New Issue **Book - Entry Only**

In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants described herein, (i) interest on the Series 2021 Bonds is excludable from gross income for federal income tax purposes subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended, that must have been or must be satisfied prior to or subsequent to the issuance of the Series 2021 Bonds, (ii) interest on the Series 2021 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) the Series 2021 Bonds are "qualified tax-exempt obligations," (iv) interest on the Series 2021 Bonds is exempt from State of Arkansas income tax, and (v) the Series 2021 Bonds are exempt from property taxes in the State of Arkansas. (See ***TAX EXEMPTION****.)*

$4,320,000
NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS WATER REVENUE REFUNDING BONDS SERIES 2021

Dated: Date of Delivery **Due: December 1, as shown on the inside front cover**

Interest on the Series 2021 Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2022, and the Series 2021 Bonds mature on December 1 of each year.

(FOR THE MATURITY SCHEDULE, INTEREST RATES AND YIELDS, SEE THE INSIDE FRONT COVER)

The Series 2021 Bonds are obligations only of the Authority and are not obligations of the State of Arkansas or any political subdivision thereof. The Authority has no taxing power. The payment of principal of and interest on the Series 2021 Bonds is primarily secured by and payable from a pledge of the Authority's revenues and other resources, pursuant to the terms of a Trust Indenture dated as of the dated date of the Series 2021 Bonds, between the Authority and Regions Bank, Little Rock, Arkansas, as Trustee (the "Trustee"). The pledge of the Authority's revenues and other resources is subordinate to the pledge in favor of the Authority's Water Revenue Bond, dated July 15, 2015.

The Series 2021 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 Series 2021 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 Series 2021 Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Series 2021 Bonds will be made by the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2021 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2021 Bonds, all as further described herein.

The Series 2021 Bonds are offered when, as and if issued, subject to approval as to the legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. Delivery of the Series 2021 Bonds is expected in New York, New York, on or about October 6, 2021.

Stephens Inc.

Dated: September 16, 2021

$4,320,000
NASHVILLE RURAL WATER PUBLIC
AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE REFUNDING BONDS,
SERIES 2021

MATURITY SCHEDULE

$2,495,000 Serial Bonds

Year (December 1)	Amount	Rate (%)	Yield (%)	Year (December 1)	Amount	Rate (%)	Yield (%)
2022	$225,000	4.000	0.400	2027	$280,000	2.000	1.250*
2023	255,000	4.000	0.550	2028	290,000	1.375	1.450
2024	260,000	2.000	0.720	2029	270,000	1.500	1.600
2025	265,000	2.000	0.900	2030	210,000	1.625	1.700
2026	270,000	2.000	1.050	2031	170,000	1.750	1.800

$715,000 2.125% Term Bonds due December 1, 2035 to Yield 2.150%
$620,000 2.250% Term Bonds due December 1, 2039 to Yield 2.350%
$490,000 2.375% Term Bonds due December 1, 2043 to Yield 2.500%

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

No dealer, broker, salesman or any other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2021 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

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

By its purchase of the Series 2021 Bonds, an investor is acknowledging that it has reviewed all the information it deems necessary to make an informed decision, and that it is not relying on any representation of the Underwriter or any of its officers, representatives, agents, or directors in reaching its decision to purchase the Series 2021 Bonds.

The investor, by its purchase of the Series 2021 Bonds, acknowledges its consent for the Underwriter to rely upon the investor's understanding of an agreement to the preceding two paragraphs as such relates to the disclosure and fair dealing obligations that may be applicable to the Underwriter under applicable securities laws and regulations.

The Series 2021 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$4,320,000
NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE REFUNDING BONDS, SERIES 2021

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2021 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof, the inside cover page hereof, and the appendices hereto. A full review should be made of the entire Official Statement, as well as the Indenture described herein.

This Official Statement is furnished to prospective investors in connection with the sale by the Nashville Rural Water Public Authority of the State of Arkansas (the "Authority") of its Water Revenue Refunding Bonds, Series 2021, in the aggregate principal amount of $4,320,000 (the "Series 2021 Bonds"), dated as of the date of delivery thereof. The Series 2021 Bonds mature and bear interest as shown on the inside cover page hereof.

The Series 2021 Bonds are being issued (i) to provide funds to be used to current refund the Authority's Promissory Note, dated November 14, 1990, its Promissory Note, dated July 26, 1991, its Promissory Note, dated November 23, 1998 (91-05), its Promissory Note, dated November 23, 1998 (91-07), its Promissory Note, dated August 14, 2002, its Promissory Note, dated May 18, 2004 (91-11), its Promissory Note, dated May 18, 2004 (91-13), its Promissory Note, dated October 27, 2005, its loan with the Arkansas Natural Resources Commission ("ANRC") pursuant to a Loan Agreement (DL-29-23-WSSW), dated December 1, 1998, as amended and its loan with ANRC pursuant to a Loan Agreement (01185-WDF-L), dated May 1, 2019, as amended (collectively, the "Obligations Refunded"), (ii) to fund a debt service reserve and (iii) to pay costs of issuing the Series 2021 Bonds. See **PURPOSES FOR THE SERIES 2021 BONDS** herein. The Series 2021 Bonds are issued under and are secured by a Trust Indenture dated as of the dated date of the Series 2021 Bonds (the "Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee"). See **THE INDENTURE**.

The Series 2021 Bonds will be issued pursuant to a Resolution adopted by the Board of Directors of the Authority.

Payment of principal of the Series 2021 Bonds will be made at the corporate trust office of the Trustee located in Little Rock, Arkansas. Payment of interest on the Series 2021 Bonds shall be by check or draft to the registered owner of the Series 2021 Bonds.

The Series 2021 Bonds are payable from, and secured by a pledge of, the Authority's revenues and other resources, including particularly, without limitation, the revenues derived from the operation of the Authority's water system (the "System") and a lien on and security interest in certain of its properties. The pledge, lien and security interest in favor of the Series 2021 Bonds is subordinate to the pledge, lien and security interest in favor of the Authority's Water Revenue Bond, dated July 15, 2015 (the "2015 Bond"). (See **SECURITY FOR THE BONDS, THE AUTHORITY** and **THE COUNTIES**.)

This Official Statement contains brief descriptions of the Series 2021 Bonds, security for the Series 2021 Bonds, the Authority and the Indenture. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to each document or statute for the complete details of all terms and conditions. Terms not defined herein shall have the meanings set forth in the respective documents.

PURPOSES OF SERIES 2021 BONDS

The Series 2021 Bonds are being issued (i) to current refund the Obligations Refunded (the "Refunding"), (ii) to fund a debt service reserve and (iii) to pay costs of issuing the Series 2021 Bonds.

The Obligations Refunded will be called for redemption on the date the Series 2021 Bonds are issued, or the earliest practicable date thereafter, at a price of par plus accrued interest.

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

PROCEEDS:	
Principal Amount of Series 2021 Bonds	$4,320,000
Available Moneys for Obligations Refunded	328,584
Net Original Issue Premium	46.237
TOTAL	$4,694,821
USES:	
Refunding Costs	$4,398,371
Debt Service Reserve	172,603
Underwriter's Discount	75,600
Cost of Issuance	48,247
TOTAL	$4,694,821

The payment of Underwriter's discount and the costs of issuing the Series 2021 Bonds relating to the payment of professional fees will be contingent on the Series 2021 Bonds being issued. See **UNDERWRITING** for a description of the Underwriter's discount.

THE SERIES 2021 BONDS

Generally. The Series 2021 Bonds are dated, mature, bear interest and interest is payable on the Series 2021 Bonds as set forth on the inside front cover hereof. Payment of each installment of interest shall be made to the person in whose name a Series 2021 Bond is registered on the registration books of the Authority maintained by the Trustee at the end of the 15th day (whether or not a business day) of the month next preceding each interest payment date (the "Record Date") irrespective of any transfer or exchange of a Series 2021 Bond subsequent to such Record Date and prior to such interest payment date. Such interest payments shall be by check of the Trustee mailed to such registered owner at the address appearing on such registration books.

The Series 2021 Bonds are issuable in the form of registered Series 2021 Bonds without coupons in the denomination of $5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Series 2021 Bond is mutilated, lost or destroyed, the Authority shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2021 Bond in accordance with the provisions therefor in the Indenture.

Each Series 2021 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 Series 2021 Bond or Series 2021 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.

There shall be no charge to the transferor or transferee for any transfer, except an amount or amounts sufficient to reimburse the Authority and the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Neither the Authority nor the Trustee shall be required to make transfers of registration with respect to any Series 2021 Bond or portion thereof called for redemption prior to maturity within thirty (30) days prior to its redemption date.

The person in whose name any Series 2021 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 Series 2021 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 Series 2021 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 Series 2021 Bonds or the date fixed for redemption of any Series 2021 Bonds shall be a Saturday or Sunday or shall be in the State of Arkansas (the "State") a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Series 2021 Bonds are subject to optional and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Series 2021 Bonds are callable at the option of the Authority on and after December 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 date of redemption. If fewer than all of the Series 2021 Bonds shall be called for redemption, the particular maturities of the Series 2021 Bonds to be redeemed shall be selected by the Authority in its discretion. If fewer than all of the Series 2021 Bonds of any one maturity shall be called for redemption, the particular Series 2021 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(2) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2021 Bonds maturing on December 1 in the years 2035, 2039 and 2043 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on December 1 of each year as follows:

Series 2021 Bonds Maturing December 1, 2035

Year	Principal Amounts
2032	$170,000
2033	185,000
2034	190,000
2035 (maturity)	170,000

Series 2021 Bonds Maturing December 1, 2039

Year	Principal Amounts
2036	$175,000
2037	180,000
2038	145,000
2039 (maturity)	120,000

Series 2021 Bonds Maturing December 1, 2043

Year	Principal Amounts
2040	$125,000
2041	130,000
2042	115,000
2043 (maturity)	120,000

Notice of Redemption. The Trustee shall give notice of the call for redemption by first class mail placed in the mails, postage prepaid, or by other standard means of delivery, including facsimile or electronic communications, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner of any Series 2021 Bond called for redemption, addressed to such registered owner's registered address. After the date specified in such call, the Series 2021 Bonds or portions thereof (which must be integral multiples of $5,000) so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

SECURITY FOR THE BONDS

The Series 2021 Bonds and any Additional Bonds (as hereinafter defined) issued under the Indenture (collectively, "Bonds") are secured by a pledge of the revenues and other resources of the Authority, including particularly, without limitation, revenues derived from the operation of the System. See **THE AUTHORITY**. The Bonds are further secured by a lien on and security interest in certain of its property and replacements thereof. See **THE INDENTURE**, **Security for the Bonds**. The pledge, lien and security interest in favor of the Bonds is subordinate to the pledge, lien and security interest in favor of the 2015 Bond.

The Authority has no taxing power. The resources of the Authority are limited to the water facilities and the revenues derived from the sale of water produced by said facilities. See **THE AUTHORITY**.

The Authority will fund, with proceeds of the Series 2021 Bonds, a debt service reserve account in an amount equal to one-half of the maximum annual debt service requirement on the Series 2021 Bonds. See **THE INDENTURE**, **Debt Service Reserve Fund**. The debt service reserve account will only secure the Series 2021 Bonds.

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

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

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

(3) An opinion of counsel selected by the Authority but satisfactory to the Trustee that all required legal action precedent to the issuance of the Additional Bonds has been taken and that, when executed, authenticated and delivered, such bonds will be valid, binding and enforceable obligations of the Authority secured by the Indenture on a parity with Parity Obligations (hereinafter defined) and with previously issued bonds secured thereby;

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

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

(b) to leave a balance equal to not less than 110% of the maximum annual principal and interest requirements during the current or any subsequent fiscal year of the Authority, for (A) the then outstanding Bonds (exclusive of any Bonds to be deemed paid upon delivery of the Additional Bonds), (B) the Additional Bonds then held by the Trustee for delivery, (C) any then outstanding Parity Obligations (exclusive of any Parity Obligations that are to be refunded upon delivery of the Additional Bonds) and (D) the 2015 Bond, if outstanding.

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

The term "adjusted gross revenues" means:

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

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

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

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

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 operational and financial status of the System. The Authority expects that its available funds will be adequate to fund the services of the System and make all debt service payments.

THE AUTHORITY

Generally. The Authority is a public water authority formed pursuant to Title 4, Chapter 35 of the Arkansas Code of 1987 Annotated and organized for the purpose, generally stated, of acquiring, constructing, equipping and operating improvements for a water storage and distribution system which serves citizens in portions of Howard, Hempstead and Pike Counties.

The System. The System maintains approximately 417 miles of pipe to transport water to its customers. The System also has 2,061,500 gallons of storage water space in eight (8) tanks which are serviced by twelve (12) water pumps that have the capacity to pump 3,400 gallons of water per minute. The Authority purchases its water supply pursuant to a contract with the City of Nashville, Arkansas ("Nashville"). The contract with Nashville was originally entered into by and between Nashville and the Nashville Rural Water Association (as predecessor to the Authority) in 1989. The term of the contract is forty (40) years, expiring in 2029. Prior to or at the end of the current term, the Authority expects to enter into a new contract with Nashville. Nashville recently completed upgrades to its water system capacity, increasing the Authority's water supply to two million gallons of water per day.

Water Sales. The approximate or average number of water users by category for each of the past five years is as follows:

Year	Residential	Commercial	Total
2016	2,431	1	2,402
2017	2,391	1	2,392
2018	2,483	1	2,484
2019	2,531	2	2,533
2020	2,556	2	2,558

The volume of water sold by the Authority to retail customers in each County in the Authority's service area (the "Service Area") for the past five years is as follows:

Year	Howard County	Hempstead County	Pike County	Total
2016	193,112,400	51,991,800	2,475,800	247,580,000
2017	188,287,320	50,692,740	2,413,940	241,394,000
2018	196,318,080	52,854,060	2,513,860	251,686,000
2019	206,851,320	55,690,740	2,651,940	265,194,000
2020	203,071,440	54,673,080	2,603,480	260,348,000

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

Year	Howard County	Hempstead County	Pike County	Total
2016	2,026	553	119	2,698
2017	2,053	548	112	2,713
2018	2,151	557	111	2,819
2019	2,242	542	117	2,901
2020	2,266	588	126	2,990

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

Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons
2016	678,301	1,211,107	247,580,000
2017	661,353	1,020,000	241,394,000
2018	689,550	1,075,392	251,686,000
2019	726,558	1,204,250	265,194,000
2020	713,282	1,057,433	260,348,000

No user of the System accounted for more than 5% of System revenues for the fiscal year ended December 31, 2020. The largest user of the System for 2020 was Pilgrim's Pride.

Board of Directors and Administration. The Board of Directors of the Authority consists of nine members who serve three-year staggered terms. When a member's term expires, a new member is elected by the water users of the System at the Authority's annual meeting. The current members of the Board of Directors, their offices and their occupations are as follows:

Name	Office	Occupation	Term Expires
Sam Ragar	President	Business Owner	2024
Steven Myers	Vice President	Agriculture	2024
Danny Rauleron	Secretary-Treasurer	Agriculture	2024
Velma Williamson	Board Member	Retired	2022
Brett Harmon	Board Member	Agriculture	2022
Randy Hughes	Board Member	Agriculture	2023
Jeremy Allmon	Board Member	Agriculture	2023
Lori Daniel	Board Member	Federal Government Employee	2022
Jason Morris	Board Member	Corps of Engineers	2023

The manager of the System is Ryan Stuckey. He has 22 years of water utility experience. Mr. Stuckey has managed the System since October 2011. The System currently has six employees.

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

FINANCIAL INFORMATION

Below is a summary of financial information of the Authority for the fiscal years ended December 31, 2015 through 2019, based on the Authority's audited financial statements.

	Audited				
	2020	2019	2018	2017	2016
OPERATING REVENUES	$2,127,852	$2,158,231	$2,131,591	$2,041,299	$2,035,150
OPERATING EXPENSES	(1,531,570)	(1,412,151)	(1,487,638)	(1,360,348)	(1,348,948)
OPERATING INCOME (Before Depreciation)	596,282	746,080	643,953	680,951	686,202
DEPRECIATION	(475,440)	(468,365)	(468,430)	(464,951)	(417,037)
NON-OPERATING EXPENSES	(223,209)[1]	(245,875)[1]	(260,422)	(281,306)	(265,477)
NET INCOME (LOSS)	$(102,367)	$31,840	($84,899)	($65,306)	$3,688

[Remainder of page intentionally left blank]

[1] Includes capital contribution of $4,400 in 2020 and $4,215 in 2019.

DEBT SERVICE SCHEDULES

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

Year (Ending December 31)	Series 2021 Bond Principal	Series 2021 Bond Interest	Total Debt Service
2022	$ 225,000	$110,558.62	$ 335,558.62
2023	255,000	86,906.30	341,906.30
2024	260,000	76,706.30	336,706.30
2025	265,000	71,506.30	336,506.30
2026	270,000	66,206.30	336,206.30
2027	280,000	60,806.30	340,806.30
2028	290,000	55,206.30	345,206.30
2029	270,000	51,218.78	321,218.78
2030	210,000	47,168.78	257,168.78
2031	170,000	43,756.28	213,756.28
2032	170,000	40,781.28	210,781.28
2033	185,000	37,168.78	222,168.78
2034	190,000	33,237.50	223,237.50
2035	170,000	29,200.04	199,200.04
2036	175,000	25,587.50	200,587.50
2037	180,000	21,650.00	201,650.00
2038	145,000	17,600.00	162,600.00
2039	120,000	14,337.50	134,337.50
2040	125,000	11,637.50	136,637.50
2041	130,000	8,668.78	138,668.78
2042	115,000	5,581.26	120,581.26
2043	120,000	2,850.02	122,850.02
TOTALS	$4,320,000	$918,340.42	$5,238,340.42

[Remainder of page intentionally left blank]

Set forth below are the debt service requirements for the Series 2021 Bonds and the 2015 Bond during each year ending December 31 while the Series 2021 Bonds are outstanding:

Year (Ending December 31)	Series 2021 Bonds Debt Service	2015 Bond Debt Service	Total Debt Service
2022	$ 335,558.62	$106,188	$ 441,746.62
2023	341,906.30	106,188	448,094.30
2024	336,706.30	106,188	442,894.30
2025	336,506.30	106,188	442,694.30
2026	336,206.30	106,188	442,394.30
2027	340,806.30	106,188	446,994.30
2028	345,206.30	106,188	451,394.30
2029	321,218.78	106,188	427,406.78
2030	257,168.78	106,188	363,356.78
2031	213,756.28	106,188	319,944.28
2032	210,781.28	106,188	316,969.28
2033	222,168.78	106,188	328,356.78
2034	223,237.50	106,188	329,425.50
2035	199,200.04	106,188	305,388.04
2036	200,587.50	106,188	306,775.50
2037	201,650.00	106,188	307,838.00
2038	162,600.00	106,188	268,788.00
2039	134,337.50	106,188	240,525.50
2040	136,637.50	106,188	242,825.50
2041	138,668.78	106,188	244,856.78
2042	120,581.26	106,188	226,769.26
2043	122,850.02	106,188	229,038.02
TOTALS	$5,238,340.42	$2,336,136	$7,574,476.42

[Remainder of page intentionally left blank]

ESTIMATED DEBT SERVICE COVERAGE

The following table shows the estimated net revenues available for debt service, the maximum annual amount of debt service expected to be due on the Series 2021 Bonds and the 2015 Bond and the extent to which debt service is estimated to be covered by such funds.

Gross Revenues	$2,127,852
Less: Operating Expenses	(1,531,570)
Plus: Interest Income	11,736
Funds Available for Debt Service (A)	608,018
Maximum Annual Debt Service on the Series 2021 Bonds and the 2015 Bond (B) [1] [2]	451,394
Coverage (A/B)	1.35x

[1] Based on a year ending December 31.
[2] The pledge, lien and security interest in favor of the Series 2021 Bonds is subordinate to the pledge, lien and security interest in favor of the 2015 Bond. The annual debt service requirement for the 2015 Bond is $106,188.

[Remainder of page intentionally left blank]

THE COUNTIES

Counties Generally. There are three counties in the Service Area: Howard County, Arkansas ("Howard County"), Hempstead County, Arkansas ("Hempstead County") and Pike County, Arkansas ("Pike County" and, together with Howard County and Hempstead County, the "Counties"). The Counties are located in southwestern Arkansas. The county seat of Howard County is Nashville, which is approximately 129 miles southwest of Little Rock, Arkansas. The county seat of Hempstead County is Hope, which is approximately 112 miles southwest of Little Rock, Arkansas. The county seat of Pike County is Murfreesboro, which is approximately 107 miles southwest of Little Rock, Arkansas.

The municipalities in Howard County and their populations are:

Municipality	2010 Census Population	2020 Estimated Population
Dierks	1,133	1,076
Mineral Springs	1,208	1,139
Nashville	4,627	4,290
Tollette	240	247

The municipalities in Hempstead County and their populations are:

Municipality	2010 Census Population	2020 Estimated Population
Blevins	315	299
Emmet	518	455
Fulton	201	191
Hope	10,095	9,438
McCaskill	96	95
McNab	68	63
Oakhaven	63	58
Ozan	85	79
Patmos	64	58
Perrytown	272	257
Washington	180	165

The municipalities in Pike County and their populations are:

Municipality	2010 Census Population	2020 Estimated Population
Antoine	117	108
Daisy	115	109
Delight	279	274
Glenwood	2,228	2,104
Murfreesboro	1,641	1,574

Population. Since 1980, the population trend for the Counties, according to the Bureau of Census, is as follows:

Year	Howard County	Hempstead County	Pike County	Total
1980	13,459	23,635	10,373	47,467
1990	13,569	21,621	10,086	45,276
2000	14,304	23,597	11,301	49,202
2010	13,789	22,609	11,291	47,689
2020	12,785	20,065	10,171	43,021

Transportation. The Counties are served by Interstate Highway No. 30 and U.S. Highway Nos. 67, 70, 278 and 371. Several motor freight carriers make daily shipments from the Counties to major cities across the United States. The Howard County airport, located in Nashville, Arkansas, has a 3,660 foot lighted runway that serves public aircraft. The City of Hope, Arkansas, in Hempstead County, has a municipal airport with two 5,500-foot, paved runways (one of which is lighted), which serves public aircrafts and provides charter service. The nearest commercial service is in Texarkana, Arkansas.

Economy. The economy of the Counties is a mixture of industry, agricultural and commercial trade. Set forth below are the characteristics of the major employers in Howard County:

Company	Product or Service	Number of Employees
Tyson	Poultry Processing	1,628
Husqvarna	Weed Eater Manufacturing	1,091
Nashville Public School	Education	402
BPB Gypsum	Wallboard/Sheet Rock Production	66
Mission Plastics	Plastic Products	163
Weyerhaeuser	Wood Products	251
Howard Memorial Hospital	Health Care	146
Pilgrim’s Pride	Poultry Processing	60
Wal-Mart	Retail	230
Howard County	Government	92
City of Nashville	Government	45
Jan-Eze	Plastic Products	40
Dierks Public School	Education	81
Engineered Products, Inc.	Plastic Products	187
Paul Ray Trucking	Freight	61
Millwood Trucking	Freight	41

Set forth below are the characteristics of the major employers in Hempstead County:

Company	Product or Service	Number of Employees
Tyson Foods	Poultry Processing	1,261
Rainbow of Challenges	Education (special academics)	490
Hope School District	Education	300
Walmart	Retail	290
New Millennium Building Systems	Building Systems	270
Southern Bakeries, LLC	Bread Products	225
Turk Power Plant	Coal-Fired Power Plant	200
Pafford	Medical Services	155
UAH-T	Education	130
Wadley Regional Medical Center	Medical Services	125

Set forth below are the characteristics of the major employers in Pike County:

Company	Product or Service	Number of Employees
Resolute Forest Products	Wood Products	193
Centerpoint Schools	Education	147
South Pike County Schools	Education	125
Great Southern Wood Preserving	Wood Products	81
Diamond Bank	Banking	62
Sutton Lumber Company	Timber Services; Lumber Supply	60
Pike County	Government	58
Kirby School District	Education	58
Crater of Diamonds State Park	State Park	64
J&J Lumber Company	Lumber and Plywood Manufacturing	45
SWAHA	Lodging and Cabin Rentals	38 (seasonal)
Wards Shavings	Wood Products	37
Diamond City Trailers	Trailer Manufacturing	31
Caddo Canoe Rental	Cabin and Watercraft Rentals	30

Additional Economic Data. Total personal income estimates for Howard County are as follows:[1]

Year	Total Personal Income
2015	$449,308,000
2016	444,047,000
2017	470,926,000
2018	483,133,000
2019	458,930,000

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

Year	Total Personal Income
2015	$641,790,000
2016	641,073,000
2017	677,000,000
2018	695,165,000
2019	694,148,000

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

Year	Total Personal Income
2015	$334,342,000
2016	330,694,000
2017	342,394,000
2018	348,345,000
2019	348,322,000

Per capita personal income estimates for Howard County are as follows[1]

Year	Per Capita Personal Income
2015	$33,691
2016	33,262
2017	35,236
2018	36,320
2019	34,762

Per capita personal income estimates for Hempstead County are as follows:[1]

Year	Per Capita Personal Income
2015	$29,060
2016	29,097
2017	30,947
2018	32,057
2019	32,238

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

Per capita personal income estimates for Pike County are as follows:[1]

Year	Per Capita Personal Income
2015	$30,852
2016	30,546
2017	31,895
2018	32,659
2019	32,499

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

	Annual Average Unemployment Rate (%)			
Year	Howard County	Hempstead County	Pike County	State
2016	3.3	3.8	4.3	4.0
2017	3.1	3.5	4.0	3.7
2018	3.4	3.5	4.0	3.7
2019	3.2	3.8	3.8	3.5
2020	5.0	5.2	5.9	6.1
2021[2]	4.0	4.4	5.5	5.0

THE INDENTURE

The following is a brief summary of the Indenture pursuant to which the Series 2021 Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture copies of which are on file with the Trustee. For purposes of this caption, the term "Bonds" includes the Series 2021 Bonds offered hereby and any Additional Bonds.

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

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature located thereon or therein situated in Howard, Hempstead and Pike Counties, Arkansas, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining now owned or leased by the Authority or to be acquired or constructed as part of a project to be financed or refinanced by Bonds issued under the Indenture.

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

(c) All revenues and income received while any bonds issued under the Indenture are outstanding, including particularly, the income received by the Authority from its water users and all other persons, firms, associations, corporations or organizations of any nature.

(d) All moneys in the Bond Fund (hereinafter described) and the Debt Service Reserve Fund account established for that series of Bonds (hereinafter described) and all investments therein and earnings thereon.

(e) Replacement properties (as described in Section 803 of the Indenture) and any and all other property of every name and nature from time to time heretofore or hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds, by the Authority or by any other person, firm or corporation to the Trustee, which is authorized to receive any and all such property at any time and at all times and to hold and to apply the same subject to the terms of the Indenture.

---

(1) Source: U.S. Bureau of Economic Analysis.
(2) Preliminary as of June 2021

Rate Covenant. Under the Indenture, the Authority covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall produce total revenues in each fiscal year sufficient to (1) pay the Authority's operation, repair and maintenance expenses and (2) leave a balance equal to 110% of the debt service requirements for that fiscal year of all outstanding Bonds, Parity Obligations and 2015 Bond. The Authority covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

If the Authority fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the Authority complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the total revenues in each of these fiscal years are sufficient to make the payments and deposits provided for in clause (1) above and leave a balance equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds, Parity Obligations and 2015 Bond.

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

Water Revenue Fund. All revenues and income received by the Authority shall be paid upon receipt into a special fund designated "Water Revenue Fund."

Bond Fund. (a) After making the monthly payment into the bond fund for the 2015 Bond (the "2015 Bond Fund"), there shall be paid from the Water Revenue Fund into a fund designated the "2021 Water Revenue Bond Fund" (the "Bond Fund"), on the first business day of each month, an amount equal to the sum of:

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

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

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

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

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

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

Debt Service Reserve Fund. (a) The Indenture provides for the establishment of a Debt Service Reserve Fund (the "Debt Service Reserve Fund"). The Debt Service Reserve Fund shall be composed of accounts, each of which shall be identified by the Trustee and shall be dedicated to the security of no more than one issue of Bonds. The required level of the Debt Service Reserve Fund account shall be established and fixed for each issue of Bonds; however, a Debt Service Reserve Fund account is not required to be established for each issue of Bonds. The Debt Service Reserve Fund account for the Series 2021 Bonds (the "2021 Debt Service Reserve Fund Account") shall be funded with proceeds of the Series 2021 Bonds in an amount equal to one-half of the maximum annual principal and interest requirement on the Series 2021 Bonds.

(b) The 2021 Debt Service Reserve Fund Account shall be used for payment of principal of and interest on Series 2021 Bonds for which Bond Fund moneys are not available.

(c) In lieu of depositing moneys into a Debt Service Reserve Fund account, the Authority may deposit with the Trustee a surety bond or debt service reserve insurance policy in the principal amount equal to the required level for that series of Bonds.

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

Operation and Maintenance Fund. After making the payments into the 2015 Bond Fund, the Bond Fund and the Debt Service Reserve Fund and with respect to the Parity Obligations, there shall be paid from the Water Revenue Fund into a fund designated "Water Operation and Maintenance Fund" (the "Operation and Maintenance Fund") on the first business day of each month while any Bonds issued under the Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of the Fund, to pay the reasonable monthly expenses of operation, repair and maintenance (exclusive of depreciation expense and debt service charges and expenses) of the properties of the Authority for such month, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and the cost of major repair and maintenance expenses and costs of betterments and improvements, may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month. If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the fund in the next succeeding month. If in any fiscal year, a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount necessary to meet the requirements thereof during the remainder of the current fiscal year and the next ensuing fiscal year, such surplus may be transferred and deposited in the Water Revenue Fund.

Depreciation Fund. After making the payments hereinabove required, there shall be paid from the Water Revenue Fund into a fund designated "Water Depreciation Fund" (the "Depreciation Fund"), on or before the first business day of each month, the sum of $3,200 per month or such higher amount otherwise required by State law. The moneys in the Depreciation Fund shall be used for the purpose of paying the costs of short-lived assets and replacements made necessary by the depreciation of the System, for the purpose of paying the costs of damage caused by unforeseen catastrophes and for the purpose of paying the costs of maintenance or repairs, renewals or replacements, the costs of acquiring, installing or repairing equipment, the costs of enlarging, extending, reconstructing or improving the System or any part thereof, engineering expenses related to the foregoing, the costs of acquiring any lands, rights in land, easements or franchises deemed by the Authority to be necessary or useful in connection with the ownership or operation of the System, or premiums on insurance carried under the provisions hereof; provided, however, in the event that no other funds are available therefor, the moneys in the Depreciation Fund may be used to the extent necessary to prevent a default in the payment of the principal of and interest on any bonds secured by revenues of the System.

Cost of Issuance Fund. The Indenture provides for the establishment of a "Cost of Issuance Fund, Series 2021" (the "Cost of Issuance Fund") into which proceeds of the Series 2021 Bonds will be deposited and used to pay costs of issuing the Series 2021 Bonds and Refunding costs. Any amounts remaining in the Cost of Issuance Fund on January 15, 2022 shall be deposited into the Bond Fund.

Water Revenue Fund Surplus. Any surplus remaining in the Water Revenue Fund, on the first business day of each month, after making full provisions for the other funds described above, may be used for any lawful purpose. The monthly surplus shall be withdrawn and deposited in such fund or account as specified by the Board of Directors of the Authority.

Depositories of Funds. The Bond Fund, the Cost of Issuance Fund, the Rebate Fund (as hereinafter defined) and the Debt Service Reserve Fund shall be established and maintained in the Trustee. The Water Revenue Fund, the Operation and Maintenance Fund and the Depreciation Fund shall be established in such banks or trust companies that are from time to time designated by the Authority, provided each must be a member of the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

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

(a) Moneys held for the credit of the Debt Service Reserve Fund shall, at the direction of the Authority, be invested and reinvested by the Trustee in Eligible Investments maturing within five (5) years from the date of investment

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

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

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

(e) "Eligible Investments," as used in Section 701 of the Indenture, are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) ("Government Obligations"), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) certificates of deposit or demand deposits of banks, which are insured by the Federal Deposit Insurance Corporation or, if in excess of insurance coverage, collateralized by Government Obligations or other securities authorized by law to secure public funds, or (iv) money market funds invested exclusively in Government Obligations and the obligations described in (ii) above:

(f) The Trustee shall determine the market value of all investments from funds held by it on May 31 and November 30 of each year and shall report the market value to the Authority. The Authority shall determine the market value of investments from all other funds described in the Indenture on May 31 and November 30 of each year and shall report the market value to the Trustee.

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

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

(a) Default in the due and punctual payment of any interest on any Bond or any Parity Obligation or the 2015 Bond;

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

(c) Default in the due and punctual payment of the principal of any Bond or any Parity Obligation or the 2015 Bond whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;

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

(e) Declaration of bankruptcy by the Authority;

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

(g) If an event of default occurs under any agreement pursuant to which any Obligation (as defined in the next sentence) of the Authority has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Series 2021 Bonds, then an event of default shall be deemed to have occurred under the Indenture for which the Trustee shall be entitled to exercise all available remedies under the Indenture, at law and inequity. For purposes of the foregoing sentence, "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Series 2021 Bonds.

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

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

Remedies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE CONTINUING DISCLOSURE AGREEMENT

During the past five years, the Authority 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 the provisions.

Generally. The Authority will enter into a Continuing Disclosure Agreement with respect to the Series 2021 Bonds.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement will be executed and delivered by the Authority and the Dissemination Agent (defined below) for the benefit of the Beneficial Owners of the Series 2021 Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" of a Series 2021 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Series 2021 Bond (including persons holding Series 2021 Bonds through nominees, depositories or other intermediaries).

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

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

"Financial Obligation" shall mean a

(A) Debt obligation;

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Reports. (a) The Authority shall, or cause the Dissemination Agent to, not later than June 30 of each year (or 180 days after the end of the Authority's fiscal year if the Authority's fiscal year changes), commencing with the report due June 30, 2022, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the Authority. If the fiscal year of the Authority changes, it shall give notice of such change in the manner as for a Listed Event.

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

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

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

(1) Information of the type set forth in the Official Statement under the caption **THE AUTHORITY** with respect to (i) the approximate or average number of water users by category for the calendar year then ended and the four previous years; (ii) the volume of water sold by the Authority to retail customers for the calendar year then ended and the four previous years; (iii) the number of retail customers in each County in the Service Area, as determined by number of meters for the calendar year then ended and the four previous years; (iv) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the calendar year then ended and the previous four years; and (v) a statement as to which users, if any, accounted for 5% or more of System revenues for the calendar year then ended; and

(2) The annual financial statements of the Authority 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.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

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

8. Series 2021 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 Authority.

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 Authority, 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 Authority shall promptly notify the Dissemination Agent (if other than the Authority) 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 Authority 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 captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the 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 Obligations. The Authority's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the affected Series 2021 Bonds.

Dissemination Agents. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. A Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority 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 Authority and the Dissemination Agent may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority with respect to the Series 2021 Bonds, or the type of business conducted;

(b) The Continuing Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2021 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the affected Series 2021 Bonds in the same manner as provided in the Indenture for the affected Series 2021 Bonds for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel in reliance upon certifications of the Authority, materially impair the interests of the Beneficial Owners of the Series 2021 Bonds.

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

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

Default. In the event of a failure of the Authority or the Dissemination Agent (if the Trustee is not the Dissemination Agent) to comply with any provision of the Continuing Disclosure Agreement, the Underwriter, the Trustee, or any Beneficial Owner may (and the Trustee, at the request of the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2021 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under a Continuing Disclosure Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

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

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Underwriter and the Beneficial Owners of the affected Series 2021 Bonds and shall create no rights in any other person or entity.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2021 Bonds. The Series 2021 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 Series 2021 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 Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 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 Series 2021 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 Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 Series 2021 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 Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2021 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 Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 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 Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2021 Bonds are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2021 Bonds will be printed and delivered.

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

So long as the Series 2021 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2021 Bonds for all purposes under the Resolution, including receipt of all principal of and interest on the Series 2021 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The Authority and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2021 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Series 2021 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2021 Bonds.

TAX EXEMPTION

In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law, the interest on the Series 2021 Bonds is exempt from all State income taxes and the Series 2021 Bonds are exempt from property taxation in the State.

Also, in the opinion of Bond Counsel, interest on the Series 2021 Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021 Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Series 2021 Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Series 2021 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2021 Bonds. The Authority has covenanted to comply with all such requirements in the Indenture.

Prospective purchasers of the Series 2021 Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2021 Bonds, (ii) interest on the Series 2021 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2021 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2021 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 Series 2021 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2021 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The Authority has designated the Series 2021 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 Authority has (1) covenanted not to use the System in a manner which would cause the Series 2021 Bonds to be "private activity bonds," and (2) represented that the Authority has not and will not issue more than $10,000,000 of such tax exempt obligations during calendar year 2021. The Authority does not have any subordinate entities.

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

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

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

As shown on the inside cover page of this Official Statement, certain of the Series 2021 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 excluded from gross income for federal income tax purposes, as described above.

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

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

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

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

Current or future legislative proposals, if enacted into law, may cause interest on the Series 2021 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2021 Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may affect the market price for, or marketability of, the Series 2021 Bonds. Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2021 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.

LEGALITY

Legal matters incident to the authorization and issuance of the Series 2021 Bonds are subject to the approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

LITIGATION

There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2021 Bonds or questioning or affecting the legality of the Series 2021 Bonds or the proceedings and authority under which the Series 2021 Bonds are to be issued, or questioning the right of the Authority to execute and deliver the Indenture or to issue the Series 2021 Bonds.

ENFORCEABILITY OF REMEDIES

Rights of the registered owners of the Series 2021 Bonds and the enforceability of the remedies available under the Indenture authorizing the Series 2021 Bonds may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture authorizing the Series 2021 Bonds resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

UNDERWRITING

Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Series 2021 Bonds from the Authority at a purchase price of $4,290,637.15 (principal amount less Underwriter's discount of $75,600 plus net original issue premium of $46,237.15. The Underwriter is committed to purchase all of the Series 2021 Bonds if any are purchased.

The Series 2021 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 Series 2021 Bonds to certain dealers (including dealers depositing Series 2021 Bonds into investment accounts) and others at prices lower than the offering price stated on the inside front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

The Underwriter retains the right to conduct related and/or unrelated business with the Authority and its agents, to include the purchase of securities for the purpose accomplishing the purposes for which the Series 2021 Bonds are being issued.

MISCELLANEOUS

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 Authority and the purchasers or owners of any of the Series 2021 Bonds.

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

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

NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS

By: /s/ Sam Ragar
President

APPENDIX A

Audited Financial Statements of the Authority for the
Fiscal Years Ended December 31, 2020 and 2019

NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS

ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

Independent Auditors' Report

May 18, 2021

Board of Directors
Nashville Rural Water Public Authority of the State of Arkansas
Nashville, Arkansas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Nashville Rural Water Public Authority of the State of Arkansas as of December 31, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

1810 Galleria Oaks • Texarkana, Texas 75503 • 903.793.5646 • Fax 903.792.7630 • www.wilhen.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Nashville Rural Water Public Authority of the State of Arkansas' basic financial statements. The miscellaneous information required by loan agreements on page 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The miscellaneous information required by loan agreements is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated May 18, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nashville Rural Water Public Authority of the State of Arkansas' internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

Our discussion and analysis of Nashville Rural Water Public Authority of the State of Arkansas (the Authority) financial performance provides an overview of the Authority's financial activities for the years ended December 31, 2020 and 2019. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

- On November 5, 2012, the Authority was created by the State of Arkansas. On November 5, 2012, all assets and liabilities of Nashville Rural Water Association, Inc. were converted to the Authority.

- The Authority maintained an Unrestricted Net Position balance of $1,098,625 and $1,071,485 at December 31, 2020 and 2019, respectively. Unrestricted Net Position represents the net balance accumulated by the Authority above the amount of Net Investment in Capital Assets and the amount for Restricted Net Position (restricted as a result of constraints imposed by grantors, contributors, or by laws and regulations).

- The total of Net Investment in Capital Assets (after subtracting out debt owed on capital assets) was $3,495,238 at December 31, 2020, and $3,675,735 at December 31, 2019.

- The Authority had $6,812,402 and $7,042,524 of bonded debt and note payables outstanding at December 31, 2020 and 2019, respectively.

- The most significant continuing revenue sources for the Authority consisted of $1,969,148 of water sales for the year December 31, 2020. The water sales were $2,006,665 at December 31, 2019.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis and the Financial Section report. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (Pages 7 and 8) provide long-term and short-term information about the Authority's overall financial status. The Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net position and how it has changed. Net position – the difference between assets and liabilities – is one way to measure health, or position. Over time, increases or decreases in net position is an indicator of whether the Authority's financial health is improving or deteriorating, respectively. The Statement of Net Position also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current period's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of operations over the period and can be used to determine whether operations have successfully recovered all Authority costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the independent auditors' report that the financial statements are fairly stated.

Financial Analysis as a Whole

Net position decreased by ($102,367) in 2020, and increased by $31,840 in 2019, as a result of the period's operations. The balance in net position represents the accumulated results of all past period's operations and capital contributions from the conversion.

Statement of Net Position

A summary of the Statement of Net Position is presented in the table below. The format allows the reader to view the overall financial position of the Authority.

Nashville Rural Water Public Authority of the State of Arkansas
Statement of Net Position

	2020	2019
Assets:		
Current assets (unrestricted)	$1,190,369	$ 1,145,977
Restricted assets	833,046	778,072
Capital assets	10,307,640	10,718,259
Total Assets	12,331,055	12,642,308
Liabilities:		
Current liabilities (payable from current assets)	334,170	308,137
Current liabilities (payable from restricted assets)	193,563	189,579
Long-term liabilities	6,569,976	6,808,879
Total Liabilities	7,097,709	7,306,595
Net Position:		
Net investment in capital assets	3,495,238	3,675,735
Restricted	639,483	588,493
Unrestricted	1,098,625	1,071,485
Total Net Position	$5,233,346	$ 5,335,713

In 2020, the largest category of net position is Net Investment in Capital Assets and comprises 67% of net position. This category totaling $3,495,238 reflects the total invested in capital assets (land, buildings, equipment, water and sewer system improvements, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resource available for future spending. For 2019, the largest category of net position is Net Investment in Capital Assets, and comprised 69% of net position. The Authority's investment in its capital assets of $3,675,735 is reported net of related debt. Related long-term liabilities outstanding at December 31, 2020 and 2019, totaled $6,569,976 and $6,808,879, respectively. The current portion of the long-term debt of $242,426 and $233,645 for the years ended December 31, 2020 and 2019, respectively, is reflected in current liabilities. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The second category of net position, Restricted Net Position, represents net position that is subject to external restrictions on how they may be used. Restricted Net Position totaled $639,483 for the current year. For 2019, this category totaled $588,493. Net position is restricted for customer meter deposits and debt reserve required by USDA.

The third category of net position, Unrestricted Net Position, represents net position that is not subject to external restrictions on how they may be used. Unrestricted Net Position totaled $1,098,625 and $1,071,485 at December 31, 2020 and 2019, respectively.

At the end of the current period, the Authority was able to report positive balances in all three categories of net position and for the Authority as a whole.

Changes in Net Position

While the Statement of Net Position shows the financial position, the Statement of Revenues, Expenses and Changes in Net Position shows the changes in net position. As can be seen in the table below, the Authority had a decrease in net position of ($102,367) for 2020, and an increase in net position of $31,840 for 2019. A summary of the Statement of Revenues, Expenses and Changes in Net Position is presented in the table below.

Nashville Rural Water Public Authority of the State of Arkansas
Statement of Revenues, Expenses and Changes in Net Position

	2020	2019
Operating Revenues:		
Service charges and fees	$ 2,127,852	$ 2,158,231
Total Operating Revenues	2,127,852	2,158,231
Operating Expenses:		
Operating expenses	1,531,570	1,412,151
Total Operating Expenses	1,531,570	1,412,151
Operating income (loss) before depreciation	596,282	746,080
Depreciation expense	(475,440)	(468,365)
Nonoperating Revenues (Expenses):		
Nonoperating revenues	37,241	19,003
Nonoperating expenses	(264,850)	(269,093)
Capital Contribution	4,400	4,215
Increase (Decrease) in Net Position	(102,367)	31,840
Net Position - Beginning of Year	5,335,713	5,303,873
Net Position - End of Year	$ 5,233,346	$ 5,335,713

Operating revenues decreased due to a decrease in gallons of water sold in 2020. Expenses increased due to an increase in water purchases from the City of Nashville. The System had several large leaks throughout the year that caused the increase in expense.

Budgetary Analysis

The Authority adopted an operating budget for 2020, which included $2,265,372 in revenues and $2,152,680 for expenses. The Authority's actual total revenues were less than the total amount budgeted by $139,066 primarily due to over budgeting water sales by $186,898. The Authority did not exceed the budget for operating expenditures. The total amount budgeted was $2,152,680 and total operating and non-operating expenditures for the year were $1,796,420. There were no budget amendments in fiscal year 2020.

Capital Assets and Long-Term Debt

Capital Assets

The cost of property, plant and equipment, net of accumulated depreciation, as of December 31, 2020 and 2019, was $10,307,640 and $10,718,259, respectively. In April 2020, the Authority traded in a 2016 Chevrolet 1500 at a cost of $37,441 for a 2019 Chevrolet 1500 at a cost of $33,500. The dealership gave the Authority a value of $15,000 for the traded in truck, which resulted in a gain of $9,384. In August 2020, the Authority traded in a 2017 Chevrolet 1500 at a cost of $24,278 for a 2020 Chevrolet 1500 at a cost of $39,410. The dealership gave the Authority a value of $23,000 for the traded in truck, which resulted in a gain of $16,121. Additionally, the Authority spent $4,400 improvements made to the water system. Depreciation expense during the year ended December 31, 2020, amounted to $475,440. More detailed information about capital assets is presented in Note H to the financial statements.

Long-Term Debt

At year-end, the Authority had $6,569,976 for 2020 and $6,808,879 for 2019 of long-term bonds and notes outstanding. More detailed information about long-term liabilities is presented in Note I to the financial statements.

Economic Factors and Next Year's Projections

The Authority serves over 2,500 connections serving about 7,500 people. The system covers over 600 miles of water lines. Currently, the Authority does not have plans to expand the system. The System is converting from touch-read meters to radio-read meters. This project began in September 2020 and should be completed by summer 2021. The System is paying for this project with a loan from Arkansas Natural Resource Commission. The System strives to abide by their mission statement: "To the best of our ability we shall conduct all operations under our control in such a manner as will provide adequate water service, and preserve public health for our residential and agricultural members."

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions regarding this report or need additional information, contact the Authority at P.O. Box 563, Nashville, Arkansas 71852. The phone number for the Authority is (870) 845-5442.

NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS

BASIC FINANCIAL STATEMENTS

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash on hand and in bank	$ 291,605	$ 334,467
Certificates of deposit	619,867	512,129
Accounts receivable, net of allowance for doubtful accounts	195,900	214,101
Inventories	82,997	82,257
Prepaid assets	-	3,023
Total Current Assets	1,190,369	1,145,977
Restricted Assets:		
Meter deposits		
Cash in bank	30,206	28,131
Certificates of deposit	195,525	191,646
Cash in bank - debt service reserve	399,315	388,695
Cash in bank - short-lived asset reserve	208,000	169,600
Total Restricted Assets	833,046	778,072
Capital Assets:		
Property, plant and equipment, net of accumulated depreciation	10,307,640	10,718,259
Total Assets	12,331,055	12,642,308
LIABILITIES		
Current Liabilities:		
Accounts payable	78,129	59,614
Sales tax payable	13,615	14,878
Long-term debt, current portion	242,426	233,645
Total Current Liabilities	334,170	308,137
Payable From Restricted Assets:		
Customer deposits	193,563	189,579
Noncurrent Liabilities:		
Long-term debt, net of current portion	6,569,976	6,808,879
Total Liabilities	7,097,709	7,306,595
NET POSITION		
Net investment in capital assets	3,495,238	3,675,735
Restricted	639,483	588,493
Unrestricted	1,098,625	1,071,485
Total Net Position	$ 5,233,346	$ 5,335,713

The accompanying notes are an integral part of this statement.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating revenues		
Water sales	$ 1,969,148	$ 2,006,665
Connection fees	20,700	24,850
Late charges	51,225	57,349
Other income	86,779	69,367
Total operating revenues	2,127,852	2,158,231
Operating expenses		
Purchases - water	762,388	693,790
Advertising	1,679	2,907
Bank Charges	3,697	-
Contract labor	5,200	4,562
Credit card fees	22,573	19,117
Employee benefits	43,760	39,088
Fuel	14,207	16,922
Insurance	29,610	5,123
Legal and accounting	10,413	14,775
Miscellaneous	7,780	10,920
Office expense	26,127	25,834
Parts and supplies / distribution	103,887	72,210
Postage	9,520	10,539
Printing	3,169	-
Protection fee	13,833	11,138
Rent	6,000	6,000
Repair and maintenance	38,010	89,323
Salaries	289,179	265,933
Supplies	10,688	5,416
Taxes - payroll	22,112	20,827
Telephone	11,471	13,546
Utilities	77,772	70,636
Vehicle expense	18,495	13,545
Total operating expenses	1,531,570	1,412,151
Operating income (loss) before depreciation	596,282	746,080
Depreciation	475,440	468,365
Operating income (loss) before nonoperating revenues and expenses	120,842	277,715
Nonoperating revenues (expenses)		
Interest income	11,736	12,767
Interest expense	(264,850)	(269,093)
Gain on disposal of asset	25,505	6,236
Total nonoperating revenues (expenses)	(227,609)	(250,090)
Capital Contribution	4,400	4,215
Increase (Decrease) in Net Position	(102,367)	31,840
Net Position - Beginning of Year	5,335,713	5,303,873
Net Position - End of Year	$ 5,233,346	$ 5,335,713

The accompanying notes are an integral part of this statement.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 2,150,037	$ 2,126,587
Cash paid to suppliers	(1,222,856)	(1,179,314)
Cash paid to employees	(289,179)	(265,933)
Net Cash Provided (Used) by Operating Activities	638,002	681,340
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificate of deposit purchased	(100,000)	-
Interest earned on cash in bank	119	2,139
Net Cash Provided (Used) by Investing Activities	(99,881)	2,139
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(39,316)	(463,631)
Proceeds from disposal of assets	-	200
Proceeds from capital contribution	4,400	4,215
Proceeds from new loan	-	395,733
Principal payments made on notes payable	(230,122)	(201,882)
Interest paid	(264,850)	(269,093)
Net Cash Provided (Used) by Capital and Related Financing Activities	(529,888)	(534,458)
Net increase (decrease) in cash and cash equivalents	8,233	149,021
Cash and cash equivalents, beginning of year	920,893	771,872
Total cash and cash equivalent, end of year	$ 929,126	$ 920,893
Cash on hand and in bank	$ 291,605	$ 334,467
Restricted cash in bank	637,521	586,426
Total cash and cash equivalents, end of year	$ 929,126	$ 920,893
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss) before nonoperating revenues (expenses)	$ 120,842	$ 277,715
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	475,440	468,365
(Increase) decrease in assets:		
Accounts receivable	18,201	(37,470)
Inventory	(740)	(26,197)
Prepaid assets	3,023	(226)
Increase (decrease) in liabilities:		
Accounts payable	18,515	(9,864)
Sales tax payable	(1,263)	3,191
Customer deposits	3,984	5,826
Net Cash Provided (Used) by Operating Activities	$ 638,002	$ 681,340
Supplementary Information		
Interest paid	(264,850)	(269,093)
Noncash exchange of vehicles	38,000	13,500

The accompanying notes are an integral part of this statement.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

1) Nature of the Organization - Nashville Rural Water Association Public Authority of the State of Arkansas (the Authority), is a public body operated by an independent board of directors for the purpose of providing adequate water services to its residential and agricultural customers. On November 5, 2012, Nashville Rural Water Association, Inc. converted to a Public Water Authority of the State of Arkansas. Act 115 of 2001 provides a not-for-profit corporation involved in the sale, transmission and distribution of portable water to members of the public and others may convert their entity status from that of a body corporate to that of a body public thereby allowing such entities the opportunity to access the tax-exempt capital markets and thereby assuring the State of Arkansas and the customers of such entities of the lowest water rates possible. Upon conversion, the Public Water Authority of the State of Arkansas comes into existence and all assets and liabilities become vested in and benefit to the water authority.

2) The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

3) Basis of Presentation – The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about one fund, a proprietary fund. Because a proprietary fund's fund financials are identical to government-wide statements, the report includes only the fund financials.

4) Proprietary Fund Type – Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The Authority's proprietary fund is the water enterprise fund.

5) Basis of Accounting – An enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled water utility service receivables are recorded at year-end.

6) Budgets and Budgetary Accounting – The Authority follows Arkansas Statutes in establishing the budgetary data. Prior to the start of the year, the budget committee prepares a proposed budget for the Authority. Formal budgetary integration is employed as a management control device for the Authority. Although state law requires that annual budgets be adopted for proprietary funds, there is no state requirement to report budget versus actual data.

7) Inventories - Inventories are valued at the lower of cost or market.

8) Property, Plant and Equipment - Additions to property, plant and equipment are recorded at cost or capitalized at fair market value if donated. Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

	Proprietary Fund
Buildings	39
Furniture and fixtures	5 - 8
Machinery and equipment	5
Vehicles	5
Water distribution system	40

9) Depreciation - The Authority provides for depreciation computed on the straight-line method over the estimated service lives of the assets.

10) Unearned Revenue - It is the Authority's policy to record as unearned any revenues received in advance of the period for which the revenue applies.

11) Cash Equivalent - For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

12) Bad Debt Expense - The Authority utilizes the reserve method of recognizing bad debts.

13) Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

14) Fair Value - The stated value of the Authority's financial instruments approximates market, based on current rates offered for similar financial instruments.

15) Compensated Absences - The Authority does not have a compensated absence policy; therefore, compensated absences cannot reasonably be estimated.

NOTE B – ACCOUNTS RECEIVABLE

Details of accounts receivable as of December 31, 2020 and 2019, are as follows:

	2020	2019
Accounts Receivable	$ 209,807	$ 225,484
Plus: Return Checks	-	2,831
Less: Allowance for Doubtful Accounts	(13,908)	(14,214)
	$ 195,900	$ 214,101

NOTE C – DOUBTFUL ACCOUNTS

Estimated allowances for doubtful accounts are determined using the percentage of revenue and receivables method. Receivables are charged off as uncollectible by management when collection efforts are exhausted. Receivables are generally considered delinquent 14 days after the last day of each month.

NOTE D – RESTRICTED ASSETS

Meter Deposits - The Authority requires that a customer make a deposit before service is started. These funds are held separately until service is terminated, at which time final bills are applied to the deposit and the balance, if any, is refunded. The meter deposit cash and certificates of deposit balance at December 31, 2020, amounted to $225,731 and the required balance was $193,563. The meter deposit cash and certificates of deposit balance at December 31, 2019, amounted to $219,777 and the required balance was $189,579.

Debt Service Reserve - Conditions set forth in the loan agreements require that the Authority maintain a debt reserve account. Deposits commenced when the water system became revenue producing in October, 1991.

In May 2006, the Authority requested permission from USDA to use funds from the debt service reserve account to meet interest payment obligations due to the Rural Development. The USDA granted the request and stipulated that replacement of the debt service reserve funds begin immediately based on the projected budget information which included a water rate adjustment. In October 2007, USDA sent a letter stating the Authority was required to deposit $1,000 per month in addition to the required $32,868 annual debt service reserve obligation to replace borrowed funds and meet current requirements.

In March 2010, USDA approved the Authority to borrow $25,000 from the debt service reserve account due to operational cash flow problems. As stated in a letter of communication, the Authority agreed to continue to pay $885 a month thru October 2026 into the reserve account and to submit monthly debt reserve account summaries to USDA for monitoring. The Authority complied with these requirements paying $10,620 to the debt reserve account during the year ended December 31, 2020. The debt service reserve account balance was $399,315 at December 31, 2020. The Authority also complied with these requirements for the year ended December 31, 2019, by paying $10,650 to the debt reserve account. The debt service reserve account balance was $388,695 at December 31, 2019.

Short-Lived Asset Reserve - Conditions set forth in the USDA loan agreement signed on 4/14/2014 require that the Authority maintain a short-lived asset reserve account depositing $3,200 per month. The Authority complied with the current year requirement. The cumulative required amount by the USDA loan agreement is $208,000 as of December 31, 2020. The $208,000 is recognized as restricted cash and the remainder in unrestricted cash. The short-lived asset reserve account balance was $277,421 and $300,422 at December 31, 2020 and 2019, respectively.

NOTE E – CASH AND DEPOSITS

The Authority had cash deposits and certificates of deposits located at several financial institutions as of December 31, 2020. All of the Authority's bank accounts were adequately secured by the Federal Deposit Insurance Corporation and pledged securities at the year ended December 31, 2020. For the year ended December 31, 2019, the Authority's bank accounts were adequately secured by the Federal Deposit Insurance Corporation and pledged securities at all institutions.

NOTE F – CREDIT RISKS

The Authority provides water to users located in rural communities in three counties in southwest Arkansas. Operating costs are funded primarily by charges to the users in the service area. The Authority is subject to economic conditions which affect its members.

NOTE G – NET POSITION

Net investment in capital assets represents the total of property, plant, and equipment, net of accumulated depreciation, less the long-term portion of long-term debt. Restricted net position includes the excess of restricted assets over certain liabilities restricted for customer deposits and restricted assets required by existing loan agreements. Unrestricted net position is the remaining balance after restricted net positions are segregated.

NOTE H - PROPERTY, PLANT AND EQUIPMENT

A summary of the property, plant and equipment, accumulated depreciation and estimated service lives of the property, plant and equipment by type is as follows:

For the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Reclassifications/ Deletions	Balance December 31, 2020
Capital Assets, not being depreciated:				
Land	$ 258,862	$ -	$ -	$ 258,862
Total capital assets, not being depreciated	258,862	-	-	258,862
Capital Assets, being depreciated:				
Water distribution system	16,269,420	4,400	-	16,273,820
Office building	366,997	-	-	366,997
Buck range generator shed	33,755	-	-	33,755
Chapel Hill generator & shed	101,334	-	-	101,334
Machinery & Equipment	219,747	-	-	219,747
Furniture and Equipment	101,896	-	-	101,896
Vehicles	173,253	72,910	(61,719)	184,444
Total capital assets, being depreciated	17,266,402	77,310	(61,719)	17,281,993
Less: Accumulated Depreciation	(6,807,005)	(475,440)	49,230	(7,233,215)
Total capital assets, being depreciated net	10,459,397	(398,130)	(12,489)	10,048,778
Total capital assets	$ 10,718,259	$ (398,130)	(12,489)	$ 10,307,640

In April 2020, the Authority traded in a 2016 Chevrolet 1500 at a cost of $37,441 for a 2019 Chevrolet 1500 at a cost of $33,500. The dealership gave the Authority a value of $14,994 for the traded in truck, which resulted in a gain of $9,384. In August 2020, the Authority traded in a 2017 Chevrolet 1500 at a cost of $24,278 for a 2020 Chevrolet 1500 at a cost of $39,410. The dealership gave the Authority a value of $23,000 for the traded in truck, which resulted in a gain of $16,121. Additionally, the Authority spent $4,400 improvements made to the water system. Depreciation expense during the year ended December 31, 2020, amounted to $475,440.

For the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Reclassifications/ Deletions	Balance December 31, 2019
Capital Assets, not being depreciated:				
Land	$ 258,862	$ -	$ -	$ 258,862
Total capital assets, not being depreciated	258,862	-	-	258,862
Capital Assets, being depreciated:				
Water distribution system	15,860,612	408,808	-	16,269,420
Office building	359,494	7,503	-	366,997
Buck range generator shed	19,023	14,732	-	33,755
Chapel Hill generator & shed	101,334	-	-	101,334
Machinery & Equipment	215,451	4,496	(200)	219,747
Furniture and Equipment	92,834	9,062	-	101,896
Vehicles	172,714	32,530	(31,991)	173,253
Total capital assets, being depreciated	16,821,462	477,131	(32,191)	17,266,402
Less: Accumulated Depreciation	(6,363,366)	(468,365)	24,726	(6,807,005)
Total capital assets, being depreciated net	10,458,096	8,766	(7,465)	10,459,397
Total capital assets	$ 10,716,958	$ 8,766	$ (7,465)	$ 10,718,259

In February 2019, the Authority traded in a 2015 Chevrolet 1500 at a cost of $31,991 for a 2019 Chevrolet 1500 at a cost of $32,530. The dealership gave the Authority a value of $13,500 for the traded in truck, which resulted in a gain of $6,036. Additionally, the Authority spent $7,503 on an air conditioner for the office, $14,732 for expansion of the buck range generator shed, $9,062 for a new server for the office, $4,496 for two trailers, and $408,808 for improvements to the water system. Depreciation expense during the year ended December 31, 2019, amounted to $468,365.

NOTE I – LONG-TERM DEBT

Long-term debt at December 31, 2020 and 2019, consist of the following:

	2020	2019
Phase I - Mortgage note payable to USDA/Rural Development with interest at 5%, secured by real estate, water system assets and a pledge of revenues, maturing November 14, 2030.	$ 450,996	$ 485,537
Phase I - Mortgage note payable to USDA/Rural Development with interest at 5%, secured by real estate, water system assets and a pledge of revenues, maturing July 26, 2031.	42,889	45,965
Phase II - Mortgage notes payable to USDA/Rural Development with interest at 4.75%, secured by real estate, water system assets and a pledge of revenues, maturing November 23, 2038.	861,086	891,472
Phase II - Mortgage notes payable to USDA/Rural Development with interest at 4.75%, secured by real estate, water system assets and a pledge of revenues, maturing November 23, 2038.	67,776	70,183
Phase IIA - Mortgage notes payable to USDA/Rural Development with interest at 4.75%, secured by real estate, water system assets and a pledge of revenues, maturing August 14, 2042.	253,806	261,250
Loan payable to Arkansas Soil and Conservation Commission with interest at 5%, secured by project properties and equipment, payment of principal and interest deferred for 10 years, maturing December 1, 2029. Annual payments in the amount of $19,365 began December 1, 2009.	125,168	137,650
Phase III - Mortgage note payable to USDA/Rural Development with interest at 4.38%, secured by real estate, water system assets and a pledge of revenues, maturing May 18, 2044.	1,693,799	1,734,314
Phase III - Mortgage note payable to USDA/Rural Development with interest at 4.375%, secured by real estate, water system assets and a pledge of revenues, maturing May 18, 2044.	457,637	468,474
Phase IIIA - Mortgage note payable to USDA/Rural Development with interest at 4.125%, secured by real estate, water system assets and a pledge of revenues, maturing October 10, 2035.	222,194	232,848
Water Revenue Bond payable to USDA/Rural Development with interest at 2.875%, secured by water system improvements, maturing May 31, 2054.	2,280,009	2,319,098
Loan payable to Arkansas Natural Resources Commission with interest at 0.5%, maturing November 14, 2028, for improvements to water system.	357,042	395,733
	6,812,402	7,042,524
Current Maturities	(242,426)	(233,645)
Total long-term debt, net of current portion	$ 6,569,976	$ 6,808,879

Interest expense for the year ended December 31, 2020, amounted to $264,850 and for the year ended December 31, 2019, amounted to $269,093.

A summary of the changes in the long-term debt for the year ended December 31, 2020 is as follows:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Notes from direct borrowings	7,042,524	-	(230,122)	6,812,402	242,426

The aggregate maturities of long-term debt by year are as follows:

	Notes from Direct Borrowings		
Year Ending December 31,	Principal	Interest	Total
2021	242,426	252,381	494,807
2022	251,600	243,205	494,805
2023	261,185	233,622	494,807
2024	271,201	223,606	494,807
2025	281,665	213,142	494,807
2026 - 2030	1,480,835	895,561	2,376,396
2031 - 2035	1,218,082	624,920	1,843,002
2036 - 2040	1,184,509	375,159	1,559,668
2041 - 2045	825,194	167,830	993,024
2046 - 2050	447,409	83,531	530,940
2051 - 2054	348,296	18,893	367,189
Total amount of payments due	6,812,402	3,331,850	10,144,252

NOTE J –WATER PURCHASE AGREEMENT

The Authority entered into a water purchase agreement with the City of Nashville, Arkansas, on September 19, 1989, to purchase water. The agreement extends for a term of forty (40) years from the date of initial delivery of water, and thereafter may be renewed or extended upon such terms as may be agreed to by buyer and seller. The contract had no minimum purchase/payment requirements until such time as the Authority had 600 customers connected to the system, at which time a minimum $3,000 monthly payment was required. The Authority had 2,558 customers connected to the system at December 31, 2020 and 2,533 customers connected to the system at December 31, 2019. Payments to the City of Nashville, Arkansas totaled $762,388 and $693,790 for the years ended December 31, 2020 and 2019, respectively.

NOTE K – CASH FLOW DISCLOSURES

Interest paid during the years ended December 31, 2020 and 2019, was $264,850 and $269,093, respectively.

Cash and restricted cash at December 31, 2020 and 2019, consist for the following:

	2020	**2019**
Cash on hand and in bank	$ 291,605	$ 334,467
Cash in bank - Meter deposits	30,206	28,131
Cash in bank - Debt service reserve	399,315	388,695
Cash in bank - Short-lived asset reserve	208,000	169,600
Total Cash and Restricted Cash - End of Year	$ 929,126	$ 920,893

NOTE L – OPERATING EXPENSES BY FUNCTIONAL CATEGORY

The following is a breakdown of operating expenses by functional category for the years ended December 31, 2020 and 2019:

	2020	2019
Operating expenses:		
Water operations	$ 1,286,432	$ 1,177,532
Supporting services:		
General and administrative	245,138	234,619
Total operating expenses	$ 1,531,570	$ 1,412,151

NOTE M – SUBSEQUENT EVENT

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through May 18, 2021, which is the date the financial statements were available to be issued.

On April 6, 2020, Arkansas Governor Asa Hutchinson declared Arkansas in a state of disaster as a result of the COVID-19 pandemic. In each subsequent month effective through May 30, 2021, declarations have been issued renewing the disaster declaration for the State of Arkansas. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified.

NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS

REPORT ON COMPLIANCE AND INTERNAL CONTROL

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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

Independent Auditors' Report

May 18, 2021

Board of Directors
Nashville Rural Water Public Authority of the State of Arkansas
Nashville, 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 business-type activities of Nashville Rural Water Public Authority of the State of Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Nashville Rural Water Public Authority of the State of Arkansas' basic financial statements, and have issued our report thereon dated May 18, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of the 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 a material weakness. However, material weaknesses may exist that have not been identified.

1810 Galleria Oaks • Texarkana, Texas 75503 • 903.793.5646 • Fax 903.792.7630 • www.wilhen.com

Compliance and Other Matters

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

Purpose of this Report

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

Wilf & Henderson, P.C.

WILF & HENDERSON, P. C.
Certified Public Accountants
Texarkana, Texas

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

I. Summary of the Auditor's Results:

a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Nashville Rural Water Public Authority of the State of Arkansas were prepared in accordance with GAAP.

b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.

c. No instances of noncompliance material to the financial statements of the Nashville Rural Water Public Authority of the State of Arkansas were disclosed during the audit.

II. Findings – Financial Statement Audit.

No findings reported.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

There were no prior year audit findings or questioned costs.

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

There are no current year audit findings.

NASHVILLE RURAL WATER PUBLIC AUTHORITY
OF THE STATE OF ARKANSAS

SUPPLEMENTARY INFORMATION

NASHVILLE RURAL WATER PUBLIC AUTHORITY OF THE STATE OF ARKANSAS
MISCELLANEOUS INFORMATION REQUIRED BY MORTGAGE NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

UNAUDITED

Current Association Water Rates:

Minimum bill		$23.25		
Next	4,000 Gallons	$6.97	per	1,000 gallons
Next	6,000 Gallons	$5.76	per	1,000 gallons
All over	10,000 Gallons	$3.95	per	1,000 gallons

Number of Water Users at December 31, 2020	2,558
Annual billable gallons of water for 2020	260,948,000

Nashville Rural Water Public Authority of the State of Arkansas maintains insurance coverage as follows:

Authority has property coverage through EMC Insurance.

Authority has vehicle coverage through EMC Insurance.

Authority has workmen's compensation through EMC Insurance.