New Issue
Book - Entry Only

Rating: (BAM Insured) S&P: "AA/Stable"*

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

$11,900,000
SALEM WATER USERS ASSOCIATION PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS WATER REVENUE REFUNDING BONDS, SERIES 2021

Dated: Date of Delivery

Due January 1, as shown on the inside front cover

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

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

The Series 2021 Bonds are obligations only of the Authority and are not obligations of the State of Arkansas or any political subdivision thereof. The Authority has no taxing power. The payment of principal of and interest on the Series 2021 Bonds is primarily secured by and payable from a pledge of the Authority's revenues and other resources pursuant to the terms of a Trust Indenture dated as of the dated date of the Series 2021 Bonds, between the Authority and Bank OZK, Little Rock, Arkansas, as Trustee (the "Trustee"). In the Indenture, the Authority grants a lien and security interest in certain of its property as security for the payment of principal of and interest on the Series 2021 Bonds. Such pledge of revenues and lien and security interest are on a parity with pledge, lien, and security interest in favor of the Parity Bonds (as defined herein), as described herein and in the Indenture.

The Series 2021 Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Series 2021 Bonds will be available for purchase in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2021 Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Series 2021 Bonds will be made by the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2021 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2021 Bonds, all as further described herein.

The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2021 Bonds by Build America Mutual Assurance Company. See **BOND INSURANCE** herein.

BAM
BUILD AMERICA MUTUAL

The Series 2021 Bonds are offered when, as and if issued, subject to approval as to the legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. Delivery of the Series 2021 Bonds is expected in New York, New York, on or about December 29, 2021.

Stephens Inc.

Dated: December 13, 2021

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* See **RATING** herein.

$11,900,000
SALEM WATER USERS ASSOCIATION PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS WATER REVENUE REFUNDING BONDS, SERIES 2021

MATURITY SCHEDULE

$6,100,000 Serial Bonds

Year (January 1)	Amount	Rate (%)	Yield (%)	Year (January 1)	Amount	Rate (%)	Yield (%)
2023	$490,000	5.000	0.450	2028	$630,000	5.000	1.250
2024	515,000	5.000	0.600	2029	655,000	3.000	1.450*
2025	545,000	5.000	0.700	2030	680,000	3.000	1.550*
2026	575,000	5.000	0.900	2031	695,000	3.000	1.600*
2027	600,000	5.000	1.050	2032	715,000	3.000	1.650*

$1,500,000 2.000% Term Bonds due January 1, 2034 to Yield 2.000%
$2.370,000 2.000% Term Bonds due January 1, 2037 to Yield 2.200%
$1,930,000 2.125% Term Bonds due January 1, 2040 to Yield 2.350%

* Yield to the first optional redemption date, January 1, 2028.

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

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

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

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

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

Build America Mutual Assurance Company (the "Insurer") makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer and presented under the heading "Bond Insurance" and "Appendix B - Specimen Municipal Bond Insurance Policy".

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$11,900,000
SALEM WATER USERS ASSOCIATION PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS WATER REVENUE REFUNDING BONDS, SERIES 2021

INTRODUCTION

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

This Official Statement is furnished to prospective investors in connection with the sale by the Salem Water Users Association Public Water Authority of the State of Arkansas (the "Authority") of its Water Revenue Refunding Bonds, Series 2021, in the aggregate principal amount of $11,900,000 (the "Series 2021 Bonds"), dated as of the date of delivery thereof. The Series 2021 Bonds mature and bear interest as shown on the inside front cover.

The Series 2021Bonds are being issued to provide funds to be used to current refund the Authority's Water Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds") and the Authority's Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"). See **PURPOSES FOR THE SERIES 2021 BONDS** herein. The Series 2021 Bonds are issued under and are secured by a Trust Indenture dated as of the dated date of the Series 2021 Bonds (the "Indenture"), between the Authority and Bank OZK, as trustee (the "Trustee"). See **THE INDENTURE**.

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

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

The Series 2021 Bonds are payable from, and secured by a pledge of, the Authority's revenues and other resources, including particularly, and without limitation, the revenues derived from the operation of the Authority's water system (the "System"), and a lien on and security interest in certain of its properties. Such pledge of revenues and lien and security interest are on a parity with the pledge, lien, and security interest in favor of the Parity Bonds (as defined in **OUTSTANDING OBLIGATIONS** herein). See **SECURITY FOR THE BONDS** and **THE AUTHORITY**.

The scheduled payment of the principal of and interest on the Series 2021 Bonds when due will be guaranteed under a municipal bond insurance policy (the "Policy" or "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Series 2021 Bonds. A specimen municipal bond insurance policy is attached hereto as Appendix B. It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, will assign a rating of "AA/Stable" to the Series 2021 Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Series 2021 Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **RATING** herein.

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

PURPOSES OF SERIES 2021 BONDS

The Series 2021 Bonds are being issued (i) to current refund the Series 2015 Bonds and the Series 2016 Bonds (collectively, the "Bonds Refunded") (as further described below), (ii) to fund a debt service reserve, and (iii) to pay costs of issuing and insuring the Series 2021 Bonds.

A portion of the proceeds from the sale of the Series 2021 Bonds and other available funds will be deposited with the trustee for the Series 2015 Bonds and used to redeem the Series 2015 Bonds on the date the Series 2021 Bonds are issued, or the earliest practicable date thereafter, at a price of par plus accrued interest.

A portion of the proceeds from the sale of the Series 2021 Bonds and other available funds will be deposited with the trustee for the Series 2016 Bonds and used to redeem the Series 2016 Bonds on the date the Series 2021 Bonds are issued, or the earliest practicable date thereafter, at a price of par plus accrued interest.

The Series 2015 Bonds were issued to current refund the Authority's Water Revenue Bonds, Series 2007 (the "Series 2007 Bonds") and to advance the Authority's Water Revenue Refunding Bonds, Series 2011B (the "Series 2011B Bonds"). The Series 2007 Bonds were issued to finance extensions, betterments, and improvements to the System. The Series 2011B Bonds refunded bonds that financed extensions, betterments and improvements to the System.

The Series 2016 Bonds were issued to advance refund the Authority's Water Revenue Refunding Bonds, Series 2011A (the "Series 2011A Bonds"). The Series 2011A Bonds refunded bonds that financed extensions, betterments and improvements to the System.

The uses of proceeds and funds to accomplish the refunding of the Bonds Refunded are estimated to be as follows:

SOURCES:	
Principal Amount of Series 2021 Bonds	$ 11,900,000
Net Original Issue Premium	582,317
Funds from Bonds Refunded	1,267,364
TOTAL	$ 13,749,681
USES:	
Refunding of Series 2015 Bonds	$ 7,476,747
Refunding of Series 2016 Bonds	5,520,480
Debt Service Reserve	433,006
Costs of Issuance and Bond Insurance Premium	129,048
Underwriter's Discount	190,400
TOTAL	$13,749,681

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

THE SERIES 2021 BONDS

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

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

Each Series 2021 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2021 Bond or Series 2021 Bonds of the same maturity and interest rate, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

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

The person in whose name any Series 2021 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Series 2021 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2021 Bond to the extent of the sum or sums so paid.

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

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

(1) Optional Redemption. The Series 2021 Bonds are callable at the option of the Authority on and after January 1, 2028, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption. If fewer than all of the Series 2021 Bonds shall be called for redemption, the particular maturities of the Series 2021 Bonds to be redeemed shall be selected by the Authority in its discretion. If fewer than all of the Series 2021 Bonds of any one maturity shall be called for redemption, the particular Series 2021 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(2) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2021 Bonds maturing on January 1 in the years 2034, 2037 and 2040 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on January 1 of each year as follows:

Series 2021 Bonds Maturing January 1, 2034

Year	Principal Amounts
2033	$ 740,000
2034 (maturity)	760,000

Series 2021 Bonds Maturing January 1, 2037

Year	Principal Amounts
2035	$ 775,000
2036	790,000
2037 (maturity)	805,000

Series 2021 Bonds Maturing January 1, 2040

Year	Principal Amounts
2038	$ 820,000
2039	835,000
2040 (maturity)	275,000

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

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.

The full impact of COVID-19 on the Authority and its wholesale and retail water customers is not known. The Authority expects that its available funds will be sufficient to fund its essential services and make all debt service payments. There have not been any material decreases in, or delays in collections of, revenues of the Authority derived from the sale of water to retail or wholesale customers. The total number of gallons sold in 2020 exceeds the gallons sold in 2019 (see **THE AUTHORITY, Water Sales** herein). At this time, the Authority does not foresee any future financial difficulties for the Authority or the System as a result of COVID-19.

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SECURITY FOR THE BONDS

The Series 2021 Bonds and any Additional Bonds (as hereinafter defined) issued under the Indenture (collectively, "Bonds") are secured by a pledge of the revenues and other resources of the Authority, including particularly, and without limitation, revenues derived from the operation of the System. The Bonds are further secured by a lien on and security interest in certain of its property and replacements thereof. Such pledge of revenues and lien and security interest in certain of the Authority's property is on a parity with the Parity Bonds. See **THE INDENTURE, Security for the Bonds**. The Authority has no taxing power. The resources of the Authority are limited to the water facilities of the System and the revenues derived from the sale of water produced by said facilities. See **THE AUTHORITY**.

A debt service reserve will be funded with proceeds of the Series 2021 Bonds in an amount equal to one-half of the maximum annual principal and interest requirements for the Series 2021 Bonds. See **THE INDENTURE, Debt Service Reserve Fund**.

The payment of the principal of and interest on the Series 2021 Bonds when due is guaranteed under the Insurance Policy. See **BOND INSURANCE** herein.

Under the Indenture, the Authority covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall produce total revenues in each fiscal year sufficient to (1) pay the Authority's operation, repair and maintenance expenses and (2) leave a balance equal to (i) 110% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity Obligations, and (ii) 100% of the amount required to replenish the Debt Service Reserve Fund to the Required Level. See **THE INDENTURE, Rate Covenant** and **Debt Service Reserve Fund**, herein. The Authority covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant. If the Authority fails to comply with its rate covenant in any fiscal year, it will undertake a study to determine if rate revisions are necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. If revised rates, fees, and charges are necessary, as indicated in the study, such revised rates, fees, and charges shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the Authority complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the total revenues in each of these fiscal years are sufficient to make the payments and deposits provided for in clause (1) above and leave a balance equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds and Parity Obligations. See **THE INDENTURE, Rate Covenant** herein.

The Authority did not meet the rate covenant for the fiscal years ended December 31, 2018 and 2017. Debt service coverage for 2017 was 105% and for 2018 was 99%. Debt service coverage for the fiscal year ended December 31, 2019 was 148% and for the fiscal year ended 2020 was 157%. See **DEBT SERVICE COVERAGE** herein.

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

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

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

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

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

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

(b) to leave a balance equal to not less than 110% of the maximum annual principal and interest requirements during the current or any subsequent fiscal year of the Authority, for (A) the then outstanding Bonds (exclusive of any Bonds to be deemed paid upon delivery of the Additional Bonds), (B) the Additional Bonds then held by the Trustee for Delivery and (C) any then outstanding Parity Obligations (hereinafter defined) (exclusive of any Parity Obligations that are to be refunded upon delivery of the Additional Bonds and for which the holders of the Parity Obligations or their agent must have agreed to releasing the lien on revenues and the mortgaged properties securing the Parity Obligations as a result of the refunding).

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

The term "adjusted gross revenues" means:

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

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

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

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

In order for the Series 2021 Bonds to be issued with a lien and pledge on a parity with the lien and pledge in favor of the Parity Bonds, the Trustee, the Authority, the Arkansas Development Finance Authority and the Arkansas Natural Resources Commission are entering into the Intercreditor Agreement (as hereinafter defined). See **THE INDENTURE, Intercreditor Agreement** herein). The Parity Bonds are the only currently outstanding Parity Obligations. See **OUTSTANDING OBLIGATIONS**.

THE AUTHORITY

Generally. The Authority is a public water authority formed pursuant to Title 4, Chapter 35 of the Arkansas Code of 1987 Annotated and organized for the purpose, generally stated, of acquiring, constructing, equipping and operating improvements for a water storage and distribution system which serves citizens in central Saline County. The Authority also has approximately 100 customers in Pulaski County near the boundary separating Saline County from Pulaski County.

The Authority is governed by a board of directors, which currently has five members. The current board members, their occupations and their term expiration dates are as follows:

Members	Occupation	Term Expires
Dickie Kentner, President	Retired	2024
Jeff Richardson	Banker	2025
Gary Winkler	Retired	2023
Robert Berry	Retired	2024
David Finney	Businessman	2023

The System is operated by Water Users, LLC ("Water Users") pursuant to an Administrative and Maintenance Service Agreement dated May 29, 2002 (the "Operation Agreement"). The Operation Agreement provides that Water Users will provide administrative (billing and collecting) and maintenance responsibilities for the water systems of Water Users' members, which are currently only the Authority and Southwest Water Users Public Water Authority of the State of Arkansas ("Southwest"). The Authority owns a 56% interest in Water Users. The Operation Agreement expires in May 2022, but the Authority anticipates that the Operation Agreement will be extended.

Clarisse Harris is the Executive Director and Manager of Water Users, and she has held that role for 17 years. Water Users currently has 21 employees, and the Authority currently has no employees.

The System. The predecessor to the Authority was the Salem Water Users Association, Inc. (the "Association"). The Association was formed in 1968 as a non-profit corporation to construct a water system to serve the residents of Saline County who did not live within the corporate city limits of the City of Benton ("Benton") or the City of Bryant ("Bryant"). The System was constructed in 1970, and it initially served 530 customers. In 2001, the Association converted into the Authority.

The Authority's primary service area is north of Interstate 30 in Saline County. The Authority's southern border is contiguous with Benton and Bryant. In 1996-97, Benton and Bryant annexed portions of the Authority's service area into their respective territories. To prevent the potential loss of revenue if the cities took over as those customers' water provider in conjunction with the annexation, the Authority filed suit in the United States District Court for the Eastern District of Arkansas against Benton and Bryant.

In order to resolve the litigation, the Authority entered into a settlement agreement with Benton (the "Benton Settlement Agreement") and a settlement agreement with Bryant (the "Bryant Settlement Agreement" and together with the Benton Settlement Agreement, the "Settlement Agreements") in February, 2003, outlining payments the cities make for customers in the Salem Water Service Area now being serviced by the cities. Payments under the agreements totaled $10,083 in 2016, $12,123 in 2017, $12,953 in 2018, $10,176 in 2019, and $14,059 in 2020.

As part of the Benton Settlement Agreement, distinct from the territorial agreements reached therein, the Authority has agreed to purchase water from Benton. Pursuant to the Benton Settlement Agreement, the Authority purchases a minimum of 3,000,000 gallons per day and may purchase a maximum of 12,000,000 gallons per day. The current rate is $2.146 per 1,000 gallons for the 15-25% of the Authority's water that is customarily supplied by Benton. The water sale provisions of the Benton Settlement Agreement were renewed on January 1, 2012 and will expire on December 31, 2023. The parties have as of October, 2021 agreed in principle, not yet formalized by written renewal agreement, to preserve the current water supply provisions for that period pending joint development of a new shared source of water along with six other water supply entities, planned for operation in 2026-2027. A clause in the Benton Settlement Agreement requires negotiation in good faith in calendar year

2022, prior to the separate 21-year term of the compromise territorial provisions, to the end of preserving the balance of interests between rural water authority and the neighboring municipality.

Any potential expiration of the contracts with Benton and Bryant will nonetheless not diminish the Authority's service area protection or otherwise lead to diminishment of customer base, given the protections of Ark. Code 14-208-102. This statute states, in part, "unless otherwise agreed between a municipality that owns or operates a water service and a rural water service, the inclusion by annexation of any part of the assigned service area of a rural water service within the boundaries of any Arkansas municipality shall not in any respect impair or affect the rights of the rural water service to continue operations and extend water service throughout any part of its assigned service area unless a municipality that owns or operates a water service elects to purchase from the rural water service all customers, distribution properties, and facilities located within the municipality…"

In addition, Ark. Code 15-22-223 provides protection of service areas as well. In part, "It is unlawful for a person to provide water or wastewater services to an area where such services are being provided by the current provider that has pledged or utilizes revenue derived from services within the area to repay financial assistance provided by the Arkansas Natural Resources Commission, unless approval for such has been given by the commission and the new provider has received approval under the Arkansas Water Plan…". The Authority has two obligations outstanding to Arkansas Natural Resource Commission. The 2012 Bond matures in 2036 and the 2020 Bond matures in 2054.

Water Source. The Authority currently has two sources of water: Benton and Central Arkansas Water ("CAW"). The Authority receives water from Benton on the terms outlined above. On October 21, 2004, the Authority entered into an agreement (the "CAW Agreement") to purchase surplus water (as defined in the CAW Agreement) from CAW. The CAW Agreement has a term of 20 years with an automatic 10 year renewal periods. Pursuant to the CAW Agreement, the Authority agrees to purchase a minimum of 100,000 gallons of water per day. The maximum that the Authority may purchase is 4,000,000 gallons per day.

The CAW Agreement also establishes service area boundaries between the Authority and CAW, which is the Saline County-Pulaski County line. Unless otherwise agreed, the Authority serves Saline County customers and CAW serves Pulaski County customers. With the agreement of CAW, the Authority has approximately 100 customers in Pulaski County near the Saline County - Pulaski County line. The rate for water purchased from CAW is currently $1.67 per 1,000 gallons.

Other Agreements. The Authority supplies surplus water to Southwest pursuant to an agreement between Southwest and the Authority entered into on April 3, 2008 (the "Southwest Agreement"), which provides that the Authority will make available up to 1,000,000 gallons per day for Southwest to purchase, subject to such water being available after use by the CAW system and the System. The ultimate source for water under the Southwest Agreement is CAW. The Southwest Agreement expires in 2043. The rate under the Southwest Agreement is the price paid by the Authority to CAW for the water purchase, plus $0.25 per 1,000 gallons (currently, the Authority's rate is $1.67 per 1,000 gallons). Pursuant to the Southwest Agreement, the Authority pays a pro rata portion of the debt service on the Southwest Water Users Public Water Authority of the State of Arkansas Water Revenue Refunding Bonds, Series 2021, which refinanced the line necessary to deliver water under the Southwest Agreement.

System Information. The System maintains approximately 326 miles of pipe, ranging in size from two inches to eighteen inches, to transport water to its customers.

The Authority currently has four (4) water storage tanks serving its distribution system plus one under construction. The storage tank locations, capacities and overflow elevations are as follows:

Tank Location	Capacity *(Gallons)*	Overflow *Elevation*	*Type*
Congo Road	500,000	640,000	Standpipe
Longhills Road	500,000	643,000	Standpipe
Mulberry Road	500,000	642,000	Standpipe
Colonel Glenn Road	2,000,000	763,000	Standpipe
Reed Lane*	2,000,000	763,000	Standpipe

*Under Construction

The Congo Road tank is equipped with water level sensors and transmitters that can maintain the tank level by starting and stopping the Authority's pumps at the Benton water treatment plant. The Longhills and Mulberry tanks "float" on the System and have no controls for maintaining water levels. The Colonel Glenn Road tank is filled by gravity flow from the transmission main from CAW's system.

The total storage in the distribution system is 3,500,000 gallons. However, only about one-third of the capacity of the three smaller tanks and one-half of the capacity of the largest tank is "usable" since the water in the lower portions of the tanks is stored at an elevation that is too low to provide adequate pressure. The total "usable" existing water system storage is therefore approximately 1,500,000 gallons. The Reed Lane tank will add 2,000,000 gallons to the storage capacity of the System. The daily average water demand is approximately 2,690,000 gallons per day.

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

Year	Retail Residential	Retail Commercial	Wholesale	Total
2016	6,274	138	1	6,413
2017	6,579	142	1	6,722
2018	6,840	149	1	6,990
2019	7,159	155	1	7,315
2020	7,407	159	1	7,567

The volume of water sold by the Authority to retail customers for the past five calendar years was as follows:

Year	Volume of Water Sold
2016	402,000,000
2017	427,000,000
2018	439,000,000
2019	446,000,000
2020	457,000,000

The average daily water use and the total water use annually in gallons for the past five calendar years are as follows:

Year	Average Daily Water Use in Gallons	Total Water Use for Year in Gallons
2016	1,800,000	652,000,000
2017	2,000,000	664,000,000
2018	2,200,000	762,000,000
2019	2,450,000	779,000,000
2020	2,690,000	781,000,000

Southwest is the System's only wholesale water customer. For 2020, Southwest accounted for approximately 4.5% of the Authority's total water revenues.

The volume of water sold by the Authority to Southwest for the past five calendar years was as follows:

Year	Volume to Southwest
2016	88,000,000
2017	90,000,000
2018	102,000,000
2019	107,000,000
2020	117,000,000

The five largest users of the System for the year ended December 31, 2020 were:

1. Southwest
2. Rivendale Behavioral Hospital
3. Pine Hill Equestrian Center
4. Pine Hill Canine Center
5. HilArk Industrial

The Arkansas Heart Hospital became a customer of the System in 2020 when its facility was completed. Arkansas Heart Hospital is expected to be one of the top five users in 2021.

No user accounted for more than 5% of gross revenues of the System for 2020.

Retail Rates. Current water charges for retail customers are as follows:

Volume	Monthly Charge
First 2,000 gallons	$15.30 (minimum)
All over 2,000 gallons	4.80 per 1,000 gallons

Bills for water service are due on the 15th day of each month. A 10% penalty is added for late payments. Customers not paying their bills in full by the 23rd day of each month are subject to being disconnected from the System.

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

FINANCIAL INFORMATION

Attached hereto as Appendix A are the audited financial statements of the Authority as of December 31, 2020 and 2019, and for the years then ended. The notes set forth in Appendix A are an integral part of the financial statements, and the statements and the notes should be read in their entirety. Below is a summary of financial information of the Authority for the fiscal years ended December 31, 2020 through 2016, based on the Authority's audited financial statements.

	2020	2019	2018	2017	2016
OPERATING REVENUES	$4,639,927	$4,343,063	$3,923,658	$3,780,501	$3,760,718
OPERATING EXPENSES	(2,845,369)	(2,652,606)	(2,795,589)	(2,604,526)	(2,146,277)
OPERATING INCOME (Before Depreciation)	1,794,558	1,690,457	1,128,069	1,175,975	1,614,441
DEPRECIATION	(614,803)	(622,484)	(624,435)	(627,480)	(626,122)
NON-OPERATING REVENUES (EXPENSES)	(555,390)	(616,702)	(599,358)	(624,186)	(723,790)
NET INCOME (LOSS)	$624,365	$451,271	($95,724)	($75,691)	$264,529

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OUTSTANDING OBLIGATIONS

The Series 2021 Bonds are secured by a pledge of the revenues and other resources of the Authority and a lien on and security interest in certain of the Authority's property, which pledge of revenues and lien and security interest are on a parity of security with the pledge in favor of the Parity Bonds. See **SECURITY FOR THE BONDS**. The "Parity Bonds" are the Authority's Water Revenue Bond, dated June 27, 2012 (the "2012 Bond") and the Authority's Water Revenue Bond, dated October 22, 2020 (the "2020 Bond"). The Authority is also obligated to Southwest pursuant to the Southwest Agreement. See **THE AUTHORITY**, The System. The Southwest Agreement debt service is not secured by a pledge of revenues of the System.

The following is the debt service schedule for the Parity Bonds and the Southwest Agreement.

Year	2012 Bond Debt Service	2020 Bond Debt Service*	Southwest Agreement Debt Service	Total
2022	$ 178,098	-	$ 40,415	$ 218,513
2023	178,098	-	39,762	217,860
2024	178,098	$ 207,089	39,109	424,296
2025	178,098	414,178	38,406	630,682
2026	178,098	414,178	38,772	631,048
2027	178,098	414,178	40,116	632,392
2028	178,098	414,178	39,247	631,523
2029	178,098	414,178	39,449	631,725
2030	178,098	414,178	38,457	630,733
2031	178,098	414,178	39,605	631,881
2032	178,098	414,178	39,604	631,880
2033	178,098	414,178	38,493	630,769
2034	178,098	414,178	38,362	630,638
2035	178,098	414,178	39,258	631,534
2036	35,272	414,178	38,999	488,449
2037		414,178	37,558	451,736
2038		414,178	40,396	454,574
2039		414,178	6,688	420,866
2040		414,178		414,178
2041		414,178		414,178
2042		414,178		414,178
2043		414,178		414,178
2044		414,178		414,178
2045		414,178		414,178
2046		414,178		414,178
2047		414,178		414,178
2048		414,178		414,178
2049		414,178		414,178
2050		414,178		414,178
2051		414,178		414,178
2052		414,178		414,178
2053		414,178		414,178
2054		207,061		207,061
TOTAL	$2,528,644	$12,425,312	$672,696	$15,626,652

* Interest only payments are made until April 15, 2024; principal payments commence on October 15, 2024.

DEBT SERVICE SCHEDULE

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

Year (Ending December 31)	Series 2021 Bond Principal	Series 2021 Bond Interest	Total Debt Service
2022		186,303.54	186,303.54
2023	$490,000	356,262.50	846,262.50
2024	515,000	331,137.50	846,137.50
2025	545,000	304,637.50	849,637.50
2026	575,000	276,637.50	851,637.50
2027	600,000	247,262.50	847,262.50
2028	630,000	216,512.50	846,512.50
2029	655,000	190,937.50	845,937.50
2030	680,000	170,912.50	850,912.50
2031	695,000	150,287.50	845,287.50
2032	715,000	129,137.50	844,137.50
2033	740,000	111,012.50	851,012.50
2034	760,000	96,012.50	856,012.50
2035	775,000	80,662.50	855,662.50
2036	790,000	65,012.50	855,012.50
2037	805,000	49,062.50	854,062.50
2038	820,000	32,300.00	852,300.00
2039	835,000	14,715.63	849,715.63
2040	275,000	2,921.88	277,921.88
TOTAL:	$11,900,000	3,011,728.55	14,911,728.55

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Set forth below are the debt service requirements for the Series 2021 Bonds, the Parity Bonds and the Southwest Agreement (See **OUTSTANDING OBLIGATIONS**) during each year ending December 31:

Year (Ending December 31)	Series 2021 Bonds Debt Service	Parity Bond Debt Service	Southwest Agreement Debt Service	Total Debt Service
2022	$ 186,304	$ 178,098	$ 40,415	$ 404,817
2023	846,263	178,098	39,762	1,064,123
2024	846,138	385,187	39,109	1,270,434
2025	849,637	592,276	38,406	1,480,319
2026	851,638	592,276	38,772	1,482,686
2027	847,262	592,276	40,116	1,479,654
2028	846,513	592,276	39,247	1,478,036
2029	845,937	592,276	39,449	1,477,662
2030	850,913	592,276	38,457	1,481,646
2031	845,287	592,276	39,605	1,477,168
2032	844,137	592,276	39,604	1,476,017
2033	851,012	592,276	38,493	1,481,781
2034	856,013	592,276	38,362	1,486,651
2035	855,663	592,276	39,258	1,487,197
2036	855,012	449,450	38,999	1,343,461
2037	854,062	414,178	37,558	1,305,798
2038	852,300	414,178	40,396	1,306,874
2039	849,716	414,178	6,688	1,270,582
2040	277,922	414,178		692,100
2041		414,178		414,178
2042		414,178		414,178
2043		414,178		414,178
2044		414,178		414,178
2045		414,178		414,178
2046		414,178		414,178
2047		414,178		414,178
2048		414,178		414,178
2049		414,178		414,178
2050		414,178		414,178
2051		414,178		414,178
2052		414,178		414,178
2053		414,178		414,178
2054		207,061		207,061
TOTAL	$14,911,729	$ 14,953,956	$672,696	$30,538,381

DEBT SERVICE COVERAGE

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

Gross Operating Revenues[(1)]	$4,639,927
Less: Operation and Maintenance Expenses (Excluding Depreciation)[(1)]	(2,845,369)
Funds Available for Debt Service [(A)]	$1,794,558
Maximum Annual Debt Service Requirements for the Series 2021 Bonds and the Parity Bonds[(B)(2)]	$1,448,289
Coverage [(A/B)]	1.24x
Maximum Annual Debt Service Requirements for the Series 2021 Bonds, the Parity Bonds and the Southwest Agreement [(C)(2)]	$1,487,197
Coverage [(A/C)]	1.21x

[(1)] Based on audited financial statements of the Authority for the fiscal year ended December 31, 2020. See **FINANCIAL INFORMATION** herein and Appendix A attached hereto.
[(2)] Based on a fiscal year ending December 31. See **OUTSTANDING OBLIGATIONS** for a description of the Parity Bonds and **THE AUTHORITY**, The System for a description of the Southwest Agreement.

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SALINE COUNTY, ARKANSAS

Counties Generally. The Authority's service area includes Saline County, Arkansas ("Saline County"), and a small portion of Pulaski County, Arkansas near the boundary line separating the counties. Saline County is located in central Arkansas. The county seat of Saline County is Benton, which is approximately 25 miles southwest of Little Rock, Arkansas.

The municipalities in Saline County and their populations are:

Municipality	2010 Census Population	2020 Estimated Population[1]
Alexander	2,901	3,621
Bauxite	487	555
Benton	30,681	35,014[2]
Bryant	16,688	20,663[2]
Haskell	3,990	4,639
Shannon Hills	3,143	4,087
Traskwood	518	549

Population. Since 1970, the population trend for Saline County, according to the Bureau of Census, is as follows:

Year	Saline County
1970	36,107
1980	53,161
1990	64,183
2000	83,529
2010	107,118
2020	123,416

Transportation. Saline County is served by U.S. Highways No. 67 and 70 and Interstate No. 30. Several motor freight carriers and Union Pacific Railroad make daily shipments from Saline County to major cities across the United States. Saline County is served by the Saline County Airport which has a 5,001 foot lighted runway. The nearest commercial air service is 20 miles away in Little Rock, Arkansas.

Additional Economic Data. Total personal income estimates for Saline County are as follows: [3]

Year	Total Personal Income
2015	$4,494,152,000
2016	4,671,015,000
2017	4,817,560,000
2018	5,005,259,000
2019	5,226,618,000

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[1] Estimate as of July 1.
[2] 2020 census data is currently available for cities with a population greater than 5,000.
[3] Source: U.S. Bureau of Economic Analysis.

Per capita personal income estimates for Saline County are as follows:

Year	Per Capita Personal Income
2015	$38,613
2016	39,701
2017	40,308
2018	41,340
2019	42,688

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

	Annual Average Unemployment Rate (%)	
Year	Saline County	State
2016	3.1	4.0
2017	3.0	3.7
2018	3.0	3.7
2019	2.8	3.5
2020	5.1	6.1
2021*	3.5	4.6

* Estimate as of July, 2021.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Series 2021 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2021 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2021 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2021 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2021 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2021 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2021 Bonds, nor does it guarantee that the rating on the Series 2021 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$504.3 million, \$181.5 million and \$322.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "**BOND INSURANCE**".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2021 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2021 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2021 Bonds, whether at the initial offering or otherwise.

THE INDENTURE

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

Rights of Insurer. Various rights of the Authority and owners of the Series 2021 Bonds are subject to rights and powers granted to the Insurer pursuant to the Indenture.

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

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature now located thereon or therein situated in Saline County, Arkansas and Pulaski County, Arkansas, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining, now owned by the Authority, including, but not limited to, the property described on Exhibit A to the Indenture.

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

(c) All revenues and income received while any Bonds issued under the Indenture are outstanding, including particularly, but without limitation, the income received by the Authority from the water users and all other persons, firms, boards, associations, corporations or organizations of any nature from the sale of water.

(d) All properties of whatever nature included in the water system operated by the Authority.

(e) All moneys in the Bond Fund (hereinafter described), the Debt Service Reserve Fund (hereinafter described) and the Cost of Issuance Fund (hereinafter described) established pursuant to the Indenture and all investments therein and earnings thereon.

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

Rate Covenant. Under the Indenture, the Authority covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Authority which shall produce total revenues in each fiscal year sufficient to (1) pay the Authority's operation, repair and maintenance expenses and (2) leave a balance equal to (i) 110% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity Obligations, and (ii) 100% of the amount required to replenish the Debt Service Reserve Fund (as hereinafter defined) to the Required level (as hereinafter defined). See **THE INDENTURE, Debt Service Reserve Fund** herein. The Authority covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

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

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

Gross Receipts Fund. All revenues and income received by the Authority from any source whatsoever shall be paid upon receipt into a special fund designated "Gross Receipts Fund" (the "Gross Receipts Fund").

Operation and Maintenance Fund. Under the Indenture, there is required to be paid from the Gross Receipts Fund into a fund designated "Operation and Maintenance Fund" (the "Operation and Maintenance Fund") not later than the first business day of each month while any Bonds issued under the Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of the Operation and Maintenance Fund, to pay the reasonable monthly expenses of operation, repair and maintenance (exclusive of depreciation expense and debt service charges and expenses) of the properties of the Authority for such month, and, to the extent determined by the Authority, to pay costs of betterments and improvements to the properties of the Authority, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and the cost of major repair and maintenance expenses and costs of betterments and improvements, may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month. If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the Operation and Maintenance Fund in the next succeeding month. If in any fiscal year, a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the properties of the Authority during the next succeeding four (4) months, such surplus may be transferred and deposited in the Bond Fund.

Bond Fund. (a) Under the Indenture, there is created a special fund designated the "2021 Bond Fund" (the "Bond Fund") for the purpose of paying debt service on all Bonds that may be issued.

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

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

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

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

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

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

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

Debt Service Reserve Fund. The Indenture provides for the establishment of a 2021 Debt Service Reserve Fund (the "Debt Service Reserve Fund") in an amount equal to one-half of the maximum annual debt service requirements on the Bonds; provided, however, such required level shall be reduced to the extent that the deposit into the Debt Service Reserve Fund from the proceeds of a series of Additional Bonds to meet one-half of the maximum annual principal and interest on all outstanding Bonds would exceed 10% of the issue price of such Additional Bonds (the "Required Level"). With respect to the Series 2021 Bonds, the proceeds of the Series 2021 Bonds, in the amount of the Required Level, will be deposited into the Debt Service Reserve Fund.

(a) Upon the issuance of each series of Bonds, there shall be deposited in the Debt Service Reserve Fund the amount necessary to maintain the Debt Service Reserve Fund at the Required Level after issuance of that series of Bonds.

(b) Moneys held for the credit of the Debt Service Reserve Fund shall be used for payment of principal of and interest on Bonds for which Bond Fund moneys are not available and for no other purpose except as specifically permitted herein. Subject to rights of the Insurer, if the amount held in the Debt Service Reserve Fund shall ever be less than the Required Level, the Fund shall be restored in twelve (12) equal monthly installments.

(c) Moneys held for the credit of the Debt Service Reserve Fund which exceed the Required Level shall be withdrawn from the Debt Service Reserve Fund and, except as provided in the Indenture, deposited into the Bond Fund.

(d) With the prior written consent of the Insurer, in lieu of depositing moneys into the Debt Service Reserve Fund, the requirements of this section may be satisfied by depositing with the Trustee a surety bond or debt service reserve insurance policy in the principal amount equal to the requirement, or portion, being satisfied. The surety bond or debt service reserve insurance policy must be issued by an insurance company rated not less than "A" or "A2" by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC ("S&P") or Moody's Investors Service, Inc. ("Moody's") and must provide for payment to the Trustee, upon demand, of all or any part of the principal amount which may be needed for use for any purpose for which the Debt Service Reserve Fund moneys may be used under the Indenture.

Cost of Issuance Fund. The Indenture provides for the establishment of a "Cost of Issuance Fund, Series 2021" (the "Cost of Issuance Fund") into which proceeds of the Series 2021 Bonds will be deposited and used to pay costs of issuing the Series 2021 Bonds and refunding costs. Any amounts remaining in the Cost of Issuance Fund on February 1, 2022 shall be deposited into the Bond Fund.

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

Depreciation Fund. After making the payments and deposits set forth above, there shall be paid from the Gross Receipts Fund into a fund designated "Depreciation Fund", not later than the fifteenth day of each month, the amount required by the resolution authorizing the Series 2020 Bond (3% of System revenues for the prior month with a cap of $900,000) or Arkansas statutes (currently 5% of System revenues for the prior month), whichever is greater. Moneys in the Depreciation Fund may be used for replacements or repairs to the System.

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) "Eligible Investments," include only:

(1) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series); direct obligations of the United States Treasury which have been stripped by the Treasury itself, including CATS and TIGRS; the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and obligations issued by the following agencies which are backed by the full faith and credit of the United States: United States Export-Import Bank, including direct obligations or fully guaranteed certificates of beneficial ownership; Farmers Home Administration, including certificates of beneficial ownership; Federal Financing Bank; General Services Administration, including participation certificates; U.S. Maritime Administration, including guaranteed Title XI financing; and U.S. Department of Housing and Urban Development, including project notes, local authority bonds, new communities debentures, and U.S. public housing notes and bonds (collectively, "Government Securities");

(2) Direct obligations of an agency, instrumentality or government-sponsored enterprise created by act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government;

(3) Money market funds comprised exclusively of Government Securities, investments described in (2) above, or other securities authorized by State law to secure public deposits;

(4) Time or demand deposits or certificates of deposit of banks, including the Trustee, that are members of the Federal Deposit Insurance Corporation and, to the extent not insured by Federal Deposit Insurance Corporation, secured by a valid and enforceable pledge of Government Securities or other securities authorized by State law to secure public funds;

(5) Investment agreements, capital notes, deposits or banking arrangements with banks, trust companies or financial institutions (or holding companies thereof), provided that such obligations shall meet the requirements of all nationally recognized credit rating agencies currently rating the Bonds;

(6) (i) Obligations the interest on which is excluded from gross income of the owner thereof for federal income tax purposes under Section 103(a) of the Code, that are rated in the two highest long-term or short-term rating categories by S&P or Moody's, and are not private activity bonds under the Code; and (ii) United States Treasury-State and Local Government Series, demand deposit securities. If a bond rating agency other than S&P or Moody's is maintaining a rating on the bonds, ratings comparable to those described above shall be required for such obligations; and

(7) Such other investments allowed from time to time by State law for public deposits.

(f) The Trustee shall determine the market value of all investments from funds held by it on June 30 and December 31 of each year and shall report the market value to the Authority.

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

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

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

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

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

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

(e) Declaration of bankruptcy by the Authority;

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

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

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

Acceleration. Upon the occurrence of an event of default, the Trustee, and upon the written request of the holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding under the Indenture (regardless of series) shall, by notice in writing delivered to the Authority, declare the principal of all Bonds secured and then outstanding under the Indenture and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. The Bond Insurer is granted the power to control and direct the enforcement of all rights and remedies with respect to the Bonds. The Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

Remedies.

(a) **Remedies of the Insurer.** Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under the Indenture. No default or event of default may be waived without the Insurer's written consent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intercreditor Agreement. In connection with the issuance of the Series 2021 Bonds, the Trustee will enter into an Intercreditor Agreement dated the date of the Series 2021 Bonds (the "Intercreditor Agreement") with the Authority, the Arkansas Development Finance Authority ("ADFA"), as owner of the Series 2020 Bond and the Arkansas Natural Resources Commission ("ANRC"), as owner of the Series 2012 Bond. Pursuant to the Intercreditor Agreement, ADFA and ANRC will agree to the issuance of the Series 2021 Bonds on a parity of security with the Parity Bonds. **SO LONG AS THE PARITY BONDS ARE OUTSTANDING, THE INTERCREDITOR AGREEMENT WILL GOVERN THE EXERCISE OF ANY REMEDIES UPON THE OCCURRENCE OF AN EVENT OF DEFAULT**. A copy of the Intercreditor Agreement is on file with the Trustee.

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds, or (d) to make any other change determined by the Trustee, in reliance on opinions of counsel and certifications of the Authority, to be not materially adverse to the interests of the Bondholders or which does not involve a change referred to in Section 1202 of the Indenture which requires consent of specific Bondholders. The consent of the Insurer shall be required for supplemental indentures entered into for the purposes contained in (d) above. No consent of the Insurer shall be required for supplemental indentures entered into for the purpose contained in (a), (b), or (c) above.

Supplemental Indentures Requiring Consent of Bondholders. With the consent of the Insurer, the holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding (of all series but not necessarily each series) shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such supplemental indenture or indentures as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that neither the Indenture nor any supplemental indenture shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) the creation of a lien upon the mortgaged properties or a pledge of the revenues pledged to Bonds issued under the Indenture other than the lien and pledge created and authorized by the Indenture or which purports to be on a parity with the lien and pledge created by and authorized by the Indenture other than as authorized by the original indenture, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

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THE CONTINUING DISCLOSURE AGREEMENT

Past Compliance. In the past five years, the Authority has been a party to certain continuing disclosure agreements in connection with its outstanding bonds. Such agreements require the Authority to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The following summarizes a non-exhaustive discussion of the Authority's compliance with its continuing disclosure obligations over the past five years.

Also as part of its annual reports, the Authority has been obligated to file on EMMA audited financial statements of the Authority. If the audited financial statements were not available at the time the annual report was due, the Authority was obligated to file such audited financial statements within a certain amount of time after becoming available.

The audited financial statements of the Authority for the fiscal years ended December 31, 2016 through December 31, 2020 were filed in a timely manner.

The continuing disclosure agreements also obligated the Authority to file a notice of the occurrence of any event listed in Securities and Exchange Commission Rule 15c2-12(b)(5). All required notices were timely filed except for a call notice for redemption of defeased bonds on July 1, 2017.

Summary of 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 the provisions.

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

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

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

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

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

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

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

"Financial Obligation" shall mean a

(A) Debt obligation;

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Reports. (a) The Authority shall, or cause the Dissemination Agent to, not later than 270 days after the end of the Authority's fiscal year (presently December 31), commencing with the report after the fiscal year ending December 31, 2021, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, and to the Insurer an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Each Annual Report may be submitted as a single document or as separate documents comprising a package and may cross reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within sixty (60) days after receipt thereof by the Authority. If the fiscal year of the Authority changes, it shall give notice of such change in the manner as for a Listed Event.

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

(c) If the Trustee is unable to verify that an Annual Report 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 Reports. Each of the Authority's Annual Reports shall contain or incorporate by reference the following:

Information of the type set forth in the Official Statement under the caption **THE AUTHORITY** with respect to (i) the approximate or average number of water users by category for the fiscal year then ended and the four previous fiscal years; (ii) the number of retail customers, as determined by number of meters for the fiscal year then ended and the four previous fiscal years; (iii) the volume of water sold by the Authority to retail customers for the fiscal year then ended and the four previous fiscal years; (iv) average daily water use in gallons and total annual water use in gallons for the fiscal year then ended and the previous four fiscal years; (v) a list of the top five customers of the System and a statement as to which users, if any, accounted for 5% or more of System revenues for the fiscal year then ended; and (vi) the annual audit of the Authority prepared in accordance with Government Auditing Standards issued by the Comptroller General of the United States or applicable State law.

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

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

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

8. Series 2021 Bond calls (excluding mandatory sinking fund redemptions), if material.

9. Defeasances and tender offers.

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

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Authority.

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

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

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

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

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

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the Authority shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent) and to the Insurer. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing and notice thereof need not be given any earlier than the notice for the underlying event is given to registered owners of affected Series 2021 Bonds pursuant to the terms of the Indenture.

Termination of Reporting Obligations. The Authority's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the affected Series 2021 Bonds.

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

Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

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

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

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

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

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

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

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

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

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

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates.

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

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2021 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

TAX EXEMPTION

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

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

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

Prospective purchasers of the Series 2021 Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2021 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2021 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

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

As shown on the inside cover page of this Official Statement, certain of the Series 2021 Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

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

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

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

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

Current or future legislative proposals, if enacted into law, may cause interest on the Series 2021 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2021 Bonds from realizing the full current benefit of the tax status of such interest. On December 20, 2017, Congress passed The Tax Cuts and Jobs Act (the "Tax Legislation"), which, for tax years beginning after December 31, 2017, among other things, significantly changes the income tax rates for individuals and corporations, modifies the current provisions relative to the federal alternative minimum tax on individuals and eliminates the federal alternative minimum tax for corporations. The Tax Legislation or the introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2021 Bonds. Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2021 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

LEGALITY

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

LITIGATION

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

ENFORCEABILITY OF REMEDIES

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

UNDERWRITING

Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Series 2021 Bonds from the Authority at a purchase price of $12,291,917.15 (principal amount less Underwriter's discount of $190,400 plus net original issue premium of $582,317.15). The Underwriter is committed to purchase all of the Series 2021 Bonds if any are purchased.

The Series 2021 Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Series 2021 Bonds to certain dealers (including dealers depositing Series 2021 Bonds into investment accounts) and others at prices lower than the offering price stated on the inside front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

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

RATING

S&P is expected to assign a credit rating of "AA/Stable" to the Series 2021 Bonds with the understanding that the scheduled payment of principal of and interest on the Series 2021 Bonds will be guaranteed under the Policy to be issued by the Insurer.

Any rating issued reflects only the view of the rating agency. Any explanation of the significance of such rating may only be obtained from the rating agency. There is no assurance that such rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Neither the Authority nor the Underwriter undertakes any responsibility either to bring to the attention of the owners of the Series 2021 Bonds downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Series 2021 Bonds.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and/or projections contained in this Official Statement reflect various estimates and assumptions by the Authority concerning anticipated results. No representations or warranties are made by the Authority as to the accuracy of any such statements, assumptions or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events, some of which are not within the control of the Authority. Accordingly, actual results may vary from the projected results, and such variations may be material. When used in this Official Statement, the words "anticipate," "believe," "estimate," "project," "predict," "expect," "intend," and words or phrases of similar import are intended to identify forward-looking statements.

Although the Authority believe that the expectations reflected in such forward-looking statements are reasonable, the Authority cannot give any assurance that such expectations will prove to have been correct. Actual results could differ materially from expectations for other reasons as well. Actual results may vary materially from those described herein as anticipated, believed, estimated, projected, predicted, expected or intended. Forward-looking statements speak only as of the date they are made, and the Authority undertakes no obligations to update such statements in light of new information, future events or otherwise.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2021 Bonds.

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

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

SALEM WATER USERS ASSOCIATION
PUBLIC WATER AUTHORITY
OF THE STATE OF ARKANSAS

By: s/ Dickie Kenter
President

APPENDIX A

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

Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

Salem Water Users Association
Public Water Authority of the State of Arkansas

Financial Statements

For the Years Ended December 31, 2020 and 2019

1106 Military Road • Benton, Arkansas 72015-2909
(501) 778-0495 • (501) 847-2898 • FAX (501) 778-2967

Table of Contents

Management's Discussion and Analysis

This section of Salem Water Users Association Public Water Authority of the State of Arkansas's annual financial report presents an analysis of the Association's financial performance during 2020 and 2019. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights for 2020

- The Association's total operating revenue increased by $296,864 or 7% from $4,343,063 to $4,639,927.
- The Association's net position increased by $733,166 or 13% from $5,696,891 to $6,430,057.

Overview of the Financial Statements

The annual report consists of the management's discussion and analysis and the basic financial statements. The financial statements include notes, which explain in detail some of the information included in the basic financial statements.

Required Financial Statements

The financial statements of the Association report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles generally accepted in the United States. The statements of net position include information on the Association's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Association creditors (liabilities). The statements of revenues, expenses, and changes in net position identify the Association's revenues and expenses for the years ended December 31, 2020 and 2019. This statement provides information on the Association's operations over the past two years and can be used to determine whether the Association has recovered all of its costs through user fees and other charges. The third financial statement is the statements of cash flows. This statement provides information on the Association's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the statements of cash flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance for each of the last two years.

Financial Analysis of the Association

The statements of net position and statements of revenues, expenses, and changes in net position provide an indication of the Association's financial condition. The Association's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition. A summary of the Association's statements of net position and statements of revenues, expenses, and changes in net position are presented below.

Condensed Statements of Net Position

	2020	2019	2018
Capital Assets, Net	$ 18,420,887	$ 17,681,651	$ 17,716,199
Other Assets	4,472,742	4,060,490	4,004,147
Total Assets	$ 22,893,629	$ 21,742,141	$ 21,720,346
Deferred Outflows of Resources	$ 1,200,520	$ 1,247,638	$ 1,293,217
Current Liabilities	$ 1,687,555	$ 1,125,159	$ 1,113,274
Noncurrent Liabilities	15,976,537	16,167,729	16,751,583
Total Liabilities	$ 17,664,092	$ 17,292,888	$ 17,864,857
Net Investment in Capital Assets	$ 3,176,599	$ 2,659,895	$ 2,144,819
Restricted for Debt Service	1,153,028	1,191,418	1,169,845
Unrestricted	2,100,430	1,845,578	1,834,042
Total Net Position	$ 6,430,057	$ 5,696,891	$ 5,148,706

As the above table indicates, total assets increased $1,173,283 or 5% from $21,720,346 to $22,893,629 over the past two years. This was primarily from the increase in capital assets due to property additions totaling $1,941,976 over the past two years. However, total liabilities decreased $200,765 or 1% from $17,864,857 to $17,664,092 over the past two years.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Operating Revenues			
Water Revenue	$ 4,558,966	$ 4,269,772	$ 3,843,442
Other Revenue	80,961	73,291	80,216
Total Operating Revenues	4,639,927	4,343,063	3,923,658
Royalties	14,059	10,176	12,953
Investment Return	64,818	(6,227)	32,525
Total Revenue	4,718,804	4,347,012	3,969,136
Operating Expenses			
Water Purchased	1,585,606	1,406,274	1,649,156
Water System Operations	379,544	462,553	412,888
Water Line Relocations	55,162	28,480	45,524
Billing Services	825,057	755,299	688,021
Depreciation	614,803	622,484	624,435
Total Operating Expenses	3,460,172	3,275,090	3,420,024
Bond Issue Costs	25,000		
Interest	609,267	620,651	644,836
Total Expenses	4,094,439	3,895,741	4,064,860
Net Income (Loss) Before Capital Contributions	624,365	451,271	(95,724)
Capital Contributions	108,801	96,914	91,570
Changes in Net Position	733,166	548,185	(4,154)
Net Position at Beginning of Year	5,696,891	5,148,706	5,152,860
Net Position at End of Year	$ 6,430,057	$ 5,696,891	$ 5,148,706

The statements of revenues, expenses, and changes in net position identify the various revenue and expense items which affect the change in net position. As the table above indicates, the change in net position has increased in two of the past three years.

The Association's water revenue has increased $715,524 or 19% over the past three years from $3,843,442 to $4,558,966. This was primarily from an increase of 9% in the average number of monthly customers billed over the past three years and an increase in the per 1,000 rate charged to customers from $3.75 to $4.50 approved by the Board in January of 2019.

Correspondingly, the total operating expenses increased $40,148 or 1% over the past three years from $3,420,024 to $3,460,172. This was primarily from an increase in billing services of $137,036 or 20% over the past three years from $688,021 to $825,057.

Analysis of Capital Assets and Long-Term Debt

A summary of the Association's capital assets and long-term debt balances are below.

Capital Assets

	2020	2019	2018
Non-Depreciable Assets			
Land	$ 157,311	$ 157,311	$ 40,542
Construction in Process	1,340,816	940,801	566,548
Depreciable Assets			
Distribution System	26,670,804	25,716,780	25,619,866
Office Equipment	19,485	19,485	19,485
Less: Accumulated Depreciation	(9,767,529)	(9,152,726)	(8,530,242)
Total Capital Assets, Net	$ 18,420,887	$ 17,681,651	$ 17,716,199

As presented above in the condensed statements of revenues, expenses and changes in net position, the Association has received capital contributions of $297,285 to the water distribution system over the past three years. Capital contributions consist of the cost of property donated by developers or customers from meter connections and line extensions required for new housing additions. After being connected to the Association's distribution system, ownership and control of this property transfers to the Association.

Additional information on the Association's capital assets is provided in Note 6 of the financial statements.

Long-Term Debt

	2020	2019	2018
Southwest Water Note Payable	$ 504,845	$ 524,098	$ 544,420
ANRC Water Revenue Bonds	2,616,180	2,315,279	2,427,389
Water Revenue Refunding Bonds	13,265,000	13,755,000	14,240,000
Total Long-Term Debt	$ 16,386,025	$ 16,594,377	$ 17,211,809

The Association approved the issuance of $9 million in ANRC Water Revenue Bonds on September 21, 2020. The amount received as of December 31, 2020 was $416,116. The remaining amount is expected to be received in 2021. The funds will be used for the planning, design, construction and/or rehabilitation of the water system.

The Southwest Water note payable will fully mature in 2039. The ANRC water revenue bonds will fully mature in 2036 and 2054. The water revenue refunding bonds will fully mature in 2040. All scheduled debt service payments have been made over the past three years. Additional information on the Association's long-term debt is provided in Note 7 of the financial statements.

Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Salem Water Users Association Public
Water Authority of the State of Arkansas

We have audited the accompanying financial statements of Salem Water Users Association Public Water Authority of the State of Arkansas, which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net positions and cash flows for the years then ended and related notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 of material misstatement.

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

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 positions of Salem Water Users Association Public Water Authority of the State of Arkansas as of December 31, 2020 and 2019, and the changes in its net positions and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

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Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Yoakum, Lovell & Co., PLC
Certified Public Accountants

Benton, Arkansas
June 11, 2021

Salem Water Users Association
Public Water Authority of the State of Arkansas
Statements of Net Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash	$ 1,461,771	$ 1,122,325
Accounts Receivable - Customers	354,788	306,674
Accounts Receivable - Other	31,133	27,074
Accrued Interest Receivable	1,893	2,582
Prepaid Expenses	7,879	9,102
Current Portion of N/R - Water Users, LLC	4,858	10,095
Total Current Assets	1,862,322	1,477,852
Noncurrent Assets		
Restricted Funds	1,954,040	1,970,938
Capital Assets, Net	18,420,887	17,681,651
Utility Deposits	94	94
Investment in Water Users, LLC	361,363	311,213
Notes Receivable - Water Users, LLC	294,923	300,393
Total Noncurrent Assets	21,031,307	20,264,289
Total Assets	$ 22,893,629	$ 21,742,141
Deferred Outflows of Resources		
Deferred Loss from the Early Retirement of Debt	$ 1,200,520	$ 1,247,638
Liabilities		
Current Liabilities		
Accounts Payable	$ 682,178	$ 154,774
Accounts Payable - Water Users, LLC	116,410	98,752
Accrued Interest Payable	245,240	247,166
Current Portion of Long-Term Debt	643,727	624,467
Total Current Liabilities	1,687,555	1,125,159
Noncurrent Liabilities		
Customer Meter Deposits	555,672	532,354
Long-Term Debt, Net	15,420,865	15,635,375
Total Noncurrent Liabilities	15,976,537	16,167,729
Total Liabilities	$ 17,664,092	$ 17,292,888
Net Position		
Net Investment in Capital Assets	3,176,599	2,659,895
Restricted for Debt Service	1,153,028	1,191,418
Unrestricted	2,100,430	1,845,578
Total Net Position	$ 6,430,057	$ 5,696,891

The accompanying notes are an integral part of these financial statements.

Salem Water Users Association
Public Water Authority of the State of Arkansas
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Water Revenue	$ 4,558,966	$ 4,269,772
Penalties	69,100	58,163
Membership Income	10,035	10,815
Miscellaneous	1,826	4,313
Total Operating Revenues	4,639,927	4,343,063
Operating Expenses		
Water Purchased	1,585,606	1,406,274
Billing Services	825,057	755,299
Depreciation	614,803	622,484
Repairs and Maintenance	275,236	331,962
Line Relocations	55,162	28,480
Insurance	14,644	18,852
Professional Fees	64,115	40,795
Engineering	7,534	54,955
Contract Labor	2,500	2,500
Miscellaneous	1,981	1,424
Utilities and Telephone	13,534	12,065
Total Operating Expenses	3,460,172	3,275,090
Operating Income	1,179,755	1,067,973
Nonoperating Revenues (Expenses)		
Royalties	14,059	10,176
Interest Income	14,668	37,749
Change in Unrealized Gains and Losses from Investment in Water Users, LLC	50,150	(43,976)
Bond Issue Costs	(25,000)	
Interest Expense	(609,267)	(620,651)
Total Nonoperating Revenues (Expenses)	(555,390)	(616,702)
Net Income (Loss) Before Capital Contributions	624,365	451,271
Capital Contributions	108,801	96,914
Changes in Net Position	733,166	548,185
Net Position at Beginning of Year	5,696,891	5,148,706
Net Position at End of Year	$ 6,430,057	$ 5,696,891

The accompanying notes are an integral part of these financial statements.

Salem Water Users Association
Public Water Authority of the State of Arkansas
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash Receipts from Customers	$ 4,590,152	$ 4,330,099
Cash Payments for Goods and Services	(2,673,973)	(2,658,256)
Other Cash Receipts (Payments)	1,826	4,313
Net Cash Provided by Operating Activities	1,918,005	1,676,156
Cash Flows from Noncapital Financing Activities		
Cash Received from Royalties	14,059	10,176
Net Cash Provided by Noncapital Financing Activities	14,059	10,176
Cash Flows from Capital and Related Financing Activities		
Purchase of Property and Equipment	(874,573)	(481,471)
Proceeds from the Issuance of Bonds	416,116	
Payment of Bond Issue Costs	(25,000)	
Payments on Long-Term Debt	(624,468)	(617,432)
Interest Paid on Long-Term Debt	(550,973)	(564,418)
Net Cash Used by Capital and Related Financing Activities	(1,658,898)	(1,663,321)
Cash Flows from Investing Activities		
Change in Restricted Funds	40,216	(19,549)
Interest Received	15,357	37,935
Collections on Note Receivable - Water Users, LLC	10,707	8,142
Net Cash Provided by Investing Activities	66,280	26,528
Net Increase in Cash	339,446	49,539
Cash at Beginning of Year	1,122,325	1,072,786
Cash at End of Year	$ 1,461,771	$ 1,122,325

The accompanying notes are an integral part of these financial statements.

Salem Water Users Association
Public Water Authority of the State of Arkansas
Statements of Cash Flows (cont'd)
For the Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 1,179,755	$ 1,067,973
Items Not Requiring Cash:		
Depreciation Expense	614,803	622,484
(Increase) Decrease In:		
Accounts Receivable	(52,173)	(11,693)
Prepaid Expenses	1,223	69
Increase (Decrease) In:		
Accounts Payable	174,397	(2,677)
Net Cash Provided by Operating Activities	$ 1,918,005	$ 1,676,156

Supplemental Disclosures of Cash Flow Information:

	2020	2019
Noncash Capital and Related Financing Activities		
In-Kind Donation of Property	$ 108,801	$ 96,914
Noncash Investing Activities		
Change in Unrealized Gains and Losses from Investment in Water Users, LLC	50,150	(43,976)
Total Noncash Activities	$ 158,951	$ 52,938

The accompanying notes are an integral part of these financial statements.

Note 1: Summary of Significant Accounting Policies

A. **Organization** – On June 18, 1968 Salem Water Users Association, Inc. (the Association) was incorporated as a nonprofit organization to provide water service to members located in rural Saline County, Arkansas. On December 3, 2001, pursuant to Arkansas Act 115 of 2001, the Association converted to a public water authority under the legal name of "Salem Water Users Association Public Water Authority of the State of Arkansas." The primary sources of operating revenues are charges from the sale of water and related services to its members. The primary operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

B. **Basis of Presentation** – The financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

C. **Basis of Accounting** – The financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. **Cash** – Cash consists of all cash on hand, deposited in the bank, or deposited in certificates of deposit.

E. **Accounts Receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There were no accounts considered uncollectible at December 31, 2020 and 2019.

F. **Capital Assets** – Capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair value at the time of the donation. Depreciation is calculated on the straight-line method utilizing a useful life of 30-40 years for the building and distribution system and 5-10 years for equipment.

Maintenance and repairs are charged to expense as incurred. The cost of additions, renewals and betterments are capitalized.

G. **Capital Contributions** – Capital contributions consist of the cost of property donated by developers or customers from meter connections and line extensions required for new housing additions. After being connected to the Association's distribution system, ownership and control of this property transfers to the Association.

H. **Capitalized Interest** – Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

I. **Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1: **Summary of Significant Accounting Policies (cont'd)**

J. **Net Position** – The Association must report its net position as either restricted, unrestricted, or net investment in capital assets. These components of net position are defined below:

Net Investment in Capital Assets – This component of net position consists of the historical costs of capital assets, less accumulated depreciation, and less any debt that remains outstanding that was used to finance those assets, plus deferred outflows of resources, less deferred inflows of resources related to those assets.

Restricted – This component of net position consists of constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of the remaining balance in net position that does not meet the definition of restricted or net investment in capital assets.

K. **Income Taxes** – The Association was exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code as a nonprofit organization. As a public water authority the Association will also be exempt from income taxes. Therefore, no income tax provisions have been made.

Note 2: **Restricted Funds**

These funds consist of cash and money market balances or certificates of deposit. The following is a summary of the restricted funds at December 31:

	2020	2019
Meter Deposits Held in Trust	$ 555,772	$ 532,354
Reserve Funds	112,000	112,000
Bond Funds	783,568	823,884
Debt Service Reserve Funds	502,700	502,700
Total Restricted Funds	$ 1,954,040	$ 1,970,938

Restricted funds are amounts set aside to meet certain requirements. These requirements are as follows:

Meter Deposits Held In Trust – Customers' meter deposits must be available to refund to any customer who leaves the Association.

Reserve Funds – Under the terms of the debt covenants, the Association is required to set aside amounts for the purpose of paying the cost of repairing or replacing any damage to the distribution system which may be caused by any unforeseen catastrophe, for making extension or improvements to the distribution system as needed, and when necessary for the purpose of making debt service payments. The Association must obtain written approval from its creditors before any of the funds can be released.

Bond Funds – These funds are restricted for payment of the principal and interest of the bonds. The Association is required on the fifteenth business day of each month to deposit one-sixth of the next installment of interest and one-twelfth of the next installment of principal on the outstanding bonds into these funds.

Debt Service Reserve Funds – These funds are restricted for payment of the principal and interest on the bonds when the bond funds are no longer available. The Association is required to maintain a debt service reserve equal to one-half of the maximum annual principal and interest on the bonds.

Note 3: Related Party Transactions

The Association has a 56% interest in Water Users, LLC. This investment is carried at cost using the equity method. The subsidiary performs various management functions for the Association and other local water providers. The Association incurred the following amounts to Water Users, LLC, before customer reimbursements, during the years ended December 31, 2020 and 2019:

	2020	2019
Billing Services	$ 825,057	$ 755,299
Line Service, Maintenance, and Construction	648,649	556,101
Service Charges	52,380	65,384
	$ 1,526,086	$ 1,376,784

Accounts payable due to Water Users, LLC, at December 31, 2020 and 2019, were $116,410 and $98,752, respectively.

In 2012, the Association sold property to Water Users, LLC for $369,262. The Association agreed to finance the purchase through a mortgage with monthly installments of $2,000, including interest at 4.8%, secured by the property sold, with all remaining principal and interest due on March 1, 2022. In 2020, both parties agreed to a decrease in the monthly installments to $1,000 and a decrease in the interest rate to 2.4%. The balance of the note receivable due from Water Users, LLC was $299,781 and $310,488 at December 31, 2020 and 2019, respectively.

Note 4: Water Rate Contract

The Association has a contract with the City of Benton, one of its wholesale water suppliers, to purchase water at a rate of $2.416 per thousand gallons through December 31, 2023.

Note 5: Royalties

As part of the lawsuit settlement with the cities of Benton and Bryant, the Association will receive royalty income for the Association's rights to customers that were in dispute. Under these terms, the Association waives any rights to service those customers for which such royalties have been paid.

Note 6: Capital Assets

The following is a schedule of capital assets at December 31, 2020 and 2019:

	12/31/19	Additions	Deletions	12/31/20
Land and Building	$ 157,311	$	$	$ 157,311
Distribution System	25,716,780	954,024		26,670,804
Office Equipment	19,485			19,485
Construction in Process	940,801	1,245,238	845,223	1,340,816
Total Capital Assets	26,834,377	2,199,262	845,223	28,188,416
Less: Accumulated Depreciation	9,152,726	614,803		9,767,529
Net Capital Assets	$17,681,651	$ 1,584,459	$ 845,223	$18,420,887

	12/31/18	Additions	Deletions	12/31/19
Land and Building	$ 40,542	$ 116,769	$	$ 157,311
Distribution System	25,619,866	96,914		25,716,780
Office Equipment	19,485			19,485
Construction in Process	566,548	374,253		940,801
Total Capital Assets	26,246,441	587,936		26,834,377
Less: Accumulated Depreciation	8,530,242	622,484		9,152,726
Net Capital Assets	$17,716,199	$ (34,548)	$	$17,681,651

Note 7: Long-Term Debt

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

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20	Current Maturities
SW Water Note Payable	$ 524,098	$	$ 19,253	$ 504,845	$ 20,322
ANRC Revenue Bonds	2,315,279	416,116	115,215	2,616,180	118,405
Refunding Bonds	13,755,000		490,000	13,265,000	505,000
	$16,594,377	$ 416,116	$ 624,468	$16,386,025	$ 643,727

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Current Maturities
SW Water Note Payable	$ 544,420	$	$ 20,322	$ 524,098	$ 19,252
ANRC Revenue Bond	2,427,389		112,110	2,315,279	115,215
Refunding Bonds	14,240,000		485,000	13,755,000	490,000
	$17,211,809	$	$ 617,432	$16,594,377	$ 624,467

	2020	2019
Note payable to Southwest Water, maturing annually on the first day of July, through July 2039; interest due semi-annually on the first day of January and July at rates ranging from 1.200% to 5.250%; secured by property, equipment, and all revenues received	$ 504,845	$ 524,098
Arkansas Natural Resources Commission 2012 water revenue bond, due in semi-annual installments of $89,049 on the first day of June and December, through June 2036, including interest at 4.75%, then changing to 2.75% in 2018, secured by property, equipment, and all revenues received	2,200,064	2,315,279
Series 2015 water revenue refunding bonds; maturing annually on the first day of January, through January 2040; interest due semi-annually on the first day of January and July at rates ranging from 2.00% to 4.00%; secured by property, equipment, and all revenues received	7,535,000	7,730,000
Series 2016 water revenue refunding bonds; maturing annually on the first day of January, through January 2035; interest due semi-annually on the first day of January and July at rates ranging from 2.00% to 3.90%; secured by property, equipment, and all revenues received	5,730,000	6,025,000
Arkansas Natural Resources Commission 2020 water revenue bonds ($9 million approved, but only $416,116 received as of 12/31/20), due in semi-annual installments of $207,089 beginning on October 15, 2024, through April 15, 2054, including interest at 2.25%, secured by property, equipment, and all revenues received	416,116	
Total Long-Term Debt	16,386,025	16,594,377
Less: Bond Discounts, Net	321,433	334,535
Long-Term Debt, Net of Bond Discounts	16,064,592	16,259,842
Less: Current Maturities	643,727	624,467
Long-Term Debt, Net of Current Maturities	$15,420,865	$15,635,375

Note 7: Long-Term Debt (cont'd)

Bond Discounts – The Series 2015 and 2016 water revenue refunding bonds were issued at a discount of $224,099, and $147,254, respectively. Based on the effective interest rate, the interest method of amortization was used to amortize these discounts. The amount amortized in 2020 and 2019 was $13,101 and $12,678, respectively. The amortization is included in interest expense on the statement of revenues, expenses, and changes in net position.

The following is a schedule of the future maturities of long-term debt and interest as of December 31, 2020:

Year	Principal	Interest	Total
2021	$ 643,727	$ 538,070	$ 1,181,797
2022	664,144	518,846	1,182,990
2023	682,513	498,999	1,181,512
2024	806,816	516,221	1,323,037
2025	939,797	463,375	1,403,172
2026-2030	4,040,657	1,940,209	5,980,866
2031-2035	4,630,201	1,230,663	5,860,864
2036-2040	3,978,170	354,356	4,332,526
	$16,386,025	$ 6,060,739	$22,446,764

Note 8: Deferred Loss from the Early Retirement of Debt

The Association issued the Series 2015 water revenue refunding bonds to finance the current refunding of the Series 2007 water revenue bonds and advance refunding of the Series 2011B water revenue refunding bonds. The difference between the book value of the refunded debt and the amount required to retire the debt created an economic loss of $953,284. The Association issued the Series 2016 water revenue refunding bonds to finance the advance refunding of the Series 2011A water revenue refunding bonds. The difference between the book value of the refunded debt and the amount required to retire the debt created an economic loss of $426,670. These losses were deferred over the life of the refunded debt using the interest method of amortization, based on the effective interest rate. The amount amortized in 2020 and 2019 was $47,119 and $45,579, respectively. The amortization is included in interest expense on the statement of revenues, expenses, and changes in net position.

Note 9: Concentration of Credit Risk

The Association maintains a significant portion of its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 or by the Securities Investor Protection Corporation up to $500,000. The Association had no uninsured cash balances at December 31, 2020 and 2019.

Note 10: Subsequent Events

Subsequent events were evaluated through June 11, 2021, which is the date the financial statements were available to be issued.

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)