

**NEW ISSUE  
(BOOK-ENTRY ONLY)**

*In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes; (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (iii) the Bonds have been designated by the Issuer as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended; (iv) interest on the Bonds is exempt from State of Arkansas income tax; and (v) the Bonds are not subject to property taxes in the State of Arkansas (see **LEGAL MATTERS**, Legal Opinion).*

**\$4,980,000  
CITY OF SHERWOOD, ARKANSAS  
CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS  
SERIES 2021**

**Dated:** Date of Delivery

**Due:** March 1, as shown on the inside front cover

The City of Sherwood, Arkansas Capital Improvement Refunding Revenue Bonds, Series 2021 are referred to as the “Bonds.” The Bonds are limited obligations of the City of Sherwood, Arkansas (the “City”) payable solely from the revenues received by the City from all franchise fees collected from public utilities for the privilege of using the City’s streets, highways, rights-of-way, and other public places in the City pursuant to the authority contained in Arkansas Code Annotated Title 14, Chapter 200 and Arkansas Code Annotated Title 23, Chapter 19, Subchapter 200, or successor statutes, specifically including, but not limited to, all interest, profits, or other income derived from the investment of any moneys held in, or required to be paid into, the funds and accounts established under a Trust Indenture (the “Indenture”) dated August 5, 2021, between the City and Bank OZK as Trustee (the “Pledged Revenues”).

The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in the denominations of \$5,000 or any integral multiple thereof. Individual purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates.

Interest is payable March 1, 2022, and semiannually thereafter on each September 1 and March 1. The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or an integral multiple thereof. Principal is payable at the corporate trust office of Bank OZK, Little Rock, Arkansas, the trustee, bond registrar, and paying agent (the “Trustee”). So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein.

Interest is payable by check or draft drawn on the Trustee and mailed to the registered owners as of the Record Date (herein defined) on each interest payment date or, solely at the option of the Trustee, by wire fund transfer upon the terms and conditions of the Trustee.

The Bonds are subject to optional redemption prior to maturity as described herein.

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality by Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel for the City, and to certain other conditions. Certain legal matters will be passed upon for the City by its counsel, Stephen Cobb, Esq. It is expected that the Bonds will be available for delivery in New York, New York, on or about August 5, 2021.

**Stephens Inc.**  
Investment Bankers

Dated: July 6, 2021

**MATURITY SCHEDULE**  
**for**  
**\$4,980,000**  
**CITY OF SHERWOOD, ARKANSAS**  
**CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS**  
**SERIES 2021**

<b><u>Maturity</u></b> <b><u>(March 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate (%)</u></b>	<b><u>Yield (%)</u></b>	<b><u>CUSIP*</u></b>
2022	\$260,000	2.000%	0.450%	82436C AP0
2023	395,000	2.000%	0.600%	82436C AQ8
2024	400,000	2.000%	0.750%	82436C AR6
2025	415,000	2.000%	0.950%	82436C AS4
2026	415,000	2.000%	1.150%	82436C AT2
2027	420,000	1.125%	1.250%	82436C AU9
2028	430,000	1.250%	1.350%	82436C AV7
2029	430,000	1.450%	1.520%	82436C AW5
2030	445,000	1.600%	1.650%	82436C AX3
2031	445,000	1.750%	1.750%	82436C AY1
2032	455,000	1.750%	1.850%	82436C AZ8
2033	470,000	1.875%	1.900%	82436C BA2

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No dealer, broker, salesman, or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any offer, solicitation, or sale of the Bonds by or to any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The information set forth herein under the captions “DESCRIPTION OF THE CITY OF SHERWOOD,” “DEBT STRUCTURE,” and “FINANCIAL INFORMATION” has been furnished by the City, except where otherwise noted. All other information set forth herein has been obtained from the City or from sources other than the City that are believed to be reliable, but the adequacy, accuracy, or completeness of such information is not guaranteed by, and it is not to be construed as a representation by, the City, the Underwriter, or Bond Counsel. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the matters described herein since the date hereof or that the information herein is correct as of any time subsequent to its date.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**CITY OF SHERWOOD, ARKANSAS**

**City Council**

Virginia Hillman Young, Mayor  
April Broderick  
Charles Harmon  
Mary Jo Heye-Townsell  
Kevin Lilly  
Beverly Williams  
Marina Brooks  
Tim McMinn  
Mike Sanders

**City Clerk-Treasurer**

Angela Nicholson

**City Attorney**

Stephen Cobb

**Accountants**

Arkansas Legislative Audit

**Bond Counsel**

Wright, Lindsey & Jennings LLP  
Little Rock, Arkansas

**Underwriter**

Stephens Inc.  
Little Rock, Arkansas

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## SUMMARY OF THE OFFICIAL STATEMENT

This summary is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the Cover Page.

**Purpose of Official Statement.** This Official Statement is provided to furnish certain information in connection with the issuance by the City of Sherwood, Arkansas (the “City”) of its \$4,980,000 Capital Improvement Refunding Revenue Bonds, Series 2021, dated the date of delivery (the “Bonds”).

**The City.** The City is a city of the first class duly established and existing under the Constitution and laws of the State of Arkansas. See **DESCRIPTION OF THE CITY OF SHERWOOD**, herein.

**Purpose.** The Bonds are being issued to finance the cost of (i) currently refunding the City’s outstanding Capital Improvement Revenue Refunding Bonds, Series 2016 in the original aggregate principal amount of \$6,150,000 (the “Bonds to be Refunded”) and (ii) paying the costs associated with the issuance of the Bonds. See **DESCRIPTION OF THE REFUNDING**, herein.

**Security and Source of Payment.** The Bonds will be limited obligations of the City, payable solely from the revenues received by the City from all franchise fees collected from public utilities for the privilege of using the City’s streets, highways, rights-of-way, and other public places in the City pursuant to the authority contained in Arkansas Code Annotated Title 14, Chapter 200 and Arkansas Code Annotated Title 23, Chapter 19, Subchapter 200, or successor statutes, and from funds and moneys pledged to the payment of the Bonds under the Indenture, identified below, (the “Pledged Revenues”). No owner of the Bonds shall ever have the right to compel any exercise of taxing power by the City to pay the Bonds. See **BONDS BEING OFFERED – Security and Source of Payment**, herein.

## BONDS BEING OFFERED

**Generally.** The Bonds are issuable in the form and denominations and are in the total principal amount shown on the cover page, and will be dated, mature, and bear interest as set out on the cover page. Bank OZK, Little Rock Arkansas, the trustee, bond registrar, and paying agent (“Trustee”), will maintain books for the registration and transfer of ownership of the Bonds. Interest due on a bond on each interest payment date will be paid to the person in whose name the bond was registered at the end of the fifteenth (15<sup>th</sup>) day of the month (whether or not a business day) next preceding the interest payment date (the “Record Date”), irrespective of any transfer of the bond subsequent to the Record Date and prior to the interest payment date. Payment of interest shall be made by check or draft drawn on the Trustee and mailed to such registered owner at the address shown on the registration books, or, solely at the option of the Trustee, by wire fund transfer upon the terms and conditions of the Trustee. The City has also arranged to make the Bonds eligible for book-entry deposit with The Depository Trust Company (“DTC”), New York, New York. Deposit of the Bonds, or any portion thereof, with DTC shall be at the option of the registered owner and at the expense of the registered owner or the participating securities dealer, as the case may be. See **BOOK-ENTRY ONLY SYSTEM**, herein.

A bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the bond, together with a written instrument of transfer, to the Trustee. The transfer instrument must be signed by the registered owner or the registered owner’s attorney-in-fact or legal representative, and the signature must be guaranteed by a member firm of the National Association of Securities Dealers, a commercial bank, or a trust company. The transfer instrument shall state the name, mailing address, and social security number or federal employer identification number of the transferee. Upon such transfer, the Trustee shall enter the transfer of ownership in the registration books and authenticate and deliver in the name or names of the new registered owner or owners a new fully registered bond or bonds of authorized

denominations of the same maturity and interest rate for the aggregate principal amount of the bond transferred.

**Authority.** The Bonds are issued under the authority of the Constitution and laws of the State of Arkansas, including particularly Amendment No. 65 to the Constitution of the State of Arkansas (“Amendment 65” is referred to herein as the “Constitution”), Arkansas Code Annotated Title 14, Chapter 164, Subchapter 4 (the “Act”), and Ordinance No. 2373 duly adopted and approved by the City on June 28, 2021 (the “Authorizing Ordinance”). The Act provides the procedures for the issuance of capital improvement bonds by municipalities and counties in implementation of the Constitutional provisions. The Act authorizes Arkansas municipalities to issue bonds for capital improvements and for refunding outstanding bonds in amounts and for purposes authorized by the Act and the Constitution.

**Terms.** The Bonds will be dated date of delivery, will bear interest at the rates and will mature, subject to the redemption provisions described below, in the amounts and on the dates set forth on the inside front cover page of this Official Statement. Interest will be initially payable on March 1, 2022, and semiannually thereafter on September 1 and March 1 of each year. The Bonds issued by the City pursuant to the Indenture are herein called the “Bonds.”

**Purposes.** The proceeds of the Bonds, together with investment earnings thereon, will be used (i) to finance the cost of currently refunding the Bonds to be Refunded and (ii) to pay the costs of issuance. See **DESCRIPTION OF THE REFUNDING.**

**Sources and Uses of Funds.** The estimated sources and uses of funds for the above purposes are as follows:

**SOURCES OF FUNDS**

Par Amount of Bonds	\$4,980,000.00
Transfers from Prior Issue Debt Service Funds	164,785.05
Net Reoffering Premium	39,558.45
<b>Total Sources</b>	<b>\$5,184,343.50</b>

**USES OF FUNDS**

Deposit to current Bonds to be Refunded Fund	\$5,066,623.75
Costs of Issuance (including Underwriter’s Discount)	117,719.75
<b>Total Uses</b>	<b>\$5,184,343.50</b>

**Security and Source of Payment.** The Bonds are limited obligations of the City, payable from and secured by the Pledged Revenues and the funds and accounts pledged pursuant to the Indenture. The Bonds are not secured by any lien on or security interest in any physical properties.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, BUT ARE LIMITED OBLIGATIONS PAYABLE SOLELY FROM THE REVENUES RECEIVED BY THE CITY FROM ALL FRANCHISE FEES COLLECTED FROM PUBLIC UTILITIES FOR THE PRIVILEGE OF USING THE CITY’S STREETS, HIGHWAYS, RIGHTS-OF-WAY, AND OTHER PUBLIC PLACES AND FROM FUNDS AND MONEYS PLEDGED TO THE PAYMENT OF THE BONDS UNDER THE INDENTURE. NO OWNER OF THE BONDS SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF TAXING POWER BY THE CITY TO PAY THE BONDS.

To the extent permitted by federal or state law, the City agrees to continuously charge franchise fees to all public utilities for the privilege of using the City’s streets, highways, rights-of-way, and other public places pursuant to the authority contained in Arkansas Code Annotated Title 14, Chapter 200 and Arkansas Code Annotated Title 23, Chapter 19, Subchapter 200, or successor statutes, while the Bonds are outstanding.



To the extent permitted by federal or state law, the franchise fees currently charged to public utilities shall never be reduced while the Bonds are outstanding unless the City receives an opinion of a certified public accountant not in the regular employ of the City to the effect that the Pledged Revenues for the preceding fiscal year, assuming such reduction had been in effect for the entire year, would have equaled not less than one hundred thirty percent (130%) of the maximum annual debt service on all outstanding Bonds, additional bonds, or parity bonds as authorized under the Trust Indenture.

Pledged Revenues shall be deposited upon receipt by the City, into the City's Revenue Fund, created by the Indenture (the "Revenue Fund"). There shall be transferred from the Revenue Fund into a special fund of the City created by the Indenture in the Trustee (the "Bond Fund") the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the Bonds, as due. There shall be paid to the Trustee for deposit into the Bond Fund, on or before the twenty-fifth (25<sup>th</sup>) day of each month, commencing in September, 2021, a sum equal to one-sixth (1/6) of the next installment of interest plus one-twelfth (1/12) of the next installment of principal on all Bonds then outstanding due at maturity, with Trustee's fees and expenses, as the same next become due, and any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Internal Revenue Code of 1986, or amended (the "Code") with such pro-rata amounts adjusted for the initial installments. Amounts deposited in the Bond Fund shall be used solely for the payment of principal of and interest on the Bonds, fees of the Trustee, and costs of redemption either at maturity or at redemption prior to maturity, in accordance with the provisions of the Indenture.

All moneys held for credit of the Bond Fund or the Revenue Fund shall either be insured by the Federal Deposit Insurance Corporation or secured by direct or fully guaranteed obligations of the United States of America or other investments as may be permitted by the laws of the State of Arkansas. Collections of Pledged Revenues held in the Revenue Fund not required to be deposited into the Bond Fund pursuant to the Indenture shall be released from the lien of the Indenture and may be used by the City for any lawful purpose. See **APPENDIX A** - Summary of the Trust Indenture.

The proceeds of the Bonds will be applied (i) to currently refund the Bonds to be Refunded; and (ii) to pay the costs of issuing the Bonds.

Interest earned by the investments of the Bond Fund shall be retained in such Fund and used for the same purposes as other moneys in such Fund are authorized to be used.

**Redemption.** The Bonds are subject to optional redemption, as set forth hereinafter.

**Optional Redemption of Bonds.** The Bonds are subject to optional redemption on and after September 1, 2026, prior to maturity in whole or in part, at any time, from any moneys available therefor at a redemption price equal to the principal amount being redeemed, together with accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

**Notice of Redemption.** Notice of redemption identifying the Bonds or portions thereof to be redeemed shall be given by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first-class mail, postage prepaid, to all registered owners of the Bonds to be redeemed at the address shown on the registration books. Failure to mail an appropriate notice or any such notice to one or more registered owners of the Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Bonds as to which notice of redemption is duly given and in proper and timely fashion. All such Bonds thus called for redemption shall cease to bear interest on and after the date fixed for redemption, provided funds for their redemption are on deposit with the Trustee at that time. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its

nominee (or a successor entity) in the book-entry system, the Trustee may give notice of the call for any redemption by any means, including facsimile transmission, acceptable to DTC or its successors.

**Trustee, Bond Registrar, and Paying Agent.** The Trustee, Bank OZK, Little Rock, Arkansas, was designated by the City.

The Trustee will maintain books for the registration and transfer of ownership of the Bonds. The principal of all Bonds, payable either at maturity or upon redemption prior to maturity, shall be paid upon surrender of the Bond at the corporate trust office of the Trustee. Interest shall be paid by check or draft drawn on the Trustee and mailed to each registered owner at the address shown on the registration books, or, or solely at the option of Trustee, by wire fund transfer upon the terms and conditions of the Trustee.

The Trustee may resign by giving not less than sixty (60) days' notice in writing to the City specifying the date when such resignation shall take effect and mailing notice thereof to the registered owners of all Bonds outstanding. Such resignation shall be effective upon the appointment of a successor Trustee by the City and acceptance of appointment by the successor.

The City may at any time, with or without cause, remove the Trustee and appoint a successor. Any successor Trustee shall have capital and surplus of at least \$10,000,000.

**Modification of Terms of Bonds.** The terms of the Bonds, the Authorizing Ordinance, and the Indenture will constitute a contract between the City and the registered owners of the Bonds. The owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then outstanding have the right, from time to time, to consent to the adoption by the City of ordinances modifying any of the terms or provisions contained in the Bonds, the Authorizing Ordinance, or the Indenture; provided, however, there shall not be permitted (a) extension of the fixed maturity of any Bond, or reduction of the principal amount of redemption price thereof, or reduction of the rate or extension of the time of payment of interest thereon; (b) reduction of the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Indenture; or (c) modification of any of the rights or obligations of the Trustee.

**Defeasance.** When all of the Bonds shall have been paid or deemed paid, the pledge in favor of the Bonds (see, **Security and Source of Payment**, supra) shall be discharged and satisfied. A Bond shall be deemed paid when there shall have been deposited in trust with the Trustee, as escrow agent under an escrow deposit agreement requiring the escrow agent to apply the proceeds of the deposit to pay the principal of and interest on the Bonds as due at maturity or upon redemption prior to maturity, moneys or Government Obligations sufficient to pay when due the principal of and interest on the Bond. If the principal of the Bonds is to become due by redemption prior to maturity, notice of such redemption must have been duly given or provided for. "Government Obligations" shall mean direct or fully guaranteed obligations of the United States of America, non-callable, maturing on or prior to the maturity or redemption date of the Bond. In determining the sufficiency of a deposit there shall be considered the principal amount of such Government Obligations and interest to be earned thereon until their maturity.

**Defaults and Remedies.** The Trustee shall immediately notify the City of each default in the payment of principal of or interest on any Bond and of any other default under the Authorizing Ordinance or the Indenture of which the Trustee has knowledge. Any default in the payment of the principal of or interest on any Bond, and any default in the performance of any other covenant in the Authorizing Ordinance or the Indenture which continues for sixty (60) days after written notice thereof is given to the City by the Trustee shall constitute an event of default.

None of the owners of the Bonds shall have any right in any manner by their action to affect, disturb, or prejudice the security of the Authorizing Ordinance or the Indenture, or to enforce any right thereunder except in the manner provided in the Authorizing Ordinance or the Indenture. All proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Authorizing Ordinance or the Indenture

and for the benefit of all owners of outstanding Bonds. Any individual rights of action are restricted by the Authorizing Ordinance or the Indenture to the rights and remedies therein provided. Nothing shall, however, affect or impair the right of an owner to enforce the payment of the principal of and interest on any Bond at and after maturity thereof.

No delay or omission of any owner of a Bond to exercise any right or power accrued upon any default shall impair any such right or power or be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given to the owners of the Bonds may be exercised from time to time as often as may be deemed expedient.

The owners of not less than fifty percent (50%) in principal amount of the Bonds then outstanding shall have the right, during the continuance of an event of default, to direct the time, method, and place of conducting any proceedings for any remedy of bondholders, and may waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action, or proceeding or before the completion of the enforcement of any other remedy. No such waiver shall extend to or affect any other existing or subsequent default or defaults or impair any rights or remedies consequent thereon.

**Additional Bonds.** No additional bonds may be issued pursuant to the Indenture, or with a prior pledge of the proceeds of the Pledged Revenues, except that additional bonds are authorized to be issued by the City under the Indenture for the purpose of refunding all or a portion of the Bonds. See **APPENDIX A** - Summary of the Indenture – General Provisions for the Issuance of Bonds.

Bonds may also be issued by the City on a parity of security with the Bonds with respect to the Pledged Revenues, provided that Pledged Revenues for the immediately preceding fiscal year exceeds an amount equal to not less than one hundred thirty percent (130%) of the maximum annual principal and interest requirements on all the then outstanding obligations secured by Pledged Revenues and the additional bonds then proposed to be issued.

The City may issue bonds secured by a subordinate lien on Pledged Revenues.

### **BOOK-ENTRY ONLY SYSTEM**

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

DTC, the world’s largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s 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 & Clearing 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” together with Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of AA+. 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](http://www.dtcc.com).

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

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

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

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

*The information above concerning DTC and DTC's Book-Entry Only System has been obtained from sources that the City believes to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Trustee, or the Underwriter. The City, the Trustee, and the Underwriter make no assurances that DTC, Direct Participants, Indirect Participants, or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.*

## DESCRIPTION OF THE REFUNDING

**General.** The Bonds are being issued to finance the cost of (i) currently refunding the City's Capital Improvement Revenue Refunding Bonds, Series 2016 in the original aggregate principal amount of \$6,105,000 (the "Bonds to be Refunded"); and (ii) paying the costs associated with the issuance of the Bonds. The Bonds to be Refunded were issued to finance the costs of (i) currently refunding the Public Facilities Board of the City of Sherwood, Arkansas Capital Improvement Revenue Refunding and Improvement Bonds, Series 2010 (the "Series 2010 Bonds"); (ii) providing for a debt service reserve premium for a reserve policy; and (ii) paying the costs associated with the issuance of the Bonds to be Refunded. The Series 2010 Bonds were issued by the Public Facilities Board of the City of Sherwood, Arkansas, a department and subdivision of the City, (i) to finance the cost of acquiring, constructing, and equipping park and recreational improvements for the City (consisting of golf facilities and other improvements related thereto or in support thereof); (ii) to provide permanent financing for the costs of acquiring, constructing and equipping park and recreational facilities improvements for the City by currently refunding the Public Facilities Board of the City of Sherwood, Arkansas Revenue Note (Recreation Project), Series 2008 (the "Series 2008 Note"), and (iii) to pay the costs of issuing the Series 2010 Bonds. The Series 2008 Note was issued to (i) provide the costs of acquiring, constructing, and equipping the park and recreational improvements for the City consisting of the golf facilities known as the Greens at North Hills; and (ii) pay the costs of issuing the Series 2008 Note.

## DESCRIPTION OF THE CITY OF SHERWOOD

**Location.** The City of Sherwood (the “City”) is organized under the laws of the State of Arkansas as a city of the first class and was chartered in April of 1948. The City is located in the central part of the State, approximately ten (10) miles north-northeast of Little Rock, Arkansas, the capital of Arkansas. The City is located in Pulaski County which is in the geographic center of the State of Arkansas. The City has a population of approximately 31,653. The City is part of the Little Rock Metropolitan Statistical Area, and is served by Arkansas State Highway 107 and U.S. Highways 67/167 connecting with Interstates 440 and 40, which connect to Interstate 30.

**The Population.** According to the U. S. Bureau of Census, the population trends for the City since 2010 are set forth below:

<u>Year</u>	<u>City</u>	<u>Growth (%)</u>
2020	31,653* (Estimate)	0.690%
2019	31,436 (Estimate)	0.918%
2018	31,150 (Estimate)	0.403%
2017	31,025 (Estimate)	0.760%
2016	30,791 (Estimate)	0.786%
2015	30,551 (Estimate)	0.530%
2014	30,390 (Estimate)	0.839%
2013	30,137 (Estimate)	0.675%
2012	29,935 (Estimate)	-0.053%
2011	29,951 (Estimate)	0.869%
2010	29,693 (Census)	N/A

Source: University of Arkansas at Little Rock, Institute for Economic Advancement, citing U.S. Census Bureau, Population Division released May 2020.

\*The 2020 estimate is an evaluation estimate based on 2010 Census data which will help evaluate the accuracy of the estimates.

**Transportation.** The City is served by U.S. Highways 67/167 and Arkansas State Highway 107 connecting with Interstate 430 at its eastern terminus and with Interstate 40 at its western terminus. The City is served by the Union Pacific Railroad. Several motor freight carriers provide service from Sherwood to major cities across the United States.

The City also has access to the Bill and Hillary Clinton National Airport, with major airline and freight service connections to major cities across the United States, and to the Port of Little Rock on the Arkansas River.

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**Government.** The City operates under the Mayor/City Council form of municipal government. It has an eight-member City Council, with the Mayor being elected at large and with two City Council members being elected from each of four wards.

The current members of the City Council of the City are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
April Broderick	Business Owner	12/31/2022
Charles Harmon	Attorney	12/31/2024
Mary Jo Heye-Townsell	Registered Nurse	12/31/2022
Kevin Lilly	AT&T	12/31/2024
Beverly Williams	Retired	12/31/2022
Marina Brooks	Retired	12/31/2024
Tim McMinn	Minister	12/31/2022
Mike Sanders	Information Technology	12/31/2024

The principal executive officers of the City include:

Mayor	Virginia Hillman Young
City Clerk-Treasurer	Angela Nicholson
City Attorney	Stephen Cobb

The Mayor presides at meetings of the City Council, is the ceremonial head of the City government, and is entitled to a vote to affirm measures before the Council in legislative matters. The Mayor also has the power to veto measures adopted by the Council.

The City Clerk is elected at-large and serves a term of four years. The current City Clerk-Treasurer is Angela Nicholson who has held that office since August 27, 2007. The City Attorney is elected at-large and serves a term of four years. The current City Attorney is Stephen Cobb who has held that office since 1999.

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

**Education.** Primary and secondary education for the City’s inhabitants is provided by the Pulaski County Special School District of Pulaski County, Arkansas. As of the Spring of 2021, the enrollment of the Pulaski County Special School District was approximately 11,706 (all the schools in the district). The City is also served directly by nearby Abundant Life School, which had an enrollment in the Fall of 2020 of approximately 260 students (Grades Pre-K-12), as well as other private schools in Pulaski County.

Source: Pulaski County Special School District

([https://core-docs.s3.amazonaws.com/documents/asset/uploaded\\_file/1174267/END\\_of\\_3rd\\_QTR\\_2020-2021-PreK-12.xlsx.pdf](https://core-docs.s3.amazonaws.com/documents/asset/uploaded_file/1174267/END_of_3rd_QTR_2020-2021-PreK-12.xlsx.pdf)); and Abundant Life School Registrar.

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**Economy.** The fourteen (14) largest principal industries, commercial or governmental entities, or other major employers within the boundaries of the City are as follows:

<u>Company</u>	<u>Business or Products</u>	<u>Number of Employees</u>
Walmart, Inc.	Retail department stores	505
Pulaski County Special School District	Elementary and secondary schools	491
TTEC	Customer care center	250
CHI St. Vincent Rehabilitation Hospital	Health care	300
Cardinal Health	Customer care center	250
CHI St. Vincent North	Health care	250
Delta Dental of Arkansas	Dental Insurance	250
Russell Chevrolet	Automotive dealerships	150
Sherwood Nursing & Rehabilitation Center, Inc.	Nursing homes and convalescent centers	130
McDonald's	Restaurants	113
Crain Automotive	Automotive dealerships	110
Kohl's Department Stores, Inc.	Retail department stores	75
Baptist Health	Health care	56
ABC Financial	Software and payment processing	50

Source: City of Sherwood Director of Economic Development.

\*Updated as of June 14, 2021.

**Economic Data.** For comparative purposes the economic data of the Little Rock-North Little Rock-Conway, Arkansas, Metropolitan Statistical Area (the "Little Rock MSA") of which Sherwood is a part, is shown along with economic data for Pulaski County, the State of Arkansas, and, in certain instances, the United States.

**Income.** Recent per capita income figures for the Little Rock MSA and Pulaski County are as follows:

<u>Year</u>	<u>Little Rock MSA</u>	<u>Pulaski County</u>
2009	\$36,631	\$41,099
2010	36,858	40,956
2011	38,214	42,391
2012	40,456	45,580
2013	39,633	43,900
2014	41,135	45,853
2015	42,433	47,537
2016	43,142	48,228
2017	44,042	49,304
2018	45,070	50,248
2019	46,560	51,927

Source: University of Arkansas at Little Rock, Institute for Economic Advancement, citing the Bureau of Economic Analysis, downloaded 5/18/2021.

Note: Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2019 reflect county population estimates available as of March 2020.

Note: Last updated: November 17, 2020-- new statistics for 2019; revised statistics for 2010-2018.



**Employment.** The civilian labor force in the Little Rock MSA, the State of Arkansas, and the United States and its employment have been as follows:

<u>Year</u>	<u>Civilian Labor Force</u> <u>(in thousands)</u>			<u>Number Employed</u> <u>(in thousands)</u>		
	<u>Little Rock</u>	<u>Arkansas</u>	<u>United States</u>	<u>Little Rock</u>	<u>Arkansas</u>	<u>United States</u>
2010	347	1,353	153,889	323	1,247	139,064
2011	348	1,358	153,617	324	1,250	139,869
2012	350	1,349	154,975	327	1,251	142,469
2013	348	1,331	155,389	326	1,237	143,929
2014	346	1,327	155,922	327	1,249	146,305
2015	348	1,339	157,130	333	1,272	148,834
2016	350	1,343	159,187	338	1,290	151,436
2017	354	1,350	160,320	342	1,299	153,337
2018	356	1,352	162,075	344	1,303	155,761
2019	359	1,365	163,539	347	1,317	157,538
2020	354	1,354	160,742	331	1,272	147,795

Source: University of Arkansas at Little Rock, Institute for Economic Advancement, citing the Bureau of Labor Statistics.

The annual average unemployment rates for the Little Rock MSA, the State of Arkansas, and the United States since 2010 are as follows:

<u>Year</u>	<u>Unemployment Rate %</u>		
	<u>Little Rock</u>	<u>Arkansas</u>	<u>United States</u>
2010	6.9	7.9	9.6
2011	6.9	7.9	8.9
2012	6.4	7.3	8.1
2013	6.2	7.1	7.4
2014	5.3	5.9	6.2
2015	4.4	5.0	5.3
2016	3.5	4.0	4.9
2017	3.4	3.7	4.4
2018	3.3	3.7	3.9
2019	3.2	3.5	3.7
2020	6.4	6.1	8.1

Source: University of Arkansas at Little Rock, Institute for Economic Advancement, citing the Bureau of Labor Statistics.

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**Commercial and Residential Construction.** The following table shows new construction in the City, as reflected by building permits issued, at year end:

**Commercial Construction  
and Residential Construction**

<b><u>Year</u></b>	<b><u>Number of Commercial Permits</u></b>	<b><u>Number of Residential Permits</u></b>
2010	8	107
2011	8	84
2012	18	145
2013	26	158
2014	14	148
2015	6	187
2016	10	216
2017	8	258
2018	18	217
2019	12	197
2020	7	249
2021*	2	64

Source: City of Sherwood, Arkansas.

\*Through May 18, 2021.

**Higher Education.** The City is located near a number of educational institutions with instruction in undergraduate, graduate, and professional fields. The following is a list of colleges and universities located within the Little Rock MSA with approximate on-campus enrollments for the 2020 fall academic year:

Arkansas Baptist College	468
Central Baptist College (Conway)	607
Jacksonville-Little Rock Air Force Base University Center	366 <sup>(1)</sup>
Hendrix College (Conway)	1,076
Philander Smith College	804
University of Arkansas - Pulaski Technical College	4,833
University of Arkansas at Little Rock	8,423
University of Arkansas at Little Rock School of Law	470
University of Arkansas Medical Sciences Campus	2,876
University of Central Arkansas (Conway)	10,335
Webster University	130

Source: Arkansas Baptist College Registrar; Central Baptist College Secretary; Jacksonville-Little Rock Air Force Base University Center - DAF Chief, Education & Training; Hendrix College News Center; Philander Smith College Institutional Research & Assessment; University of Arkansas Pulaski Technical College Institutional Reporting & Research; University of Arkansas at Little Rock Institutional Research & Analytics; University of Arkansas at Little Rock School of Law Registrar; University of Arkansas for Medical Sciences Fast Facts dated December 2020; University of Central Arkansas website; and Webster University Admissions Office for campus location in Little Rock, which does not include online enrollment.

<sup>(1)</sup> Includes numbers from Webster University branch located on that campus.

**Medical Facilities.** Hospitals in the cities of Little Rock, North Little Rock, and Conway serve patients from throughout Arkansas and the City. Baptist Medical Center-Little Rock, the area’s largest hospital, has an 827-bed capacity. CHI St. Vincent Infirmiry Medical Center is a 615-bed general hospital. The Arkansas Children’s Hospital is a 336-bed facility that administers acute pediatric care to children up to age 21. The Central Arkansas Veterans Healthcare System includes two hospitals: Eugene J. Towbin Healthcare Center in North Little Rock, which has a 356-bed capacity; and John L. McClellan Memorial Veterans Hospital,

located on the campus of the University of Arkansas for Medical Sciences Medical Center, which has a 195-bed capacity. The Arkansas Heart Hospital is a 110-bed facility specializing in cardiac care. University of Arkansas for Medical Sciences Medical Center has a 450-bed capacity, and the Arkansas State Hospital is a 222-bed psychiatric hospital. Arkansas Surgical Hospital is a 49-bed surgery and general medical care hospital located in North Little Rock. Conway Regional Medical Center is a 150-bed acute care hospital serving Conway, Faulkner County and North Pulaski County. Baptist Health Medical Center-North Little Rock has a 225-bed capacity. Baptist Health Medical Center-Conway has a 111-bed capacity. CHI St. Vincent Medical Center/North is located in Sherwood, and is an 80-bed general care hospital.

Source: Arkansas Department of Health; and Central Arkansas Veterans Healthcare System.

**City Employees.** As of May 18, 2021, the City employment (unaudited) was as follows:

<b>Category</b>	<b>Number of Employees</b>
Administration	11
Animal Services	6
Computer Services	1
District Court	17
Engineering	11
Human Resources	2
Parks and Recreation	86
Police	97
Public Works	35
Senior Citizens Center	4
<b>TOTAL</b>	<b>270</b>

Source: City of Sherwood, Arkansas.

**Port of Little Rock.** The development of the Arkansas River through the McClellan-Kerr Arkansas River Navigation System has resulted in a 448-mile navigation channel with 18 locks and dams from the Mississippi River northwest to a point 15 miles east of Tulsa, Oklahoma. The ability to provide low-cost, bulk transportation has created opportunities for industrial development in the area.

Little Rock is also the location of Foreign Trade Zone #14. The Zone is located in the Little Rock Port Industrial Park and allows imported goods to be stored or processed without payment of customs duty or posting of bond until the goods are moved out of the Zone and into normal domestic commerce.

The facility includes an Industrial Harbor which is 4,500 feet long, 320 feet wide and 15 feet deep. The Harbor is surrounded by 312 acres of new industrial sites and provides an additional two miles of water frontage.

Source: Arkansas Port Authority, Executive Director.

**Bill and Hillary Clinton National Airport.** The Bill and Hillary Clinton National Airport is located within the city limits of Little Rock. It is served by six (6) major airlines. It has three (3) runways and twelve (12) gates (all with jetways). In 2019, the last full year prior to the onset of the COVID-19 pandemic, 2,241,716 passengers traveled through this facility as compared to 2020, when 977,742 passengers traveled through this facility.

Source: Bill and Hillary Clinton National Airport Website: clintonairport.com – Activity Report.

## DEBT STRUCTURE

**Authorized and Outstanding Debt.** Other than the Bonds to be Refunded, the City has three limited tax obligation bond issues outstanding:

- (1) Library Construction Bonds, Series 2015 (the “Series 2015 Bonds”);
- (2) Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 (the “Series 2017 Bonds”); and
- (3) Sales and Use Tax Bonds, Series 2018 (the “Series 2018 Bonds”).

The Series 2015 Bonds were issued in the original aggregate principal amount of \$6,000,000. The proceeds of the Series 2015 Bonds were used to (i) finance the cost of acquiring, constructing, and equipping a new public library in the City and operated by Central Arkansas Library System, and (ii) pay the costs of issuing the Series 2015 Bonds. The Series 2015 Bonds are secured by a dedicated millage in the amount of 1.3 mills annual ad valorem tax levied upon all taxable real and personal property located within the City. The Series 2015 Bonds are scheduled to mature on March 1, 2030. The Series 2017 Bonds were issued in the original aggregate principal amount of \$5,500,000. The proceeds of the Series 2017 Bonds were used to (i) finance various capital improvements to and within the City’s public parks and recreation facilities, including the design and construction of soccer fields, tennis courts, and splash pad and various other improvements; (ii) fund a debt service reserve; and (iii) pay the costs of issuing the Series 2017 Bonds. The Series 2017 Bonds are secured by collections of a two percent (2%) tax levied by the City on gross receipts or gross proceeds from motels, hotels, and restaurants. The Series 2017 Bonds are scheduled to mature on December 1, 2042. The Series 2018 Bonds were issued in the original aggregate principal amount of \$21,875,000. The proceeds of the Series 2018 Bonds were used to (i) finance capital improvements, betterments, and extensions for the City’s street system, including but not limited to, the planning, design, inspection, and management of the construction, reconstruction, equipping, and installation of paving and repairing of streets, sidewalks, curbs, gutters, ditches, drainage facilities, bridges, culverts, pipes, stormwater discharge and detention facilities, and related improvements and the acquisition of necessary rights of way and easements; (ii) fund a debt service reserve; and (iii) pay the costs of issuing the Series 2018 Bonds. The Series 2018 Bonds are secured by collections of a 0.75% sales and use tax levied by the City. The Series 2018 Bonds are scheduled to mature on December 1, 2043.

The Series 2015 Bonds, the Series 2017 Bonds, and the Series 2018 Bonds are not secured by the Pledged Revenues.

**Revenue Bonds.** Other than the Bonds to be Refunded, neither the City nor any City boards or commissions have any authorized, issued, or outstanding revenue bonds or bonds secured by the Pledged Revenues. The following table sets forth for each year the debt service requirements for the Bonds.

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## DEBT SERVICE SCHEDULE

Fiscal Year ending (December 31)	Principal	Interest	Total
2022	\$260,000.00	\$89,308.21	\$349,308.21
2023	395,000.00	76,567.50	471,567.50
2024	400,000.00	68,617.50	468,617.50
2025	415,000.00	60,467.50	475,467.50
2026	415,000.00	52,167.50	467,167.50
2027	420,000.00	45,655.00	465,655.00
2028	430,000.00	40,605.00	470,605.00
2029	430,000.00	34,800.00	464,800.00
2030	445,000.00	28,122.50	473,122.50
2031	445,000.00	20,668.75	465,668.75
2032	455,000.00	12,793.75	467,793.75
2033	470,000.00	4,406.25	474,406.25
<b>Total</b>	<b>\$4,980,000.00</b>	<b>\$534,179.46</b>	<b>\$5,514,179.46</b>

**Defaults.** No general obligation, limited tax obligations, or revenue securities of the City have ever been in default as to principal or interest payments or in any other material respect.

## FINANCIAL INFORMATION

Set forth in Appendix B to this Official Statement are the audited financial statements of the City for the fiscal year ended December 31, 2019. This financial statement should be read in its entirety, together with any notes and supplemental information affixed thereto.

**The City Budget.** The four (4) principal sources of revenue for the City's operating budget are the City's share of the County's sales and use tax and the City's separate sales and use tax, utility franchise taxes, and state turnback funds. The sales tax is levied by Pulaski County and distributed to the governmental entities on a per capita basis.

State tax turnback (intergovernmental revenues) consists of general revenue and gasoline tax revenues and is distributed to Arkansas municipalities on a per capita basis.

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The following table summarizes City revenues and expenditures for general and street funds for the years indicated:

<b>REVENUE</b>	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Actual 2019</b>	<b>Unaudited 2020</b>
State aid	\$2,445,906	\$2,509,918	\$2,555,669	\$2,774,996	\$2,666,877
Federal aid	126,425	43,512	438,122	184,143	1,276,246
Property Taxes	1,248,720	1,327,446	1,341,536	1,388,042	1,421,836
Franchise fees	2,427,538	2,373,690	2,508,800	2,396,177	2,313,771
Sales taxes	11,104,314	11,424,760	12,589,740	16,857,924	19,989,415
Fines, forfeitures & costs	2,104,215	1,076,459	986,717	1,018,530	866,844
Interest	229,336	247,629	336,384	840,671	412,898
Local permits & fees	585,862	631,954	716,631	660,457	662,137
Sanitation fees	2,649,292	2,741,118	2,813,721	2,980,188	3,082,349
Adv.& Promotion Tax	918,605	963,209	1,009,622	1,040,731	1,023,826
Employer pension contrib.	145,368	667,269	245,000	184,938	0
Net +/- fair value invest.	0	527,993	(279,837)	700,899	173,586
911 Fees	177,168	189,085	200,255	280,361	478,559
Parks & Rec Fees	1,150,658	1,162,844	1,264,192	1,254,296	800,664
Donations	60,311	62,478	86,898	107,630	52,595
Other	271,980	223,335	528,772	208,166	296,500
<b>TOTAL REVENUES</b>	<b>\$25,645,698</b>	<b>\$26,172,699</b>	<b>\$27,342,222</b>	<b>\$32,878,149</b>	<b>\$35,518,103</b>
<b>EXPENDITURES</b>					
General government	\$5,298,288	\$4,564,668	\$4,623,743	\$5,833,850	\$5,127,849
Law enforcement	7,959,942	8,533,695	8,281,866	8,878,459	9,082,873
Highways & Streets	3,020,318	3,638,306	2,775,393	3,551,967	3,986,633
Public Safety	1,171,500	1,189,073	1,219,869	1,256,586	1,281,718
Sanitation	2,355,096	2,233,232	2,451,364	2,482,702	3,057,268
Recreation & culture	4,940,115	7,396,235	7,004,794	6,550,894	4,689,474
Social services	463,879	281,184	287,457	322,935	254,495
Bond principal & interest	813,472	1,078,130	1,351,540	4,957,044	5,577,563
Lease principal & interest	452,620	290,707	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$26,475,230</b>	<b>\$29,205,230</b>	<b>\$27,996,026</b>	<b>\$33,834,437</b>	<b>\$33,057,873</b>

- Notes: (1) The amounts shown above were taken from the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual in the City's Regulatory Basis Financial Statements and Other Reports for the 2016, 2017, 2018, and 2019 years.
- (2) The amounts shown above for the 2020 year, were provided by the City as unaudited numbers.
- (3) The amounts shown are in accordance with the City's budget basis of accounting, which differs from generally accepted accounting principles (GAAP) basis. The major differences are recognition of revenue when received as opposed to when measurable (GAAP), recognition of certain transfers between funds.
- (4) Revenues in excess of expenditures are either appropriated for other purposes or accumulated in the fund balance and utilized when expenditures are in excess of revenues to balance the budget.

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**Pledged Revenues.** The Pledged Revenues consist of franchise fees imposed by the City for products and services furnished or rendered by various public utilities within the city limits of the City for the permission to occupy the streets, highways, rights-of-way, or other public ways of the City. The maximum amount of franchise fees that may be charged is the higher of the amount in effect as to a utility on January 1, 1997, or 4.25%, unless agreed to by the affected utility or approved by the voters of the City. Through June 17, 2021, unaudited Pledged Revenues in the amount of \$1,152,167 were collected from the following public utilities:

<b>Public Utility</b>	<b>Levy</b>	<b>Payable</b>
Entergy	4.25%	Quarterly
CenterPoint	4.25%	Monthly
AT&T	\$2.02*	Quarterly
Southwestern Bell Telephone	\$2.02*	Annually
Central Arkansas Water	4.25%	Monthly
North Little Rock Electric	4.25%	Quarterly
Comcast Cable	5%	Quarterly
First Electric	4.25%	Monthly

Source: City of Sherwood, Arkansas.

\*The levy amount is per line.

Set forth below is a table showing the Pledged Revenues of the City for the last five (5) years.

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Unaudited 2020<sup>(1)</sup></b>
Entergy	\$235,090.96	\$230,692.68	\$227,339.92	\$224,684.32	\$240,077.76
CenterPoint	260,468.96	291,600.30	358,400.07	350,964.51	329,575.79
AT&T	204,630.64	154,381.79	131,992.97	128,503.33	122,064.99
Southwestern Bell Telephone	4,512.68	3,516.82	2,846.18	2,339.16	1,967.48
Central Arkansas Water	163,758.42	171,698.66	196,738.21	199,827.94	212,414.33
North Little Rock Electric	556,178.53	596,457.25	625,275.37	601,538.77	562,622.21
Comcast Cable	370,887.74	231,025.69	213,371.05	213,403.01	210,878.96
First Electric	246,229.85	252,650.71	276,056.65	272,718.22	264,772.82
<b>Total</b>	<b>\$2,041,757.78</b>	<b>\$1,932,023.90</b>	<b>\$2,032,020.42</b>	<b>\$1,993,979.26</b>	<b>\$1,944,374.34</b>

Source: City of Sherwood, Arkansas.

Notes: <sup>(1)</sup> The amounts shown above were taken from the City's internal accounting records.

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**Coverage.** Based on an estimated collection of Pledged Revenues in an annual amount equal to the unaudited amount collected in calendar year 2020, the Pledged Revenues will provide coverage in excess of annual principal and interest requirements for the Bonds as shown below. (For information concerning the historical collections of the Pledged Revenues, see **FINANCIAL INFORMATION**-Pledged Revenues, hereinabove).

Estimated Pledged Revenues	\$1,944,374
Maximum Annual Debt Service for Bonds	475,468
Debt Service Coverage	4.09X

## LEGAL MATTERS

**Legal Opinion.** Issuance of the Bonds is subject to receipt of the unqualified approving opinion of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel, and as to certain matters for the City, the approving opinion of Stephen Cobb, City Attorney.

**Tax Exemption.** In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds under existing law is excludable from gross income for federal income tax purposes; (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (iii) interest on the Bonds is exempt from State of Arkansas income tax; and (iv) the Bonds are not subject to property taxes in the State of Arkansas. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage and the use of the proceeds of the Bonds. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

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

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

An exception allows a deduction of eighty percent (80%) of interest expense allocable to “qualified tax-exempt obligations.” Under the Code, the term includes any obligation which (1) is not a “private activity bond” within the meaning of the Code (excluding from that term “qualified 501(c)(3) bonds”), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than \$10,000,000 of tax-exempt obligations (other than private activity bonds (excluding from that term “qualified 501(c)(3) bonds” under Section 145 of the Code)) during the calendar year, and (3) is so designated by the issuer.



The City has designated the Bonds as “qualified tax-exempt obligations” and has covenanted not to use the proceeds of the Bonds in a manner which would cause the Bonds to be “private activity bonds,” and has represented that the City and its subordinate entities have not and do not expect to issue more than \$10,000,000 of such tax-exempt obligations during calendar year 2021.

Prospective purchasers of the Bonds should also be aware that A.C.A. § 26-51-431(b) (Supp. 1995) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas individual income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest “on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law.” On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993 (A.C.A. § 26-51-431(b) and (c) (Supp. 1995)).

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

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

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

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

**Tax Treatment of Original Issue Premium.** As shown on the cover page of this Official Statement, certain of the Bonds are being sold at a premium (the “Premium Bonds”). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on

the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

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

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

**Legal Proceedings.** Upon delivery of the Bonds the City will furnish a certificate to the effect that no litigation, except for that described in the Official Statement, is then pending which would materially affect the validity of or security for the Bonds.

## CONTINUING DISCLOSURE AGREEMENT

During the past five (5) years, the City has been obligated to comply with continuing disclosure agreements involving four (4) bond issues. Such agreements require the City to file annual reports with the trustees, as dissemination agents. The dissemination agents are required to file the annual reports with the Municipal Securities Rulemaking Board ("MSRB") on its Electronic Municipal Market Access system ("EMMA") within various time periods set by those agreements. For all four (4) bond issues, the City was required to provide, within one hundred eighty (180) days of the fiscal year end, an annual report and an audit (within 30 or 60 days of receipt) for the City and was required to furnish to the MSRB notice of significant events, within ten (10) days of the occurrence. While the City has not made any determination as to materiality, the following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations over the past five (5) years.

For the Series 2015 Library Construction Bonds, the City timely filed the annual reports for the 2020, 2019, 2018, 2017, and 2016 fiscal years. Annual audits of the City were timely filed for fiscal years 2019, 2018, 2017, and 2016. The annual audit for fiscal year 2020 is not yet available. Notices of mandatory redemption of Series 2015 Library Construction Bonds from surplus collections were timely filed. Notice of redemptions from surplus collections on the Series 2015 Library Construction Bonds were timely filed.

For the Series 2016 Capital Improvement Revenue Refunding Bonds, the City's continuing disclosure obligations began after the end of the 2016 fiscal year. The City timely filed the annual reports for the 2020, 2019, 2018, 2017, and 2016 fiscal years and the annual audits for the 2019, 2018, 2017, and 2016 fiscal years. The annual audit for fiscal year 2020 is not yet available.

For the Series 2017 Hotel and Restaurant Gross Receipts Tax Bonds, the City untimely filed the annual report eighty-three (83) days late for the 2016 fiscal year. However, the required data was reflected in the official statement for the Series 2017 Hotel and Restaurant Gross Receipts Tax Bonds, which was posted to EMMA on March 7, 2017. The City timely filed the annual reports for the 2020, 2019, 2018, and 2017 fiscal years and the annual audits for the 2019, 2018, 2017, and 2016 fiscal years. The annual audit for fiscal year 2020 is not yet available.

The City timely filed a notice regarding the trustee name change for all three of the above bond issues.

For the Series 2018 Sales and Use Tax Bonds, the City timely filed the annual report for the 2020 and 2019 fiscal years and the annual audit for the 2019 fiscal year. The annual audit for 2020 is not yet available. Notices of extraordinary redemption of bonds from surplus tax receipts were timely filed.

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.

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

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

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

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

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

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

“Listed Events” shall mean any of the events listed hereunder.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than June 30<sup>th</sup> following the end of the City’s fiscal year (presently December 31), commencing with the report after the end of the 2021 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other

information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the City's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

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

(c) If the Dissemination Agent is unable to verify that an Annual Report (containing the information set forth in Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall file a notice with the MSRB and provide a copy to the Trustee (if the Trustee is not the Dissemination Agent).

(d) The Dissemination Agent shall file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing to whom it was provided and provide a copy of that report to the Trustee (if the Trustee is not the Dissemination Agent).

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

1. Pledged Revenues for the latest calendar year and the four (4) previous years, if available from each public utility as well as the current levy amount for each, or information of the type as set forth under **FINANCIAL INFORMATION**-Pledged Revenues, hereinabove; and

2. The annual financial statements of the general fund of the City, which (i) need not be audited in accordance with auditing standards generally accepted in the United States of America, (ii) shall be prepared using accounting principles prescribed by Arkansas Code Annotated Section 10-4-412, as it may be amended from time to time, or any successor statute, and (iii) shall be audited in accordance with, and as required by, State law (the "Financial Statements").

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modification to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership, or similar event of the City.
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a “financial obligation” (as defined below) 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) “Financial Obligation” is defined as a (i) debt obligation; (ii) derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities as to which a final official statement has been filed with the MSRB pursuant to the Rule.

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

(d) After the occurrence of any of the Listed Events (excluding a Listed Event described in (a)(8) above), the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.msrb.emma.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 the City. 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 subsection (a)(8), the City or the Dissemination Agent shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

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

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

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the 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 an obligated person with respect to the Bonds, or the type of business conducted;

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

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

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

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

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

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee, in its capacity as Dissemination Agent, shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement; and the City agrees to indemnify and save the Dissemination Agent and the Trustee (in its capacity as 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 or the Trustee's gross negligence or willful misconduct.

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

## **ENFORCEABILITY OF REMEDIES**

Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance and the Indenture 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 in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond counsel expresses no opinion as to any effect upon any right, title, interest, or relationship created by or arising under the Authorizing Ordinance and the Indenture 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**

Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City and Stephens Inc. as underwriter (the "Underwriter"), the Bonds are being purchased for \$4,957,308.45 (which represents the par amount of the Bonds, plus net premium of \$39,558.45, less an Underwriter's discount of \$62,250.00). The Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering price.

The City has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Bonds, including certain liabilities under federal securities laws.

### 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 City and the purchasers or owners of any of the Bonds.

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

**Infectious Disease Outbreak – COVID-19.** A novel strain of the coronavirus (which leads to the disease known as “COVID-19”), has spread throughout the world and has been declared by the World Health Organization as a pandemic. In March of 2020 President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State of Arkansas (the “State”) signed an Executive Order declaring a state of emergency in the State in response to the COVID-19 pandemic, and implemented various measures to reduce the spread of the virus. The Executive Order expired on May 31, 2021 and Governor Hutchinson has not announced any plan to reinstitute or reissue the Executive Order as of the date of this Official Statement.

To date, the COVID-19 pandemic has not negatively impacted the collection of the Pledged Revenues. The City expects that the collection of the Pledged Revenues will be sufficient to make all debt service payments.

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The execution of this Official Statement has been duly authorized by the City.

CITY OF SHERWOOD, Arkansas

By: /s/Virginia Hillman Young, Mayor  
Virginia Hillman Young, Mayor

Dated: As of the Cover Page hereof.

## APPENDIX A

### **Summary of the Trust Indenture**

The following, in addition to certain other information contained under the caption “Bonds Being Offered” herein, summarizes certain provisions of the Indenture, to which document in its entirety reference is made for the detailed provisions thereof. Capitalized terms not defined herein shall have the definition set forth in the Indenture.

#### **Registration and Exchange**

**Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Bond for cancellation or, if applicable, notation of the new Holder together with the signature of the Trustee or any applicable Transfer Agent on the back of such Bond or on a form of record attached to such Bond for such purpose, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any Bond shall be surrendered for transfer, the Trustee or any Transfer Agent shall authenticate and deliver a new fully registered Bond or Bonds duly executed by the City or, if applicable, shall deliver the same Bond, duly annotated with the new Holder and signed by the Trustee or any applicable Transfer Agent on the back of such Bond or on a form of record attached to such Bond for such purpose, for like aggregate principal amount. The Trustee or any Transfer Agent shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

The City, the Trustee, and any Transfer Agent shall not be required (a) to issue, register the transfer of, or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the date of the mailing of a notice of redemption of Bonds selected for redemption under the Indenture and ending at the close of business on the day of such mailing, or (b) to register the transfer of or exchange any Bond so selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part.

**Exchange of Bonds.** Fully registered Bonds may be exchanged at the principal corporate trust office of the Trustee or of any Transfer Agent for a like aggregate Principal amount of fully registered Bonds of the same maturity of authorized denominations. The Trustee or any Transfer Agent shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No such exchange shall be required to be made subsequent to the Record Date.

**Bond Registration Books.** The Trustee will keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of Bonds, which shall at all times be open to inspection by the City; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer bonds on said books.

#### **Selection of Bonds for Redemption**

If less than all of the Bonds are called for redemption and if the Bonds shall mature on more than one date, the Bonds shall be redeemed from the Outstanding Bonds in inverse order of maturities.

If less than all of the Bonds maturing on any single date are called for redemption, the Trustee shall select the Bonds to be redeemed, from the Outstanding Bonds maturing on that date not previously called for redemption, in such manner as in the Trustee’s sole discretion it shall deem appropriate and fair; provided, however, that subject to other applicable provisions of the Indenture, the portion of any Bond to be redeemed

shall be in a Principal amount equal to a denomination in which Bonds are authorized to be issued. In selecting Bonds for redemption the Trustee shall treat each Bond as representing the number of Bonds which is obtained by dividing the Principal amount of each Bond by the minimum denomination in which such Bonds are authorized to be issued. If part but not all of a Bond shall be selected for redemption, the Holder thereof or the Holder's attorney or legal representative shall present and surrender such Bond to the Trustee for payment of the Principal amount thereof so called for redemption and the redemption premium, if any, on such Principal amount. The City shall execute and the Trustee or any Transfer Agent shall authenticate and deliver to or upon the order of such Holder or the Holder's legal representative, without charge therefor, a Bond or Bonds of the same maturity and bearing interest at the same rate as the Bond so surrendered for the unredeemed portion of the surrendered Bond.

### **Notice and Effect of Redemption**

**Notice of Redemption.** Notice of redemption shall be given by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to the registered owner of such Bond, at the Owner's address as it appears on the bond registration books of the Trustee or at such address as the Owner may have filed with the Trustee for that purpose. If notice is given as stated, failure of any Owner to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds. Each notice of redemption shall identify the Bonds to be redeemed, state the redemption date, the method and place of redemption, and any other information required by the Trust Indenture. Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee (or a successor entity) in the book-entry system, the Trustee may give notice of the call for any redemption by any means, including facsimile transmission, acceptable to DTC or its successors.

With respect to notice of redemption of the Bonds at the option of the City, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice, such notice shall state that such redemption shall be conditional upon receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If such moneys shall not have been so received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

**Partial Redemption of Bonds; Disposition of Redeemed Bonds.** Upon surrender of any Bond redeemed in part only, the City shall duly execute and the Trustee or any Transfer Agent shall authenticate and deliver to the registered owner thereof, at the expense of the City, a new Bond or Bonds of the same maturity and of authorized denominations equal in aggregate Principal amount to the unredeemed portion of the Bond surrendered.

**Effect of Redemption.** If notice of redemption has been duly given as described above, and moneys for payment of the Redemption Price, together with interest to the redemption date on the Bonds so called for redemption, are held by the Trustee, then such Bonds shall, on the redemption date designated in such notice, become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date; and from and after the date so designated, interest on the Bonds so called for redemption shall cease to accrue.

### **Revenue Fund**

The Indenture creates and establishes a revenue fund (the "Revenue Fund"), to be held by the City

and retain all proceeds of the Pledged Revenue as required by the Indenture.

### **Bond Fund**

The Indenture creates and establishes a Principal and interest fund (the “Bond Fund”), to be held by the Trustee. There shall be paid to the Trustee for deposit into the Bond Fund, on or before the twenty-fifth (25<sup>th</sup>) day of each month, commencing in September, 2021, a sum equal to one-sixth (1/6) of the next installment of interest plus one-twelfth (1/12) of the next installment of principal on all Bonds then outstanding due at maturity, with Trustee’s fees and expenses, as the same next become due, and any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Internal Revenue Code of 1986, or amended (the “Code”) with such pro-rata amounts adjusted for the initial installments. Amounts deposited in the Bond Fund shall be used solely for the payment of principal of and interest on the Bonds, fees of the Trustee, and costs of redemption either at maturity or at redemption prior to maturity, in accordance with the provisions of the Indenture. Moneys deposited to the Bond Fund shall be applied to pay at maturity or as due all principal of, interest on and fees of the Trustee in connection with all Outstanding Bonds.

The Indenture creates and establishes within the Bond Fund, the “Costs of Issuance Account” from which the various costs of issuance shall be paid by the Trustee at closing.

### **Purchase of Bonds**

The City may purchase Bonds from any available funds at public or private sale, as and when and at such prices as the City may in its discretion determine, but at a price not exceeding the Principal amount thereof plus accrued interest thereon, or in the case of Bonds which by their terms are subject to redemption prior to maturity, at the then current or first applicable Redemption Price (plus accrued interest), as the case may be. In the case of the purchase of Bonds of a maturity for which Sinking Fund Installments shall have been established, the City shall elect the manner in which the Principal amount of such Bonds shall be credited toward Sinking Fund Installments.

### **Covenants of the City**

**Punctual Payment of Bonds.** The City will punctually pay or cause to be paid the Principal, Redemption Price of, and interest on the Bonds and any repayment obligations in strict conformity with the terms of the Bonds and the Indenture, and the City will punctually pay or cause to be paid all Sinking Fund Installments which may be established for the Bonds. The City’s obligations under the Indenture are limited to the proceeds of the Pledged Revenues and any other funds or assets which constitute part of the trust estate.

**Against Encumbrances.** The City will not create, and will use its good faith efforts to prevent the creation of, any mortgage or lien upon the improvements or any property essential to the proper operation of the improvements. The City will not create, or permit the creation of, any pledge, lien, charge, or encumbrance upon the Pledged Revenues except only as provided in or permitted by the Indenture.

**Limitation on Sale or Other Disposition of Property.** The City will not sell or otherwise dispose of all or a substantial part of the improvements except the City may sell or otherwise dispose of any facilities, or an interest in facilities, constituting a part of the improvements which have ceased to be necessary for the efficient operations of the improvements.

The City will not enter into any lease or other agreement which impairs or impedes the operation of the Improvements or the tax-exempt status of the bonds, or which impairs or impedes the rights of the Bondholders with respect to the Pledged Revenues.

The proceeds of any sale or other disposition described above shall be deposited into the Bond Fund.

**Operation and Maintenance.** The City will operate the improvements continuously in an efficient and economical manner, to the extent practicable under then existing conditions. The City will at all times maintain, preserve, and keep the improvements in good repair, working order, and condition so that the operating efficiency thereof will be of high character. The City will cause all necessary and proper repairs and replacements to be made so that the business carried on in connection with the improvements may be properly and advantageously conducted at all times in a manner consistent with prudent management, and that the rights and security of the Holders of the Bonds may be fully protected and preserved.

**Maintenance of Pledged Revenues.** The City will not sell, convey, mortgage, encumber, or otherwise dispose of any part of the Pledged Revenues, except as otherwise permitted by the Indenture.

**Insurance.** Subject in each case to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(1) the City will procure and maintain insurance on the City's property and improvements and public liability insurance in such amounts and against such risks as are usually insurable in connection with similar facilities and are usually carried by municipalities operating similar facilities;

(2) the City will procure and maintain adequate fidelity insurance or bonds on the persons handling or responsible for funds of the City related to the City's improvements; and

(3) the City will provide to the Trustee upon request, a Written Statement of the City or a certificate from the insurer containing a summary of all insurance policies then in effect with respect to the City's improvements.

**Accounts and Reports.** The City will at all times keep proper books of record and accounts, separately identified from all other records and accounts of the City, in which complete and accurate entries shall be made of all transactions relating to the Pledged Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee, the Holders of not less than five percent (5%) of the Bonds then Outstanding, or their representatives authorized in writing.

### **Collection of Pledged Revenues**

In order to assure full and continuous performance of the covenants contained in the Indenture relating to the punctual payment of Bonds and the collection of Pledged Revenues, with a margin for contingencies and temporary unanticipated reduction in Pledged Revenues, the City covenants and agrees to collect the Pledged Revenues, together with other income, which are reasonably expected to yield available revenues at least equal to the annual Debt Service requirement for the forthcoming Fiscal Year.

### **The Trustee**

The City has appointed Bank OZK, Little Rock, Arkansas, as Trustee for the Holders of the Bonds, to act as the legal depository of the City for the purpose of receiving all moneys which the City is required to pay to the Trustee under the Indenture and to hold, allocate, use, and apply the same as provided in the Indenture. The Trustee shall also act as registrar and Transfer Agent for the Bonds, with the duties provided in the Indenture. In acting as registrar and Transfer Agent, the Trustee shall be the agent of the City.

**Resignation of the Trustee.** The Trustee may at any time resign or be discharged of its duties and obligations created by the Indenture by giving not less than sixty (60) days' written notice to the City, specifying the date when such resignation shall take effect, and mailing notice thereof to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed in the manner described below and as provided in the

Indenture, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that such resignation of the Trustee shall in no event take effect until such successor shall have been appointed and accepted the duties of Trustee.

**Removal of the Trustee.** The City may at any time remove the Trustee initially appointed or any successor thereto by the adoption of a resolution providing for such removal, for the appointment of a successor, and for the effective date of the change of Trustee; provided, however, that such removal of the Trustee shall in no event take effect until such successor shall have been appointed and accepted the duties of Trustee.

**Appointment of Successor Trustee.** Notice of the resignation or removal of the Trustee and the appointment of a successor shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding, within thirty (30) days after adoption by the City of the resolution providing for such appointment. Any successor Trustee shall be a bank or trust company with a capital stock, undivided profits, and surplus of not less than \$10,000,000 (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company system shall have a capital stock, undivided profits, and surplus of not less than \$10,000,000).

**Terms and Conditions of the Trusts.** The Trustee shall perform the trusts contained in the Indenture as a corporate trustee ordinarily would perform said trusts under a corporate indenture, only upon and subject to the express terms and conditions of the Indenture, including without limitation the following:

(1) The Trustee shall not be required to take notice or be deemed to have notice of any default under the Indenture except (a) failure by the City to cause to be made any of the payments to the Trustee required to be made pursuant to Article V of the Indenture; or (b) failure of the City to file with the Trustee any document required by the Indenture to be so filed prior to or subsequent to the issuance of the Bonds; provided that, the Trustee shall be required to take notice or be deemed to have notice of any default under the Indenture if specifically notified in writing of such default by the Holders of not less than ten percent (10%) in aggregate Principal amount of Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee and in the absence of such notice, the Trustee may conclusively assume there is not default except as aforesaid;

(2) The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by the Indenture at the request, order, or direction of any of the Bondholders, pursuant to the provisions of the Indenture, unless such Bondholders, shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred therein or thereby.

(3) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, ordinance, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, Bond, or other paper or document, unless requested in writing to do so by the Holders of not less than twenty-five percent (25%) in aggregate Principal amount of the Bonds then Outstanding; provided that if the timely payment to the Trustee of the costs, expenses, or liabilities likely to be incurred in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of the Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to so proceeding. The reasonable expense of every such inquiry or examination shall be paid by the City or, if paid by the Trustee, shall be repaid by the City.

**Intervention by the Trustee.** In any judicial proceeding to which the City is a party and which in the opinion of the Trustee has a substantial bearing on the interests of Holders of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the Holders of a majority of the aggregate Principal amount of Bonds then Outstanding. The rights and obligations of the Trustee described in this paragraph are subject to the approval of a court of competent jurisdiction.

**Successor Trustee.** Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business or assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, shall be and become a successor Trustee under the Indenture and vested with all the trusts, powers, discretion, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of the Trustee or the City.

**Compensation of the Trustee and its Lien.** The City covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation and, except as otherwise expressly provided, the City covenants and agrees to pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any of the provisions of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ including but not limited to any Paying Agent, Transfer Agent, or Depository) except any such expense, disbursement, or advance as may arise from its negligence or bad faith. The City also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trust evidenced by the Indenture, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the City to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements, and advances shall constitute additional indebtedness under the Indenture, shall be subject to the same limitations with respect to sources of payment as all other indebtedness of the City thereunder, and shall survive the satisfaction and discharge of the Indenture. Such additional indebtedness shall be secured by a lien prior to that of the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in any Rebate Fund and funds held in trust for the benefit of the Holders of particular Bonds.

### **Modification or Amendment of the Indenture**

**Amendments Permitted.** The Indenture and the rights and obligations of the City and of the Holders of the Bonds may be modified or amended at any time pursuant to the affirmative vote at a meeting of Bondholders, or with the written consent without a meeting, of the Holders of at least sixty percent (60%) in Principal amount of the Bonds then Outstanding.

The Indenture and the rights and obligations of the Issuer and the Holders of the Bonds may also be modified or amended at any time, without the consent of any Bondholders, for any of the following purposes:

- (1) to add to the covenants and agreements of the City contained in the Indenture, to add other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the City;
- (2) to make such provisions for the purpose of curing any ambiguity, or of curing or correcting any defective provision contained in the Indenture or in regard to questions arising under the Indenture, as the City may deem necessary or desirable, and which shall not adversely affect the interests of the Holders of the Bonds;

(3) to provide for the issuance of refunding bonds in accordance with the provisions of the Indenture;

(4) to make any change which in the judgment of the Trustee shall not materially adversely affect the rights or interests of the Holders of any Outstanding Bonds requested by a Rating Agency in order to obtain or maintain any rating on the Bonds; and

(5) to make any change necessary (a) to establish or maintain the exemption from federal income taxation of interest on the Bonds as a result of any modifications or amendments to section 148 of the Code (or any successor provision of law) or interpretations thereof by the Internal Revenue Service, or (b) to comply with the provisions of section 148(f) of the Code (or any successor provision of law), including provisions for the payment of all or a portion of the investment earnings of any of the Funds established under the Indenture to the United States of America.

No modification or amendment permitted as described above shall (1) extend the fixed maturity of any Bond, or reduce the Principal amount or Redemption Price thereof, or reduce the rate or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, (2) reduce the aforesaid percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Indenture, without the consent of the Holders of all of the Bonds then Outstanding, or (3) without its written consent thereto, modify any of the rights or obligations of the Trustee.

**Bondholders' Meetings.** The Trustee may, and upon the Written Request of the City shall, at any time, call a meeting of the Holders of Bonds, to be held at such place as may be selected by the Trustee and specified in the notice calling such meeting. Written notice of such meeting, stating the time and place of the meeting and in general terms the business to be submitted, shall be mailed by the Trustee, postage prepaid, not less than thirty (30) nor more than sixty (60) days before such meeting to each registered owner of Bonds then Outstanding at the owner's address, if any, appearing upon the Bond register of the City. The cost and expense of the giving of such notice shall be borne by the City, and the Trustee shall be reimbursed by the City for any expense incurred by it.

Prior to calling any meeting of the Holders of the Bonds, the Trustee shall adopt regulations for the holding and conduct of such meeting, and copies of such regulations shall be filed at the principal corporate trust office of the Trustee and at the office of the City and shall be open to the inspection of all Bondholders. The regulations shall include such provisions as the Trustee may deem advisable for evidencing the ownership of Bonds, for voting in person or by proxy, for the selection of temporary and permanent officers to conduct the meeting and inspectors to tabulate and canvass the votes cast at the meeting, the adjournment of any meeting, and the records to be kept of the proceedings of such meeting, including rules of order for the conduct of such meeting and such other regulations as, in the opinion of the Trustee, may be necessary or desirable.

**Disqualified Bonds.** Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of any vote, consent, or other action or any calculation of Outstanding Bonds for the purpose of amending the Indenture, and neither the City nor any owner or Holder of such Bonds shall be entitled to vote or consent to, or to take, any other such action.



## Events of Default and Remedies

**Events of Default.** The occurrence of one or more of the following events shall constitute an “Event of Default”:

- (1) failure by the City to make the due and punctual payment of the Principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration, or otherwise;
- (2) failure by the City to make the due and punctual payment of any installment of interest on any Bond or any Sinking Fund Installment when and as such interest installment or Sinking Fund Installment shall become due and payable;
- (3) failure by the City to observe any of the covenants, agreements, or conditions on its part contained in the Indenture or the Bonds, except those covenants set forth in the Continuing Disclosure Agreement, and failure to remedy the same for a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the City by the Trustee, or to the City and the Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or
- (4) bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings, including without limitation proceedings under Chapter 9 of Title 11, United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City and, if instituted against the City, said proceedings are consented to or are not dismissed within thirty (30) days after such institution.

**Acceleration.** Upon the occurrence of an Event of Default, unless the principal of all the Bonds shall have already become due and payable:

- (1) the Trustee may, or
- (2) upon receipt of the written request of the Holders of not less than twenty-five percent (25%) of the aggregate Principal amount of the Bonds at the time Outstanding, the Trustee shall,

declare upon notice in writing to the City the Principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration such Principal and interest shall be immediately due and payable, notwithstanding anything to the contrary contained in the Indenture or in the Bonds.

The right of the Trustee to request the Trustee to make any such declaration as aforesaid, however, is subject to the conditions that: if, at any time after such declaration, any overdue installments of interest upon the Bonds, together with the reasonable and proper charges, expenses, and liabilities of the Trustee, and all other sums then payable by the City under the Indenture (except the Principal of and interest accrued since the next preceding interest payment date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by the City or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of Principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor; then and in every such case the Holders of a majority in aggregate Principal amount of the Bonds at the time Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, then any such declaration shall *ipso facto* be deemed to be rescinded and any such

default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

**Accounting and Examination of Records After Default.** The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the City and all other records of the City relating to the improvements shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys. The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for Pledged Revenues and other moneys, securities, and funds pledged or held under the Indenture for such period as shall be stated in such demand.

**Application of Pledged Revenues and Other Moneys After Default.** During the continuance of an Event of Default, the Trustee shall apply the Pledged Revenues held in the Revenue Fund and such moneys, securities, and funds and the income therefrom as follows and in the following order, provided that moneys held in the Bond Fund shall not be used for purposes other than payment of the interest and Principal or Redemption Price then due on the Bonds in accordance with paragraph (2) below:

- (1) to the payment of the reasonable and proper charges and expenses of the Trustee and the reasonable fees and disbursements of its counsel;
- (2) to the payment of the interest and Principal or Redemption Price then due on the Bonds, as follows:
  - (a) unless the Principal of all of the Bonds shall have become or have been declared due and payable,

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

- (b) if the Principal of all of the Bonds shall have become or have been declared due and payable, 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 preference.

If and whenever all overdue payments on all Bonds, together with the reasonable and proper charges and expenses of the Trustee, shall be paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the City all Pledged Revenues held in the Revenue Fund then remaining unexpended. The City and the Trustee shall be restored to their former positions and rights under the Indenture, and all Pledged Revenues shall thereafter be applied as provided in the Indenture. No such payment over to the City by the

Trustee or resumption of the application of Pledged Revenues as provided in the Indenture shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

**Rights and Remedies of Bondholders.** No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

- (1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;
- (2) the Holders of not less than twenty-five percent (25%) in aggregate Principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;
- (3) such Holders have offered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request;
- (4) the Trustee has failed to institute any such proceedings for sixty (60) days after its receipt of such notice, request, and offer of indemnity; and
- (5) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Holders of a majority in Principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb, or prejudice the rights of any other such parties, or to obtain or to seek to obtain priority or preference over any other such parties or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such parties in accordance with the provisions of the Indenture.

Notwithstanding any other provision in the Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the Principal and Redemption Price of and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date of such Bond) and to institute suit for the enforcement of any such payment. Such right to receive payment shall not be impaired without the consent of such Holder.

The Holders of a majority of the Principal amount of the Outstanding Bonds shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that: such direction shall not be in conflict with any rule of law or the Indenture, the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, and the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

**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, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate created by the Indenture, including, without limitation, the proceeds of the sale of the Bonds, the Pledged Revenues, and the Funds, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer.

## **Investment of Funds**

Moneys held in any Fund or account shall be invested and reinvested by the City or the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund or account, provided that the Trustee shall make such investments only in accordance with instructions received from an Authorized Officer of the City.

Subject to any required rebate of earnings on investments in any Fund or account to the United States of America pursuant to section 148(f) of the Code, net income earned on any moneys or investments in the Bond Fund shall remain in the Bond Fund.

## **Defeasance**

**Discharge of Indebtedness.** If the City shall pay, or there shall otherwise be paid to the Holder of all Bonds the Principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein, then the pledge of the Pledged Revenues and other moneys, securities, and Funds pledged under the Indenture and all covenants, agreements, and other obligations of the City to the Bondholders shall thereupon cease, terminate, and become void and be discharged and satisfied. Such Bonds shall cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants, agreements, and obligations of the City to the Holders of such Bonds shall thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or Depositary (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. All Outstanding Bonds shall be, prior to the maturity or redemption date thereof, deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee in form satisfactory to it instructions to mail notice of redemption of such Bonds on said date, (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations (including any Government Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Trustee in form satisfactory to it instructions to mail, first class postage prepaid, a notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, of said Bonds. Neither Government Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall be, to the extent practicable, reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the Principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Trustee, free and clear of any trust, lien, or pledge.

**Unclaimed Moneys.** Any moneys on deposit in the Bond Fund with the Trustee or held by the Depository, including DTC, in trust for the payment and discharge of any of the Bonds which remain unclaimed for five (5) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Depository at such date, or for five (5) years after the date of deposit of such moneys if deposited with the Trustee or Depository after the said date when such Bonds become due and payable, shall be repaid by the Trustee or Depository to the City, as its absolute property and free from trust, and the Trustee or Depository thereupon shall be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds.

**APPENDIX B**

**Regulatory Basis Financial Statements and Other Reports**

**For the Fiscal Year Ended**

**December 31, 2019**

**City of Sherwood, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2019**

LEGISLATIVE JOINT AUDITING COMMITTEE

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# Arkansas

**Sen. Jason Rapert**  
Senate Chair  
**Sen. Eddie Cheatham**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. DeAnn Vaught**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

City of Sherwood, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

#### **Report on the Financial Statements**

We have audited the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Sherwood, Arkansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Sherwood, Arkansas, as of December 31, 2019, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

### **Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Sherwood, Arkansas, as of December 31, 2019, the regulatory basis revenues, expenditures, and changes in net position, and the budgetary comparisons for the general fund and street fund for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the accompanying regulatory basis financial statements. The accompanying supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

The other information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

Little Rock, Arkansas  
June 30, 2020  
LOM108219

# Arkansas

**Sen. Jason Rapert**  
Senate Chair  
**Sen. Eddie Cheatham**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. DeAnn Vaught**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

City of Sherwood, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of the City of Sherwood, Arkansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2020. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

#### Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

We also reported to management of the City in a separate letter dated June 30, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Marti Steel, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 30, 2020

# Arkansas

**Sen. Jason Rapert**  
Senate Chair  
**Sen. Eddie Cheatham**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. DeAnn Vaught**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

City of Sherwood, Arkansas Officials and Council Members  
Legislative Joint Auditing Committee

The commentary contained in this letter relates to the following officials who held office during 2019:

Mayor: Virginia Young  
Recorder/Treasurer: Angela Nicholson  
District Court Clerk: Grace Gault  
Police Chief/Marshal: James Bedwell

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. This matter was discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

#### **District Court Clerk**

The District Court Clerk was unable to identify \$191,610 remaining in the bank account with receipts issued for cases not yet adjudicated and payments made on all unpaid individual time accounts, as required by Ark. Code Ann. § 16-10-209. A similar finding was issued in the prior report.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Marti Steel".

Marti Steel, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 30, 2020

CITY OF SHERWOOD, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 DECEMBER 31, 2019

	General	Street	Other Funds in the Aggregate
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,873,469	\$ 2,599,594	\$ 27,019,465
Investments			6,766,403
Accounts receivable	1,680,788	997	389,461
<b>TOTAL ASSETS</b>	<u>\$ 7,554,257</u>	<u>\$ 2,600,591</u>	<u>\$ 34,175,329</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 442,886	\$ 14,823	\$ 3,407
Settlements pending			835,480
Total Liabilities	<u>442,886</u>	<u>14,823</u>	<u>838,887</u>
Fund Balances:			
Restricted	152,948	2,585,768	33,336,442
Unassigned	6,958,423		
Total Fund Balances	<u>7,111,371</u>	<u>2,585,768</u>	<u>33,336,442</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,554,257</u>	<u>\$ 2,600,591</u>	<u>\$ 34,175,329</u>

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

CITY OF SHERWOOD, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 466,862	\$ 2,306,750	\$ 1,384
Federal aid	157,889		26,254
Property taxes		731,909	656,133
Franchise fees	456,562		1,939,615
Sales taxes	13,294,694		3,563,230
Fines, forfeitures, and costs	936,296		82,234
Interest	95,446	27,410	717,815
Local permits and fees	660,457		
Sanitation fees	2,980,188		
Advertising and promotion taxes			1,040,731
911 fees	280,361		
Country club fees and rentals	425,027		
Parks and recreations fees	491,696		
Childcare	337,573		
Donations	107,630		
Employer pension contributions			184,938
Net increase/(decrease) in fair value of investments			700,899
Other	133,995	5,028	69,143
<b>TOTAL REVENUES</b>	<b>20,824,676</b>	<b>3,071,097</b>	<b>8,982,376</b>
EXPENDITURES			
Current:			
General government	5,692,682		141,168
Law enforcement	8,527,028		351,431
Highways and streets	441,128	2,452,915	657,924
Public safety	1,256,586		
Sanitation	2,457,179		25,523
Recreation and culture	3,445,618		3,105,276
Social services	322,935		
Total Current	22,143,156	2,452,915	4,281,322
Debt Service:			
Bond principal			3,685,000
Bond interest and other charges			1,272,044
<b>TOTAL EXPENDITURES</b>	<b>22,143,156</b>	<b>2,452,915</b>	<b>9,238,366</b>

CITY OF SHERWOOD, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (1,318,480)	\$ 618,182	\$ (255,990)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,603,852		725,037
Transfers out			(2,328,889)
TOTAL OTHER FINANCING SOURCES (USES)	1,603,852		(1,603,852)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	285,372	618,182	(1,859,842)
FUND BALANCES - JANUARY 1	6,825,999	1,967,586	35,196,284
FUND BALANCES - DECEMBER 31	\$ 7,111,371	\$ 2,585,768	\$ 33,336,442

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



CITY OF SHERWOOD, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
State aid	\$ 467,000	\$ 466,862	\$ (138)	\$ 1,990,657	\$ 2,306,750	\$ 316,093
Federal aid	145,677	157,889	12,212			
Property taxes				731,874	731,909	35
Franchise fees	464,000	456,562	(7,438)			
Sales taxes	13,294,600	13,294,694	94			
Fines, forfeitures, and costs	937,000	936,296	(704)			
Interest	94,000	95,446	1,446	14,307	27,410	13,103
Local permits and fees	770,900	660,457	(110,443)			
Sanitation fees	2,980,919	2,980,188	(731)			
911 fees	243,500	280,361	36,861			
Country club fees and rentals	435,700	425,027	(10,673)			
Parks and recreations fees	626,700	491,696	(135,004)			
Childcare	342,100	337,573	(4,527)			
Donations		107,630	107,630			
Other	133,200	133,995	795		5,028	5,028
<b>TOTAL REVENUES</b>	<b>20,935,296</b>	<b>20,824,676</b>	<b>(110,620)</b>	<b>2,736,838</b>	<b>3,071,097</b>	<b>334,259</b>
<b>EXPENDITURES</b>						
Current:						
General government	5,967,586	5,692,682	274,904			
Law enforcement	8,591,136	8,527,028	64,108			
Highways and streets	1,079,699	441,128	638,571	2,868,577	2,452,915	405,662
Public safety	1,256,586	1,256,586				
Sanitation	2,578,917	2,457,179	121,738			
Recreation and culture	4,455,173	3,445,618	1,009,555			
Social services	284,509	322,935	(38,426)			
<b>TOTAL EXPENDITURES</b>	<b>24,213,606</b>	<b>22,143,156</b>	<b>2,070,450</b>	<b>2,868,577</b>	<b>2,452,915</b>	<b>405,662</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,278,310)</b>	<b>(1,318,480)</b>	<b>1,959,830</b>	<b>(121,739)</b>	<b>618,182</b>	<b>739,921</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,993,000	1,603,852	(389,148)			
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(1,285,310)</b>	<b>285,372</b>	<b>1,570,682</b>	<b>(121,739)</b>	<b>618,182</b>	<b>739,921</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>544,310</b>	<b>6,825,999</b>	<b>6,281,689</b>	<b>121,739</b>	<b>1,967,586</b>	<b>1,845,847</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ (741,000)</b>	<b>\$ 7,111,371</b>	<b>\$ 7,852,371</b>	<b>\$ 0</b>	<b>\$ 2,585,768</b>	<b>\$ 2,585,768</b>

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

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Sherwood was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following fund of the City would have been included in the reporting entity: Wastewater Fund. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

**B. Basis of Presentation – Regulatory**

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

**General Fund** - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Street Fund** - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback and property taxes that are restricted or committed for maintaining and constructing highways and streets.

**Other Funds in the Aggregate** - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

**Special Revenue Funds** - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

**Capital Projects Funds** - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for Capital Projects Funds as reported with other funds in the aggregate.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation – Regulatory (Continued)**

**Other Funds in the Aggregate (Continued)**

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for the Pension Trust Fund reported with other funds in the aggregate.

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Custodial Funds as reported with other funds in the aggregate.

**C. Basis of Accounting - Regulatory**

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

**D. Assets, Liabilities, and Fund Balances**

**Cash and Cash Equivalents**

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts, certificates of deposit, treasury bills, and short-term investments with an original maturity of three months or less.

**Investments**

Investments are reported at fair value.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**D: Assets, Liabilities, and Fund Balances (Continued)**

Settlements Pending

Settlements pending are considered fines, forfeitures, costs, prosecuting attorney's fees, hot check collections, and retirement contributions that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**E. Property Taxes**

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

**F. Budget Law**

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds.

**G. Fund Balance Classification Policies and Procedures**

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

CITY OF SHERWOOD, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**G. Fund Balance Classification Policies and Procedures (Continued)**

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

There were no committed or assigned fund balances at year-end.

**NOTE 2: Cash Deposits with Financial Institutions**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 750,000	\$ 750,000
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	34,021,307	34,438,663
U.S. government guaranteed accounts	715,299	715,299
Total Deposits	\$ 35,486,606	\$ 35,903,962

The above total deposits do not include cash on hand of \$5,922.

**NOTE 3: Legal or Contractual Provisions for Deposits and Investments**

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

**Pension Trust Funds**

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 4: Public Fund Investments**

A summary of investments by fund types is as follows:

Fund Type	December 31, 2019 Fair Value
Pension Trust - Municipal Employee Retirement	\$ 6,766,403

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III** – significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The City's investments are composed of the following:

December 31, 2019 Investment Type	Quoted Prices in Active Markets for Identical Investments Level I	Other Observable Inputs Level II	Total
Foreign Bonds		\$ 199,102	\$ 199,102
Municipal Bonds		97,445	97,445
Corporate Bonds		3,017,620	3,017,620
Domestic Bonds		595,514	595,514
Common Stock	\$ 2,240,668		2,240,668
Equity Funds and EFT's	277,488		277,488
Intl Equity Funds and EFT's	338,566		338,566
Totals	\$ 2,856,722	\$ 3,909,681	\$ 6,766,403

The fair value of federated treasury obligations, money market obligations and the cash management fund is measured on a recurring basis and is based on quoted market prices obtained from independent pricing sources. U.S. Government, mortgage-backed and corporate bonds are valued at fair value using quoted market prices from third parties that use, as their basis readily observable market inputs, such as yields of similar instruments with comparable inputs. As a result, these were classified as Level II inputs.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 5: Accounts Receivable**

The accounts receivable balance at December 31, 2019, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Federal aid	\$ 217		
Franchise fees	105,440		\$ 301,376
Sales taxes	1,180,071		
Fines, forfeitures, and costs	72,697		3,580
Interest	5,478	\$ 997	
Local permits and fees	9,151		
Sanitation fees	253,780		
Advertising and promotion taxes			84,505
911 fees	49,775		
Parks and recreations fees	2,920		
Childcare	120		
Donations	400		
Other	739		
<b>Totals</b>	<b>\$ 1,680,788</b>	<b>\$ 997</b>	<b>\$ 389,461</b>

**NOTE 6: Accounts Payable**

The accounts payable balance at December 31, 2019, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 210,153	\$ 1,563	\$ 3,407
Salaries payable	190,855	8,103	
Payroll taxes payable	41,878	5,157	
<b>Totals</b>	<b>\$ 442,886</b>	<b>\$ 14,823</b>	<b>\$ 3,407</b>

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 7: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2019, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Restricted for:			
General government	\$ 152,948		
Law enforcement			\$ 538,125
Highways and streets		\$ 2,585,768	
Recreation and culture			399,346
Advertising and promotion			1,226,482
Pension benefits			6,822,088
Capital outlay			22,773,485
Debt service			1,576,916
Total Restricted	<u>152,948</u>	<u>2,585,768</u>	<u>33,336,442</u>
Unassigned	<u>6,958,423</u>		
Totals	<u>\$ 7,111,371</u>	<u>\$ 2,585,768</u>	<u>\$ 33,336,442</u>

**NOTE 8: Legal Debt Limit**

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2019, the legal debt limit for the bonded debt was \$105,418,955. The general obligation debt, net of amounts available in the debt service fund for bond retirement was \$3,447,887, leaving a legal debt margin of \$101,971,068.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2019, the legal debt limit for short-term financing obligations was \$26,728,853. There were no short-term financing obligations.



CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 9: Commitments**

Total commitments consist of the following at December 31, 2019:

	December 31, 2019
Long-term liabilities	\$ 34,986,646
Noncancellable leases	370,486
Construction contracts	364,526
 Total Commitments	 \$ 35,721,658

Long-term liabilities

Long-term liabilities at December 31, 2019, are comprised of the following:

	December 31, 2019
<u>Bonds</u>	
2015 Library Construction Bonds; dated December 3, 2015, in the amount of \$6,000,000, due in annual installments of \$325,000 to \$1,055,000 plus interest through 2033; interest of 1.8% to 3.125%. Payments are to be made from the Library Construction Bonds, Series 2015 Debt Service Fund.	\$ 4,020,000
2016 Capital Improvement Revenue Bonds; dated May 3, 2016, in the amount of \$6,105,000, due in annual installments of \$215,000 to \$375,000 plus interest through 2038; interest of 2% to 3.625%. Payments are to be made from the Capital Improvement Revenue Refunding Bonds, Series 2016 Debt Service Fund.	5,450,000
2017 Hotel and Restaurant Gross Receipts Tax Bonds; dated April 11, 2017, in the amount of \$5,500,000, due in annual installments of \$145,000 to \$315,000 plus interest through 2042; interest of 2.125% to 4%. Payments are to be made from the Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 Debt Service Fund.	5,035,000
2018 Sales and Use Tax Bonds; dated November 29, 2018, in the amount of \$21,875,000, due in annual installments of \$290,000 to \$1,235,000 plus interest through 2042; interest of 3.05% to 5%. Payments are to be made from the Sales and Use Tax, Series 2018, Debt Service Fund.	19,145,000
Total Bonds	33,650,000
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	1,336,646
Total Long-term liabilities	\$ 34,986,646

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 9: Commitments (Continued)**

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2019	Maturities to December 31, 2019
<u>Bonds</u>					
12/3/15	3/1/33	1.8 - 3.125%	\$ 6,000,000	\$ 4,020,000	\$ 1,980,000
5/3/16	3/1/38	2 - 3.625%	6,105,000	5,450,000	655,000
4/11/17	12/1/42	2.125 - 4%	5,500,000	5,035,000	465,000
11/29/18	12/1/42	3.05 - 5%	21,875,000	19,145,000	2,730,000
Total Long-Term Debt			<u>\$ 39,480,000</u>	<u>\$ 33,650,000</u>	<u>\$ 5,830,000</u>

Changes in Long-Term Debt

	Balance January 01, 2019	Issued	Retired	Balance December 31, 2019
Bonds payable	<u>\$ 37,335,000</u>	<u>\$ 0</u>	<u>\$ 3,685,000</u>	<u>\$ 33,650,000</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2019:

Years Ending December 31,	Bonds		
	Principal	Interest	Total
2020	\$ 1,470,000	\$ 1,158,034	\$ 2,628,034
2021	1,190,000	1,113,909	2,303,909
2022	1,225,000	1,070,640	2,295,640
2023	1,265,000	1,025,755	2,290,755
2024	1,320,000	977,139	2,297,139
2025 through 2029	7,375,000	4,082,406	11,457,406
2030 through 2034	8,205,000	2,681,081	10,886,081
2035 through 2039	8,040,000	1,344,561	9,384,561
2040 through 2042	3,560,000	208,353	3,768,353
Totals	<u>\$ 33,650,000</u>	<u>\$ 13,661,878</u>	<u>\$ 47,311,878</u>

CITY OF SHERWOOD, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

**NOTE 9: Commitments (Continued)**

Noncancellable Leases

The City entered into noncancellable lease agreements for office equipment, golf course equipment, and fitness equipment. Terms of the leases are monthly rental payments of \$55, \$59, \$60, \$251, \$2,342, \$3,675 for 36 months; \$1,169, \$2,154, \$2,201 for 48 months; \$55, \$58, \$92, \$101, \$141, \$174, \$226, \$230, \$2,097 for 60 months; and \$205 for 63 months. At the end of the leases term, the City has the option to purchase the equipment at fair market value. The City is obligated for the following amounts for the next four years:

<u>Year</u>	<u>December 31, 2019</u>
2020	\$ 139,142
2021	122,335
2022	80,357
2023	<u>28,652</u>
Total	<u>\$ 370,486</u>

Rental expense for 2019 was \$196,630.

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2019:

<u>Project Name</u>	<u>Completed or Estimated Completion Date</u>	<u>Contract Balance December 31, 2019</u>
Sherwood Soccer and Tennis	July 2020	\$ 327,783
Sherwood Splash Pad	January 2020	25,088
Sherwood Splash Pad Parking Lot	February 2020	<u>11,655</u>
Total Construction Contracts		<u>\$ 364,526</u>

**NOTE 10: Interfund Transfers**

The Other Funds in the aggregate transferred \$1,603,852 in excess franchise fees to the General Fund. Within Other Funds in the Aggregate, \$725,037 was transferred for debt service requirements.

**NOTE 11: Subsequent Events**

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on the financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak, revenue collections, and any other possible issues – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to the City is uncertain.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 12: Pledged Revenues**

Real and Personal Property Taxes

The City pledged one and three tenths mil (.0013) annual ad valorem tax levied upon all taxable real and personal property located within the City to repay \$6,000,000 in bonds that were issued in 2015 to finance the cost of acquiring, constructing, and equipping a new public library. Total principal and interest remaining on the bonds are \$4,020,000 and \$758,088, respectively, payable through March 1, 2033. For 2019, principal and interest paid were \$585,000 and \$119,631, respectively.

The Debt Service Fund received \$656,133 in pledged property taxes in 2019. Any taxes collected in excess of debt service payments on these bonds must be used to retire the bonds.

Franchise Fees

The City pledged future franchise fees collected from public utilities for the privilege of using the streets, highways, and other places in the City to repay \$6,105,000 in bonds that were issued in 2016 to refund Sherwood Public Facilities Board Capital Improvement Revenue Refunding and Improvement Bonds, Series 2010. Total principal and interest remaining on the bonds are \$5,450,000 and \$1,850,333, respectively payable through March 1, 2038. For 2019, principal and interest paid were \$220,000 and \$164,648, respectively.

The Franchise Fee Fund received \$1,939,615 of the pledged revenues and transferred \$1,603,852 in excess franchised fees to the General Fund in 2019. Pledged revenues received in excess of debt service requirements may be used for other City expenditures.

Hotel and Restaurant Gross Receipts Tax

The City pledged collections of an existing 2% tax levied by the City on the gross receipts or gross proceeds from motels, hotels, and restaurants to repay \$5,500,000 in bonds that were issued in 2017 to finance various capital improvements to and within the City's public parks and recreation facilities, including the design and construction of soccer fields, tennis courts, splash pad, and various other improvements. Total principal and interest remaining on the bonds are \$5,035,000 and \$2,544,794, respectively, payable through December 1, 2042. For 2019, principal and interest paid were \$150,000 and \$180,038, respectively.

The City received \$1,040,731 in advertising and promotion taxes in 2019. Any taxes collected in excess of debt service requirements shall be used for such lawful purposes as are approved by the Commission.

Sales and Use Tax

The City pledged future three-quarters of one percent (.75%) sales and use taxes to repay \$21,875,000 in bonds that were issued in 2018 to provide funding for capital improvements, betterments, and extensions for the City's street system; the acquisition of necessary rights of way and easements; to fund a debt service reserve; and pay the costs of issuance of the Bonds. Total principal and interest remaining on the bonds are \$19,145,000 and \$8,508,664, respectively, payable through December 1, 2042. For 2019, principal and interest paid were \$2,730,000 and \$795,364, respectively.

The Sales and Use Tax Bonds, Series 2018 Debt Service Fund received \$3,563,230 in sales taxes in 2019. Any sales taxes collected in excess of debt service payments on these bonds is to be used for the bond's project fund costs.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 13: Joint Venture: Central Arkansas Regional Library**

The cities of Little Rock, Jacksonville, Maumelle, and Sherwood, and Pulaski and Perry Counties entered into an agreement on January 28, 1998 in accordance with Ark. Code Ann. § 25-20-101. The purpose of this agreement is for the constructing, operating, and maintaining a public library system for the central Arkansas area which will offer library services to the public within the communities of each of the participating entities. Funding for this agreement will be derived from the tax millage assessed by the participating entities, state formula distribution, fines, endowment earnings, and gifts. The Board of Directors shall consist of seven directors for the City of Little Rock; one each for the Cities of Jacksonville, Maumelle, and Sherwood; two directors from Pulaski County and one director representing Perry County. The City provided a building and paid \$586 for operating expenses and \$3,505 for salaries in 2019. Separate financial statements for the Central Arkansas Regional Library are available at 100 Rock Street, Little Rock, Arkansas.

**NOTE 14: Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. Settlements paid by the City in excess of Arkansas Municipal Leagues' coverage totaled \$17,500 in 2017. The amount of settlements, if any, has not exceeded the insurance coverage for 2018 or 2019. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 14: Risk Management (Continued)**

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

**NOTE 15: Local Police and Fire Retirement System (LOPFI)  
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website [www.lopfi-prb.com](http://www.lopfi-prb.com).

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$592,773 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$350,406 for the year ended December 31, 2019.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2019 (actuarial valuation date and measurement date) was \$8,612,360.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 16: Arkansas Public Employees Retirement System**

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website [www.apers.org](http://www.apers.org).

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$10,526 for the year ended June 30, 2019.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$86,617.

**NOTE 17: Municipal Employees Retirement Plan  
(A Defined Benefit Plan)**

Plan Description

The Municipal Employees Retirement Plan is a simple-employer defined benefit plan which covers the City of Sherwood's employees except those covered by LOPFI, elected officials and the Court Clerk. The plan, administered by the City, provided retirement, disability, and survivor benefits. Benefits and contributions are established by the Municipal Employees Retirement Board. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Funding Policy

Employees are not required to contribute to the plan. Employer contributions are determined by the retirement board upon the advice of an actuary employed by the Board. Employer contributions were \$184,770 in 2019. The City Council approved Sherwood Ordinance no. 1882 (November 22, 2010) to freeze further benefit accruals after the effective date (December 31, 2010). Employees hired after the effective date will not be eligible to participate in the plan. Any employees with accrued benefits as of the effective date shall be fully vested in such benefits.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, is limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at January 1, 2019 (actuarial valuation date and measurement date) was \$1,201,158.

CITY OF SHERWOOD, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 18: City of Sherwood 457 (b) Retirement Plan  
(A Defined Contribution Plan)**

The City Council approved Sherwood Ordinance no. 1875 (September 21, 2010) authorizing the creation of the City of Sherwood 457 (b) Retirement Plan to be effective January 1, 2011.

Plan Description

The current plan consists of the employer's discretionary matching and the employee's contribution to the 457(b) plan. There are two classes of eligible employees: (a) full and part-time employees that are eligible for benefits offered by the City; (b) elected officials; employees covered by Arkansas Local Police and Fire Retirement (LOPFI), Arkansas Public Employees Retirement (APERS), Arkansas District Judge Retirement System (ADJRS), or Arkansas Judicial Retirement System. Employees are 100% vested in the City's discretionary matching contributions. Within 90 days of severance from employment, attainment of retirement age, or death, participants may take their benefits in a lump sum or rollover.

Funding Policy

The employee has the option of pre-tax or Roth deferrals. A mandatory contribution of 3% of the employee's compensation to the plan is required for employees in class (a). Additional contributions can be made by the employee limited to the lesser of: 100% of the employee's compensation, or \$17,500. Each plan participant in class (a) who was actively employed by the City on the last day of the plan year and completed 1,000 hours of service during such plan year shall be entitled to share in the discretionary matching contribution. These contribution rates are established by the Municipal Employees Retirement Board and approved by City Council. On February 25, 2013, the Sherwood City Council approved ordinance no. 1979 authorizing a 3% matching contribution and a 3% non-discretionary contribution for the 2013 plan year. The City's contribution to the plan was \$276,091 for the year ended December 31, 2019. In addition, \$426,335 was held in the City's name for matching and non-discretionary contribution at December 31, 2019.



CITY OF SHERWOOD, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2019

SPECIAL REVENUE FUNDS

	Advertising and Promotion Commission	Drug Control	District Court Automation	Franchise Fee	Federal Drug Control	DWI Court Grant	Justice Assistance Grant
ASSETS							
Cash and cash equivalents	\$ 1,143,973	\$ 21,276	\$ 476,356	\$ 97,970	\$ 6,063	\$ 19,810	\$ 12,451
Investments							
Accounts receivable	84,505		3,580	301,376			
TOTAL ASSETS	\$ 1,228,478	\$ 21,276	\$ 479,936	\$ 399,346	\$ 6,063	\$ 19,810	\$ 12,451
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,996		\$ 1,411				
Settlements pending							
Total Liabilities	1,996		1,411				
Fund Balances:							
Restricted	1,226,482	\$ 21,276	478,525	\$ 399,346	\$ 6,063	\$ 19,810	\$ 12,451
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,228,478	\$ 21,276	\$ 479,936	\$ 399,346	\$ 6,063	\$ 19,810	\$ 12,451

CITY OF SHERWOOD, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2019

	CAPITAL PROJECTS FUNDS				DEBT SERVICE FUNDS			
	Library Construction Bonds, Series 2015 Project	Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 Project	Sales and Use Tax Bonds, Series 2018 Project	Library Construction Bonds, Series 2015 Debt Service	Revenue Refunding Bonds, Series 2016 Debt Service	Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 Debt Service	Sales and Use Tax Bonds, Series 2018 Debt Service	
ASSETS								
Cash and cash equivalents	\$ 16,397	\$ 980,039	\$ 21,777,049	\$ 572,113	\$ 256,502	\$ 33,002	\$ 715,299	
Investments								
Accounts receivable								
TOTAL ASSETS	\$ 16,397	\$ 980,039	\$ 21,777,049	\$ 572,113	\$ 256,502	\$ 33,002	\$ 715,299	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable								
Settlements pending								
Total Liabilities								
Fund Balances:								
Restricted	\$ 16,397	\$ 980,039	\$ 21,777,049	\$ 572,113	\$ 256,502	\$ 33,002	\$ 715,299	
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,397	\$ 980,039	\$ 21,777,049	\$ 572,113	\$ 256,502	\$ 33,002	\$ 715,299	

CITY OF SHERWOOD, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2019

	CUSTODIAL FUNDS							
	TRUST FUND						Totals	
		Municipal Employees Retirement	Custody Trust	Administration of Justice	Police Bond and Fine	District Court	Small Claims	
ASSETS								
Cash and cash equivalents	\$ 55,685	\$ 448,498	\$ 1,004	\$ 9,082	\$ 335,658	\$ 41,238	\$ 27,019,465	
Investments	6,766,403						6,766,403	
Accounts receivable							389,461	
TOTAL ASSETS	\$ 6,822,088	\$ 448,498	\$ 1,004	\$ 9,082	\$ 335,658	\$ 41,238	\$ 34,175,329	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable							\$ 3,407	
Settlements pending		\$ 448,498	\$ 1,004	\$ 9,082	\$ 335,658	\$ 41,238	\$ 835,480	
Total Liabilities		448,498	1,004	9,082	335,658	41,238	838,887	
Fund Balances:								
Restricted	6,822,088						33,336,442	
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,822,088	\$ 448,498	\$ 1,004	\$ 9,082	\$ 335,658	\$ 41,238	\$ 34,175,329	

CITY OF SHERWOOD, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	SPECIAL REVENUE FUNDS							
	ABC Financial Grant	Advertising and Promotion Commission	Drug Control	District Court Automation	Franchise Fee	Federal Drug Control	DWI Court Grant	Justice Assistance Grant
REVENUES								
State aid	\$ 1,384						\$ 13,803	\$ 12,451
Federal aid					\$ 1,939,615			
Property taxes			\$ 4,216	\$ 59,670		\$ 11,340		
Franchise fees			192	5,479	1,274	69		
Sales taxes								
Fines, forfeitures, and costs		\$ 1,039						
Interest		1,040,731						
Advertising and promotion taxes								
Employer pension contributions								
Net increase/(decrease) in fair value of investments		69,143						
Other								
<b>TOTAL REVENUES</b>	<b>1,384</b>	<b>1,110,913</b>	<b>4,408</b>	<b>65,149</b>	<b>1,940,889</b>	<b>11,409</b>	<b>13,803</b>	<b>12,451</b>
EXPENDITURES								
Current:								
General government	1,384	106,102	4,699	207,852		10,000	14,053	
Law enforcement								
Highways and streets								
Sanitation								
Recreation and culture		496,784						
Total Current	1,384	602,886	4,699	207,852		10,000	14,053	
Debt Service:								
Bond principal								
Bond interest and other charges								
<b>TOTAL EXPENDITURES</b>	<b>1,384</b>	<b>602,886</b>	<b>4,699</b>	<b>207,852</b>		<b>10,000</b>	<b>14,053</b>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>0</b>	<b>508,027</b>	<b>(291)</b>	<b>(142,703)</b>	<b>1,940,889</b>	<b>1,409</b>	<b>(250)</b>	<b>12,451</b>
OTHER FINANCING SOURCES (USES)								
Transfers in		(333,689)						
Transfers out		(333,689)						
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b>(667,378)</b>						
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>		<b>174,338</b>	<b>(291)</b>	<b>(142,703)</b>	<b>(54,311)</b>	<b>1,409</b>	<b>(250)</b>	<b>12,451</b>
FUND BALANCES - JANUARY 1		1,052,144	21,567	621,228	453,657	4,654	20,060	
FUND BALANCES - DECEMBER 31	\$ 0	\$ 1,226,482	\$ 21,276	\$ 478,525	\$ 399,346	\$ 6,063	\$ 19,810	\$ 12,451

CITY OF SHERWOOD, ARKANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS			TRUST FUND
	Library Construction Bonds, Series 2015 Project	Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 Project	Sales and Use Tax Bonds, Series 2018 Project	Library Construction Bonds, Series 2015 Debt Service	Capital Improvement Revenue Refunding Bonds, Series 2016 Debt Service	Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 Debt Service	
<b>REVENUES</b>							<b>Totals</b>
State aid							\$ 1,384
Federal aid							26,254
Property taxes				\$ 656,133			656,133
Franchise fees							1,939,615
Sales taxes						\$ 3,563,230	3,563,230
Fines, forfeitures, and costs				7,008			82,234
Interest							717,815
Advertising and promotion taxes					\$ 3,344	\$ 21,335	210,427
Employer pension contributions							1,040,731
Net increase/(decrease) in fair value of investments							184,938
Other							700,899
<b>TOTAL REVENUES</b>	<b>314</b>	<b>45,355</b>	<b>426,439</b>	<b>663,141</b>	<b>3,344</b>	<b>3,584,565</b>	<b>8,982,376</b>
<b>EXPENDITURES</b>							
Current:							
General government							33,682
Law enforcement							114,827
Highways and streets			657,924				657,924
Sanitation							25,523
Recreation and culture							30,519
Total Current			657,924				204,551
Debt Service:							
Bond principal							
Bond interest and other charges							
<b>TOTAL EXPENDITURES</b>							
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>314</b>	<b>(2,532,618)</b>	<b>(231,485)</b>	<b>(43,990)</b>	<b>(384,917)</b>	<b>56,451</b>	<b>(255,990)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in							725,037
Transfers out							(2,328,889)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>							<b>(1,603,852)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>314</b>	<b>(2,532,618)</b>	<b>(231,485)</b>	<b>(43,990)</b>	<b>6,431</b>	<b>56,451</b>	<b>(1,859,842)</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>16,083</b>	<b>3,512,657</b>	<b>22,008,534</b>	<b>616,103</b>	<b>250,071</b>	<b>658,848</b>	<b>35,196,284</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 16,397</b>	<b>\$ 980,039</b>	<b>\$ 21,777,049</b>	<b>\$ 572,113</b>	<b>\$ 256,502</b>	<b>\$ 715,299</b>	<b>\$ 33,336,442</b>

CITY OF SHERWOOD, ARKANSAS  
 NOTES TO SCHEDULES 1 AND 2  
 DECEMBER 31, 2019

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
ABC Financial Grant	Established to account for community development block grants.
Advertising and Promotion Commission	Ark. Code Ann. § 26-75-606 established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the city and its environs; construction, maintenance, and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued.
Drug Control	Ark. Code Ann. § 5-64-505 established fund to receive asset forfeitures resulting from drug offense cases due to arresting agency. The revenues shall only be used for law enforcement purposes.
District Court Automation	Ark. Code Ann. § 16-13-704 established fund to receive district court installment fees of 1/2 of \$5 per month on each person to be used for court-related technology.
Franchise Fee	Established by Sherwood Ordinance no. 1862 (February 22, 2010) to account for franchise fees collected to repay a lease-purchase agreement with the Public Facilities Board for the North Hills Country Club. Franchise fees collected in excess of debt service requirements may be used for other City purposes.
Federal Drug Control	Established in 2010 to receive asset forfeitures resulting from federal drug offense cases.
DWI Court Grant	Established in 2010 to receive DWI Court federal grant funds.
Justice Assistance Grant	Established to account for grants from the Department of Justice.
Library Construction Bonds, Series 2015 Project	Established by Sherwood Ordinance no. 284 (October 26, 2015) to pay for the purchase of land and the construction of a new public library.
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 Project	Established by Sherwood Ordinance no. 2137 (February 27, 2017) to finance various capital improvements to and within the City's public parks and recreation facilities, including the design and construction of soccer fields, tennis courts, splash pad, and various other improvements, funding a debt service reserve; and paying the costs of issuance of bonds.

CITY OF SHERWOOD, ARKANSAS  
 NOTES TO SCHEDULES 1 AND 2  
 DECEMBER 31, 2019

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Sales and Use Tax Bonds, Series 2018 Project	Established by Sherwood Ordinance no. 2218 (October 11, 2018) to finance capital improvements, betterments, and extensions for the City's street system, including but not limited to, the planning design, inspection, and management of the construction, reconstruction, equipping, and installation of paving and repairing of streets, sidewalks, curbs, gutters, ditches, drainage facilities, bridges, culverts, pipes, storm water discharge and detention facilities and related improvements and the acquisition of necessary rights of way and easements; funding of debt service reserve; and paying the costs of issuance of bonds.
Library Construction Bonds, Series 2015 Debt Service	Established by Sherwood Ordinance no. 284 (October 26, 2015) to maintain principal and interest payments of bonds.
Capital Improvement Revenue Refunding Bonds, Series 2016 Debt Service	Established by Sherwood Ordinance no. 2101 (March 28, 2016) to maintain principal and interest payments of bonds.
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2017 Debt Service	Established by Sherwood Ordinance no. 2137 (February 27, 2017) to maintain principal and interest payments for bonds.
Sales and Use Tax Bonds, Series 2018 Debt Service	Established by Sherwood Ordinance no. 2218 (October 11, 2018) to maintain principal and interest payments for bonds.
Municipal Employees Retirement	Sherwood Ordinance no. 811 (December 28, 1997) established fund to provide retirement and incidental benefits for all eligible full-time city employees.
Custody Trust	Established to accumulate special use money to fund the Municipal Employees Retirement Fund and the 457(b) Plan.
Administration of Justice	Ark. Code Ann. § 16-10-308 established fund to receive the city's share of uniform court costs and filing fees levied by state law to be used to defray a part of the expenses of the administration of justice in the city.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the police department.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the district court.
Small Claims	Ark. Code Ann. § 16-17-707 established account to receive fees relating to small claims and civil case filings.

CITY OF SHERWOOD, ARKANSAS  
OTHER INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2019  
(Unaudited)

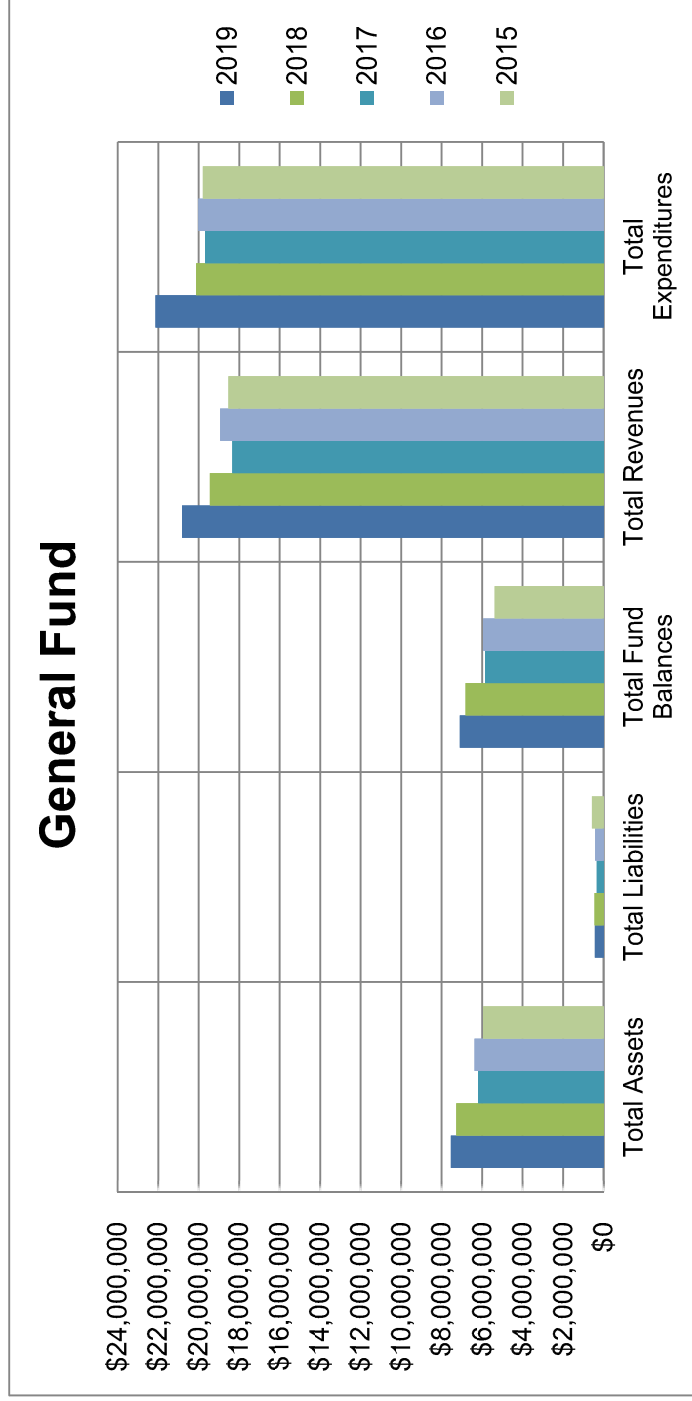
Schedule 3

	<u>December 31, 2019</u>
Land	\$ 4,525,406
Buildings	17,648,467
Equipment	14,711,070
Construction in progress	<u>4,401,971</u>
Total	<u><u>\$ 41,286,914</u></u>



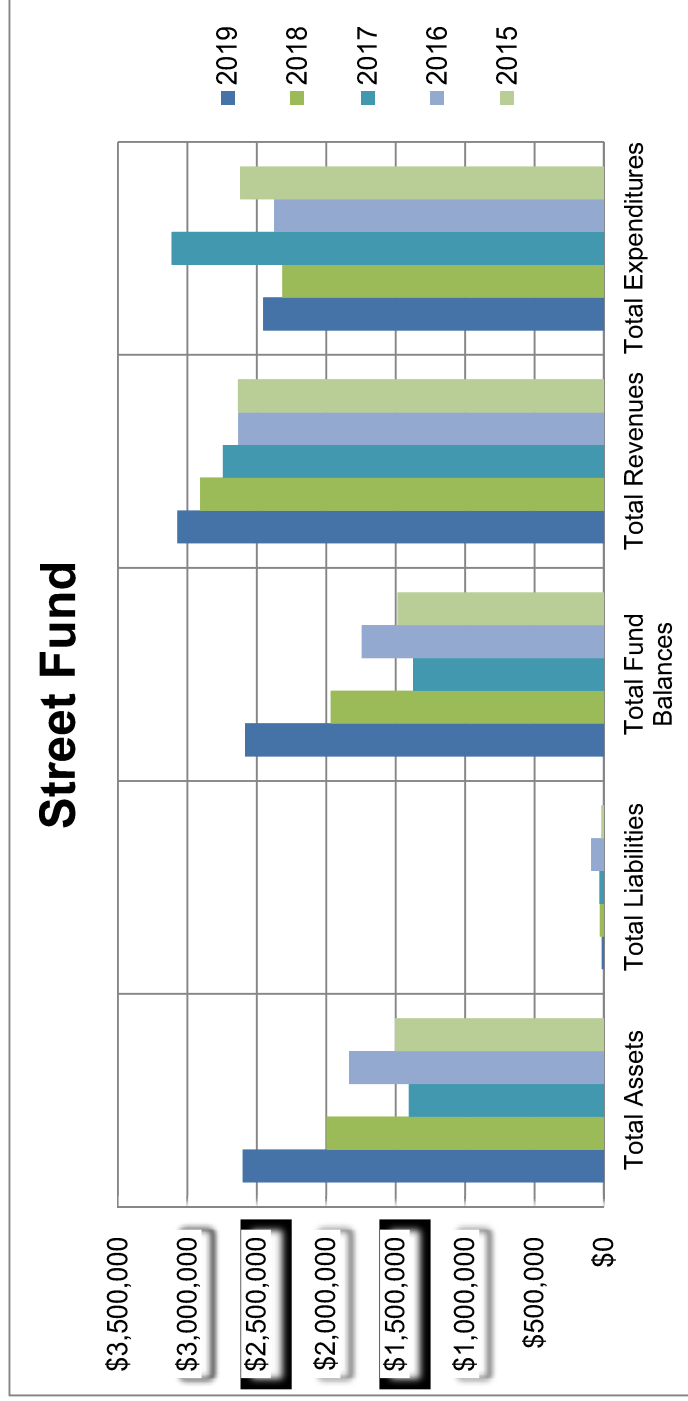
CITY OF SHERWOOD, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
 DECEMBER 31, 2019  
 (Unaudited)

	2019	2018	2017	2016	2015
<b>General</b>					
Total Assets	\$ 7,554,257	\$ 7,282,663	\$ 6,199,906	\$ 6,370,975	\$ 5,958,516
Total Liabilities	442,886	456,664	347,521	420,395	576,658
Total Fund Balances	7,111,371	6,825,999	5,852,385	5,950,580	5,381,858
Total Revenues	20,824,676	19,454,590	18,345,963	18,949,713	18,526,940
Total Expenditures	22,143,156	20,124,153	19,688,002	20,013,061	19,797,024
Total Other Financing Sources/Uses	1,603,852	1,643,177	1,243,844	1,632,070	1,552,111



CITY OF SHERWOOD, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
 DECEMBER 31, 2019  
 (Unaudited)

<b>Street</b>	2019	2018	2017	2016	2015
Total Assets	\$ 2,600,591	\$ 1,996,800	\$ 1,404,978	\$ 1,835,613	\$ 1,503,539
Total Liabilities	14,823	29,214	30,374	91,792	18,533
Total Fund Balances	2,585,768	1,967,586	1,374,604	1,743,821	1,485,006
Total Revenues	3,071,097	2,908,252	2,743,917	2,634,145	2,636,707
Total Expenditures	2,452,915	2,315,270	3,113,134	2,375,330	2,620,206



CITY OF SHERWOOD, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
 DECEMBER 31, 2019  
 (Unaudited)

	2019	2018	2017	2016	2015
<b>Other Funds in the Aggregate</b>					
Total Assets	\$ 34,175,329	\$ 35,993,468	\$ 16,382,334	\$ 13,528,402	\$ 14,298,917
Total Liabilities	838,887	797,184	385,890	466,839	766,063
Total Fund Balances	33,336,442	35,196,284	15,996,444	13,061,563	13,532,854
Total Revenues	8,982,376	4,979,380	5,082,819	4,061,840	4,361,735
Total Expenditures	9,238,366	5,556,603	6,404,094	4,086,839	2,201,401
Total Other Financing Sources/Uses	(1,603,852)	20,231,823	4,256,156	(1,463,909)	4,337,761

