2,760
Sanitation	129,735	140,917	5,080	-	16,262	16,262
Total Business-Type Activities	853,662	867,604	5,080	-	19,022	19,022
Total	$ 1,769,496	$ 882,790	$ 157,347			
General Revenues:						
Property and real estate taxes				124,643	-	124,643
State turnbacks				229,641	-	229,641
Franchise tax				91,043	-	91,043
Sales and use taxes				382,727	101,738	484,465
County road				76,620	-	76,620
Volunteer fire tax				21,639	-	21,639
Fire Act 833				12,519	-	12,519
Insurance proceeds				43,087	-	43,087
Interest income				4,915	6,103	11,018
Gain (loss) on asset disposal				3,900	-	3,900
Other				6,450	41,230	47,680
Special Items						
FSPWA debt service and fixed costs				-	(44,315)	(44,315)
Transfers				255	(255)	-
Total General Revenues and Transfers				997,439	104,501	1,101,940
Change In Net Position				249,058	123,523	372,581
Net Position, Beginning of Year				4,272,584	3,347,228	7,619,812
Net Position, End of Year				$ 4,521,642	$ 3,470,751	$ 7,992,393

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF DECEMBER 31, 2020

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 522,603	$ 378,954	$ 121,676	$ 1,023,233
Certificates of deposit	92,933	400,000	-	492,933
Accounts receivable	48,353	30,779	192	79,324
Prepaid expenses	1,242	152	-	1,394
Total Assets	$ 665,131	$ 809,885	$ 121,868	$ 1,596,884
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 1,037	$ 2,476	$ -	$ 3,513
Total Liabilities	1,037	2,476	-	3,513
Fund Balances				
Nonspendable	1,242	152	-	1,394
Spendable:				
Restricted	-	-	6,399	6,399
Committed	-	-	99,237	99,237
Assigned	313,685	807,257	16,232	1,137,174
Unassigned	349,167	-	-	349,167
Total Fund Balances	664,094	807,409	121,868	1,593,371
Total Liabilities and Fund Balances	$ 665,131	$ 809,885	$ 121,868	$ 1,596,884

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

AS OF DECEMBER 31, 2020

Total Fund Balances - Governmental Funds	$	1,593,371
Amounts reported for governmental *activities* in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $5,782,058 and the accumulated depreciation is $2,215,388.		3,566,670
Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		127,184
Net pension liability is not due and payable in the current period and is not reported as a liability in the funds.		(473,854)
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		(89,090)
Long-term debt plus accrued interest are not due and payable in the current period, and therefore are not reported as a liability in the funds. All liabilities, both due in one year and due in more than one year, are reported in the statement of net position.		(202,639)
Total Net Position - Governmental Activities	$	4,521,642

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Street	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and real estate taxes	$ 124,643	$ -	$ -	$ 124,643
State turnbacks	57,330	172,311	-	229,641
Franchise tax	91,043	-	-	91,043
Sales and use taxes	367,800	14,927	-	382,727
Grants	145,617	-	-	145,617
County road	-	76,620	-	76,620
Volunteer fire tax	-	-	21,639	21,639
Fire Act 833	-	-	12,519	12,519
Licenses and permits	1,510	-	-	1,510
Court fines	11,375	-	2,301	13,676
Interest	1,440	3,419	56	4,915
Donations	6,650	-	-	6,650
Other income	6,450	-	-	6,450
Total Revenues	813,858	267,277	36,515	1,117,650
Expenditures				
Administration	206,983	-	-	206,983
Police	252,619	-	-	252,619
Fire	38,774	-	6,903	45,677
Streets	-	161,062	-	161,062
Criminal justice	-	-	270	270
Debt service:				
Interest	7,623	-	-	7,623
Principal	27,976	-	-	27,976
Capital outlays	269,200	190,394	7,139	466,733
Total Expenditures	803,175	351,456	14,312	1,168,943
Excess of Revenues Over (Under) Expenditures	10,683	(84,179)	22,203	(51,293)
Other Financing Sources				
Proceeds from sale of assets	3,900	-	-	3,900
Insurance recoveries	43,087	-	-	43,087
Operating transfers in / (out)	46,789	216	(46,750)	255
Total Other Financing Sources	93,776	216	(46,750)	47,242
Change in Fund Balance	104,459	(83,963)	(24,547)	(4,051)
Fund Balance at Beginning of Year	559,635	891,372	146,415	1,597,422
Fund Balance at End of Year	$ 664,094	$ 807,409	$ 121,868	$ 1,593,371

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

Total Net Change in Fund Balances - Governmental Funds		$	(4,051)
Amounts reported for governmental *activities* in the statement of activities are different because:			
Capital outlays are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of $466,733 exceeds depreciation of $202,786 during the year.			263,947
Governmental funds report agency pension contributions as expenditures. Some items reported in the Statement of Activities represent a change in net position that applies to future periods and includes the difference between expected and actual experience, changes in assumptions, expected earnings on plan investment, and employer contributions that are not recognized as an outflow or inflow until a future period and, therefore, are not reported as expenditures in governmental funds. These activities consist of:			
City pension contributions	26,947		
Cost of benefits earned net of employee contributions	(65,822)		(38,875)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			27,976
In the statement of activities, total interest expense is adjusted for the change between current year and prior year accrued interest which is shown on the statement of net assets. The current year adjustment is a decrease to interest expense.			61
Change in Net Position of Governmental Activities		$	249,058

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

AS OF DECEMBER 31, 2020

	Enterprise Funds		
Assets and Deferred Outflows	**Water &**	**Sanitation**	
Current Assets	**Sewer Fund**	**Fund**	**Total**
Cash and cash equivalents	$ 596,720	$ 30	$ 596,750
Certificates of deposit	430,253	-	430,253
Restricted checking and savings accounts	110,643	-	110,643
Restricted certificates of deposit	135,000	-	135,000
Accounts receivable	73,270	11,186	84,456
Prepaid expenses	934	-	934
Total Current Assets	1,346,820	11,216	1,358,036
Capital Assets, Net	2,724,978	23,792	2,748,770
Total Assets	4,071,798	35,008	4,106,806
Deferred Outflows			
Deferred amount on refunding of debt, net of amortization	13,580	-	13,580
Deferred amounts related to pensions	35,432	-	35,432
Total Deferred Outflows	49,012	-	49,012
Total Assets and Deferred Outflows	$ 4,120,810	$ 35,008	$ 4,155,818
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities			
Accounts payable	26,371	551	26,922
Accrued interest	3,653	-	3,653
Meter deposits	49,420	-	49,420
Current maturity of long-term debt	73,444	-	73,444
Total Current Liabilities	152,888	551	153,439
Non-Current Liabilities			
Long-term debt, net of unamortized bond discounts	401,186	-	401,186
Net pension liability	122,662	-	122,662
Total Non-Current Liabilities	523,848	-	523,848
Total Liabilities	676,736	551	677,287
Deferred Inflows			
Deferred amounts related to pensions	7,780	-	7,780
Total Deferred Inflows	7,780	-	7,780
Net Position			
Net investment in capital assets	2,308,680	23,792	2,332,472
Restricted	182,967	-	182,967
Unrestricted	944,647	10,665	955,312
Total Net Position	3,436,294	34,457	3,470,751
Liabilities, Deferred Inflows, and Net Position	$ 4,120,810	$ 35,008	$ 4,155,818

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Total
Operating Revenues			
Water sales	$ 596,604	$ -	$ 596,604
Sewer fees	113,113	-	113,113
Tap fees and service charges	16,970	-	16,970
Sanitation fees	-	132,365	132,365
Sales and use taxes	101,738	-	101,738
ABC center	-	8,552	8,552
Other revenue	41,230	-	41,230
Total Operating Revenues	869,655	140,917	1,010,572
Operating Expenses			
Water purchases	232,116	-	232,116
Contract hauler	-	122,969	122,969
Salaries	119,255	3,300	122,555
Payroll taxes	8,727	242	8,969
Employee benefits	35,803	-	35,803
Professional fees	5,750	-	5,750
Operating supplies	39,013	-	39,013
Recycling center expenses	-	1,293	1,293
Vehicle expense	10,107	-	10,107
Repairs and maintenance	36,987	-	36,987
Miscellaneous	63	-	63
Administrative expense	10,698	-	10,698
Utilities	28,020	-	28,020
Dues and licenses	11,084	-	11,084
Insurance	4,301	-	4,301
Bank and trustee fees	1,951	-	1,951
Depreciation	159,623	1,931	161,554
Total Operating Expenses	703,498	129,735	833,233
Operating Income (Loss)	166,157	11,182	177,339
Other Revenues (Expenses)			
Interest income	5,760	343	6,103
Grant income	-	5,080	5,080
FSPWA debt service and fixed costs	(44,315)	-	(44,315)
Interest expense	(20,429)	-	(20,429)
Operating transfers	218,598	(218,853)	(255)
Total Other Revenues (Expenses)	159,614	(213,430)	(53,816)
Change In Net Position	325,771	(202,248)	123,523
Beginning of Year Net Position	3,110,523	236,705	3,347,228
End of Year Net Position	$ 3,436,294	$ 34,457	$ 3,470,751

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Water & Sewer Fund	Sanitation Fund	Total
Cash Flows From Operating Activities			
Cash receipts from customers and other sources	$ 764,579	$ 140,450	$ 905,029
Cash received from sales tax	101,237	-	101,237
Cash payments to suppliers for goods and services	(424,159)	(124,316)	(548,475)
Cash payments to employees for services	(119,255)	(3,300)	(122,555)
Net Cash Provided By Operating Activities	322,402	12,834	335,236
Cash Flows From Non-Capital and Related Financing Activities			
Transfers (to) / from other funds	218,598	(218,853)	(255)
Net Cash Provided (Used) From Non-Capital and Related Financing Activities	218,598	(218,853)	(255)
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(57,334)	-	(57,334)
Grant proceeds	-	5,080	5,080
Principal paid on debt	(73,334)	-	(73,334)
Interest paid on debt	(17,429)	-	(17,429)
FSPWA debt service and fixed costs	(44,315)	-	(44,315)
Net Cash Provided (Used) For Capital and Related Financing Activities	(192,412)	5,080	(187,332)
Cash Flows From Investing Activities			
Reinvestment of certificate of deposit earnings	(253)	-	(253)
Proceeds from (purchase of) certificate of deposit	(100,000)	100,000	-
Interest Income	5,760	343	6,103
Net Cash Provided (Used) By Investing Activities	(94,493)	100,343	5,850
Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash	254,095	(100,596)	153,499
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	453,268	100,626	553,894
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 707,363	$ 30	$ 707,393
Reconciliation to the Statement of Net Position			
Cash and cash equivalents	$ 596,720	$ 30	$ 596,750
Restricted checking and savings accounts	110,643	-	110,643
Total Cash, Cash Equivalents and Restricted Cash	$ 707,363	$ 30	$ 707,393

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	$ 166,157	$ 11,182	$ 177,339
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	159,623	1,931	161,554
(Increase)/decrease in:			
Accounts receivable	(7,844)	(467)	(8,311)
Prepaid expenses	(797)	-	(797)
Deferred amounts related to pensions	5,447	-	5,447
Increase/(decrease) in:			
Accounts payable	719	188	907
Meter deposits	4,005	-	4,005
Net pension liability	4,546	-	4,546
Deferred amounts related to pensions	(9,454)	-	(9,454)
Net Cash Provided By Operating Activities	$ 322,402	$ 12,834	$ 335,236

See accompanying notes and independent auditors' report.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

a. Reporting Entity

The City of Lavaca, Arkansas operates under an elected Mayor/Council form of government. The City's major operations include public safety, fire protection, recreation and parks, general administrative service, and water, sewer and sanitation service.

For financial reporting purposes, conformance with the governmental accounting standards board, the City includes all funds, account groups, departments, agencies, boards, commissions and other organizations over which the City exercises oversight responsibility. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

b. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as general revenues.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

b. Basic Financial Statements (continued)

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Franchise taxes, sales taxes, other taxes, charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental funds include the following fund types:

The general fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). Special revenue funds consist of the street fund, local police and fire retirement system fund, voluntary fire tax fund and the criminal justice fund.

The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds for the City of Lavaca, Arkansas, consists of the water and sewer revenue and operation fund, bond fund, bond depreciation fund, meter deposit fund, and sanitation fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

d. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) delayed the following accounting pronouncements which ultimately became effective for the City's fiscal year ended December 31, 2020.

GASB Statement No. 83, *Certain Asset Requirement Obligations.* The purpose of this statement is to address accounting and financial reporting for certain retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance on the statement.

1. Summary of Significant Accounting Policies (continued)

d. New Accounting Pronouncements (continued)

GASB Statement No. 84, *Fiduciary Activities.* The purpose of this statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The purpose of this statement is to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

e. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash equivalents are defined as short term highly liquid investments that are readily convertible to known amounts of cash and have maturities that present insignificant risk of changes in value because of changes in interest rates. For the purposes of the Statement of Cash Flows, all highly liquid debt instruments with a maturity of three months or less when purchased to be cash including restricted cash.

Accounts Receivable

Accounts receivable in governmental funds and governmental activities include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Interest and investment earnings are recorded when earned, only if paid within sixty days, since they would be considered both measurable and available at the fund level. Management believes that all receivables are collectible, therefore no allowance for doubtful accounts is necessary at year-end,

Proprietary type funds and business-type activities account receivables consist of all revenues earned at year-end and not received. Proprietary fund receivables at year-end are for water and sewer sales, fees for miscellaneous services and sales and use taxes. Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Interfund Receivables and payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than $5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	LIFE
Land	N/A
Buildings	7 - 40 Years
Municipal complex and parks	30 Years
Park equipment and pavilion	5 - 20 Years
Water and sewer system	10 - 50 Years
Office furniture and equipment	5 - 7 Years
Equipment	5 - 10 Years
Vehicles	5 - 10 Years
ABC convenience center	7 - 15 Years
Streets and improvements	30 Years

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Capital assets (continued)

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The City also recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognizes deferred inflows of resources related to pensions.

Compensated absences

It is the City's policy not to allow vacation benefits to accumulate from year to year, therefore, no provision has been made for accrual of vacation time. Unused sick pay does accumulate from year to year, however, the sick pay is nonvesting, thus is excluded from the general accrual requirements.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employee's Retirement System, the Local Police and Fire Retirement System, and the Firemen's Relief and Pension Fund (together, the Plans) and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Net Position and Fund Balances

Government-Wide Statements:

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position and unrestricted net position.

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.

Restricted Net Position - Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - Unrestricted net position represents net position that is not restricted because of constraints imposed by external parties or imposed by laws of other governments or related to the acquisition and construction of capital assets. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The City does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. City personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of net position amounts, restricted resources are considered spent before unrestricted.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Net Position and Fund Balances (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City. The City council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned - includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated authority.

Unassigned - all other spendable amounts.

The City does not have a policy addressing whether it considers restricted, committed, or unassigned to have been spent when expenditures are incurred for purposes when restricted, committed and unassigned balances are available. City personnel decide which resources to use at the time the expenditures are incurred. For classification of fund balance amounts, committed amounts would be reduced first, followed by assigned amounts and then unassigned

Estimates

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

Budgetary principles

The City is required to adopt an annual budget for the ensuing fiscal year. The General, special revenue, and proprietary fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget.

1. Summary of Significant Accounting Policies (continued)

e. Assets, Liabilities, and Net Assets or Equity (continued)

Budgetary principles (continued)

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results.

Budgeted revenue amounts represent the original budget modified by City Council-authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year . Budgets are prepared in conformity with GAAP using the modified accrual basis of accounting.

2. Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, a City's deposits may not be recovered. The City does not have a formal written deposit policy but follows the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2020, the City had no deposits that were uninsured or uncollateralized. Independent third parties held securities in the City's name as collateral. The bank balances and carrying amount of the City's deposits held were as follows:

As of December 31, 2020	Bank Balance	Carrying Amount
Insured	$ 307,230	$ 307,230
Collateralized - held by pledging bank or pledging bank's trust department in the City's name	2,358,698	2,481,266
Cash on hand		316
Total	$ 2,665,928	$ 2,788,812

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. Bank Deposits (continued)

Deposits as reported in the following statement of net position captions:

As Of December 31, 2020		
Cash and cash equivalents	$	1,619,983
Certificates of deposit		923,186
Restricted checking and savings accounts		110,643
Restricted certificates of deposit		135,000
Total	$	2,788,812

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The City's invests in certificates of deposits with maturities of three years or less.

3. Restricted Assets

The City has restricted accounts for the following:

Depreciation accounts - restricted for the purpose of reserving funds to make necessary repairs and improvements to the water system.

Meter Deposit Account - restricted for repayment of customer meter deposits.

Debt Service Reserves / Bond Fund - restricted for maintaining a debt service reserve and payment of principal and interest on bonds.

Restricted cash and cash equivalent accounts of the proprietary funds consists of the following:

As Of December 31, 2020		
Cash and cash equivalents:		
Water and Sewer Depreciation	$	39,390
2012 Debt Service Reserve		42,306
2012 Bond Fund		14,102
Meter Deposit		14,023
AFDA Bond Fund		822
Total Restricted Cash and Cash Equivalents	$	110,643
Certificate of Deposit		
Meter Deposit CD	$	45,000
Water and Sewer Depreciation CD		90,000
Total Restricted Certificates of Deposit	$	135,000

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

4. Accounts Receivable

Accounts receivable of governmental activities consists of the following:

As of December 31, 2020	General Fund	Street Fund	Other Govt. Funds	Total Govt. Funds
Taxes	$ 43,520	$ 15,330	$ -	$ 58,850
State turnback	4,463	15,449	-	19,912
Fines and assessments	370	-	192	562
Total	$ 48,353	$ 30,779	$ 192	$ 79,324

Accounts receivable of business-type activities consists of the following:

As of December 31, 2020	Water & Sewer Fund	Sanitation Funds	Total Proprietary Funds
User charges	$ 64,343	$ 11,186	$ 75,529
Sales tax	8,927	-	8,927
Total	$ 73,270	$ 11,186	$ 84,456

5. Property Tax

The City levies its property tax during the month of October, prior to the current fiscal year. The property tax is considered receivable on the first Monday in January of the current year and is recorded as revenue when received. The County is the collecting agent for the levy and remits the collections to the City, net of a collection fee. Taxes are delinquent after the first week in October.

The amount of property taxes the City may levy is subject to a statutory limitation by the State of Arkansas. The tax levy may not be increased except by amendment to the State Constitution.

The assessed value of the taxable property upon which property tax is levied is determined by the County Assessor. The Assessor estimates full market value of the property and applies a statutory rate of 205 to arrive at assessed value.

6. Changes In Capital Assets

Capital asset activity for government activities for the year ended December 31, 2020, was as follows:

	January 1, 2020	Additions	Retirements	December 31, 2020
Capital assets, not being depreciated				
Land	$ 70,472	$ -	$ -	$ 70,472
Construction in progress	23,638	80,280	-	103,918
Total capital assets, not being depreciated	94,110	80,280	-	174,390
Capital assets, being depreciated				
Buildings	1,213,332	-	-	1,213,332
Municipal complex and parks	310,374	-	-	310,374
Park equipment and pavilion	329,536	-	-	329,536
Office furniture and equipment	48,183	-	-	48,183
Equipment	631,318	56,868	-	688,186
Vehicles	217,213	139,191	81,173	275,231
Streets and improvements	2,552,432	190,394	-	2,742,826
Total capital assets, being depreciated	5,302,388	386,453	81,173	5,607,668
Total capital assets	5,396,498	466,733	81,173	5,782,058
Less accumulated depreciation:				
Buildings	359,101	41,252	-	400,353
Municipal complex and parks	176,082	10,346	-	186,428
Park equipment and pavilion	179,839	19,992	-	199,831
Office furniture and equipment	45,957	581	-	46,538
Equipment	562,910	19,456	-	582,366
Vehicles	177,660	25,549	81,173	122,036
Streets and improvements	592,226	85,610	-	677,836
Total accumulated depreciation	2,093,775	202,786	81,173	2,215,388
Total capital assets, being depreciated, net	3,208,613	183,667	-	3,392,280
Governmental activities, capital assets, net	$ 3,302,723	$ 263,947	$ -	$ 3,566,670

In the governmental activities, construction in progress of $103,918 at December 31, 2020 is for Shae Park improvements including accessible parking, hard surface walkways, a new bridge, pavilion, modern playground equipment, and the installation of picnic tables and trash bins. The total estimated cost of the project is $250,000 of which $125,000 will be funded by a matching grant from the Arkansas Department of Parks and Tourism. The City received $38,392 of these matching funds during the year ended December 31, 2020. The project is scheduled for completion by the end of 2021.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Changes In Capital Assets (continued)

Depreciation expense for governmental activities is charged to functions as follows:

Administration	$	61,785
Police		25,576
Fire		23,883
Streets		91,542
Total depreciation for governmental activities	$	202,786

Capital asset activity for business-type activities for the year ended December 31, 2020, was as follows:

	January 1, 2020	Additions	Retirements	December 31, 2020
Capital assets, not being depreciated				
Land	$ 12,886	$ -	$ -	$ 12,886
Construction in progress	-	57,334	-	57,334
Total capital assets, not being depreciated	12,886	57,334	-	70,220
Capital assets, being depreciated				
Building	39,204	-	-	39,204
Municipal complex	70,808	-	-	70,808
Water and sewer system	4,592,541	-	-	4,592,541
Equipment	165,964	-	-	165,964
ABC convenience center	44,394	-	-	44,394
Total capital assets, being depreciated	4,912,911	-	-	4,912,911
Total capital assets	4,925,797	57,334	-	4,983,131
Less accumulated depreciation:				
Building	15,180	1,139	-	16,319
Municipal complex	42,878	2,360	-	45,238
Water and sewer system	1,887,663	137,439	-	2,025,102
Equipment	86,979	20,017	-	106,996
Vehicles	-	-	-	-
ABC convenience center	40,107	599	-	40,706
Total accumulated depreciation	2,072,807	161,554	-	2,234,361
Total capital assets, being depreciated, net	2,840,104	(161,554)	-	2,678,550
Total Business-type activities, capital assets, net	$ 2,852,990	$ (104,220)	$ -	$ 2,748,770

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. Changes In Capital Assets (continued)

For business-type activities, construction in progress of $57,334 at December 31, 2020 was for two projects. The Highway 96 Sewer project is to replace the existing sewer transmission line with a larger line. The City has incurred $55,607 in engineering costs through December 31, 2020. The total estimated cost of the project is $800,000 which the City anticipates funding with the issuance of new revenue bonds. The remaining $1,727 of construction in progress is for the Berry Ridge manhole project to repair and/or replace existing manholes. The total estimated cost of the project is $132,090 and it should be completed by the end of 2021.

Depreciation expense for business-type activities totaled $161,554 and was entirely charged to the water and sanitation department.

7. Asset Retirement Obligation

The City adopted GASB Statement No. 83, Certain Asset Retirement Obligations, during the year. As asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Under the new accounting standard, the City must recognize an ARO when the liability is both incurred and reasonably estimable. A liability incurred is based on the existence of external laws, regulations, contracts or court judgements and the occurrence of an internal event that obligates the City to perform asset retirement activities. The City owns and operates a lagoon system for wastewater treatment, and the existence of laws and regulations to decommission the lagoon falls within the scope of GASB 83.

The City's lagoon for wastewater treatment has been operating effectively since the 1980's and there are no existing plans to change the system. The City is not reporting an ARO on the Statement of Net Position because the City does not have an estimate of the cost to discontinue usage of the lagoon and the life expectancy of the lagoon is indeterminate. An ARO will be recorded if future events warrant a change.

8. Long-Term Debt

Governmental Activities - Long-term debt consists of:

First National Bank - loan dated August 15, 2017 for the construction of a new police station, in the amount of $279,253. Monthly payments of interest only at 3.5% until February 15, 2018. Monthly payments of $2,967 thereafter of principal and interest until final payment on May 15, 2027. The note is secured by the new police station which has a carrying value of $437,054 at December 31, 2020.	$	202,193
Total		202,193
Less: current maturities		28,984
Long-term debt, net	$	173,209

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

8. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2021	$ 28,984	$ 6,615	$ 35,599
2022	30,015	5,584	35,599
2023	31,083	4,516	35,599
2024	32,188	3,411	35,599
2025	33,333	2,266	35,599
202-2027	46,590	1,170	47,760
Total	$ 202,193	$ 23,562	$ 225,755

In the event of loan default, the bank has several remedies including that the outstanding principal and interest become immediately due and payable.

Long-term debt of the water-sewer department consists of the following:

Water and Sewer Revenue Bond Series 2010A, with the original issue amount of $236,500. The bonds were revised in September 2013 totaling $67,316. The bonds are payable in semi-annual installments including interest and service fees of 2.25% and 1%, respectively. The bonds are secured by revenues of the system with final maturity on October 15, 2031.	$ 44,742
Water and Sewer Revenue Refunding Bonds Series 2012, dated June 1, 2012, in the amount of $995,000. Principal payments are made in annual installments ranging from $55,000 in 2012 to $80,000 in 2026. Semi-annual interest payments are made with rates varying from 1.25% to 3.50%. The bonds are secured by revenues of the system with final maturity on November 1, 2026.	440,000
Total	484,742
Less: current maturities	73,444
Less: unamortized discount on 2012 Series bond	10,112
Long-term debt, net	$ 401,186

8. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

December 31,		Principal		Interest		Total
2021	$	73,444	$	16,039	$	89,483
2022		73,556		13,739		87,295
2023		73,673		11,434		85,107
2024		78,793		9,127		87,920
2025		78,918		6,377		85,295
2026-2030		101,600		5,550		107,150
2031		4,758		112		4,870
Total	$	484,742	$	62,378	$	547,120

If there is any default in the payment of principal or interest on any of the bonds, the Trustee may appoint a receiver to administer the water and sewer system on behalf of the City until all defaults have been cured.

Activity for long term debt and other non-current liabilities for the year ended December 31, 2020 was as follows:

		January 1, 2020		Additions		Reductions		December 31, 2020		Due Within One Year
Governmental activities:										
First National Bank	$	230,169	$	-	$	27,976	$	202,193	$	28,984
Net pension liability		491,435		-		17,581		473,854		-
Total	$	721,604	$	-	$	45,557	$	676,047	$	28,984
Business-type activities										
2010 Series Bonds	$	48,076	$	-	$	3,334	$	44,742	$	3,444
2012 Series Refunding Bonds		510,000		-		70,000		440,000		70,000
Net pension liability		118,116		4,506		-		122,622		-
Total	$	676,192	$	4,506	$	73,334	$	607,364	$	73,444

9. Deferred Loss on Refunding / Bond Discount

The deferred loss on refunding incurred with the 2012 bond issuance results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance is $13,580 on December 31, 2020, and is reflected on the statement of net position as deferred outflows. Amortization of the deferred loss totaled $2,116 for the year ended December 31, 2020 and is included with interest expense on the statement of revenues, expenses and changes in net position.

Bond discounts are deferred and amortized over the term of the bond issue using the straight-line method. Bonds payable are reported net of the discount. Amortization of the discount totaled $1,576 for the year ended December 31, 2020 and is included with interest expense on the statement of revenues, expenses, and changes in net position.

10. Fund Balances

The following is a summary of the Governmental Fund fund balances of the City at December 31, 2020:

General Fund		
Nonspendable: Prepaid items	$	1,242
Assigned:		
Public safety - Police		241,601
Public safety - Fire		72,084
Total		313,685
Unassigned		349,167
Total General Fund fund balance		664,094
Street Fund		
Nonspendable: Prepaid items		152
Assigned: Street repair and replacement		807,257
Total Street Fund fund balance		807,409
Other Governmental Funds		
Committed: Purchase of equipment, training costs, capital expenditures, equipment testing, etc.		99,237
Restricted:		
LOPFI payments for the volunteer fire and police department		6,399
Assigned: Payment of jail fees and other expenditures		16,232
Total Other Governmental Funds fund balance		121,868
Total Governmental fund balance	$	1,593,371

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

11. Interfund Transfers

Interfund transfers are used to fund operations in various accounts. The composition of interfund transfers as of December 31, 2020 is as follows:

	Transfers In	Transfers Out	Net Transfers
Governmental Activities			
General Fund	$ 46,789	$ -	$ 46,789
Street Fund	216	-	216
Other Governmental Funds - Volunteer Fire Tax Fund		46,750	(46,750)
Business-Type Activities			
Water & Sewer Fund	218,598	-	218,598
Sanitation Fund	-	218,853	(218,853)
Total	$ 265,603	$ 265,603	$ -

12. Retirement Plans

The City of Lavaca, Arkansas participates in three defined benefit pension plans; which are comprised of one agent multiple employer defined benefit pension plan and two cost-sharing multiple-employer defined benefit pension plans, each of which are described in detail below. Aggregate amounts for the three pension plans are as follows:

	APERS	LOPFI	FRFP	Total
Net pension liability	$ 205,120	$ 353,173	$ 38,223	$ 596,516
Deferred outflows of resources	20,089	75,891	3,471	99,451
Deferred outflows of resources contributions	39,396	18,268	5,501	63,165
Deferred inflows of resources	13,009	77,939	5,922	96,870
Pension expense	37,996	68,693	7,102	113,791

The City had no pension contribution liabilities on December 31, 2020.

Pension items listed above for Arkansas Public Employees Retirement System (APERS) Plan have been allocated between governmental activities and business-type activities on the basis of total salaries.

Pension items listed above for Arkansas Local Police and Fire Retirement System Plan (LOPFI) and Firemen's Relief and Pension Fund (FRFP) Plan have been recorded in governmental activities.

12. Retirement Plans (continued)

Arkansas Public Employees Retirement Systems (APERS)

Plan Description

The City participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/207	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- ☐ at age 65 with 5 years of service,
- ☐ at any age with 28 years actual service,
- ☐ at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- ☐ at age 55 with 35 years of credited service for elected or public safety officials.

12. Retirement Plans (continued)

Benefits Provided (continued)

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The City contributed 15.32% of compensation for both fiscal years ended December 31, 2020 and 2019, respectively. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the City were $26,689 and $25,355 for the years ended December 31, 2020 and 2019, respectively.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at http://www.apers.org/annualreports.

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net Pension Liability was based on the City's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the City's proportionate share was 0.00850230%.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2019 and the City's report ending date of December 31, 2020, that would have had a significant impact on the net pension liability.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	30 years (8.6 years for District Judges New Plan/Paid Off Old Plan and 17 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality Table	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017

Actuarial Assumptions (continued)

All other actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

Long-term Expected Rate of Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

12. Retirement Plans (continued)

Long-term Expected Rate of Return on Plan Assets (continued)

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
	100%	

Total Real Rate of Return	4.80%
Plus: Price Inflation - Actuary's Assumption	2.50%
Net Expected Return	7.30%

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2019 valuation, the expected rate of return on pension plan investments is 7.15%; the municipal bond rate is 3.13% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.15%.

The single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

12. Retirement Plans (continued)

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.15%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	$ 328,757	$ 205,120	$ 103,115

Pension Expense and Deferred Outflows / Inflows of Resources Related to Pensions

The City's proportionate share of pension expense was $37,996 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,583	$ 305
Changes in assumptions	11,133	7,885
Net difference between projected and actual earnings on pension plan investments	-	1,558
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,373	3,261
City contributions subsequent to the measurement date	39,396	-
Total	$ 59,485	$ 13,009

$39,396 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Increase (Decrease) in Pension Expense
2021	$ 9,608
2022	(5,229)
2023	(164)
2024	2,865
	$ 7,080

12. Retirement Plans (continued)

Arkansas Local Police and Fire Retirement System (LOPFI) (the New Plan)

Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) is a state-wide cost sharing multiple-employer defined benefit pension plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981 are eligible to participate in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, 620 West 3rd Street, Little Rock, Arkansas 72201.

Benefits Provided

LOPFI provides for a retirement benefit paid to the member on a monthly basis. The monthly benefit is based on a formula provided by law for the member's lifetime. The member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credited service (years and months), and final average pay. Each option available to the member provides for a different calculation based on these factors.

Employer Contributions

Contributions to LOPFI are made by both the member and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 2.5% of covered payroll for policemen. The City contributed 23.5% of covered employee's salaries to the plan for policemen. The City contributed $18,268 and $19,598 to the Plan for the years ended December 31, 2020 and 2019, respectively. The Plan also receives a state insurance turnback, which amounted to $21,933 and $20,424 for the years ended December 31, 2020 and 2019, respectively.

LOPFI Fiduciary Net Position

Detailed information about LOPFI's fiduciary net position is available in the separately issued LOPFI Financial Report available at http://www.lopfi-prb.com/lopfi/reports.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Timing of the Valuation (continued)

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date of December 31, 2019.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of December 31, 2019 and the City's report ending date of December 31, 2020, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Paid Service) Increasing Dollar, Closed (Volunteer Service)
Remaining Amortization Method	17.0 years beginning January 1, 2019 (Paid Service) 16.0 years beginning January 1, 2019 (Volunteer Service)
Asset Valuation Method	5-Year smoothed market; 20% corridor
Price Inflation	2.50%
Wage Inflation	3.25% (Paid Service) N/A (Volunteer Service)
Salary Increases	3.75% to 18.75%, including inflation (Paid Service) N/A (Volunteer Service)
Investment Rate of Return	7.50%, as adopted by the Board
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016
Other information	There were no changes in benefit provisions or methods in the December 31, 2017 actuarial evaluation. There were changes in assumptions following an experience study of the period 2012-2016

12. Retirement Plans (continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions collected from fourteen national investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return	Allocation Weighted Long-Term Expected Real Rate of Return
Fixed Income	30%	1.3%	0.40%
Domestic Equity	42%	5.4%	2.27%
Foreign Equity	18%	7.8%	1.40%
Alternative Investments	10%	6.7%	0.67%
Total	100%		4.74%
Expected Inflation			2.25%
Total Return			6.99%

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.00%.

12. Retirement Plans (continued)

Single Discount Rate (continued)

The single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	$ 558,597	$ 353,173	$ 188,050

Pension Expense, and Deferred Inflows / Outflows of Resources Related to Pensions

The City's proportionate share of pension expense was $68,693 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,625	$ 341
Changes in assumptions	26,412	-
Net difference between projected and actual earnings on pension plan investments	-	40,679
Change in proportion	23,854	36,919
City contributions subsequent to the measurement date	18,268	-
Total	$ 94,159	$ 77,939

12. Retirement Plans (continued)

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions (continued)

$18,268 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Increase (Decrease) in Pension Expense
2021	$ 11,119
2022	(2,919)
2023	7,748
2024	(17,996)
	$ (2,048)

Firemen's Relief and Pension Fund (FRPF) (the Old Plan)

Plan Description

The Firemen's Relief and Pension Fund (FRPF) is an agent multiple-employer defined benefit pension plan for employees of the fire department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. The City entered into an agreement with the Arkansas local police and fire retirement system (LOPFI) whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of Arkansas. Per the agreement between the City and LOPFI, the City will contribute and actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Plan's net pension obligation over a 30 year open amortization period. The Old Plan's benefit structure remains unchanged under the administration of LOPFI. The Old Plan issues separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas, 72201.

Benefits Provided

The FRFP provides retirement benefits for firemen who have completed 20 years of service regardless of age. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the fire department. The FRFP also provides benefits for surviving spouses and dependent children of deceased firemen. No participants' benefits vest until normal retirement age.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Benefits Provided (continued)

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees an beneficiaries	6
DROP members	N/A
Active members	-
Total	6

Employer Contributions

The contribution rate for the City is actuarially determined on an annual basis. The City contributed $5,501 and $4,519 to the Plan for the years ended December 31, 2020 and 2019, respectively. The Plan also receives a state insurance turnback on an annual basis, which amounted to $3,215 and $3,387 for the years ended December 31, 2020 and 2019, respectively.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2019 and a measurement date of December 31, 2019.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of December 31, 2019 and the City's report ending date of December 31, 2020, that would have had a significant impact on the net pension liability.

CITY OF LAVACA, ARKANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. Retirement Plans (continued)

Actuarial Assumptions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected benefit factors
Remaining Amortization Method	6 years beginning January 1, 2019
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	N/A
Investment Rate of Return	7.75%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016
Other information	There were no benefit changes during the year

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions collected from fourteen national investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

12. Retirement Plans (continued)

Investment Rate of Return (continued)

Asset Allocation	Target Allocation	Long-Term Expected Real Rate of Return	Allocation Weighted Long-Term Expected Real Rate of Return
Fixed Income	30%	1.3%	0.40%
Domestic Equity	42%	5.4%	2.27%
Foreign Equity	18%	7.8%	1.40%
Alternative Investments	10%	6.7%	0.67%
Total	100%		4.74%
Expected Inflation			2.25%
Total Return			6.99%

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement dates (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the "20-Bond GO Index" rate from the Bond Buyer Index); and the resulting single discount rate is 7.00%

Sensitivity of the net pension liability to changes in the discount rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net Pension Liability	$ 46,173	$ 38,223	$ 31,362

12. Retirement Plans (continued)

Pension Expense, and Deferred Inflows / Outflows of Resources Related to Pensions

The City's pension expense was $7,102 for the year ended December 31, 2020. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 3,471	$ 5,922
City contributions subsequent to the measurement date	5,501	-
Total	$ 8,972	$ 5,922

$5,501 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net (Decrease) in Pension Expense
2021	$ (518)
2022	(723)
2023	(60)
2024	(1,150)
	$ (2,451)

13. Insurance Proceeds

The City received insurance proceeds totaling $43,087 during the year ended December 31, 2020. Approximately $41,039 was for vehicle damage and $2,048 was for wind damage to a building.

14. Flexible Benefit Plan

The City offers all active full-time employees and elected City officials who receive a W-2 form the option to participate in a flexible benefit plan administered by an appointed committee. The flexible benefit plan has been established as a cafeteria plan as permitted under Section 125 of the Internal Revenue Code of 1954, as amended, to provide for group medical/dental assistance for its eligible employees and dependents. The plan is funded solely by salary reductions as elected on a voluntary basis by participants.

15. Concentrations Of Credit Risk

Financial instruments that potentially subject the City to credit risk consist primarily of accounts receivable. The receivables consist of charges for services, property taxes and turnback funds due to the City from individuals located within the same geographic region or for economic activity occurring within the same geographic region.

16. Risk Management

The City is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance and workers compensation insurance through Arkansas Municipal League and Columbia Insurance Group.

There has been no significant reduction in the City's insurance coverage from the previous year. In addition, there have been no settlements in excess of the City's coverage in any of the prior three fiscal years.

17. Interlocal Agreement

The Franklin Sebastian Public Water Authority (FSPWA) entered into a surplus water agreement with the City of Fort Smith, Arkansas whereby the Authority will sell potable water to the City as well as the other user parties within the agreement. Water purchased by the City from the FSPWA totaled $232,116. Additionally, the contract states that the City is responsible for 45% of the FSPWA debt service and fixed costs. This amount totaled $44,315 during 2020. The City does provide clerical services and operations and maintenance support for the FSPWA which helps offset these costs. During 2020 the City received $23,532 for these services.

18. COVID-19

On March 11, 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The spread of COVID-19 continues to cause global economic uncertainty as of the date of this report. The City's offices have remained open and operations continued. The pandemic has had little impact on the City financially. The City received $90,461 under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) enacted by Congress in response to the economic fallout of the pandemic, but has seen no other significant impact due to COVID-19 on the City's total revenues or expenses. The full extent of the impact on the City's operations and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions, and other factors, all of which are highly uncertain and cannot be predicted. The City will continue to monitor its operations, liquidity and capital resources to minimize the current and future impact of this unprecedented situation.

19. Subsequent Events

The City has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2020 through March 19, 2020, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAVACA, ARKANSAS

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Over/(Under)
Revenues				
Property and real estate taxes	$ 115,000	$ 115,000	$ 124,643	$ 9,643
State turnbacks	36,000	36,000	57,330	21,330
Franchise tax	98,000	98,000	91,043	(6,957)
Sales and use taxes	306,250	346,386	367,800	21,414
Grants	-	1,000	145,617	144,617
Licenses and permits	2,600	2,600	1,510	(1,090)
Court fines	12,000	12,000	11,375	(625)
Interest	-	-	1,440	1,440
Donations	5,000	5,000	6,650	1,650
Other income	1,750	62,231	6,450	(55,781)
Total Revenues	576,600	678,217	813,858	135,641
Expenditures				
Administration	186,800	189,695	206,983	17,288
Police	215,284	215,284	252,619	37,335
Fire	39,926	50,348	38,774	(11,574)
Debt service	36,000	36,000	35,599	(401)
Capital outlays	98,590	186,890	269,200	82,310
Total Expenditures	576,600	678,217	803,175	124,958
Excess of Revenues Over (Under) Expenditures	-	-	10,683	10,683
Other Financing Sources				
Proceeds from sale of assets	-	3,900	3,900	-
Insurance proceeds		-	43,087	43,087
Operating transfers in (out)	-	-	46,789	46,789
Total Other Financing Sources	-	3,900	93,776	89,876
Change in Fund Balance	-	3,900	104,459	100,559
Fund Balance at Beginning of Year	559,635	559,635	559,635	-
Fund Balance at End of Year	$ 559,635	$ 563,535	$ 664,094	$ 100,559

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

BUDGETARY COMPARISON SCHEDULE - STREET FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over/(Under)
Revenues				
State turnbacks	$ 149,930	$ 149,930	$ 172,311	$ 22,381
Sales and use taxes	54,657	14,521	14,927	406
County road	76,000	76,000	76,620	620
Interest	5,000	5,000	3,419	(1,581)
Other income	-	40,136	-	(40,136)
Total Revenues	285,587	285,587	267,277	(18,310)
Expenditures				
Streets	260,587	262,138	161,062	(101,076)
Capital outlays	25,000	23,449	190,394	166,945
Total Expenditures	285,587	285,587	351,456	65,869
Excess of Revenues Over (Under) Expenditures	-	-	(84,179)	(84,179)
Other Financing Sources				
Operating transfers in (out)	-	-	216	216
Total Other Financing Sources	-	-	216	216
Change in Fund Balance	-	-	(83,963)	(84,179)
Fund Balance at Beginning of Year	891,372	891,372	891,372	-
Fund Balance at End of Year	$ 891,372	$ 891,372	$ 807,409	$ (84,179)

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEMS

FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's proportion of the net pension liability	0.00850230%	0.00847094%	0.00860168%	0.00811826%	0.00915271%	0.00954499%
City's proportionate share of the net pension liability	$ 205,120	$ 186,863	$ 222,279	$ 194,136	$ 162,388	$ 135,435
City's covered-employee payroll	$ 162,668	$ 158,669	$ 155,036	$ 147,090	$ 159,673	$ 168,760
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.10%	117.77%	143.37%	131.98%	101.70%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

Schedule of Required Contributions

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	$ 24,926	$ 23,404	$ 22,479	$ 21,328	$ 23,969	$ 25,111
Contributions in relation to the contractually required contribution	(24,926)	(23,404)	(22,479)	(21,328)	(23,969)	(25,111)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 162,668	$ 158,669	$ 155,036	$ 147,090	$ 159,673	$ 168,760
Contributions as a percentage of covered-employee payroll	15.32%	14.75%	14.50%	14.50%	15.01%	14.88%

See independent auditors' report.

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.

2. Changes in benefits: None

3. Changes in actuarial assumptions:

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Single Discount Rate	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Investment Rate of Return	7.15%	7.15%	7.15%	7.50%	7.50%	7.75%
Municipal Bond Rate	3.13%	3.62%	3.56%	2.85%	3.80%	4.29%
Source: 20-Bond GO Index						
Remaining Amortization Period	30 Years	25 Years	25 Years	21 Years	25 Years	23 years
Inflation	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.25% wage 2.50% price	3.75% wage 2.75% price
Salary Increases	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.25% - 9.85%	3.75% - 10.35%
Mortality Table	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017.	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
City's proportion of the net pension liability						
Police	0.03272%	0.02821%	0.03804%	0.03874%	0.04143%	0.04120%
Volunteer Police	0.06536%	0.05527%	0.06713%	0.08212%	0.06917%	0.06986%
Volunteer Fire	0.17347%	0.18767%	0.18963%	0.19136%	0.22949%	0.23632%
City's proportionate share of the net pension liability						
Police	$ 252,865	$ 254,585	$ 270,341	$ 221,037	$ 217,395	$ 149,156
Volunteer Police	27,451	27,956	28,636	30,411	25,436	22,317
Volunteer Fire	72,857	94,928	80,894	70,869	84,387	75,497
City's covered-employee payroll	$ 116,206	$ 93,741	$ 118,326	$ 116,348	$ 119,595	$ 126,845
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.60%	271.58%	228.47%	189.98%	181.78%	117.59%
Plan fiduciary net position as a percentage of the total pension liability	73.03%	65.84%	71.17%	72.46%	72.41%	79.06%

Schedule of Required Contributions

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution						
Police	$ 27,308	$ 22,029	$ 27,215	$ 25,597	$ 25,725	$ 25,450
Volunteer Police	3,481	2,737	3,231	3,793	3,222	3,241
Volunteer Fire	9,239	9,294	9,127	8,839	10,691	10,965
Contributions in relation to the contractually required contribution	(40,028)	(34,060)	(39,573)	(38,229)	(39,638)	(39,656)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 116,206	$ 93,741	$ 118,326	$ 116,348	$ 119,595	$ 126,845
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.00%	22.00%	21.51%	20.06%

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

ARKANSAS LOCAL POLICE AND FIRE RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2020

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.

2. Changes in benefits: None

3. Changes in actuarial assumptions:

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Single Discount Rate	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Investment Rate of Return	7.50%	7.75%	7.75%	8.00%	7.75%	8.00%
Long-Term Investment Rate of Return	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Municipal Bond Rate	2.75%	3.71%	3.31%	3.78%	3.57%	3.56%
Remaining Amortization Method						
Paid Service	17.0 years	16.8 years	17 years	16.8 years	18.8 years	17.3 years
Unpaid Service	16.0 years	18.5 years	16 years	18.5 years	21.2 years	9 years
Price Inflation	2.50%	2.75%	2.75%	3.00%	2.75%	3.00%
Wage Inflation - Paid Service	3.25%	3.75%	3.75%	4.00%	3.75%	4.00%
Salary Increases - Paid Service (including inflation)	3.75% to 18.25%	4.25% to 18.75%	4.25% to 18.75%	4.50% to 19.00%	4.25% to 18.75%	4.50% to 19.00%
Mortality Table	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional ten years

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FIREMEN'S RELIEF AND PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability						
Service cost	$ -	$ -	$ -	$ -	$ -	$ -
Interest cost	6,346	6,490	7,042	7,174	7,394	7,530
Benefit changes due to plan amendments	-	-	-	-	-	-
Difference between expected and actual experience	3,687	3,322	3,236	3,229	2,843	2,546
Changes of assumptions	-	-	3,474	-	1,918	-
Benefit payment, including refunds of employee contributions	(12,000)	(11,754)	(12,048)	(12,144)	(11,880)	(11,682)
Net change in total pension liability	(1,967)	(1,942)	1,704	(1,741)	275	(1,606)
Total pension liability - beginning	96,656	98,598	96,894	98,635	98,360	99,966
Total pension liability - ending	$ 94,689	$ 96,656	$ 98,598	$ 96,894	$ 98,635	$ 98,360
Plan Net Fiduciary Position						
Contributions - employer *	$ 7,906	$ 7,320	$ 7,130	$ 5,706	$ 7,489	$ 6,731
Contributions - employee	-	-	-	-	-	-
Net investment income	9,204	(1,576)	7,384	3,281	112	4,473
Benefit payments, including refunds of employee contributions	(12,000)	(11,754)	(12,048)	(12,144)	(11,880)	(11,682)
Administrative	(81)	(105)	(95)	(720)	(590)	(106)
Net change in plan net fiduciary position	5,029	(6,115)	2,371	(3,877)	(4,869)	(584)
Plan net fiduciary position - beginning	51,437	57,552	55,181	59,058	63,927	64,511
Plan net fiduciary position - ending	$ 56,466	$ 51,437	$ 57,552	$ 55,181	$ 59,058	$ 63,927
Net pension liability - ending	$ 38,223	$ 45,219	$ 41,046	$ 41,713	$ 39,577	$ 34,433
Plan net fiduciary position as percentage of total pension liability	59.63%	53.22%	58.37%	56.95%	59.88%	64.99%
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability positon as percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Includes assets reported as Premium Tax money

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FIREMEN'S RELIEF AND PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Contractually required contribution *	$ 7,906	$ 7,320	$ 7,130	$ 5,706	$ 7,489	$ 6,731
Contributions in relation to the contractually required contribution	(7,906)	(7,320)	(7,130)	(5,706)	(7,489)	(6,731)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Includes contributions reported as Premium Tax money

See independent auditors' report.

CITY OF LAVACA, ARKANSAS

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS

FIREMEN'S RELIEF AND PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.

2. Changes in benefits: None

3. Changes in actuarial assumptions:

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Single Discount Rate	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Investment Rate of Return	7.50%	7.75%	7.75%	8.00%	7.75%	8.00%
Long-Term Investment Rate of Return	7.00%	7.00%	7.00%	7.75%	7.75%	8.00%
Municipal Bond Rate	2.75%	3.71%	3.31%	3.78%	3.57%	3.56%
Remaining Amortization Method	6 years	7 years	8 years	7 years	8 years	9 years
Price Inflation	2.50%	2.75%	2.75%	3.00%	2.75%	3.00%

See independent auditors' report.

ADDITIONAL REPORTS

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor and City Council
City of Lavaca, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Lavaca, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Lavaca, Arkansas' basic financial statements and have issued our report thereon dated March 19, 2021, which was modified to reflect the omission of the management's discussion and analysis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lavaca, Arkansas' internal control over financial reporting (internal control) as a basis for designing 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 City of Lavaca, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lavaca Arkansas' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

This 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.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 19, 2021

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report On Compliance With Certain State Statutes

To the Honorable Mayor and City Council
City of Lavaca, Arkansas

We have audited the basic financial statements of the City of Lavaca, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2021.

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.

Compliance with state laws and regulations applicable to the City of Lavaca, Arkansas, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with the following state statutes as required by Act 15, Ark. Code annotated 14-58-101:

Municipal Accounting Law, Act 1959 of 1973
Municipal Court and Police Department, Act 332 of 1977
Bonding of Municipal Employees, Act 338 of 1965 and Act 677 of 1975
Improvement Contracts
Budgets and Purchases
Investment of Public Funds
Deposit of Public Funds

However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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The results of our test indicate that, with respect to the items tested, the City of Lavaca, Arkansas, was in substantial compliance, in all material respects, with the statutes referred to above. With respect to the items not tested, nothing caused us to believe that the City of Lavaca, Arkansas was not in substantial compliance with the statutes referred to above.

This report is intended solely for the information and use of the audit committee, management and the Arkansas Division of Legislative Audit and is not intended to be and should not be used by anyone other than these specified parties.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 19, 2021