NEW ISSUE **BOOK-ENTRY ONLY**

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

$4,830,000
CITY OF PEA RIDGE, ARKANSAS
WATER AND SEWER REFUNDING REVENUE BONDS
SERIES 2021

Dated: Date of Delivery Due: October 1, as described below

The Bonds will not be general obligations of the City of Pea Ridge, Arkansas (the "City") but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water and sewer system, which pledge is on a parity with the pledge in favor of the City's Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012, the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of $5,600,000 and the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of $2,470,000. See **THE BONDS**, Security.

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

MATURITY SCHEDULE

$1,635,000 Serial Bonds

Year (October 1)	Amount	Rate (%)	Yield (%)	Year (October 1)	Amount	Rate (%)	Yield (%)
2022	$125,000	2.000	0.350	2027	$170,000	1.125	1.150
2023	150,000	2.000	0.450	2028	175,000	1.250	1.350
2024	160,000	2.000	0.600	2029	175,000	1.375	1.500
2025	160,000	2.000	0.750	2030	175,000	1.500	1.600
2026	170,000	2.000	0.950	2031	175,000	1.625	1.700

$965,000 2.000% Term Bonds due October 1, 2036 to Yield 2.100%
$1,055,000 2.250% Term Bonds due October 1, 2041 to Yield 2.320%
$1,175,000 2.500% Term Bonds due October 1, 2046 to Yield 2.500%

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

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

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

Stephens Inc.

Dated: September 28, 2021

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

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

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$4,830,000
CITY OF PEA RIDGE, ARKANSAS
WATER AND SEWER REFUNDING REVENUE BONDS
SERIES 2021

INTRODUCTION TO THE OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Pea Ridge, Arkansas (the "City") of its Water and Sewer Refunding Revenue Bonds, Series 2021, in the aggregate principal amount of $4,830,000 (the "Bonds"). The Bonds are being issued to current refund the City's Water and Sewer Revenue Bond, dated March 10, 2009 (the "2009 Bond") and the City's Water and Sewer Refunding Revenue Bonds, Series 2016 (the "2016 Bonds" and, together with the 2009 Bond, the "Bonds Refunded"), to fund a debt service reserve and to pay expenses of issuing the Bonds. See **THE BONDS**, Purposes for Bonds.

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

The Bonds are not general obligations of the City, but are special obligations payable solely from the revenues derived from the operation of the City's water and sewer system (the "System"). The pledge of revenues of the System ("Revenues") in favor of the Bonds is on a parity with the pledge of Revenues in favor of the City's Water and Sewer Revenue Refunding and Improvement Bonds, Series 2012 (the "2012 Bonds"), the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of $5,600,000 (the "2020A Bond") and the City's Water and Sewer Revenue Bond, dated September 28, 2020 in the original principal amount of $2,470,000 (the "2020B Bond" and, together with the 2012 Bonds and the 2020A Bond, the "Parity Bonds"). See **THE BONDS**, Security. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 726, adopted on September 21, 2021 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

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

The Bonds are subject to optional redemption on and after October 1, 2026. The Bonds maturing on October 1 in the years 2036, 2041 and 2046 are also subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days' notice of redemption. See **THE BONDS**, Redemption.

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

It is expected that the Bonds will be available for delivery on or about November 3, 2021, through the facilities of The Depository Trust Company in New York, New York.

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

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

THE BONDS

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect

Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and

requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

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

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

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

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

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

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

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

(2) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on October 1 in the years 2036, 2041 and 2046 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on October 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing October 1, 2036

Year (October 1)	Principal Amount
2032	$185,000
2033	190,000
2034	190,000
2035	195,000
2036 (maturity)	205,000

Bonds Maturing October 1, 2041

Year (October 1)	Principal Amount
2037	$200,000
2038	205,000
2039	210,000
2040	220,000
2041 (maturity)	220,000

Bonds Maturing October 1, 2046

Year (October 1)	Principal Amount
2042	$225,000
2043	225,000
2044	235,000
2045	245,000
2046 (maturity)	245,000

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

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

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

Purposes for Bonds. The Bonds are being issued to refund the Bonds Refunded (the "Refunding"), to fund a debt service reserve and to pay expenses of issuing the Bonds. A portion of the proceeds of the Bonds and other available funds held in connection with the 2009 Bond will be deposited with the owner of the 2009 Bond and used to redeem the 2009 Bond on the date the Bonds are issued at a redemption price of par plus accrued interest. A portion of the proceeds of the Bonds and other available funds held in connection with the 2016 Bonds will be deposited with the trustee for the owners of the 2016 Bonds and used to redeem the 2016 Bonds on the date the Bonds are issued at a redemption price of par plus accrued interest.

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

SOURCES:	
Principal Amount of Bonds	$4,830,000
Existing Funds for Bonds Refunded	179,455
Net Original Issue Discount	(739)
Total Sources	$5,008,716
USES:	
Refunding Costs	$4,747,537
Debt Service Reserve	131,106
Costs of Issuance	57,623
Underwriter's Discount	72,450
Total Uses	$5,008,716

The payment of Underwriter’s discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS**, Underwriting for a description of the Underwriter’s discount.

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

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

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

THE CITY AND THE COUNTY

Location. The City is located in Benton County (the "County"), which is in the northwestern part of the State. The City is situated approximately 212 miles northwest of Little Rock, Arkansas and approximately 136 miles east of Tulsa, Oklahoma.

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

Year	City	County
1980	1,488	78,115
1990	1,620	97,499
2000	2,346	153,406
2010	4,794	221,339
2020	6,559	284,333

Transportation. The City is served by U.S. Highway No. 62 and State Highways Nos. 94 and 72. Several motor freight carriers make daily shipments from the City to major cities across the United States. The City is served by the Northwest Arkansas National Airport, which is located approximately 23 miles away in Highfill, Arkansas.

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

Name	Occupation	Term Expires
Jackie Crabtree	Mayor	December 31, 2022
Cody Keene	Construction	December 31, 2022
Ginger Larsen	Preschool Teacher	December 31, 2022
Merrill White	Property Manager	December 31, 2024
Steve Guthrie	Heat & Air Company Owner	December 31, 2024

Medical Facilities. The nearest hospitals to the City are Mercy Hospital Northwest Arkansas, a 200 bed facility located approximately 14 miles away in Rogers, and Northwest Medical Center – Bentonville, a 128-bed facility located approximately 12 miles away in Bentonville.

Financial Institutions. The City is served by branches of Arvest Bank and Equity Bank.

Education. Primary and secondary education for the City's inhabitants is provided by the Pea Ridge School District. The University of Arkansas is located in Fayetteville, approximately 34 miles away from the City, John Brown University is located in Siloam Springs, approximately 47 miles away from the City and Northwest Arkansas Community College is located in Bentonville, approximately 10 miles away from the City.

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Economy. Set forth below are the major employers located in the City:

Employer	Business or Product	Number of Employees
Pea Ridge School District	Education	400
Walmart	Retail	100
City of Pea Ridge	Government	45
Ace Hardware	Retail	20

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

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

Year	Per Capita Personal Income
2015	$79,064
2016	82,906
2017	84,181
2018	92,342
2019	92,697

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

Year	Total Personal Income
2015	$19,891,875,000
2016	21,490,197,000
2017	22,441,267,000
2018	25,141,681,000
2019	25,875,643,000

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

	Annual Average Unemployment Rate (%)	
Year	County	State
2016	2.9	4.0
2017	3.0	3.7
2018	2.9	3.7
2019	2.6	3.5
2020	4.5	6.1
2021*	3.5	5.0

*Preliminary as of June 2021.

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[1] Source: Bureau of Economic Analysis, United States Department of Commerce.

THE SYSTEM

Water System. The System's water supply is purchased from the Benton/Washington Regional Public Water Authority (the "Authority"). Pursuant to a water purchase contract between the City and the Authority, the City may purchase up to 25,800,000 gallons per month for $2.34 per 1,000 gallons. The City is also required to pay a $1.50 assessment per active water meter. The rates paid by the City are determined by the Authority's Board of Directors. The current contract will expire in 2037. The water facilities of the System consist of two water towers having a capacity of approximately 1,000,000 gallons and over 81 miles of distribution piping.

Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use in Gallons
2016	354,704	411,058	129,467,000
2017	375,285	465,370	136,979,000
2018	401,528	591,340	146,959,400
2019	392,451	475,371	143,636,900
2020	444,702	576,945	162,761,100

Sewer System. The sewer system consists of a wastewater treatment plant, seven large lift stations and a collection system. The system has a capacity of 1 million gallons per day (MGD), average daily flow of 375,000 gallons, and maximum flow of 12 MGD.

Management. The manager of the System is Ken Hayes, who is 61 years of age. He has more than 30 years of experience in utility work and management. The System employs 13 persons.

Rates. The current monthly rates for the System are as follows:

Water Rates

Inside City Limits

1-1,000 gallons	$ 18.24	Minimum
1,001-2,000 gallons	18.24	+$0.549/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	23.73	+0.649/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	140.55	+0.749/100 gallons in excess of 20,000 gallons

Outside City Limits

1-1,000 gallons	$ 22.44	Minimum
1,001-2,000 gallons	22.44	+$0.614/100 gallons in excess of 1,000 gallons
2,001-20,000 gallons	28.58	+0.734/100 gallons in excess of 2,000 gallons
All over 20,000 gallons	160.70	+0.734/100 gallons in excess of 20,000 gallons

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Sewer Rates

Inside City Limits

1-1,000 gallons	$19.50	Minimum
All over 1,000 gallons	19.50	+$6.05/1,000 gallons in excess of 1,000 gallons

Outside City Limits

1-1,000 gallons	$22.50	Minimum
All over 1,000 gallons	22.50	+$7.03/1,000 gallons in excess of 1,000 gallons

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

Water Users

Year	Residential	Commercial	Total
2016	2,391	125	2,516
2017	2,520	141	2,661
2018	2,680	145	2,825
2019	2,817	145	2,962
2020	2,943	144	3,087

Sewer Users

Year	Residential	Commercial	Total
2016	1,718	98	1,816
2017	1,845	114	1,959
2018	1,972	114	2,086
2019	2,079	115	2,194
2020	2,158	115	2,273

No users of the System accounted for more than 5% of gross Revenues in 2020. The five largest users of the System in 2020 are set forth below:

1. Pea Ridge School District
2. Sonic
3. Battlefield Laundry Mat
4. Autumn Home Care
5. McDonalds

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

THE AUTHORIZING ORDINANCE

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

Rates and General Covenants to Operate. The City covenants and agrees that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant not in the regular employ of the City ("Accountant") a certificate that the Net Revenues (Net Revenues being defined as gross Revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund, and leave a balance equal to at least 125% of the maximum annual principal and interest requirements on all outstanding bonds to which Revenues are pledged ("System Bonds"). The City further covenants and agrees that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net Revenues at least equal to 125% of the maximum annual principal and interest requirements on all System Bonds, which Net Revenues shall also be sufficient to deposit the amounts required to be paid into the Depreciation Fund (hereinafter identified).

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

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

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

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

(c) After making the monthly deposit into the Operation and Maintenance Fund there shall be transferred from the Revenue Fund into a special fund created with the Trustee and designated "2021 Water and Sewer Revenue Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times set forth below for the purpose of providing funds for the payment of the principal of and interest on the Bonds.

There shall be paid into the Bond Fund, beginning on the first business day of the month immediately following the month in which the Bonds are delivered, and continuing on the first business day of each month thereafter while any of the Bonds shall be outstanding, a sum equal to 1/6 of the next installment of interest and 1/12 of the next installment of principal on all outstanding Bonds; provided, however, that (a) payments from December 2021 through March 2022 shall be in an amount equal to 1/4 of the installment of interest due on April 1, 2022 and 1/10 of the installment of principal due on October 1, 2022 and (b) payments from April 2022 through September 2022 shall be in an amount equal to 1/6 of the installment of interest due on October 1, 2022 and 1/10 of the installment of principal due on October 1, 2022.

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

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

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

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

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

(d) Simultaneously with making the deposit into the Bond Fund, there shall be transferred from the Revenue Fund into the special fund designated "2012 Water and Sewer Revenue Bond Fund" created to secure the 2012 Bonds, the special fund designated "Water and Sewer Revenue Bond Fund" created to secure the 2020A Bond and the special fund designated "Water and Sewer Revenue Bond Fund" created to secure the 2020B Bond (collectively, the "Parity Bond Funds") an amount equal to the required monthly deposit into such funds. The obligation to make the required monthly deposits into the Bond Fund and the Parity Bond Funds shall rank on a parity of security. If the City issues any additional parity bonds, the obligation to make payments into debt service and debt service reserve funds for those bonds shall rank on a parity of security with the obligation to make payments into the Bond Fund and the Parity Bond Funds. In the event the Revenues remaining after the required monthly deposit into the Operation and Maintenance Fund are insufficient to make the full monthly deposits into the Bond Fund, the Parity Bond Funds and the bond funds for the additional parity bonds, the amount deposited into each shall be reduced proportionately.

(e) There shall next be paid from the Revenue Fund into a special fund heretofore created and redesignated as the "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the first business day of each month a sum equal to the greater of (a) three percent (3%) of the Revenues for the preceding month remaining after the required payment into the Operation and Maintenance Fund has been made or (b) such amount otherwise required by State law. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of necessary repairs or replacements made necessary by the depreciation of the System.

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

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

The City reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund outstanding System Bonds, but the City shall not authorize or issue any such additional bonds ranking on a parity with the Bonds unless there has been procured and filed with the Trustee a statement by an Accountant reciting the opinion, based upon necessary investigation, that (1) the Net Revenues for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the maximum annual principal and interest requirement on all the then outstanding System Bonds and the additional bonds then proposed to be issued or (2) the Net Revenues for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, as reflected by a statement by an independent consulting engineer not in the regular employ of the City, and taking into account any rate increase then in effect will equal not less than 125% of the maximum annual principal and interest requirements on all then outstanding System Bonds and the additional bonds then proposed to be issued. The term "Net Revenues" means gross Revenues less the amounts required to pay the costs of operation, maintenance and repair of the System determined in accordance with generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest and bond amortization expenses. In making the computation set forth in (1) above, the City, and the Accountant on behalf of the City, may, based upon the opinion or report of an independent consulting engineer not in the regular employ of the City, treat any increase in rates enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in gross Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund, provided, however, that if earnings on investments of moneys in the Debt Service Reserve in the Bond Fund increase the amount thereof in excess of the required level, the earnings to the extent of the excess shall be transferred out of the Debt Service Reserve and into the debt service portion of the Bond Fund.

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

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

CONTINUING DISCLOSURE AGREEMENT

<u>Past Compliance</u>. In the past five years, the City has been a party to certain continuing disclosure agreements in connection with the 2012 Bonds and the 2016 Bonds. The City has been obligated to file certain information with the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The City has reviewed its past compliance with such agreements. While the City has not made a determination as to materiality, the following constitutes a non-exhaustive summary of the City's review of compliance with continuing disclosure obligations over the past five years.

In connection with the 2012 Bonds, the City is required to file the audited financial statements of the System on EMMA within 180 days after the end of the City's fiscal year (December 31). The continuing disclosure agreement for the 2016 Bonds requires the City to file the audited financial statements of the System on EMMA within 270 days after the end of the City's fiscal year; provided, however, that if such audited financial statements are not available, the City is required to make such filing within 30 days after the audited financial statements have been received by the City. With respect to the 2012 Bonds, the audited financial statements of the System for the fiscal year ended December 31, 2016 were filed 180 days late. The audited financial statements of the System for the fiscal years ended December 31, 2017, 2018 and 2020 were timely filed on EMMA. With respect to the 2016 Bonds, the audited financial statements of the System for the fiscal years ended December 31, 2016, 2017, 2018, and 2020 have all been timely filed. The audited financial statements of the System for the fiscal year ended December 31, 2019 were timely filed for the 2016 Bonds; however, such audited financial statements were not correctly linked to the CUSIP numbers for the 2012 Bonds.

The continuing disclosure agreement for the 2012 Bonds requires the City to disclose certain statistical information related to the City in annual reports that are filed with the MSRB. The annual reports for the fiscal years ended December 31, 2018 and 2019 were timely filed, but did not contain all of the required statistical information. The annual reports for the fiscal years ended December 31, 2016, 2017 and 2020 were not filed on EMMA.

The continuing disclosure agreement for the 2016 Bonds requires the City to disclose certain statistical information related to the System in annual reports that are filed with the MSRB. The annual reports for the fiscal years ended December 31, 2016, 2017, 2018, 2019 and 2020 were timely filed and contained all of the required statistical information.

Notices concerning the City's failure to comply with its continuing disclosure obligations as summarized above were not filed on EMMA.

The City's continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). One notice of a listed event was timely filed on EMMA.

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

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

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

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

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

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

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

"Financial Obligation" shall mean a

(A) debt obligation;

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements for the System for the fiscal years ended December 31, 2020 and 2019. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and were audited in accordance with auditing standards generally accepted in the United States of America. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

Revenues and expenses of the System have been summarized by management of the System for the fiscal years ended December 31, 2016-2020, as follows:

	2020	2019	2018	2017	2016
Operating Revenues	$2,985,112	$2,522,048	$2,515,151	$2,319,765	$2,293,652
Operating Expenses	(1,801,754)	(1,709,649)	(1,529,063)	(1,531,521)	(1,598,083)
Operating Income Before Depreciation	1,183,358	812,399	986,088	788,244	695,569
Depreciation	(350,207)	(335,500)	(320,457)	(373,513)	(440,828)
Interest Expense	(301,105)	(254,408)	(225,550)	(228,545)	(328,665)
Other Non-Operating Revenues	5,051	17,137	9,971	3,332	(87,178)
Net Income (Loss)	$537,097	$239,418	$450,052	$189,518	($161,102)

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DEBT SERVICE COVERAGE

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

Net Revenues(1)(A)	$1,187,930
Maximum Annual Debt Service Requirements on the Bonds and the Parity Bonds(2) (B)	$636,928
Debt Service Coverage(A/B)	1.87x

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(1) Before depreciation per the audited financial statements of the System for the fiscal year ended December 31, 2020. Includes interest income of $4,572.
(2)Based on a year ending December 31.

DEBT SERVICE REQUIREMENTS

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

Year (December 31)	Principal	Interest	Total Debt Service
2022	$ 125,000	$ 90,826.40	$ 215,826.40
2023	150,000	97,187.52	247,187.52
2024	160,000	94,187.52	254,187.52
2025	160,000	90,987.52	250,987.52
2026	170,000	87,787.52	257,787.52
2027	170,000	84,387.52	254,387.52
2028	175,000	82,475.00	257,475.00
2029	175,000	80,287.50	255,287.50
2030	175,000	77,881.26	252,881.26
2031	175,000	75,256.26	250,256.26
2032	185,000	72,412.50	257,412.50
2033	190,000	68,712.50	258,712.50
2034	190,000	64,912.50	254,912.50
2035	195,000	61,112.50	256,112.50
2036	205,000	57,212.50	262,212.50
2037	200,000	53,112.50	253,112.50
2038	205,000	48,612.50	253,612.50
2039	210,000	44,000.00	254,000.00
2040	220,000	39,275.00	259,275.00
2041	220,000	34,325.00	254,325.00
2042	225,000	29,375.00	254,375.00
2043	225,000	23,750.00	248,750.00
2044	235,000	18,125.00	253,125.00
2045	245,000	12,250.00	257,250.00
2046	245,000	6,125.00	251,125.00
TOTALS	$4,830,000	$1,494,576.52	$6,324,576.52

Set forth below are the debt service requirements for the Bonds and the Parity Bonds for each year ending December 31 while the Bonds are outstanding:

Year (December 31)	Bonds Debt Service	Parity Bonds Debt Service	Total Debt Service
2022	$ 215,826.40	$ 375,966	$ 591,792.40
2023	247,187.52	374,766	621,953.52
2024	254,187.52	373,366	627,553.52
2025	250,987.52	371,966	622,953.52
2026	257,787.52	375,566	633,353.52
2027	254,387.52	373,991	628,378.52
2028	257,475.00	372,416	629,890.99
2029	255,287.50	375,616	630,903.50
2030	252,881.26	373,616	626,497.26
2031	250,256.26	376,616	626,872.26
2032	257,412.50	374,416	631,828.49
2033	258,712.50	377,216	635,928.49
2034	254,912.50	374,816	629,728.50
2035	256,112.50	372,266	628,378.50
2036	262,212.50	374,716	636,928.49
2037	253,112.50	376,954	630,066.00
2038	253,612.50	373,978	627,590.98
2039	254,000.00	376,004	630,003.50
2040	259,275.00	372,816	632,091.00
2041	254,325.00	374,629	628,953.50
2042	254,375.00	376,229	630,603.50
2043	248,750.00	287,616	536,366.00
2044	253,125.00	287,616	540,740.99
2045	257,250.00	287,616	544,866.00
2046	251,125.00	287,616	538,740.99
TOTALS	$6,324,576.52	$9,018,387	$15,342,963.52

LEGAL MATTERS

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

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

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

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

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

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

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The City has designated the Bonds as "qualified tax exempt obligations" and has covenanted not to use the System and the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds" within the meaning of the Code, and has represented that the City and its subordinate entities have not and do not reasonably expect to issue more than $10,000,000 of such tax exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during the calendar year 2021.

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

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

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

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

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

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

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

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

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

MISCELLANEOUS

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of $4,756,810.65 (principal amount less net original issue discount of $739.35 less Underwriter's discount of $72,450). The Underwriter is committed to purchase all of the Bonds if any are purchased.

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

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

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

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

CITY OF PEA RIDGE, ARKANSAS

By /s/ Jackie Crabtree
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

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

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM
DECEMBER 31, 2020 AND 2019

CONTENTS

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Pea Ridge
Pea Ridge, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Pea Ridge Waterworks and Sewer System (The Department), a component unit of the City of Pea Ridge, Arkansas as of and for the years ended December 31, 2020 and 2019, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Pea Ridge Waterworks and Sewer System, as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Pea Ridge, Arkansas, as of December 31, 2020, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Pea Ridge Waterworks and Sewer System taken as a whole. The statement of revenues, expenses and changes in net position by department, and schedule of bonds outstanding are presented for purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The water and sewer rate schedule and customer counts and volumes schedules have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021 on our consideration of the City of Pea Ridge Waterworks and Sewer System'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 the effectiveness of the City of Pea Ridge Waterworks and Sewer System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Department's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
May 7, 2021

FINANCIAL STATEMENTS

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 770,734	$ 629,537
Restricted cash and cash equivalents	1,142,774	880,958
Restricted investments	215,630	214,412
Accounts receivable	185,918	178,740
Inventory	151,784	171,032
Prepaid insurance	20,574	18,992
Total Current Assets	2,487,414	2,093,671
Noncurrent Assets - Capital Assets		
Land	89,481	89,481
Plant, building, and improvements	12,857,118	12,645,519
Equipment	373,919	321,348
Vehicles	249,197	212,108
Office equipment	88,165	82,363
Construction in Process	7,305,175	3,474,908
Total	20,963,055	16,825,727
Accumulated depreciation	(7,261,275)	(6,919,802)
Net Noncurrent Assets - Capital Assets	13,701,780	9,905,925
Total Assets	$ 16,189,194	$ 11,999,596
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 131,490	$ 101,016
Sales tax payable	9,171	8,860
Wages payable	45,609	37,952
Accrued payroll taxes and benefits	9,594	41,907
Accrued interest	46,300	50,569
Meter deposits payable	70,562	68,969
Construction loan	-	3,027,953
Current maturity of long-term debt	323,022	162,230
Total Current Liabilities	635,748	3,499,456
Long-Term Debt, Plus Unamortized Bond Premium/Discount	12,589,621	6,073,412
Total Liabilities	13,225,369	9,572,868
Net Position		
Net investment in capital assets	1,061,539	642,330
Restricted	1,249,516	1,097,070
Unrestricted	652,770	687,328
Total Net Position	2,963,825	2,426,728
Total Liabilities and Net Position	$ 16,189,194	$ 11,999,596

See accompanying notes to financial statements.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
Operating Revenue		
Water revenues, less bad debts	$ 1,516,220	$ 1,418,867
Water service fees	216,697	143,246
Sewer revenue	1,058,316	876,193
Sewer service fees	101,306	58,764
Other income	92,573	24,978
Total Operating Revenue	2,985,112	2,522,048
Operating Expenses		
Water purchases	510,968	481,399
Salaries and wages	588,941	542,853
Employee benefits	66,375	72,845
Retirement	39,006	36,888
Payroll taxes	43,387	43,991
System supplies and small equipment	207,950	169,999
System repairs and maintenance	47,718	56,545
Equipment repairs and maintenance	47,672	41,015
Equipment rental	26,056	22,431
Utilities	71,745	70,885
Sewer chemicals	1,733	2,623
Fuel	14,449	17,488
Insurance	8,341	8,539
Licenses and training	1,236	5,957
Permits, fees, and dues	50,307	43,635
Uniforms	5,198	7,036
Safety equipment	2,969	3,941
Professional services	18,116	25,526
Office supplies	46,584	52,036
Miscellaneous	3,003	4,017
Depreciation	350,207	335,500
Total Operating Expenses	2,151,961	2,045,149
Net Income From Operations	833,151	476,899
Other Income (Expenses)		
Interest income	4,572	16,779
Gain on sale of asset	479	210
Investment gain/(loss)	-	148
Interest expense	(301,105)	(254,408)
Total Net Other Income (Expenses)	(296,054)	(237,271)
Change in Net Position	537,097	239,628
Net Position, Beginning of Year	2,426,728	2,187,100
Net Position, End of Year	$ 2,963,825	$ 2,426,728

See accompanying notes to financial statements.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
Cash Flows From Operating Activities		
Cash receipts from customers	$ 2,979,838	$ 2,517,889
Cash payments to suppliers for goods and services	(1,015,905)	(983,612)
Cash payments to employees for services	(762,365)	(663,212)
Net Cash Provided By Operating Activities	1,201,568	871,065
Cash Flows From Capital and Related Financing Activities		
Acquisition of property, plant and equipment	(4,146,062)	(3,075,905)
Proceeds from sale of assets	479	3,106
Bond proceeds	6,879,604	-
Construction loan proceeds	2,832,990	3,027,953
Payments on construction loan	(5,860,943)	-
Principal paid on debt	(203,443)	(538,446)
Interest paid on debt	(304,534)	(249,588)
Net Cash Used By Capital and Related Financing Activities	(801,909)	(832,880)
Cash Flows From Investing Activities		
Net activity of restricted investments	(1,218)	(3,480)
Interest income	4,572	16,779
Net Cash Provided By Investing Activities	3,354	13,299
Net Increase In Cash, Cash Equivalents and Restricted Cash	403,013	51,484
Cash, Cash Equivalents and Restricted Cash At Beginning of Year	1,510,495	1,459,011
Cash, Cash Equivalents and Restricted Cash At End of Year	$ 1,913,508	$ 1,510,495
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	$ 770,734	$ 629,537
Restricted cash and cash equivalents	1,142,774	880,958
Total Cash, Cash Equivalents and Restricted Cash	$ 1,913,508	$ 1,510,495
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income from operations	$ 833,151	$ 476,899
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	350,207	335,500
(Increase) decrease in:		
Accounts receivable	(7,178)	(5,108)
Inventory	19,248	44,445
Prepaid insurance	(1,582)	(2,069)
Increase (decrease) in:		
Accounts payable	30,474	(12,916)
Wages payable	7,657	3,545
Accrued payroll taxes and benefits	(32,313)	29,820
Sales tax payable	311	237
Customer meter deposits	1,593	712
Net Cash Provided By Operating Activities	$ 1,201,568	$ 871,065

See accompanying notes to financial statements.

Nature of Operations

The City of Pea Ridge Waterworks and Sewer System (the Department) is an enterprise fund of the City of Pea Ridge, Arkansas. The City of Pea Ridge, through its Mayor and City Council, has oversight authority over the Waterworks and Sewer System. The Department provides water, which it purchases, to its customers, and also provides sewer services within the City limits. The City Council of Pea Ridge, Arkansas sets user charges, establishes budgets, selects management, and controls all aspects of the Waterworks and Sewer System's daily operations.

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The Department's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Department is considered to be a component unit of the City of Pea Ridge. These financial statements reflect only the Water Department Enterprise Fund of the City of Pea Ridge, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

b. New Accounting Pronouncements

The Department implemented the following accounting pronouncements during the year:

GASB Statement No. 83, *Certain Asset Retirement Obligations.* The purpose of this statement is to address accounting and financial reporting for certain retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance on the statement. The Department adopted this statement during the year. See footnote 7 for additional information on the implementation of this standard.

1. Summary of Significant Accounting Policies (continued)

b. New Accounting Pronouncements (continued)

GASB Statement No. 84, *Fiduciary Activities.* The purpose of this statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. Implementation of this statement did not have an impact on the financial statements.

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

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61.* The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Implementation of this statement did not have an impact on the financial statements.

c. Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

d. Income Taxes

The Department is exempt from income taxes as a governmental agency.

e. Cash Equivalents

For purposes of the statements of cash flows, the Department considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

f. Investments

The Department's investments are recorded at fair value. Restricted investments, consist of securities designated for debt service reserves and to service semi-annual bond payments.

g. Accounts Receivable

Accounts receivable consists of sewer and water fees and surcharges billed to residential and commercial/industrial customers based on consumption. The Department does not charge interest on overdue accounts but does charge a late fee for late payments. The Department uses the direct write-off method for accounts receivable. Management periodically reviews outstanding balances and writes off those considered uncollectible at the time of review. Use of this method does not result in a material difference from use of the valuation method.

h. Inventories

Inventory consists of supplies and repair parts for the operation and maintenance of plant and equipment. Inventory is stated at cost, which approximates market, using the first-in first-out method.

i. Prepaid Expenses

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

j. Capital Outlays And Depreciation

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	Years
Plant, building, and improvements	5-40
Vehicles	3-7
Equipment	3-15
Office equipment	3-10

It is the Department's policy to capitalize asset purchases greater than $5,000 and expense asset purchases less than $5,000.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

k. Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Department. Vacation must be used by the employees year-end anniversary date or it is lost. Employees can carryforward a maximum of thirty unused sick days from year to year. Upon termination from the Department, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination. Accrued compensated absences included in wages payable was $22,960 and $19,895 at December 31, 2020 and 2019, respectively.

l. Customer Meter Deposits

Unless a letter of credit is provided by the customer to the Department, customers are required to make a meter deposit before being connected to the water system. If the customer makes timely payments for twenty-four consecutive months their deposit is applied to their account balance. Otherwise, when the Department no longer serves the customer, the deposit is applied to the customers final bill, and any remaining balance is refunded to the customer.

m. Net Position

Net position of the Department are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

1. Summary of Significant Accounting Policies (continued)

m. Net Position (continued)

The Department does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Department personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The Department's restricted net position are those resources necessary to comply with various covenants of bond financing agreements.

n. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Department. Operating revenues consist primarily of water and sewer sales and fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities.

o. Estimates

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

p. Reclassifications

Certain 2019 amounts have been reclassified in order to conform with the 2020 financial statement presentation. Net position and changes in net position are unchanged due to these reclassifications.

2. Cash Deposits

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

At December 31, 2020 and 2019, the Department had no deposits that were uninsured. The bank balances and carrying amount of the Department's deposits held were as follows:

2. Cash Deposits (continued)

	At December 31, 2020		At December 31, 2019	
Description	**Bank Balance**	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Insured	$ 299,996	$ 299,996	$ 307,859	$ 307,859
Collateralized - held by pledging bank or pledging bank's trust department in the Department's name	1,659,583	1,612,812	1,235,489	1,201,936
Cash on hand	-	700	-	700
Total	$ 1,959,579	$ 1,913,508	$ 1,543,348	$ 1,510,495

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

As Of December 31,	2020	2019
Cash and cash equivalents	$ 770,734	$ 629,537
Restricted cash and cash equivalents	1,142,774	880,958
Total	$ 1,913,508	$ 1,510,495

The Department does not believe that there is any significant risk associated with the concentrations of credit nor has the Department experienced any losses in such accounts.

3. Restricted Cash and Investments

Restricted cash is comprised of the following accounts:

As of December 31,	2020	2019
Water Depreciation Fund	$ 360,808	$ 345,387
Sewer Depreciation Fund	250,847	297,879
Meter Deposit Fund	62,589	61,244
2012 Bond Revenue Fund	56,800	60,583
2016 Bond Revenue Fund	120,482	108,205
USDA 91-05 Debt Service Fund	7,680	7,664
WWTP Construction Fund	272,402	(4)
2020 Bond Debt Service Fund	8,466	-
2020 Bond Short Lived Asset Reserve	2,700	-
Total restricted cash	$ 1,142,774	$ 880,958

3. Restricted Cash and Investments (continued)

Restricted investments are reported at fair market value and consist of the following:

As of December 31,	2020	2019
2016 Bond Debt Service Reserve	$ 136,206	$ 136,206
2012 Bond Debt Service Reserve	43,449	43,449
2016 Bond Fund	35,619	34,656
2012 Bond Fund	356	101
Total restricted investments	$ 215,630	$ 214,412

4. Investments

The Department does not have a formal investment policy, but does follow state laws and bond ordinance resolutions.

State statutes authorize the Department to invest funds in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the Board to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state or the District of Columbia.

4. Investments (continued)

Investments consist of accounts established for reserves and to administer the scheduled payments of principal and interest on the outstanding bonds as they become due The investments are stated at fair market value, which approximates cost. The Department's investments consist of the following:

As of December 31, 2020		**Cost**		**Market**
Bond funds:				
Bank Ozk Institutional Int Bearing Interest	$	35,619	$	35,619
Federated Hermes Treasury Obl		356		356
Debt service reserves:				
Bank Ozk Institutional Int Bearing Interest		136,206		136,206
Citizens Bank CD		43,449		43,449
Total	$	215,630	$	215,630

As of December 31, 2019		**Cost**		**Market**
Bond funds:				
Bank of the Ozarks RNT DDA Institutional Money Market	$	34,656	$	34,656
Federated Treas Obligations Fund No 398 CL SS		101		101
Debt service reserves:				
Stifel Bank and Trust CD		136,206		136,206
Citizens Bank CD		43,449		43,449
Total	$	214,412	$	214,412

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Department's investments are not subject to interest rate risk as the investments are short-term in nature.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Department's investments are unrated, but they are certificates of deposit, U.S. Treasury obligations or in institutional money market accounts that generally invest in U.S. Treasury bills, federal agency notes, certificates of deposit and commercial paper which are all investments permitted by Arkansas statutes.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the Department will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the Department or by an agent of the Department are in the Department's name.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. When measuring a fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

All investments of the Department are valued using Level 1 inputs. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Department believes its valuation methods are appropriate and consistent with other market participants the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methodologies used at December 31, 2020.

The following table represents the Department's investments that are measured at fair value on a recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Bank Ozk Institutional Int Bearing Interest	$ 171,825	$ -	$ -	$ 171,825
Citizens Bank CD	43,449	-	-	43,449
Federated Hermes Treasury Obligations Fund	356	-	-	356
Total	$ 215,630	$ -	$ -	$ 215,630

6. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2020	Additions	Retirements / Transfers	December 31, 2020
Land	$ 89,481	$ -	$ -	$ 89,481
Plant, building, and improvements	12,645,519	211,599	-	12,857,118
Equipment and machinery	321,348	61,305	8,734	373,919
Vehicles	212,108	37,089	-	249,197
Office equipment	82,363	5,802	-	88,165
Construction in process	3,474,908	3,830,267		7,305,175
Total capital assets	16,825,727	4,146,062	8,734	20,963,055
Less accumulated depreciation	6,919,802	350,207	8,734	7,261,275
Capital assets, net	$ 9,905,925	$ 3,795,855	$ -	$ 13,701,780

As Of	January 1, 2019	Additions	Retirements / Transfers	December 31, 2019
Land	$ 89,481	$ -	$ -	$ 89,481
Plant, building, and improvements	12,502,811	142,708	-	12,645,519
Equipment and machinery	263,275	58,073	-	321,348
Vehicles	196,039	29,119	13,050	212,108
Office equipment	82,363	-	-	82,363
Construction in process	628,903	2,949,078	103,073	3,474,908
Total capital assets	13,762,872	3,178,978	116,123	16,825,727
Less accumulated depreciation	6,594,456	335,500	10,154	6,919,802
Capital assets, net	$ 7,168,416	$ 2,843,478	$ 105,969	$ 9,905,925

Construction in progress is for the following projects:

Project	CIP Balance 12/31/2020	CIP Balance 12/31/2019	Total (Estimated) Cost	Estimated Completion
Wastewater plant	$ 7,225,490	$ 3,474,908	$ 8,070,000	January 2021
Hwy 94 Extension	79,685	-	160,000	June 2021
Total	$ 7,305,175	$ 3,474,908	$ 8,230,000	

In 2019, the Department commenced construction on a new biological wastewater treatment plant to be retrofitted into the existing system. The plant was substantially complete in January 2021 and is currently operational. The project was funded with the issuance of Water and Sewer Revenue Bonds totaling $8,070,000.

7. Asset Retirement Obligation

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

The Department's current wastewater treatment plant has been in existence since 1985. The Department just completed an $8,000,000 major upgrade to the existing wastewater treatment plant, which is the first major upgrade to the plant since inception. The Department is not reporting an ARO on the Statement of Net Position because the Department does not have an estimate of the cost to close the plant, and due due to the plant upgrades there is not a good estimate of the plant's remaining useful life. An ARO will be recorded if future events warrant a change.

8. Long-Term Debt

Long-term debt of the Department consists of:

As Of December 31,	2020	2019
$138,000 USDA note dated March 10, 2009 - Monthly payments of $627 are due including interest at 4.5% with final maturity March 2049. The purpose of the loan was to provide additional financing for the construction of a tower on Highway 72.	$ 116,434	$ 118,664
$5,240,000 Water and Sewer Revenue Refunding Bonds, Series 2016 - Annual principal payments are made ranging from $125,000 to $260,000. Semi-annual Interest payments are made with rates varying between 2.000% and 3.375%. The purpose of the loan was to retire the balances on the two USDA loans dated January 8, and August 12, 2009. Final maturity of the bonds is October 2046 and revenues of the Department are pledged for payment of bond principal and interest.	4,745,000	4,870,000

8. Long-Term Debt (continued)

As Of December 31,	2020	2019
$1,525,000 Water and Sewer Revenue Refunding and Improvement Bonds Series 2012 - Annual principal payments required ranging from $20,000 to $85,000. Semi-annual Interest payments are made with rates varying between 1.125% and 4.25%. The bonds were issued to defease the 2001 Series Bonds, as well as other notes payable, and to finance sewer infrastructure related to compliance with a consent administrative order (CAO) from the Arkansas Department of Environmental Quality (ADEQ) from October 31, 2011. Final maturity of the bonds is November 2042, and revenues of the Department are pledged for payment of bond principal and interest.	1,240,000	1,275,000
$5,600,000 Water and Sewer Revenue Bonds Series 2020 - Payments are made on monthly installments of $16,632 including interest at 1.875% with final maturity September 2060. The bonds were issued for the construction and installation of a new biological wastewater treatment plant. Revenues of the Department are pledged for payment of the bond principal and interest.	5,576,245	-
$2,470,000 Water and Sewer Revenue Bonds Series 2020 - Payments are made on monthly installments of $7,336 including interest at 1.875% with final maturity September 2060. The bonds were issued for the construction and installation of a new biological wastewater treatment plant. Revenues of the Department are pledged for payment of the bond principal and interest. As of December 31, 2020, $1,279,603 has been borrowed on the bonds.	1,262,146	-
Total	12,939,825	6,263,664
Less current maturities	323,022	162,230
Long-term debt	12,616,803	6,101,434
Plus: unamortized bond premium	32,427	33,895
Less: unamortized bond discount	(59,609)	(61,917)
Long-Term Debt	$ 12,589,621	$ 6,073,412

The Department's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the District on behalf of the issuer until all defaults have been cured; take possession of the facility, repair, maintain, and operate or rent it; foreclose; enforce any and all other rights and remedies by law.

8. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

December 31,	Principal	Interest	Total
2021	$ 323,022	$ 326,749	$ 649,771
2022	336,169	320,052	656,221
2023	339,380	312,554	651,934
2024	347,653	304,793	652,446
2025	350,992	230,173	581,165
2026-2030	1,917,421	1,351,648	3,269,069
2031-2035	2,186,491	1,087,509	3,274,000
2036-2040	2,207,092	780,136	2,987,228
2041-2045	2,109,966	457,811	2,567,777
2046-2050	1,065,841	219,419	1,285,260
2051-2055	872,799	125,121	997,920
2056-2060	882,999	89,537	972,536
Total	$ 12,939,825	$ 5,605,502	$ 18,545,327

9. Changes in Long-Term Liabilities

Activity of the long-term debt consists of the following:

As Of	January 1, 2020	Additions	Retirements	December 31, 2020	Due Within One Year
2012 Revenue Bond	$ 1,275,000	$ -	$ 35,000	$ 1,240,000	35,000
USDA RD	118,664	-	2,230	116,434	2,332
2016 Revenue Bond	4,870,000	-	125,000	4,745,000	125,000
2020 Revenue Bond	-	5,600,000	23,755	5,576,245	95,767
2020 Revenue Bond, additional	-	1,279,604	17,458	1,262,146	64,923
Total	$ 6,263,664	$ 6,879,604	$ 203,443	$ 12,939,825	$ 323,022

As Of	January 1, 2019	Additions	Retirements	December 31, 2019	Due Within One Year
2012 Revenue Bond	$ 1,310,000	$ -	$ 35,000	$ 1,275,000	35,000
USDA RD	120,796	-	2,132	118,664	2,230
Arvest Bank - Building	26,683	-	26,683	-	-
2016 Revenue Bond	4,995,000	-	125,000	4,870,000	125,000
Arvest - Wastewater Improvement	349,631	-	349,631	-	-
Total	$ 6,802,110	$ -	$ 538,446	$ 6,263,664	$ 162,230

10. Construction Loan

On March 13, 2019, the Department was granted a construction loan from Arvest in the amount of $8,070,000. As of December 31, 2019, $3,027,953 had been drawn on the loan. During 2020, the Department had borrowed an additional $2,832,990 on the loan. The construction loan was paid in September 2020 in conjunction with the issuance of the 2020 Series Water and Sewer Revenue Bonds. The Department paid $70,367 and $39,213 in interest on the construction loan during the years ended December 31, 2020 and 2019, respectively.

11. Bond Issuance Premium / Discount

The bond issue premium incurred with the issuance of the 2012 Revenue Series bonds is being amortized over the life of the bond which is 30 years. Amortization of the premium totaled $1,468 for both years ended December 31, 2020 and 2019, and is offset with interest expense on the statement of revenues, expenses and changes in net position. The unamortized portion is added to long-term debt.

The bond issue discount incurred with the issuance of the 2016 Revenue Refunding Series bond represents the additional interest (over and above any cash interest) over the term of the bond. This original issue discount is being amortized using the straight-line method over the life of the bond which is 30 years. Amortization of the bond discount was $2,308 and $2,309 for the years ended December 31, 2020 and 2019, respectively, and is included with interest expense on the statement of revenues, expenses and changes in net position. The unamortized portion is subtracted from long-term debt.

12. Bond Covenants

The Department's bond ordinances contain a provision (the Rate Covenant) which requires the Department to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) fund required reserves (3) leave a minimum balance to fund debt service requirements to which the system revenues are pledged. For the years ended December 31, 2020 and 2019, the Department was in compliance with the rate covenant.

The bond ordinances contain specific requirements for annual debt service and various covenants which require the Department to maintain various restricted cash and investment accounts and to meet various other general requirements. The Department was in compliance with all such significant financial covenants and restrictions for the years ended December 31, 2020 and 2019, respectively.

13. Concentrations of Credit Risks

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. The Department sells only to businesses and individuals within the same geographic region.

14. Leases

The Department leases equipment items under separate operating leases. Total lease expense was $21,882 and $22,431 for the years ended December 31, 2020 and 2019, respectively. Future minimum annual rental commitments under the non-cancellable operating leases at December 31, 2020 are as follows:

Year ending December 31,		
2021	$	19,480
2022		15,936
2023		2,305
Total	$	37,721

15. Retirement Plan

The Department offers employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. Participation is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. The Department has no liability for losses under the plan.

Investments are managed by the plan's administrator under several different investment options, or combinations thereof. The choice of the investment option(s) is made by the participants. The Department has no management control over the assets of the plan. Thus the assets of the plan and the offsetting liability to employees are not recorded in the Department's financial statements.

The Department also offers employees a defined contribution plan established under IRS section 401(a). Participating employees may elect to contribute, on a tax deferred basis, a portion of their compensation, in accordance with Section 401(d) of the Internal Revenue Code.

On behalf of each participant, the Department will contribute to the Plans an amount ranging from 4% to 10% of each participant's compensation, depending on length of service with the Department. The Department contributed $39,007 and $36,888 to the plans for the years ended December 31, 2020 and 2019, respectively.

16. Risk Management

The Department is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries property and liability insurance as well as workers' compensation insurance through Arkansas Municipal League and Risk Reducers.

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

17. Commitments

The Department has a contract to purchase all of its water from the Benton/Washington County Water Association. The term of the contract is for thirty years beginning June 21, 2007 and may thereafter be renewed or extended as agreed upon between the seller and purchaser. Water purchases by the Department totaled $510,968 and $481,399 for the years ended December 31, 2020 and 2019, respectively.

18. COVID-19

On March 11, 2020, the World Health Organization categorized Coronavirus Disease 2019 (COVID-19) as a pandemic. The spread of COVID-19 continues to cause global economic uncertainty as of the date of this report. The Department has remained open throughout the pandemic to continue servicing customers, but for safety precautions, the office was closed to the public from March to July.
The City of Pea Ridge passed an ordinance in March 2020 providing relief to customers by not charging fees for late payments and stopping disconnections from April through July. The Department also provided relief by setting up repayment agreements with delinquent customers. While there was a small increase in bad debt expense during the year ended December 31, 2020, the pandemic has not had significant impact on the Department financially as revenues remained strong. The full extent of the impact on the Department's operations and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions, and other factors, all of which are highly uncertain and cannot be predicted. The Department will continue to monitor its operations, liquidity and capital resources to minimize the current and future impact of this unprecedented situation.

19. Subsequent Events

The Department has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2020 through May 7, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number		Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	$	6,879,604
Total Federal Awards		$	6,879,604

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Pea Ridge Waterworks and Sewer System under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Pea Ridge Waterworks and Sewer System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Department.

Note B - Summary of Significant Accounting Policies

1. This schedule of expenditures of federal awards includes the federal program activity of the City of Pea Ridge Waterworks and Sewer System and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. The City of Pea Ridge Waterworks and Sewer System does not charge indirect cost rates and charges 100% of their costs directly.

See independent auditors' report.

SUPPLEMENTAL INFORMATION

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DEPARTMENT

FOR THE YEAR ENDED DECEMBER 31, 2020	Water	Sewer	Total
Operating Revenue			
Water revenues, less bad debts	$ 1,516,220	$ -	$ 1,516,220
Water service fees	216,697	-	216,697
Sewer revenue	-	1,058,316	1,058,316
Sewer service fees	-	101,306	101,306
Other income	25,330	67,243	92,573
Total Operating Revenue	1,758,247	1,226,865	2,985,112
Operating Expenses			
Water purchases	510,968	-	510,968
Salaries and wages	296,499	292,442	588,941
Employee benefits	36,996	29,379	66,375
Retirement	18,503	20,503	39,006
Payroll taxes	21,454	21,933	43,387
System supplies and small equipment	194,068	13,882	207,950
System repairs and maintenance	3,661	44,057	47,718
Equipment repairs and maintenance	33,039	14,633	47,672
Equipment rental	16,727	9,329	26,056
Utilities	14,066	57,679	71,745
Sewer chemicals	-	1,733	1,733
Fuel	7,516	6,933	14,449
Insurance	5,368	2,973	8,341
Licenses and training	1,098	138	1,236
Permits, fees, and dues	20,499	29,808	50,307
Uniforms	3,938	1,260	5,198
Safety equipment	483	2,486	2,969
Professional services	9,102	9,014	18,116
Office supplies	31,504	15,080	46,584
Miscellaneous	2,536	467	3,003
Depreciation	350,207	-	350,207
Total Operating Expenses	1,578,232	573,729	2,151,961
Net Income From Operations	180,015	653,136	833,151
Other Income (Expenses)			
Interest income	2,374	2,198	4,572
Gain on sale of asset	100	379	479
Interest expense	(88,048)	(213,057)	(301,105)
Total Net Other Income (Expenses)	(85,574)	(210,480)	(296,054)
Change in Net Position	$ 94,441	$ 442,656	$ 537,097

See independent auditors' report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DEPARTMENT

FOR THE YEAR ENDED DECEMBER 31, 2019	Water	Sewer	Total
Operating Revenue			
Water revenues, less bad debts	$ 1,418,867	$ -	$ 1,418,867
Water service fees	143,246	-	143,246
Sewer revenue	-	876,193	876,193
Sewer service fees	-	58,764	58,764
Other income	14,881	10,097	24,978
Total Operating Revenue	1,576,994	945,054	2,522,048
Operating Expenses			
Water purchases	481,399	-	481,399
Salaries and wages	264,294	278,559	542,853
Employee benefits	40,525	32,320	72,845
Retirement	18,254	18,634	36,888
Payroll taxes	22,875	21,116	43,991
System supplies and small equipment	153,690	16,309	169,999
System repairs and maintenance	12,148	44,397	56,545
Equipment repairs and maintenance	32,773	8,242	41,015
Equipment rental	12,514	9,917	22,431
Utilities	12,107	58,778	70,885
Sewer chemicals	-	2,623	2,623
Fuel	8,744	8,744	17,488
Insurance	5,309	3,230	8,539
Licenses and training	2,686	3,271	5,957
Permits, fees, and dues	19,607	24,028	43,635
Uniforms	3,386	3,650	7,036
Safety equipment	687	3,254	3,941
Professional services	14,523	11,003	25,526
Office supplies	34,553	17,483	52,036
Miscellaneous	3,029	988	4,017
Depreciation	335,500	-	335,500
Total Operating Expenses	1,478,603	566,546	2,045,149
Net Income From Operations	98,391	378,508	476,899
Other Income (Expenses)			
Interest income	9,594	7,185	16,779
Gain on sale of asset	1,718	(1,508)	210
Investment gain/(loss)	148	-	148
Interest expense	(83,696)	(170,712)	(254,408)
Total Net Other Income (Expenses)	(72,236)	(165,035)	(237,271)
Change in Net Position	$ 26,155	$ 213,473	$ 239,628

See independent auditors' report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

SCHEDULE OF BONDS OUTSTANDING

AS OF DECEMBER 31, 2020

City of Pea Ridge, Arkansas Waterworks and Sewer Revenue Refunding Bonds - Series 2012

Year	Principal	Interest Rate	Interest May 1,	Interest November 1,	Total
2021	$ 35,000	3.00	$ 24,700	$ 24,700	$ 84,400
2022	40,000	3.00	24,175	24,175	88,350
2023	40,000	3.50	23,575	23,575	87,150
2024	40,000	3.50	22,875	22,875	85,750
2025	40,000	3.50	22,175	22,175	84,350
2026	45,000	3.50	21,475	21,475	87,950
2027	45,000	3.50	20,688	20,688	86,376
2028	45,000	4.00	19,900	19,900	84,800
2029	50,000	4.00	19,000	19,000	88,000
2030	50,000	4.00	18,000	18,000	86,000
2031	55,000	4.00	17,000	17,000	89,000
2032	55,000	4.00	15,900	15,900	86,800
2033	60,000	4.00	14,800	14,800	89,600
2034	60,000	4.25	13,600	13,600	87,200
2035	60,000	4.25	12,325	12,325	84,650
2036	65,000	4.25	11,050	11,050	87,100
2037	70,000	4.25	9,669	9,669	89,338
2038	70,000	4.25	8,181	8,181	86,362
2039	75,000	4.25	6,694	6,694	88,388
2040	75,000	4.25	5,100	5,100	85,200
2041	80,000	4.25	3,506	3,506	87,012
2042	85,000	4.25	1,806	1,806	88,612
	$ 1,240,000		$ 336,194	$ 336,194	$ 1,912,388

See independent auditors' report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

SCHEDULE OF BONDS OUTSTANDING

AS OF DECEMBER 31, 2020

City of Pea Ridge, Arkansas Water and Sewer Revenue Refunding Bonds - Series 2016

Year	Principal	Interest Rate	Interest April 1,	Interest October 1,	Total
2021	$ 125,000	2.000	$ 72,616	$ 72,616	$ 270,231
2022	130,000	2.375	71,366	71,366	272,731
2023	130,000	2.375	69,822	69,822	269,644
2024	135,000	2.375	68,278	68,278	271,556
2025	135,000	2.375	66,675	66,675	268,350
2026	145,000	2.375	65,072	65,072	275,144
2027	145,000	3.000	63,350	63,350	271,700
2028	150,000	3.000	61,175	61,175	272,350
2029	155,000	3.000	58,925	58,925	272,850
2030	155,000	3.000	56,600	56,600	268,200
2031	160,000	3.000	54,275	54,275	268,550
2032	170,000	3.125	51,875	51,875	273,750
2033	175,000	3.125	49,219	49,219	273,438
2034	180,000	3.125	46,484	46,484	272,969
2035	185,000	3.125	43,672	43,672	272,344
2036	195,000	3.125	40,781	40,781	276,563
2037	195,000	3.250	37,734	37,734	270,469
2038	200,000	3.250	34,566	34,566	269,131
2039	210,000	3.250	31,316	31,316	272,631
2040	220,000	3.250	27,903	27,903	275,806
2041	225,000	3.250	24,328	24,328	273,656
2042	230,000	3.375	20,672	20,672	271,344
2043	235,000	3.375	16,791	16,791	268,581
2044	245,000	3.375	12,825	12,825	270,650
2045	255,000	3.375	8,691	8,691	272,381
2046	260,000	3.375	4,388	4,388	268,775
	$ 4,745,000		$ 1,159,397	$ 1,159,397	$ 7,063,795

See independent auditors' report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

WATER AND SEWER RATE SCHEDULE

AS OF DECEMBER 31, 2020

Rate Codes	Step	Gallons	Rater per 1000	
			Water	Sewer
1, 14, 15	1	1,000	18.24	19.50
20	2	1,000	5.49	6.05
	3	18,000	6.49	6.05
	4	Remainder	7.49	6.05
3, 4, 13	1	1,000	22.44	
21, 22	2	1,000	6.14	
	3	Remainder	7.34	
10	1	1,000	22.44	22.50
	2	1,000	6.14	7.03
	3	Remainder	7.34	7.03
5, 8	1	1,000		16.00
	2	Remainder		5.25
6, 9	1	1,000		19.50
	2	Remainder		6.05
7, 12	1	1,000	18.24	
23	2	1,000	5.49	
	3	18,000	6.49	
	4	Remainder	7.49	

See independent auditors' report.

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

CUSTOMER COUNTS AND VOLUMES

AS OF DECEMBER 31,	2020	2019
Water customers	3,165	2,985
Sewer customers	2,369	2,222
Gallons purchased during the year	208,849,057	203,676,894
Gallons billed during the year	162,761,100	143,636,900

See independent auditors' report.

ADDITIONAL REQUIRED REPORTS

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and City Council
City of Pea Ridge
Pea Ridge, 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 City of Pea Ridge Waterworks and Sewer System (the Department), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 7, 2021.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
May 7, 2021

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report On Compliance For Each Major Federal Program and On Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Mayor and City Council
City of Pea Ridge
Pea Ridge, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the City of Pea Ridge Waterworks and Sewer System (The Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Pea Ridge Waterworks and Sewer System's major federal programs for the year ended December 31, 2020. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

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Opinion on Each Major Federal Program

In our opinion, City of Pea Ridge Waterworks and Sewer System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of City of Pea Ridge Waterworks and Sewer System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
May 7, 2021

CITY OF PEA RIDGE WATERWORKS AND SEWER SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?		____ yes _x_ no
Significant deficiency(ies) identified?		____ yes _x_ none reported
Noncompliance material to financial statements noted?		____ yes _x_ no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?		____ yes _x_ no
Significant deficiency(ies) identified?		____ yes _x_ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)?		____ yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as a low-risk auditee?		____ yes _x_ no

Section II - Financial Statement Findings

Material Weaknesses/Significant Deficiencies
None

Material Weaknesses/Significant Deficiencies - Prior Year
None

Section III - Federal Award Findings and Questioned Costs

Material Weaknesses/Significant Deficiencies
None

Material Weaknesses/Significant Deficiencies - Prior Year
N/A - No prior year Single Audit

See independent auditors' report.