

NEW ISSUE

RATING

BOOK-ENTRY ONLY

S&P: A+

*In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Under existing law, Bond Counsel is of the opinion that the Bonds and the interest thereon are exempt from all state, county and municipal taxes 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 the caption **LEGAL MATTERS, Tax Exemption.***

\$6,205,000
CITY OF RUSSELLVILLE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2020

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The Bonds will not be general obligations of the City of Russellville, Arkansas (the "City"), but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water and sewer system, which pledge is on a parity with the pledge in favor of the City's Water and Sewer Refunding and Improvement Revenue Bonds, Series 2015 and Water and Sewer Revenue Bonds, Series 2018.

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.

Interest on the Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2021. The Bonds mature on July 1 in the years and in the amounts, bear interest at the rates and are priced to yield as shown on the inside cover.

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

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

Stephens Inc.



Dated: August 27, 2020.

\$6,205,000
CITY OF RUSSELLVILLE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2020

MATURITY SCHEDULE
\$2,800,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2021	\$255,000	2.00	0.40
2022	260,000	2.00	0.45
2023	265,000	2.00	0.55
2024	270,000	2.00	0.65
2025	275,000	2.00	0.75
2026	285,000	2.00	0.90*
2027	290,000	2.00	1.00*
2028	295,000	2.00	1.10*
2029	300,000	2.00	1.20*
2030	305,000	1.50	1.55

\$1,615,000 2.0% Term Bonds Due July 1, 2035 to Yield 1.55%*

\$1,790,000 2.0% Term Bonds Due July 1, 2040 to Yield 1.85%*

* Yield to the first optional redemption date, July 1, 2025.

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriters 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.

INTRODUCTION TO THE OFFICIAL STATEMENT	1
THE BONDS	2
Book-Entry Only System.....	2
Generally.....	4
Redemption.....	5
Purposes for Bonds	6
Security	7
Debt Service Reserve.....	8
COVID-19 Disclosure	8
THE CITY AND THE COUNTY	9
Location	9
Population	9
Transportation.....	10
Government.....	10
Medical Facilities.....	10
Education	10
Litigation.....	10
Financial Institutions.....	11
Economy	11
Building Permits	11
County Economic Data	12
THE SYSTEM.....	12
General.....	12
Water System	13
Sewer System.....	16

Largest Users of System	18
Litigation.....	18
THE AUTHORIZING ORDINANCE.....	19
Rates and General Covenants to Operate.....	19
Funds and Disposition of Revenues.....	19
Additional Parity Bonds.....	21
Accounts and Records.....	22
Maintenance; Insurance	22
Defeasance	22
Defaults and Remedies	23
Amendment of Authorizing Ordinance	24
The Trustee	25
Investments	25
Nonarbitrage	26
CONTINUING DISCLOSURE AGREEMENT	26
Purpose of the Continuing Disclosure Agreement.....	26
Definitions.....	26
Provision of Annual Report	27
Content of Annual Report.....	28
Reporting of Listed Events	28
Termination of Reporting Obligation	30
Dissemination Agent.....	30
Amendment; Waiver	30
Additional Information	30
Default.....	31
Duties of Trustee and Dissemination Agent and Right of Indemnity.....	31
Beneficiaries	31
FINANCIAL INFORMATION	32
DEBT SERVICE COVERAGE.....	33
DEBT SERVICE REQUIREMENTS.....	34
LEGAL MATTERS.....	35
Legal Proceedings.....	35
Legal Opinions.....	35
Tax Exemption.....	35
MISCELLANEOUS	38
Enforceability of Remedies.....	38
Underwriting	38

Rating.....	39
Information in the Official Statement.....	39

**EXHIBIT A - Audited Financial Statements of the System
for the Fiscal Years Ended June 30, 2019 and 2018**

**EXHIBIT B - Unaudited Statement of Revenues and Expenses of the System
For the Eleven Month Periods Ended May 31, 2020 and 2019**

OFFICIAL STATEMENT

\$6,205,000
CITY OF RUSSELLVILLE, ARKANSAS
WATER AND SEWER REVENUE BONDS
SERIES 2020

INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibits 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 Russellville, Arkansas (the "City") of its Water and Sewer Revenue Bonds, Series 2020 in the aggregate principal amount of \$6,205,000 (the "Bonds"). The Bonds are being issued to finance the cost of sewer improvements, fund a debt service reserve and pay costs 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 Pope County, Arkansas which is in west-central 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 equally and ratably secured by a pledge of and payable solely from the revenues derived from the operation of the City's water and sewer system (the "System"). The pledge of System revenues in favor of the Bonds is on a parity with the pledge of System revenues in favor of the City's Water and Sewer Refunding and Improvement Revenue Bonds, Series 2015 (the "Series 2015 Bonds") and Water and Sewer Revenue Bonds, Series 2018 (the "Series 2018 Bonds"). 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. 2363, adopted on August 20, 2020 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable January 1, 2021, and semiannually thereafter on each January 1 and July 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 check mailed by the Trustee to the registered owners as of the record date for each interest payment date.

The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The Bonds are subject to optional redemption on and after July 1, 2025 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on July 1 in the years 2035 and 2040 are 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) interest on the Bonds is exempt from State income tax, (iv) the Bonds are not subject to property taxes in the State and (v) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"). See **LEGAL MATTERS, Tax Exemption**.

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

It is expected that the Bonds will be available for delivery on or about September 29, 2020, through the facilities of The Depository Trust Company in New York, New York.

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 2300, Little Rock, Arkansas 72201, Attention: Public Finance Department; and Crews & Associates, Inc., 521 President Clinton Avenue, Suite 800, 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). One fully-registered Bond certificate for each maturity date 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

changes in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the

record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriters 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 will be dated the date of delivery, and will bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 2021, at the rates set forth on the inside cover page hereof. The Bonds will mature on July 1 in the years and in the principal amounts set forth on the inside cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute

and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

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

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

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

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

Redemption. The Bonds shall be subject to optional, extraordinary 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 July 1, 2025, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

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

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on July 1, 2035 and July 1, 2040 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on July 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 July 1, 2035

<u>Year</u> <u>(July 1)</u>	<u>Amount</u>
2031	\$310,000
2032	315,000
2033	325,000
2034	330,000
2035 (Maturity)	335,000

Bonds Maturing July 1, 2040

<u>Year</u> <u>(July 1)</u>	<u>Amount</u>
2036	\$345,000
2037	350,000
2038	360,000
2039	365,000
2040 (Maturity)	370,000

In the case of any redemption of Bonds prior to maturity, the Trustee shall provide notice of redemption to the registered owners of the Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption, by mailing a copy of the redemption notice by first class mail postage prepaid, or by sending a copy of the redemption notice via other standard means, including electronic or facsimile communication. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

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 finance extensions, betterments and improvements to the sewer facilities of the System (the "Project"), to fund a debt service reserve and to pay the expenses of issuing the Bonds.

The Project includes wastewater plant improvements for the System. These include acquisition and installation of grit removal equipment, sludge mixing equipment and alternative form of

disinfection, electrical system upgrade at wastewater plant, equipment update in the anaerobic treatment system, expansion of influent hydraulic systems and piping upgrades.

The proceeds of the Bonds are estimated to be expended by the City as follows:

SOURCES:	
Principal Amount of Bonds	\$6,205,000
Net Original Issue Premium	<u>145,374</u>
Total Sources	\$6,350,374
USES:	
Project Costs	\$6,000,000
Debt Service Reserve	190,950
Underwriters' Discount	74,460
Costs of Issuance	81,050
Contingency	<u>3,914</u>
Total Uses	\$6,350,374

The payment of Underwriters' discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriters' discount. The Underwriters will also be reimbursed certain costs of closing and delivering the Bonds.

The City will deposit the net proceeds of the Bonds (principal amount plus any original issue premium, less any original issue discount, Underwriters' discount, debt service reserve deposit, certain issuance costs and other miscellaneous costs), into a special fund in the Trustee designated "2020 Sewer Construction Fund" (the "Construction Fund"). Moneys contained in the Construction Fund will be disbursed by the Trustee solely in payment of costs of the Project, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments**.

Security. The Bonds are not general obligations of the City but are special obligations, equally and ratably secured by a pledge of System revenues. The pledge of System revenues in favor of the Bonds is on a parity with the pledge of System revenues in favor of the Series 2015 Bonds and the Series 2018 Bonds (the "Parity 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, Additional Parity Bonds**.

Debt Service Reserve. There is a debt service reserve that will be funded with proceeds of the Bonds equal to one-half of the maximum annual principal and interest requirements on the Bonds. See **THE AUTHORIZING ORDINANCE, Funds and Disposition of Revenues.** The debt service reserve will only secure the Bonds and will not secure any 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. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Arkansas Governor Asa Hutchinson (the "Governor") has declared a state of emergency due to the outbreak of COVID-19 in the State. There have been significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

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

The City. All municipal services are currently available and are being conducted as normal. The City has had no interruptions in revenue reporting or processing of payments for expenses. There has been no noticeable delay in collection of revenues and only slightly lower revenue receipts.

Although the City has not experienced any significant impact due to the pandemic, the Mayor instituted an emergency hiring freeze in preparation for a financial downturn. Based upon the actuals from revenues to date, the hiring freeze has been partially removed. The Mayor has also instituted a reduction in budget for most departments and the continuation of this reduction will be reviewed on a quarterly basis.

The City has not experienced any difficulties in maintaining cash balances, and there has been no interruption in inflow of funds into the City's accounts. The City has no outstanding debt obligations other than the Parity Bonds.

The City has made changes to its offices to protect employees and the general public. At the initial signs of the outbreak of COVID-19, the City closed all buildings to the public for several weeks to limit exposure for employees. When possible staff worked from home offices, buildings were closed to the public, recreational facilities closed, the City implemented staggered work shifts, and City employees were prohibited from sharing rides in City vehicles. If social distancing was not possible in work units, staff members were required to wear masks. Any obligatory City Council meetings or commission meetings were conducted virtually. The City also implemented daily health screenings at all City locations, including conducting questionnaires and temperature checks. To date, many of the restrictions have been lifted; however, City buildings are opened only for restricted public access and temperature checks, social distancing requirements and mask requirements remain in place. The City purchased significant amounts of disinfectant, hand sterilization solution, personal protective equipment, materials for sneeze/cough guards, temperature screening equipment and hand sanitizer stations. The City has received a grant in the

amount of \$41,296 from the Department of Justice as part of the Coronavirus Aid, Relief, and Economic Security Act funding, in order to help defray the costs associated with the City's response to COVID-19.

The System. When the pandemic started, there was enacted a measure to stop late fees and to implement no shutoffs. As of June 15, 2020, the System is back to normal operations. During the time the adjusted procedures were implemented, the System saw overdue accounts reach upwards of 175 where less than 100 is normal. As June 15, 2020 approached, the System saw overdue accounts come back to normal figures. Financially, the System saw a slight dip in revenues in April and May (approximately \$25,000) that did not materially impact the operations of the System.

At this time, City Corporation, as lessee of the System, does not anticipate making material adjustments to its operational or financial plan as a result of COVID-19.

There have been no noticeable decreases in usage of water or sewer services provided by the System. In addition, there has been little to no noticeable impact from usage changes from any of the major users of the System.

No increase in water and sewer rates are anticipated due to COVID-19. Normal daily cash on hand has remained steady throughout the pandemic.

City Corporation has implemented changes to its offices to protect employees and the general public. City Corporation has allowed its support staff to work from home as needed, and its front doors have been closed to pedestrian traffic. City Corporation continues to operate its drive thru for normal working hours and allows customers to set up appointments to meet face-to-face for transactions that cannot be conducted through the drive thru. City Corporation's plant staff and field operations staff have switched to on-call shifts or staggered shifts to eliminate unnecessary contact. To date City Corporation has spent approximately \$1,100 on protective equipment and cleaning supplies for its employees.

THE CITY AND THE COUNTY

Location. The City is located in Pope County, Arkansas (the "County") which is in the west-central portion of the State. The City is located about 76 miles northwest of Little Rock, Arkansas.

Population. The following table sets forth the population trends for the City and County since 1970:

<u>Year</u>	<u>City</u>	<u>County</u>
1970	11,750	28,607
1980	17,650	38,964
1990	21,260	45,883
2000	23,682	54,469
2010	27,920	61,754
2018*	29,325	64,000

*As of July 1, 2018.

Transportation. The City is served by U.S. Highway No. 64 and Interstate No. 40. The City is also served by the Russellville Regional Airport, which has a 5,094-foot asphalt runway. Charter service is available at that airstrip. The nearest commercial airport is 76 miles away in Little Rock, Arkansas.

The City is served by the Union Pacific Railroad. More than 20 motor freight lines provide service to the City. The City is located on the Arkansas River. There is a barge-rail terminal at the Port of Dardanelle, within three (3) miles from the City.

Government. The City has the Mayor-City Council form of government. The Mayor is elected for a four-year term (current term ending December 31, 2022) and members of the City Council are elected for two-year terms (current terms ending December 31, 2020). The following are the Mayor and members of the City Council:

<u>Name</u>	<u>Occupation</u>
Richard Harris	Mayor
Larry Brown	Retired
Phyllis Carruth	Retired
Chris Olson	Project Manager, Advanced Sprinkler and Landscape
Shawn Harris	Law Enforcement
Eric Westcott	Central Rental
Rick Harrell	Sales, Jostens
Mark Tripp	Russellville Medical
Justin Keller	Banker

Medical Facilities. The City has one hospital (with 170 beds) and approximately 38 general and specialty medical clinics.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system. Since 2015, enrollment in the Russellville School District has been as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Average Daily</u> <u>Membership</u>
2015	5,191
2016	5,240
2017	5,227
2018	5,255
2019	5,186

Arkansas Tech University, a fully accredited four-year institute of higher learning, is located in the City. That university has an approximate total enrollment of 11,830 students.

Litigation. There are no lawsuits or regulatory proceedings pending or, to the knowledge of the City, threatened against the City, in which claims of damage are made which, individually or in the aggregate, create a financial exposure which would substantially impair the financial solvency

of the City. There is, however, a regulatory proceeding pending against the System as described herein under **THE SYSTEM, Litigation.**

Financial Institutions. The City is served by branches of Arvest Bank, Bank OZK, Centennial Bank, Diamond Bank, First Security Bank, Regions Bank, Chambers Bank, and Simmons Bank. First State Bank has its principal office in the City.

Economy. The economy of the City is a mixture of industry, commerce and agriculture. The primary agricultural crops grown or raised in the County are cattle, soybeans, hay, peaches, chickens and hogs.

Set forth below are the major employers located in or near the City:

<u>Employer</u>	<u>Product</u>	<u>Number of Employees</u>
ConAgra	Frozen food	1,700
Entergy Operations	Electric energy	973
St. Mary's Regional Medical Center	Healthcare	850
Arkansas Tech University	Higher education	725
Asurion	Technology protection services	500
Walmart	Retail	500
Tyson Foods	Poultry processing	500
Tyson Foods Valley Distribution Center	Frozen food distribution	350
Mahle Corporation	Heavy duty camshafts	200
West Fraser	Lumber products	175
Firestone Tube Co.	Inner tubes	150
Innovation Industries	Photo electric controls/devices	150
Americold Logistics	Freezer/dry storage distribution	150
International Paper Co.	Corrugated containers	100
Russellville Steel Co.	Steel fabrication	100
Hackney Laddish	Steel forgings/pipe fittings	100

Building Permits. The City has issued the following number of building permits for new construction for the years indicated:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2015	43	10	53
2016	56	12	68
2017	77	12	89
2018	63	6	69
2019	70	9	79

County Economic Data. Total personal income figures for the County are as follows:⁽¹⁾

<u>Year</u>	<u>Total Personal Income</u>
2014	\$2,017,345,000
2015	2,087,400,000
2016	2,108,652,000
2017	2,162,459,000
2018	2,256,720,000

*Per capital personal income figures for the County are as follows:⁽¹⁾

<u>Year</u>	<u>Total Personal Income</u>
2014	\$31,965
2015	32,833
2016	33,012
2017	33,972
2018	35,261

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

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		
	<u>City</u>	<u>County</u>	<u>State</u>
2015	5.1	5.3	5.0
2016	4.1	4.6	3.9
2017	3.9	4.5	3.7
2018	4.0	4.5	3.6
2019	3.2*	3.7*	3.5

*As of November, 2019.

THE SYSTEM

General. The System is owned by the City and is leased to City Corporation ("City Corporation"), a nonprofit corporation formed in April 1985 for the purpose of operating the System. The City leased the System to City Corporation pursuant to a Lease Agreement between City Corporation and the City dated June 28, 1985, as amended by an Amendment to Lease Agreement dated May 16, 2012 (the "Lease"). The Lease requires City Corporation to make all principal and interest payments for bonds issued by the City and payable from System revenues. Each month, City Corporation is also obligated to pay to the City a franchise fee equal to 4.5% of gross water charges collected by City Corporation from System users within the City during the preceding month (the "Franchise Fee"). The term of the Lease is for five years with provision for an annual extension of one year. The current five-year term, as extended, expires on July 1, 2024.

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

The Board of Directors of City Corporation consists of the following persons:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires (December 31)</u>
Chip Blanchard, Chairman	President, First State Bank	2020
Jim Streett, Secretary	Attorney	2021
Max Mathis, III	CFO, Blackstone Construction	2022
Don Fronabarger	Fleet Major Projects Engineering, Entergy	2023
Hector Santillan	Director of Personnel, Superior Forestry Service	2024

The System is managed on a day-to-day basis by Mr. Steve Mallett. Mr. Mallett has been General Manager of the System since December 2012. He was first employed by City Corporation as an engineering intern in 1991. In 1993, Mr. Mallett was employed by City Corporation full-time as a Staff Engineer. Mr. Mallett worked at City Corporation as a Staff Engineer and as Engineering/Construction Manager from 1993 through 2002. He was employed by the City of Hot Springs, Arkansas from 2002 through 2012 in various capacities (including Utilities Engineering Manager, Public Water Director, and Deputy City Manager for Public Works and Utilities) prior to returning to City Corporation in 2012. Mr. Mallett supervises approximately 70 employees.

Other key employees of the System and the number of years each has been employed by City Corporation are as follows: Larry Collins, Operations Manager (49 years); Randy Bradley, Pretreatment Coordinator/Lead Operator Wastewater (29 years); Jonathan Shipley, Head Operator Water Plant (25 years); Jeremy Myers, Customer Service Manager (25 years); Renae Taylor, HR Director (16 years); Lance Bartlett, Chief Engineering Officer (7 years); and Taryn Childers, Chief Financial Officer (6 years).

Water System. The primary water supply source is the Huckleberry Creek Reservoir, which was constructed in 1996 approximately five miles north of the City. The Huckleberry Creek Reservoir is designed to provide 25 million gallons per day ("MGD") of raw water plus 42 MGD for 120 consecutive days during an equivalent record drought event. The water treatment plant is located just north of the City limits and consists of traditional sedimentation, filtration and disinfection processes. The System fluoridates the water as mandated by the Arkansas Department of Health. The treated water is pumped from the treatment plant and is distributed via ten existing pump stations and 260 miles of piping ranging from 1" to 36" in diameter. The System also contains thirteen water storage tanks with a total storage of 11.4 million gallons, which is sufficient to meet the average flowrate of 7.3 MGD for 24 hours as recommended by the Arkansas Department of Health.

The average number of retail water users by category for each of the past five (5) years is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Wholesale</u>	<u>Public</u>	<u>Municipal</u>	<u>Total</u>
2015	10,302	1,540	45	1	47	3	11,938
2016	10,155	1,530	43	1	47	3	11,779
2017	10,384	1,546	43	1	47	3	12,024
2018	10,447	1,548	43	1	47	2	12,088
2019	10,545	1,547	43	1	49	2	12,187

The City sells water on a wholesale basis to Tri-County Regional Water Distribution District ("Tri-County") pursuant to a wholesale water contract between City Corporation and Tri-County, the term of which expires May 29, 2037.

The average daily water use in gallons, the maximum daily water use in gallons and the total water use for the year in gallons for each of the past five (5) years is as follows:

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use for Year In Gallons</u>
2015	6,702,000	9,305,000	2,447,318,000
2016	6,913,000	10,601,000	2,530,893,000
2017	6,706,000	9,157,000	2,448,969,000
2018	7,189,000	10,292,000	2,625,375,000
2019	7,104,000	10,503,000	2,537,424,000

The City has established water rates by Ordinance No. 2195 adopted and approved by the City Council on March 19, 2015. The monthly base charges for retail water customers of the System are as follows:

A. Service Availability Charge

1. Inside City:

<u>Meter Size</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
5/8"	\$ 9.30	\$ 10.14	\$ 10.44	\$ 11.28	\$ 11.62	3% increase per year
3/4"	9.30	10.14	10.44	11.28	11.62	3% increase per year
1"	12.87	14.03	14.45	15.61	16.08	3% increase per year
1.5"	24.46	26.66	27.46	29.66	30.55	3% increase per year
2"	32.09	34.98	36.03	38.91	40.08	3% increase per year
3"	52.65	57.39	59.11	63.83	65.75	3% increase per year
4"	168.50	183.66	189.17	204.30	210.43	3% increase per year
6" or larger	207.86	226.57	233.37	252.04	259.60	3% increase per year

2. Outside City:

<u>Meter Size</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
5/8"	\$ 13.95	\$ 15.21	\$ 15.66	\$ 16.92	\$ 17.43	1.5x inside city rate
3/4"	13.95	15.21	15.66	16.92	17.43	1.5x inside city rate
1"	19.31	21.05	21.68	23.42	24.12	1.5x inside city rate
1.5"	36.69	39.99	41.19	44.49	45.83	1.5x inside city rate
2"	48.14	52.47	54.05	58.37	60.12	1.5x inside city rate
3"	78.98	86.09	88.67	95.75	98.63	1.5x inside city rate
4"	252.75	275.49	283.76	306.45	315.65	1.5x inside city rate
6" or larger	311.79	339.86	350.06	378.06	389.40	1.5x inside city rate

B. Operations Volumetric Charge

1. Inside City - Residential:

<u>Water Volume Range (gallons)</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
0 - 2,000	\$1.71	\$1.86	\$1.92	\$2.07	\$2.13	3% increase per year
2,001- 5,000	2.05	2.23	2.30	2.48	2.55	3% increase per year
5,001 - Above	2.25	2.45	2.52	2.72	2.80	3% increase per year

2. Outside City - Residential:

<u>Water Volume Range (gallons)</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
0 - 2,000	\$2.57	\$2.79	\$2.88	\$3.11	\$3.20	1.5x inside city rate
2,001- 5,000	3.08	3.35	3.45	3.72	3.83	1.5x inside city rate
5,001 - Above	3.38	3.68	3.78	4.08	4.20	1.5x inside city rate

3. Inside City - Commercial:

<u>Water Volume Range (gallons)</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
0 - 2,000	\$1.90	\$2.07	\$2.13	\$2.30	\$2.37	3% increase per year
2,001- 5,000	1.90	2.07	2.13	2.30	2.37	3% increase per year
5,001 - Above	1.90	2.07	2.13	2.30	2.37	3% increase per year

4. Outside City - Commercial:

<u>Water Volume Range (gallons)</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
0 - 2,000	\$2.85	\$3.11	\$3.20	\$3.45	\$3.56	1.5x inside city rate
2,001- 5,000	2.85	3.11	3.20	3.45	3.56	1.5x inside city rate
5,001 - Above	2.85	3.11	3.20	3.45	3.56	1.5x inside city rate

5. Inside City - Industrial:

<u>Water Volume Range (gallons)</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
0 - 2,000	\$1.59	\$1.73	\$1.78	\$1.92	\$1.98	3% increase per year
2,001- 5,000	1.59	1.73	1.78	1.92	1.98	3% increase per year
5,001 - Above	1.59	1.73	1.78	1.92	1.98	3% increase per year

6. Outside City - Industrial:

Water Volume Range (gallons)	Effective April 1, 2015	Effective January 1, 2016	Effective January 1, 2017	Effective January 1, 2018	Effective January 1, 2019	Effective January 1, 2020 and Thereafter
0 - 2,000	\$2.39	\$2.60	\$2.67	\$2.88	\$2.97	1.5x inside city rate
2,001- 5,000	2.39	2.60	2.67	2.88	2.97	1.5x inside city rate
5,001 - Above	2.39	2.60	2.67	2.88	2.97	1.5x inside city rate

7. Inside City - Public Authority:

Water Volume Range (gallons)	Effective April 1, 2015	Effective January 1, 2016	Effective January 1, 2017	Effective January 1, 2018	Effective January 1, 2019	Effective January 1, 2020 and Thereafter
0 - 2,000	\$2.13	\$2.32	\$2.39	\$2.58	\$2.66	3% increase per year
2,001- 5,000	2.13	2.32	2.39	2.58	2.66	3% increase per year
5,001 - Above	2.13	2.32	2.39	2.58	2.66	3% increase per year

8. Outside City - Public Authority:

Water Volume Range (gallons)	Effective April 1, 2015	Effective January 1, 2016	Effective January 1, 2017	Effective January 1, 2018	Effective January 1, 2019	Effective January 1, 2020 and Thereafter
0 - 2,000	\$3.20	\$3.48	\$3.59	\$3.87	\$3.99	1.5x inside city rate
2,001- 5,000	3.20	3.48	3.59	3.87	3.99	1.5x inside city rate
5,001 - Above	3.20	3.48	3.59	3.87	3.99	1.5x inside city rate

9. Inside City - Municipal:

Water Volume Range (gallons)	Effective April 1, 2015	Effective January 1, 2016	Effective January 1, 2017	Effective January 1, 2018	Effective January 1, 2019	Effective January 1, 2020 and Thereafter
0 - 2,000	\$1.64	\$1.79	\$1.84	\$1.99	\$2.05	3% increase per year
2,001- 5,000	1.64	1.79	1.84	1.99	2.05	3% increase per year
5,001 - Above	1.64	1.79	1.84	1.99	2.05	3% increase per year

10. Outside City - Municipal:

Water Volume Range (gallons)	Effective April 1, 2015	Effective January 1, 2016	Effective January 1, 2017	Effective January 1, 2018	Effective January 1, 2019	Effective January 1, 2020 and Thereafter
0 - 2,000	\$2.46	\$2.69	\$2.76	\$2.99	\$3.08	1.5x inside city rate
2,001- 5,000	2.46	2.69	2.76	2.99	3.08	1.5x inside city rate
5,001 - Above	2.46	2.69	2.76	2.99	3.08	1.5x inside city rate

Sewer System. The City's sanitary sewer system consists of gravity pipelines with a small number of pump stations that convey industrial, commercial and residential waste to a single conventional wastewater treatment facility. The sewer facilities primarily serve customers within the City limits. The collection system is estimated to contain over 200 miles of gravity and pressure wastewater piping ranging from 2" to 48" in diameter, and it contains 18 wastewater lift stations, 63 grinder pump stations and over 3,700 manholes. The wastewater treatment plant is rated at 7.3 MGD with a max flowrate of 15 MGD. The treatment plant has been upgraded to an extended aeration process that consists of primary settling, aeration, final settling and disinfecting. The sludge is currently treated with a lime stabilization process to produce a Class A bio-solid that can be applied to any lands without a permit.

The average number of sewer users by category for each of the past five years is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public</u>	<u>Total</u>
2015	9,388	1,280	38	43	10,749
2016	9,241	1,277	37	42	10,597
2017	9,459	1,285	37	42	10,823
2018	9,516	1,285	37	42	10,880
2019	9,610	1,287	37	42	10,976

The City has established sewer rates by Ordinance No. 2194 adopted and approved by the City Council on March 19, 2015. The monthly base charges for sewer users of the System are as follows:

A. Service Availability Charge

1. Inside City:

<u>Minimum</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
First 1,000 gallons	\$8.17	\$10.01	\$11.86	\$12.75	\$13.71	3% increase per year

2. Outside City:

<u>Minimum</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
First 1,000 gallons	\$12.26	\$15.02	\$17.79	\$19.13	\$20.57	3% increase per year

B. Operations Volumetric Charge

1. Inside City:

<u>Water Volume Range (gallons)</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
1,001 to 20,000 (per 1,000 gallons)	\$3.17	\$3.88	\$4.60	\$4.95	\$5.32	3% increase per year
20,001 and above (per 1,000 gallons)	2.70	3.31	3.92	4.21	4.53	3% increase per year

2. Outside City:

<u>Water Volume Range (gallons)</u>	<u>Effective April 1, 2015</u>	<u>Effective January 1, 2016</u>	<u>Effective January 1, 2017</u>	<u>Effective January 1, 2018</u>	<u>Effective January 1, 2019</u>	<u>Effective January 1, 2020 and Thereafter</u>
1,001 to 20,000 (per 1,000 gallons)	\$4.76	\$5.82	\$6.90	\$7.43	\$7.98	3% increase per year
20,001 and above (per 1,000 gallons)	4.05	4.97	5.88	6.32	6.80	3% increase per year

Largest Users of the System. In fiscal year 2019, two users of the System accounted for more than 5% of System revenues as set forth below:

<u>User</u>	<u>Percentage of Total Gross Water and Sewer Revenues</u>	<u>Average Dollar Amount Per Month</u>
Tri-County Regional Water Distribution District	16.59%	\$199,287
ConAgra	5.45	65,465

The five largest users of the System for fiscal 2019 were:

1. Tri-County Regional Water Distribution District
2. ConAgra
3. City of Dover
4. Tyson Foods
5. Arkansas Tech University

Litigation. On November 6, 2009, the Arkansas Department of Environmental Quality ("ADEQ") and City Corporation entered into a Consent Administrative Order ("CAO") due to, among other things, violations of National Pollutant Discharge Elimination System Permit #AR0021768 and the Clean Water Act. The violations related to the System's sanitary sewer treatment and collection system. The CAO addresses a variety of issues and mandates certain administrative and reporting requirements; pumping station improvements; a sewer system evaluation study; an overflow response plan; a capacity, management, operation and maintenance program; inventory maintenance practices; interim discharge limits; and monetary penalties for failure to meet the requirements, effluent limits or construction deadlines set forth in the CAO. Such penalties range from \$100 to \$500 per day, depending on the duration of the CAO violation. ADEQ also assessed a \$20,000 civil penalty against City Corporation for the noted violations.

On June 2, 2014, ADEQ and City Corporation entered into an Amended Consent Administrative Order, which, among other things, clarified and amended certain deadlines set forth in the CAO.

ADEQ and City Corporation have discussed the potential for an additional amendment to the CAO that will address permit violations that have occurred at the wastewater treatment plant since the original CAO was executed and that have continued since the Amended Consent Administrative Order was executed. Specifically, City Corporation received a list of 201 violations occurring between October 2013 and June 2017. City Corporation has acknowledged that additional violations have occurred since June 2017. On May 9, 2018, City Corporation submitted to ADEQ a Corrective Action Plan addressing the cited violations. City Corporation anticipates that if the CAO is amended, that the monetary penalty associated with the amendment will be between \$5,000 and \$20,000. To comply with the potential amendment to the CAO, City Corporation has contracted with an engineering firm and construction contractor and has begun the first phase of wastewater treatment plant improvements estimated at \$20,000,000. Funding for the remainder of the proposed wastewater treatment plant improvements will come from funds of City Corporation that have been earmarked and proceeds of the Bonds.

Other than as set forth above, there are no lawsuits or regulatory proceedings pending against City Corporation or the City relating to 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 rates charged for services of the System heretofore fixed by ordinances of the City and the conditions, rights and obligations pertaining thereto, as set out in those ordinances, are confirmed and continued.

The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the net revenues of the System (net revenues being defined as gross revenues 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 government accounting standards applicable to municipal water and sewer systems other than depreciation, interest, amortization of deferred bond discount expenses and Franchise Fees), with the reduced rates, will always be equal to the amount required to be set aside for the Depreciation Fund (described below) and leave a balance equal to at least 125% of the maximum annual principal and interest requirements on all outstanding bonds to which System revenues are pledged ("System Bonds"). The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues at least equal to 110% of the maximum annual principal and interest requirements on all System Bonds, to provide the required deposit into the Depreciation Fund and to otherwise comply with the Authorizing Ordinance and all ordinances authorizing System Bonds.

The System shall be continuously operated as a revenue producing undertaking. All moneys received from its operation shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City or City Corporation, subject, however, to the giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC").

Funds and Disposition of Revenues. (a) All revenues derived from the operation of the System shall be paid into a special fund heretofore created and designated "Revenue Fund" (the "Revenue Fund"). Moneys in the Revenue Fund are pledged and 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 the Bonds and other System Bonds, to the maintenance of any debt service reserves at the required levels, and to the providing of an adequate depreciation fund and otherwise as described herein and in the ordinances authorizing the Parity Bonds, in the order of priority hereinafter set forth.

(b) There shall be paid from the Revenue Fund into a fund heretofore created and designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the operating expenses

and to make reasonable provision for 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. Expenses of operating the System do not include the Franchise Fee payments.

If any 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 and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

(c) After making the monthly deposit in the Operation and Maintenance Fund, there shall be transferred from the Revenue Fund, pro rata, into the bond funds (and debt service reserves) being maintained in connection with the Parity Bonds and any additional parity bonds (the "Parity Bond Funds") and into a special fund to be established with the Trustee and designated the "2020 Water and Sewer Bond Fund" (the "Bond Fund"), the sums in the amounts and at the times described below. The obligation to make the required monthly deposits into the Bond Fund and the Parity Bond Funds shall rank on a parity of security.

There shall be paid into the Parity Bond Funds the required monthly deposits pursuant to the ordinances securing the Parity Bonds and additional parity bonds.

There shall be paid into the Bond Fund on the first business day of each month, commencing in November, 2020, until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment, a sum equal to 1/6 of the next installment of interest on the Bonds plus 1/12 of the next installment of principal of the Bonds; provided, however, that payments into the Bond Fund shall be increased in order to make the interest payment due January 1, 2021 and the principal payment due July 1, 2021.

The City shall also pay into the Bond Fund such additional sums as necessary to provide the Trustee's fees and expenses and any arbitrage rebate payment due to be paid to the United States Treasury under Section 148(f) of the Code. The City shall receive a credit against monthly deposits into the Bond Fund from all interest earnings on moneys in the Bond Fund.

There is created, as a part of the Bond Fund, a Debt Service Reserve. There shall be deposited into the Debt Service Reserve from Bond proceeds an amount equal to one-half of the maximum annual principal and interest requirements on the Bonds (the "required level"). If for any reason the City should fail at any time to make any of the required payments into the Bond Fund, the Debt Service Reserve shall be used to the extent necessary for the payment of principal of and interest on the Bonds. If the Debt Service Reserve is reduced below the required level, the City's monthly payments into the Bond Fund shall be increased to 1/5 of the next installment of interest on the Bonds plus 1/10th of the next installment of principal of the Bonds until the Required Level is reached. The Debt Service Reserve shall be used solely as provided herein but the moneys therein may be invested as hereinafter set forth.

The Trustee shall withdraw from the Bond Fund on the due date for the principal and/or interest on any Bond, at maturity or redemption prior to maturity, an amount equal to the amount of such

Bond and interest due thereon for the sole purpose of paying the same, together with the Trustee's fee and expenses. There shall also be withdrawn and paid to the United States Treasury any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Code. No withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in the Authorizing Ordinance.

(d) After making the required deposits into the Operation and Maintenance Fund, the Bond Fund and the Parity Bond Funds, there shall be paid from the Revenue Fund into a fund heretofore created and designated "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on the first business day of each month an amount equal to the monthly depreciation of the System as reflected on the books and records of the System, which amount shall be no less than 5% of the gross System revenues for the preceding month. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of repairs or replacements made necessary by the depreciation of the System or for the purpose of paying the costs of damage caused by unforeseen catastrophes.

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to defray the cost of the probable replacements during the then current fiscal year and next ensuing fiscal year, and which in the judgment of the City is not needed for replacements, such surplus shall be transferred into the Revenue Fund.

(e) From the moneys remaining in the Revenue Fund on the first business day of each month after making all payments required by clauses (b), (c) and (d) above, there shall be paid the Franchise Fee. Payment of the Franchise Fee shall be subject and subordinate to the payments provided for in clauses (b), (c) and (d) above.

(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 payment of debt service on bonds secured by a pledge of revenues subordinate to the pledge in favor of the Bonds or for any lawful purpose in connection with the System.

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

The City may issue additional bonds to finance or pay the cost of making any future extensions, betterments or improvements to the System or to refund System Bonds. However, the City shall not authorize or issue any such additional bonds ranking on a parity of security with the Bonds, unless and until there shall have been procured and filed with the City Clerk and the Trustee a statement by an Accountant not in the regular employ of the City or City Corporation reciting, based upon necessary investigation, that (1) net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 110% of the maximum annual principal and interest requirements on all of the then outstanding System Bonds and the additional bonds then proposed to be issued or (2) net revenues of the System for the fiscal year next succeeding the fiscal year in which it is proposed to issue such additional bonds, including net revenues to be derived from any extensions, betterments and improvements to be constructed out of the proceeds of the additional bonds then proposed to be issued, as reflected by a statement by an independent consulting engineer not in the regular employ of the City or City Corporation ("Engineer"), and taking into account any rate increase effective before the issuance of the additional

bonds, will equal not less than 110% 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 of the System less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer facilities, excluding depreciation, interest, amortization of deferred bond discount expenses and Franchise Fees. In making the computation set forth in (1) above, the City, and the Accountant on behalf of the City, may, based on the opinion or report of an Engineer, treat any increase in rates for the System effective subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in net revenues for such fiscal year the amount that would have been received, based upon such opinion or report, had the increase been in effect throughout such fiscal year.

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

Maintenance; Insurance. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, that it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses, against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in the State. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Defeasance. Any Bond shall be deemed paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond, either (i) has been made or caused to

be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash sufficient to make such payment and/or (2) direct non-callable 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 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 and 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 cancelled, 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.

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

(b) No registered owner of any of the outstanding Bonds shall have any right in any manner whatever by his action to affect, disturb or prejudice the security of the Authorizing Ordinance, or to enforce any right thereunder, 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 all 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. 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 and any individual rights of action or other right given to one or more of such registered owners by law are restricted by the Authorizing Ordinance to the rights and remedies therein provided.

(c) 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.

(d) 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.

(e) 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 terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth. The Trustee may consent to any variation or change in the Authorizing Ordinance in order to cure any ambiguity, defect or omission therein or any amendment thereto, or any other change which in the opinion of the Trustee is not materially adverse to the interests of the owners of the Bonds, without the consent of the owners of the outstanding Bonds. 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 a supplemental 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; provided, however, that nothing therein contained shall permit or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien or 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 the registered owners of the 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, then the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. Every successor Trustee shall be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000. 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. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee shall have been appointed.

Investments. (a) Moneys held for the credit of the Bond Fund (excluding the Debt Service Reserve) may be invested and reinvested pursuant to the direction of the City in Permitted Investments defined in (f) below or other investments as may, from time to time, be permitted by State law, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the payment date for interest or principal and interest on the Bonds.

(b) Moneys held for the credit of the Construction Fund may be invested and reinvested at the direction of the City in Permitted Investments as defined in (f) below or other investments as may, from time to time, be permitted by State law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(c) Moneys held for the credit of the Debt Service Reserve shall be invested and reinvested pursuant to the direction of the City in Permitted Investments, all of which shall mature, or which shall be subject to redemption by the holder, not later than five (5) years after the date of investment or the maturity date of the bonds, whichever is earlier.

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

(e) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from

such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(f) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) ("Government Securities"), (ii) direct obligations of any 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 comprised exclusively of Government Securities or the obligations described in (ii) above.

Nonarbitrage. The City covenants that it shall not take any action or suffer or permit any action to be taken or conditions to exist which causes or may cause the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City covenants that the proceeds of the sale of the Bonds and System revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants that it will make all arbitrage rebate payments to the United States in accordance with Section 148 of the Code.

CONTINUING DISCLOSURE AGREEMENT

The City is a party to continuing disclosure agreements in connection with its outstanding bonds that are subject to the Rule (defined below.) Over the past five years, the City has been in compliance in all material respects with its obligations pursuant to each continuing disclosure agreement.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of 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 Underwriters in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

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

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

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

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

"Financial Obligation" shall mean a:

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than 180 days after the end of the System's fiscal year (presently June 30), commencing with the report after the end of the 2020 fiscal year, provide to the MSRB, through its continuing disclosure service portal 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 filed 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.

(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 (if the Dissemination Agent is not the City) 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 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 and to the Insurer.

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

1. (A) Information of the type set forth in this Official Statement under the caption **THE SYSTEM** with respect to (i) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (ii) the water and sewer users by category for the fiscal year then ended and the four previous fiscal years; and (iii) the top five users of the System for the previous fiscal year and a statement as to which users accounted for 5% or more of System revenues for the preceding fiscal year; and (B) a statement concerning any amendment to, termination of or expiration of the Lease; and

2. The 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.

(b) Any or all of the items listed in (a) above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been filed with the MSRB's internet website or submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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 City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 a Listed Event described in (a)(8) above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding a Listed Event described in (a)(8) above), the City shall file, or cause the Dissemination Agent to file, in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.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) and to the Insurer. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Material Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in subsection (a)(8), 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 City shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

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

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

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

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

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, 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, the Trustee or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Insurer, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriters 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 or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent 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 City or the Trustee) and the Trustee 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 Underwriters and the Beneficial Owners and shall create no rights in any other person or entity.

FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the System for the fiscal years ended June 30, 2019 and 2018. Such financial statements were 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. These financial statements should be read in their entirety together with any notes and supplemental information attached thereto.

Set forth in Exhibit B is an unaudited statement of revenues and expenses of the System for the eleven month periods ended May 31, 2020 and 2019.

The following is a summary of the audited financial statements of the System for the fiscal years ended June 30, 2016 through 2019 and the unaudited statement of revenues and expenses of the System for the eleven month periods ended May 31, 2020 and 2019:

	Fiscal Years Ended June 30				Eleven Month Period Ended May 31	
	Audited 2019	Audited 2018	Audited 2017	Audited 2016	Unaudited 2020	Unaudited 2019
Operating Revenues	\$16,412,016	\$15,217,879	\$13,773,862	\$13,020,458	\$15,359,392	\$15,105,974
Operating Expenses	<u>(8,708,182)</u>	<u>(8,279,349)</u>	<u>(8,412,067)</u>	<u>(8,520,196)</u>	<u>(8,372,671)</u>	<u>(7,943,582)</u>
Operating Income (Before Depreciation and Amortization)	7,703,834	6,938,530	5,361,795	4,500,262	6,986,721	7,162,392
Depreciation and Amortization	(4,412,651)	(4,334,290)	(4,123,875)	(3,529,968)	(4,093,130)	(3,957,995)
Non-Operating Revenue (Expenses)	<u>(1,415,947)</u>	<u>(1,333,287)</u>	<u>(2,526,146)</u>	<u>(1,958,296)</u>	<u>(1,651,109)</u>	<u>(1,416,462)</u>
Net Income	\$1,875,236	\$1,270,953	(\$1,288,226)	(\$ 988,002)	\$ 1,242,482	\$1,787,935

DEBT SERVICE COVERAGE

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

Operating Revenues ⁽¹⁾	\$16,412,016
Less: Operating Expenses ⁽¹⁾	8,708,182
Net Revenues Available for Debt Service ^(A)	7,703,834
Maximum Annual Debt Service for the Bonds and the Parity Bonds ^{(B) (2)}	4,981,963
	1.55x
Debt Service Coverage ^(A/B)	

⁽¹⁾Based on the audited financial statements of the System for the fiscal year ended June 30, 2019. Operating expenses are total expenses before depreciation, interest, bond amortization and franchise fee expenses.

⁽²⁾Using a year ending June 30.

DEBT SERVICE REQUIREMENTS

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

Year (Ending December 31)	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 255,000	\$ 92,612.22	\$ 347,612.22
2022	260,000	117,475.00	377,475.00
2023	265,000	112,275.00	377,275.00
2024	270,000	106,975.00	376,975.00
2025	275,000	101,575.00	376,575.00
2026	285,000	96,075.00	381,075.00
2027	290,000	90,375.00	380,375.00
2028	295,000	84,575.00	379,575.00
2029	300,000	78,675.00	378,675.00
2030	305,000	72,675.00	377,675.00
2031	310,000	68,100.00	378,100.00
2032	315,000	61,900.00	376,900.00
2033	325,000	55,600.00	380,600.00
2034	330,000	49,100.00	379,100.00
2035	335,000	42,500.00	377,500.00
2036	345,000	35,800.00	380,800.00
2037	350,000	28,900.00	378,900.00
2038	360,000	21,900.00	381,900.00
2039	365,000	14,700.00	379,700.00
2040	<u>370,000</u>	<u>7,400.00</u>	<u>377,400.00</u>
TOTALS	\$6,205,000	\$1,339,187.22	\$7,544,187.22

Set forth below are the debt service requirements for the Bonds and the Parity Bonds for the following years ending June 30:

<u>Year (Ending June 30)</u>	<u>Bonds</u>	<u>Parity Bonds</u>	<u>Total</u>
2021	\$ 31,324.72	\$ 4,611,150.02	\$ 4,642,474.74
2022	375,025.00	4,594,350.02	4,969,375.02
2023	374,875.00	4,592,100.02	4,966,975.02
2024	374,625.00	4,591,650.02	4,966,275.02
2025	374,275.00	4,602,100.02	4,976,375.02
2026	373,825.00	4,602,525.02	4,976,350.02
2027	378,225.00	4,598,650.02	4,976,875.02
2028	377,475.00	4,604,487.52	4,981,962.52
2029	376,625.00	4,579,550.02	4,956,175.02
2030	375,675.00	4,578,500.02	4,954,175.02
2031	375,387.50	4,590,003.14	4,965,390.64
2032	375,000.00	4,580,756.26	4,955,756.26
2033	373,750.00	4,572,056.26	4,945,806.26
2034	377,350.00	4,578,006.26	4,955,356.26
2035	375,800.00	4,584,006.26	4,959,806.26
2036	374,150.00	4,574,606.26	4,948,756.26
2037	377,350.00	4,579,606.26	4,956,956.26
2038	375,400.00	4,573,706.26	4,949,106.26
2039	378,300.00	4,571,806.26	4,950,106.26
2040	376,050.00	4,563,706.26	4,939,756.26
2041	373,700.00	4,561,737.51	4,935,437.51
2042	-	1,532,493.76	1,532,493.76
2043	-	1,530,837.51	1,530,837.51
2044	-	1,532,278.13	1,532,278.13
TOTALS	\$7,544,187.22	\$100,880,669.09	\$108,424,856.31

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, interest on the Bonds under existing law (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax

preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth 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) excluded 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 an owner'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 for certain interest expense allocable to the "qualified tax-exempt obligations." The City has designated the Bonds as "qualified tax-exempt obligations" and has covenanted not to use the Project or 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 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 calendar year 2020.

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

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

In the further 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.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

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

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

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

would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

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

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

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. and Crews & Associates, Inc., the Underwriters, have agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$6,275,913.70 (principal amount plus net original issue premium of \$145,373.70 less an Underwriters' discount of \$74,460). The Underwriters are committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriters for reoffering in the normal course of the Underwriters' 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 Underwriters.

Rating. S&P Global Ratings ("S&P") will assign its municipal bond rating of "A+" (stable outlook) to the Bonds. Any explanation of such rating may only be obtained from S&P. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Bonds by S&P may have an adverse effect on the market price of the Bonds. The Underwriters and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

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 RUSSELLVILLE, ARKANSAS

By /s/ Richard Harris
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A



Financial Statements and Supplementary Schedules

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

Financial Statements

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Net Position, June 30, 2019 and 2018	3
Statements of Revenues, Expenses and Changes in Net Position, Years ended June 30, 2019 and 2018	4
Statements of Cash Flows, Years ended June 30, 2019 and 2018	5-6
Notes to Financial Statements	7-11
Supplementary Data:	
Combining Statement of Net Position, June 30, 2019	12
Combining Statement of Net Position, June 30, 2018	13
Combining Statement of Revenues and Expenses, Year ended June 30, 2019	14
Combining Statement of Revenues and Expenses, Year ended June 30, 2018	15
Combining Statement of Functional Operating Expenses, Year ended June 30, 2019	16
Combining Statement of Functional Operating Expenses, Year ended June 30, 2018	17
Required Disclosures for 2015 Water and Sewer Bonds, Year ended June 30, 2019	18

Independent Auditors' Report

The Board of Directors
City Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Russellville, Arkansas Water and Sewer System which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

As discussed in note 1, the financial statements present only the City of Russellville, Arkansas Water and Sewer System and are not intended to present fairly the financial position of the City of Russellville, Arkansas, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds, in conformity with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

System'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 System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Russellville, Arkansas Water and Sewer System, as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Russellville, Arkansas Water and Sewer System's basic financial statements. The supplemental information, included in schedules 1-7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

November 13, 2019

Shogren, Haberman & Company, P.A.

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
Assets:		
Cash	\$ 19,132,199	16,235,977
Restricted cash	36,592,063	15,010,944
Total cash	55,724,262	31,246,921
Accounts receivable, less allowance for doubtful accounts of \$7,845 (\$7,820 in 2018)	1,261,872	1,315,744
Materials and supplies, at cost	427,784	382,373
Property, plant, and equipment, net	122,564,822	116,122,053
Other assets	67,914	64,616
Total assets	180,046,654	149,131,707
 Liabilities:		
Accounts payable	316,511	311,083
Other payables	335,259	409,124
Customer deposits	701,799	679,589
Accrued interest	1,387,538	916,009
Long-term liabilities:		
Due within one year	1,855,000	1,255,000
Due in more than one year	66,930,000	44,250,000
Unamortized premium on bonds	1,081,861	671,098
Total liabilities	72,607,968	48,491,903
 Net position:		
Net investment in capital assets	51,310,423	69,029,946
Restricted for construction and debt service	37,904,667	15,224,716
Unrestricted	18,223,596	16,385,142
Total net position	\$ 107,438,686	100,639,804

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Water sales, net	\$ 6,620,944	6,290,279
Sewer service	9,362,558	8,435,856
Connection fees and other revenue	428,514	491,744
Total operating revenues	16,412,016	15,217,879
Operating expenses:		
Depreciation and amortization	4,412,651	4,334,290
Salaries	3,070,532	2,881,306
Employee benefits	887,000	846,408
Materials and supplies	330,401	338,127
Maintenance - outside services	1,484,004	1,360,140
Office supplies and postage	52,356	52,400
Communication services	215,237	225,860
Transportation costs	165,205	171,710
Professional fees	336,871	307,948
Training	59,592	24,743
Computer	103,561	133,502
Lab and treatment	913,085	824,012
Insurance	128,053	127,650
Bad debts	12,171	9,747
Power purchased	797,477	832,993
Miscellaneous	152,637	142,803
Total operating expense	13,120,833	12,613,639
Income from operations	3,291,183	2,604,240
Other income:		
Interest income	1,048,013	373,590
Miscellaneous	29,657	28,740
Total other income	1,077,670	402,330
Other expenses:		
Interest expense	2,493,617	1,735,617
Total other expenses	2,493,617	1,735,617
Net income (loss)	1,875,236	1,270,953
Net position, beginning of year	100,639,804	97,852,714
Contributions in aid of construction	3,847,208	373,792
Proceeds from sales tax for construction	1,076,438	1,142,345
Net position, end of year	\$ 107,438,686	100,639,804

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 16,465,888	13,925,412
Cash payments to suppliers for goods and services	(5,730,293)	(5,869,557)
Cash payments to employees for services	(3,070,532)	(2,682,926)
Other revenue collected	<u>29,657</u>	<u>12,679</u>
Net cash provided by operating activities	<u>7,694,720</u>	<u>5,385,608</u>
 Cash flows from non-capital financing activities:		
Increase in customer deposits	<u>22,210</u>	<u>52,014</u>
Net cash provided by non-capital financing activities	<u>22,210</u>	<u>52,014</u>
 Cash flows from capital and related financing activities:		
Purchase of utility plant	(6,984,973)	(7,659,275)
Bonds repaid	(1,255,000)	(1,235,000)
Proceeds from issuance of bonds	25,020,308	-
Proceeds from sales tax for construction	1,076,438	1,142,345
Interest paid	<u>(2,144,375)</u>	<u>(1,820,797)</u>
Net cash provided (used) by capital and related financing activities	<u>15,712,398</u>	<u>(9,572,727)</u>
 Cash flows from investing activities:		
Interest received	<u>1,048,013</u>	<u>373,590</u>
Net cash provided by investing activities	<u>1,048,013</u>	<u>373,590</u>
 Increase (decrease) in cash	24,477,341	(2,429,904)
 Cash on hand and in bank, beginning of year	<u>31,246,921</u>	<u>33,676,825</u>
 Cash on hand and in bank, end of year	<u>\$ 55,724,262</u>	<u>31,246,921</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Cash Flows, Continued

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of income from operations to cash provided by operating activities:		
Income from operations	\$ 3,291,183	2,604,240
Adjustments to reconcile income from operations to cash provided by operating activities:		
Depreciation	4,390,553	4,123,875
Other income	29,657	12,679
Decrease in accounts receivable	53,872	151,550
Increase in materials and supplies	(45,412)	(8,022)
Decrease in accounts payable and accrued expenses	(21,835)	(138,245)
Decrease (increase) in other assets	<u>(3,298)</u>	<u>5,851</u>
Total adjustments	<u>4,403,537</u>	<u>4,147,688</u>
Net cash provided by operating activities	<u>\$ 7,694,720</u>	<u>6,751,928</u>
Detail of cash on hand and in banks:		
Operating and depreciation funds	\$ 19,132,199	12,344,979
Restricted funds:		
Construction funds	33,306,485	19,164,392
Bond funds	<u>3,285,578</u>	<u>2,167,454</u>
Total restricted funds	<u>36,592,063</u>	<u>21,331,846</u>
	<u>\$ 55,724,262</u>	<u>33,676,825</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements

June 30, 2019 and 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

The Russellville Water and Sewer System (the System) is owned by the City of Russellville and is leased to City Corporation, a nonprofit corporation formed for the purpose of operating the System. The term of the lease is for five years with provision for an annual extension of one year. For years beginning in 2012, the Board of Directors of City Corporation and the Russellville City Council have agreed that each body will adopt a resolution agreeing to the annual lease extension and each body did so for the fiscal year beginning July 1, 2019.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(c) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost and include interest on funds borrowed to finance the construction of major capital additions. Depreciation of the cost of property, plant, and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred.

(d) Income Taxes

City Corporation, the lessee of the Water and Sewer System, is exempt from income taxes under IRS Code Section 501(c)(4). The annual report filed by City Corporation in the years ended June 30, 2017, 2018, and 2019 is subject to review by the Internal Revenue Service.

(e) Regulatory Environment

Any rate increase must be authorized by the City Corporation Board of Directors and approved by the Russellville City Council. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act, and the Arkansas Department of Health. The quality of water emitted from the pollution control facility is regulated by the Environmental Protection Agency, the Arkansas Department of Environmental Quality and the Arkansas Department of Health.

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(f) Advances for Construction and Contributions in Aid of Construction

Advances for construction are balances of contracts entered into between customers and the Water and Sewer System. Certain amounts are refundable to the customer during the term of the contract. As these contracts expire, the amount not refunded is recorded as a contribution in aid of construction which is a part of the equity of the Water and Sewer System.

The value of water and sewer extensions constructed by developers and customers for which the Water and Sewer System assumes the ownership of and responsibility for is recorded as a contribution in aid of construction.

(g) Cash

For the purpose of the statements of cash flows, the Water and Sewer System considers cash to be cash on hand and in banks.

(h) Accounts Receivable

Accounts receivable arise from the sale of water, providing waste water services and billing for sanitation services for the City of Russellville. An estimate is made of uncollectible accounts based on age analysis of accounts and results of collection efforts. Accounts deemed as uncollectible after collection efforts and the offset of any customer deposits are charged to the allowance for uncollectible accounts.

(2) **PROPERTY, PLANT, AND EQUIPMENT**

The components of property, plant, and equipment as of June 30, 2019 and 2018, are as follows:

	2019	2018	Average Useful Life in Years
Land	1,216,434	1,216,434	-
Buildings	8,202,181	8,140,358	10-40
Equipment	5,874,540	4,425,765	7-10
Transportation equipment	1,437,690	949,971	3-10
Water system	75,107,198	68,530,625	20-50
Sewer system	81,364,583	71,579,667	25-50
Construction work in progress	8,794,008	9,383,723	-
	183,063,371	164,226,543	
Less accumulated depreciation	(60,498,549)	51,837,696	
	122,564,822	112,388,847	

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(3) EMPLOYEE RETIREMENT PLAN

City Corporation has a noncontributory defined contribution employee benefit plan covering substantially all employees. Contributions to the plan are determined solely at the discretion of the Board of Directors of City Corporation. During 2019 and 2018, the Water and Sewer System contributed \$261,157 and \$279,859, respectively, to the plan.

(4) NONCASH TRANSACTIONS

The Water and Sewer System received non cash contributions in the form of completed water and sewer extensions in 2018 in the amount of \$3,800,105.

(5) OPERATING EXPENSE REIMBURSEMENT

The Water and Sewer System is reimbursed for direct operating, maintenance, and replacement costs connected with the operation of a sewage pretreatment facility as set forth in an agreement between ConAgra and the City of Russellville. Reimbursement amounted to \$1,312,994 in 2019 and \$1,263,238 in 2018.

(6) OPERATING REVENUES

Details of water sales and sewer service included in operating revenues in the accompanying statements of operations are as follows:

	<u>2019</u>	<u>2018</u>
Water sales:		
Residential	\$ 2,851,228	2,592,354
Commercial	994,157	913,928
Industrial	1,562,504	1,221,572
Public authorities	342,246	339,619
Municipal / wholesale	<u>870,807</u>	<u>706,441</u>
	<u>\$ 6,620,944</u>	<u>5,773,914</u>
Sewer service:		
Customer billing	8,049,564	6,292,770
ConAgra contract	<u>1,312,994</u>	<u>1,182,037</u>
	<u>\$ 9,362,558</u>	<u>7,474,807</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

(7) CITY OF RUSSELLVILLE, ARKANSAS WATER AND SEWER REVENUE BOND

At June 30, 2019, the City of Russellville, Arkansas was obligated on a water and sewer revenue bond (revenue bond) in the original amount of \$48,015,000 to fund all or part of the construction cost of certain improvements and betterments to the water and sewer facilities of the City of Russellville (the project). The bond is payable in semi-annual installments of interest and annual installments of principal with the final installment due July 1, 2041. Interest ranges from 2% to 5%. At June 30, 2019 and 2018, the unpaid principal was \$44,250,000 and \$45,505,000, respectively. The Water and Sewer System is required to transfer \$281,023 each month to the Water and Sewer Bond Fund. The City is also obligated to maintain rates charged for services for the System in order that net revenue of the System (excluding depreciation, interest, and amortization) will always be at least 110% of the maximum annual debt service on the bond and any other bonds that might be issued.

The revenue bond described above was issued in July, 2015 at a premium of \$817,743 which was net of underwriter discount of \$432,135 and bond issuance cost of \$140,585. The net bond premium will be amortized over the life of the revenue bond using the interest method. At June 30, 2019 and 2018, the unamortized premium was \$632,701 and \$671,098 and the premium amortization for 2019 and 2018 was \$38,397 and \$38,397. A summary of the principal maturities and interest requirements for the five years succeeding June 30, 2019 is shown below:

<u>Year ending June 30</u>	<u>Principal Maturity</u>	<u>Interest Requirement</u>	<u>Total</u>
2020	\$ 1,285,000	1,781,219	3,066,219
2021	1,335,000	1,733,494	3,068,494
2022	1,375,000	1,681,094	3,056,094
2023	1,445,000	1,610,594	3,055,594
2024	1,515,000	1,536,594	3,051,594

During the construction period of the water and wastewater projects funded by the revenue bond, interest expense, net of interest income accrued on project funds, is capitalized. Interest expense capitalized in 2019 and 2018 was \$35,209 and \$64,430, respectively.

At June 30, 2019, the City of Russellville, Arkansas was obligated on a water and sewer revenue bond (revenue bond) in the original amount of \$24,535,000 to fund all or part of the construction cost of certain improvements and betterments to the water and sewer facilities of the city of Russellville of principal with the final installment due July 1, 2045. Interest ranges from 3% to 5%. At June 30, 2019, the unpaid principal was \$24,535,000. The Water and Sewer system is required to transfer \$257,857 each month to the Water and Sewer Bond Fund. The city is also obligated to maintain rates charged for services for this system in order that net revenue of the system (excluding depreciation, interest, and amortization) will always be at least 110% of the maximum annual debt service or the bond and any other bonds that might be issued.

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

The revenue bond, described above was issued in August, 2018 at a premium of \$490,665 which net of underwriter discount of \$294,420 and bond issuance cost of \$100,835. The net bond premium will be the unamortized over the life of the revenue bond using the interest method. At June 30, 2019, the unamortized premium was \$454,518 and the premium amortization for 2019 was \$36,147. A summary of the principal maturities and interest requirements for the five years succeeding June 30, 2019 is shown below:

<u>Year ending June 30</u>	<u>Principal Maturity</u>	<u>Interest Requirement</u>	<u>Total</u>
2020	\$ 570,000	951,056	1,521,056
2021	595,000	927,256	1,522,256
2022	620,000	896,256	1,516,256
2023	650,000	863,756	1,513,756
2024	680,000	843,356	1,523,356

During the construction period of the water and wastewater projects funded by the revenue bond, interest expense, net of interest income accrued on project funds, is capitalized. Interest expense capitalized in 2019 was \$13,035.

(8) CONCENTRATION OF CREDIT RISK

The Water and Sewer System maintains certain of its cash accounts in financial institutions in which the balances of these accounts exceed the amount insured by the Federal Deposit Insurance Corporation. At June 30, 2019, the financial institutions have pledged securities to provide protection for any amounts not covered by deposit insurance.

(9) WATER SUPPLY AGREEMENT

City Corporation and the Tri County Water Distribution District (the District) entered into a water supply agreement dated May 29, 2007, whereby City Corporation agreed to sell water to the District at an annually adjustable rate based on treatment and other costs as defined in the agreement. The amount to be made available to the District is 2 million gallons per day with a 4% increase per year up to a maximum of 4.5 million gallons per day. The contract is for a 30 year period beginning May 29, 2007. Water sales to the District during the years ended June 30, 2019 and 2018 amounted to \$785,584 and \$723,204 respectively. Sales for 2019 and 2018 include billing for the contractual rate increases effective January 1, 2018 and January 1, 2019, respectively.

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Contained

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October ___, 2019, which is the date the financial statements were available to be issued.

(11) SALES TAX COLLECTIONS

In 2013, the citizens of the City of Russellville voted to extend a city sales tax that was expiring at the end of 2013 with the proceeds of the extended tax to be dedicated to certain uses. Part of the proceeds of the tax is to be used for improvement to the water and sewer system. During the years ended June 30, 2019 and 2018, \$1,076,438 and \$1,142,345, respectively, contribution to the net position of the was paid to the System and is reported in the accompanying financial statements as a contribution to the net position of the System.

THIS PAGE IS INTENTIONALLY LEFT BLANK

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Net Position

June 30, 2019

	Water	Sewer	Combined
Assets:			
Cash	\$ 19,132,099	100	19,132,199
Restricted cash	36,088,310	503,753	36,592,063
Total cash	<u>55,220,409</u>	<u>503,853</u>	<u>55,724,262</u>
Accounts receivable	924,450	337,422	1,261,872
Materials and supplies	393,239	34,545	427,784
Property, plant and equipment	90,325,822	92,737,549	183,063,371
Accumulated depreciation	<u>(32,978,364)</u>	<u>(27,520,185)</u>	<u>(60,498,549)</u>
Net property, plant and equipment	<u>57,347,458</u>	<u>65,217,364</u>	<u>122,564,822</u>
Other assets	<u>30,982</u>	<u>36,932</u>	<u>67,914</u>
Total assets	<u>113,916,538</u>	<u>66,130,116</u>	<u>180,046,654</u>
Liabilities:			
Accounts payable	316,511	-	316,511
Other payables	206,313	128,946	335,259
Customer deposits	701,799	-	701,799
Accrued interest	1,387,538	-	1,387,538
Long-term liabilities:			
Due within one year	1,855,000	-	1,855,000
Due in more than one year	66,930,000	-	66,930,000
Unamortized premiums on bonds	<u>1,081,861</u>	<u>-</u>	<u>1,081,861</u>
Total liabilities	<u>72,479,022</u>	<u>128,946</u>	<u>72,607,968</u>
Net assets:			
Net invested in capital assets	(13,906,941)	65,217,364	51,310,423
Restricted for construction and debt service	37,904,667	-	37,904,667
Unrestricted	<u>17,439,790</u>	<u>783,806</u>	<u>18,223,596</u>
Total net position	<u>\$ 41,437,516</u>	<u>66,001,170</u>	<u>107,438,686</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Net Position

June 30, 2018

	Water	Sewer	Combined
Assets:			
Cash	\$16,235,877	100	16,235,977
Restricted cash	14,518,344	492,600	15,010,944
Total cash	<u>30,754,221</u>	<u>492,700</u>	<u>31,246,921</u>
Accounts receivable, net	1,030,272	285,472	1,315,744
Materials and supplies	350,006	32,367	382,373
Property, plant and equipment	86,425,442	85,868,598	172,294,040
Accumulated depreciation	<u>(30,736,113)</u>	<u>(25,435,874)</u>	<u>(56,171,987)</u>
Net property, plant and equipment	<u>55,689,329</u>	<u>60,432,724</u>	<u>116,122,053</u>
Other assets	<u>37,385</u>	<u>27,231</u>	<u>64,616</u>
Total assets	<u>87,861,213</u>	<u>61,270,494</u>	<u>149,131,707</u>
Liabilities:			
Accounts payable	311,083	-	311,083
Other payables	243,714	165,410	409,124
Accrued interest payable	916,009	-	916,009
Customer deposits	679,589	-	679,589
Long-term liabilities:		-	
Due within one year	1,255,000	-	1,255,000
Due in more than one year	44,250,000	-	44,250,000
Unamortized premium on bonds	<u>671,098</u>	-	<u>671,098</u>
Total liabilities	<u>48,326,493</u>	<u>165,410</u>	<u>48,491,903</u>
Net assets:			
Net investment in capital assets	8,597,222	60,432,724	69,029,946
Restricted for construction and debt service	15,224,716	-	15,224,716
Unrestricted	<u>15,712,782</u>	<u>672,360</u>	<u>16,385,142</u>
Total net position	<u>\$39,534,720</u>	<u>61,105,084</u>	<u>100,639,804</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Revenues and Expenses

Year ended June 30, 2019

	Water	Sewer	Conagra	Combined
Operating revenues:				
Water sales	\$ 6,620,944	-	-	6,620,944
Sewer service	-	8,049,564	1,312,994	9,362,558
Connection fees and other revenue	397,329	31,185	-	428,514
Total operating revenues	7,018,273	8,080,749	1,312,994	16,412,016
Operating expenses:				
Depreciation and amortization	2,275,165	2,137,486	-	4,412,651
Salaries	1,645,876	1,075,988	348,668	3,070,532
Employee benefits	470,492	314,822	101,686	887,000
Materials and supplies	186,851	109,133	34,417	330,401
Maintenance - outside services	828,697	262,290	393,017	1,484,004
Office supplies and postage	29,391	21,962	1,003	52,356
Communication services	124,899	82,733	7,605	215,237
Transportation costs	87,558	72,630	5,017	165,205
Professional fees	113,257	220,438	3,176	336,871
Training	32,136	24,859	2,597	59,592
Computer	57,685	41,817	4,059	103,561
Lab and treatment	281,392	290,378	341,315	913,085
Insurance	70,793	45,824	11,436	128,053
Bad debts	12,171	-	-	12,171
Power purchased	317,569	421,502	58,406	797,477
Miscellaneous	113,058	38,987	592	152,637
Total operating expenses	6,646,990	5,160,849	1,312,994	13,120,833
Income from operations	371,283	2,919,900	-	3,291,183
Non-operating revenue:				
Interest income	626,994	421,019	-	1,048,013
Other	29,657	-	-	29,657
Total non-operating revenue	656,651	421,019	-	1,077,670
Non-operating expenses:				
Interest expense	1,469,653	1,023,964	-	2,493,617
Total non-operating expense	1,469,653	1,023,964	-	2,493,617
Net income (loss)	\$ (441,719)	2,316,955	-	1,875,236

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Revenues and Expenses

Year ended June 30, 2018

	Water	Sewer	Conagra	Combined
Operating revenues:				
Water sales	\$ 6,290,279	-	-	6,290,279
Sewer service	-	7,172,618	1,263,238	8,435,856
Connection fees and other revenue	475,753	15,991	-	491,744
Total operating revenues	<u>6,766,032</u>	<u>7,188,609</u>	<u>1,263,238</u>	<u>15,217,879</u>
Operating expenses:				
Depreciation and amortization	2,207,354	2,126,936	-	4,334,290
Salaries	1,470,950	1,024,231	386,125	2,881,306
Employee benefits	428,459	305,028	112,921	846,408
Materials and supplies	180,838	104,163	53,126	338,127
Maintenance - outside services	758,344	299,444	302,352	1,360,140
Office supplies and postage	30,385	20,964	1,051	52,400
Communication services	129,519	89,953	6,388	225,860
Transportation costs	80,844	86,495	4,371	171,710
Professional fees	105,710	201,053	1,185	307,948
Training	12,358	10,833	1,552	24,743
Computer	74,363	54,911	4,228	133,502
Lab and treatment	260,478	244,430	319,104	824,012
Insurance	76,675	40,825	10,150	127,650
Bad debts	9,747	-	-	9,747
Power purchased	373,365	399,024	60,604	832,993
Miscellaneous	109,967	32,755	81	142,803
Total operating expenses	<u>6,309,356</u>	<u>5,041,045</u>	<u>1,263,238</u>	<u>12,613,639</u>
Income from operations	<u>456,676</u>	<u>2,147,564</u>	<u>-</u>	<u>2,604,240</u>
Non-operating revenue:				
Interest income	222,210	151,380	-	373,590
Other	28,740	-	-	28,740
Total non-operating revenue	<u>250,950</u>	<u>151,380</u>	<u>-</u>	<u>402,330</u>
Non-operating expenses:				
Interest expense	1,047,599	688,018	-	1,735,617
Total non-operating expense	<u>1,047,599</u>	<u>688,018</u>	<u>-</u>	<u>1,735,617</u>
Net income (loss)	<u>\$ (339,973)</u>	<u>1,610,926</u>	<u>-</u>	<u>1,270,953</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

RUSSELLVILLE WATER AND SEWER SYSTEM
Combining Statement of Functional Operating Expenses

Year ended June 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating expenses:			
Supply	\$ 347,796	-	347,796
Pumping	461,374	285,670	747,044
Treatment	1,144,467	2,180,342	3,324,809
Transmission and distribution	154,123	-	154,123
Maintenance	788,357	-	788,357
Collection	-	595,933	595,933
Customer account	513,444	307,865	821,309
Administrative and general	962,264	890,380	1,852,644
Pretreatment	-	76,167	76,167
Depreciation	<u>2,275,165</u>	<u>2,137,486</u>	<u>4,412,651</u>
Total operating expenses	<u>\$ 6,646,990</u>	<u>6,473,843</u>	<u>13,120,833</u>
Depreciation by certain departments:			
Distribution Mains - 500 system	78,037	-	78,037
Huckleberry Impoundment	384,306	-	384,306
Water Treatment Plant	297,494	-	297,494
Weir Road Tank	38,664	-	38,664
Other System Assets	<u>1,476,664</u>	<u>2,137,486</u>	<u>3,614,150</u>
	<u>\$ 2,275,165</u>	<u>2,137,486</u>	<u>4,412,651</u>
Total water metered for sale:	2,072,383,000		

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Functional Operating Expenses

Year ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Combined</u>
Operating expenses:			
Supply	\$ 442,034	-	442,034
Pumping	414,809	242,183	656,992
Treatment	1,075,678	2,181,261	3,256,939
Transmission and distribution	144,253	-	144,253
Maintenance	679,953	-	679,953
Collection	-	553,645	553,645
Customer account	500,221	275,425	775,646
Administrative and general	845,054	823,351	1,668,405
Pretreatment	-	101,482	101,482
Depreciation and amortization	<u>2,207,354</u>	<u>2,126,936</u>	<u>4,334,290</u>
Total operating expenses	<u>\$ 6,309,356</u>	<u>6,304,283</u>	<u>12,613,639</u>
Depreciation by certain departments:			
Distribution Mains - 500 system	\$ 78,037	-	78,037
Huckleberry Impoundment	384,306	-	384,306
Water Treatment Plant	297,829	-	297,829
Weir Road Tank	38,664	-	38,664
Other System Assets	<u>1,408,518</u>	<u>2,126,936</u>	<u>3,535,454</u>
Total depreciation	<u>\$ 2,207,354</u>	<u>2,126,936</u>	<u>4,334,290</u>
Total water metered for sale:		2,132,678,000 gallons	

RUSSELLVILLE WATER AND SEWER SYSTEM

Required Disclosures for 2015 and 2018 Water and Sewer Bonds

Water use (in thousands of gallons):

<u>Year Ended June 30</u>	<u>Average Daily Use</u>	<u>Maximum Daily Use</u>	<u>Annual Water Use</u>
2015	6,702	9,305	2,447,318
2016	6,913	10,601	2,530,893
2017	6,706	9,157	2,448,969
2018	7,189	10,292	2,625,379
2019	7,104	10,503	2,537,424

Average water users by category:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Wholesale</u>	<u>Public</u>	<u>Municipal</u>	<u>Total</u>
2015	10,302	1,540	45	1	47	3	11,938
2016	10,155	1,530	43	1	47	3	11,779
2017	10,384	1,546	43	1	47	3	12,024
2018	10,447	1,548	43	1	47	2	12,088
2019	10,545	1,547	43	1	49	2	12,187

Average sewer users by category:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public</u>	<u>Total</u>
2015	9,388	1,280	38	43	10,749
2016	9,241	1,277	37	42	10,597
2017	9,459	1,285	37	42	10,823
2018	9,516	1,285	37	42	10,880
2019	9,610	1,287	37	42	10,976

The five largest users of the System for fiscal 2019 were:

1. Tri-County Water Distribution District
2. ConAgra Foods
3. Dover Water and Sewer
4. Tyson
5. Arkansas Tech University

Tri-County Water Distribution District and ConAgra Foods each accounted for 5% or more of the System's annual revenue in 2019.

EXHIBIT B

Russellville Water and Sewer System
Financial Information

	(Unaudited) Eleven Months <u>Ended May 31, 2020</u>	(Unaudited) Eleven Months <u>Ended May 31, 2019</u>
Operating Revenues:		
Water Sales:		
Residential	\$ 2,658,567.53	2,602,200.12
Commercial	902,125.00	908,135.66
Industrial	1,420,535.25	1,425,771.41
Public Authority	310,610.40	317,702.53
Municipal	61,290.92	53,966.87
Wholesale	894,559.37	718,182.95
Total water sales	<u>6,247,688.47</u>	<u>6,025,959.54</u>
Wastewater Services:		
Sewer Customer Billings	7,332,334.95	7,224,850.79
Sewer Surcharge	139,613.65	139,128.30
Grinder Pump Fees	13,127.50	30,951.29
Conagra Wastewater Reimbursement	1,190,913.09	1,205,812.10
Total wastewater services	<u>8,675,989.19</u>	<u>8,600,742.48</u>
Other Revenue	<u>1,265,632.61</u>	<u>1,447,689.94</u>
	<u>16,189,310.27</u>	<u>16,074,391.96</u>
Operating Expenses:		
Supply cost	87,863.25	189,909.38
Pumping Cost	577,016.26	680,502.47
Treatment Cost	2,370,929.33	2,161,875.46
Transmission and Distribution	759,355.96	636,693.45
Maintenance	687,978.14	663,115.18
Customer Service	753,772.52	703,873.66
Administration Cost	1,872,135.82	1,631,044.18
Pretreatment Cost	72,706.80	70,756.00
Bond Interest Cost	2,481,027.12	2,384,879.94
Congra Wastewater Cost	1,190,913.09	1,205,812.10
Depreciation	4,093,129.92	3,957,995.32
	<u>14,946,828.21</u>	<u>14,286,457.14</u>
Net income	<u>\$ 1,242,482.06</u>	<u>1,787,934.82</u>