OFFICIAL STATEMENT

New Issue **NOT RATED**
Book Entry Only

In the opinion of Rose Law Firm, a Professional Association, Bond Counsel, under existing law and assuming compliance with certain covenants described herein, interest on the Bonds is excludable from gross income for federal income tax purposes. Bond Counsel is of the further opinion that, under existing law, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Association has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Bond Counsel is of the opinion that the Bonds and the interest thereon are exempt from all Arkansas state, county, and municipal taxes. See the caption "Tax Exemption" herein.

$3,350,000
VILONIA WATERWORKS ASSOCIATION
WATER REVENUE REFUNDING BONDS,
SERIES 2021

Dated: Date of Delivery **Due: As shown on inside cover**

The Bonds are being issued by the Vilonia Waterworks Association, an Arkansas public facilities board created by the City of Vilonia, Arkansas (the "Association") to: (i) currently refund the Association's Water Revenue Refunding and Improvement Bonds dated March 20, 2013 (the "Series 2013 Bonds"); (ii) pay off an existing debt owed to First Security Bank; (iii) fund a debt service reserve fund; and (iv) pay the costs of issuing the Bonds. The Bonds do not constitute an indebtedness for which the faith and credit of the State of Arkansas, Faulkner County, Arkansas, the City of Vilonia, Arkansas, or any political subdivision thereof are pledged. The Association has no taxing power. The payment of principal of and interest on the Bonds is primarily secured by and payable from a pledge of the Association's revenues and other resources pursuant to the terms of a Trust Indenture between the Association and Bank OZK, as Trustee (the "Trustee").

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, an automated depository for securities and clearinghouse for securities transactions. Individual purchases of the Bonds will be made only in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Individual purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. Principal of and interest on the Bonds will be payable at the principal corporate trust office of the Trustee upon the order of Cede & Co., which will remit such principal and interest to its DTC participants, which in turn will remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2021. The Bonds mature on August 1 in the years and in the amounts, bear interest at the rates and are priced to yield as shown inside this front cover. Principal is payable at the corporate trust office of Bank OZK, Little Rock, Arkansas. Interest is payable by check mailed to the registered owner as of the applicable record date at his address as shown on the bond registration book maintained by the Trustee. The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are offered when, as and if issued, subject to approval as to legality by Rose Law Firm, a Professional Association, Little Rock, Arkansas, Bond Counsel, and McGue Law Firm, Cabot, Arkansas, counsel to the Association and subject to satisfaction of certain other conditions. Delivery of the Bonds is expected in New York, New York, on or about January 19, 2021.

Stephens Inc.

Dated: December 16, 2020

$3,350,000
Vilonia Waterworks Association
Water Revenue Refunding Bonds
Series 2021

Serial Bond

Year **August 1**	**Principal** **Amount**	**Interest** **Rate**	**Yield**	**CUSIP[1]**
2021	$ 70,000	2.000%	0.750%	927173EH3

Term Bonds

$280,000	0.750%	Term Bonds due August 1, 2023	to Yield	0.770%	CUSIP[1]	927173 EJ9
$280,000	0.950%	Term Bonds due August 1, 2025	to Yield	0.970%	CUSIP	927173 EK6
$280,000	2.000%	Term Bonds due August 1, 2027	to Yield	1.200%*	CUSIP	927173 EL4
$310,000	2.000%	Term Bonds due August 1, 2029	to Yield	1.500%*	CUSIP	927173 EM2
$310,000	1.750%	Term Bonds due August 1, 2031	to Yield	1.820%	CUSIP	927173 EN0
$480,000	2.000%	Term Bonds due August 1, 2034	to Yield	2.000%	CUSIP	927173 EP5
$705,000	2.250%	Term Bonds due August 1, 2038	to Yield	2.250%	CUSIP	927173 EQ3
$635,000	2.375%	Term Bonds due August 1, 2042	to Yield	2.400%	CUSIP	927173 ER1

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

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

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

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

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

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

1 CUSIP® (Committee on Uniform Securities Identification Procedures) is a registered trademark of the American Bankers Association ("ABA"). CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Board and are included solely for the convenience of the registered owners of the Bonds. The Board and the Underwriters are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Board on the Bonds and by the Underwriters on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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OFFICIAL STATEMENT

$3,350,000
VILONIA WATERWORKS ASSOCIATION
WATER REVENUE REFUNDING BONDS
SERIES 2021

INTRODUCTORY STATEMENT

This Official Statement is furnished in connection with the issuance of the Vilonia Waterworks Association (the “Association”) of its Water Revenue Refunding Bonds, Series 2021, in the principal amount of $3,350,000 (the “Series 2021 Bonds” or the “Bonds”). The Association is a public facilities board created by the City of Vilonia, Arkansas under the Arkansas Public Facilities Board Act, as amended and supplemented, and codified at Arkansas Code Annotated § 14-137-101 *et seq.* (the “Act”). The Bonds mature and bear interest as shown on the cover page.

The Bonds are being issued to (i) currently refund the Association’s Water Revenue Refunding and Improvement Bonds dated March 20, 2013 (the “Series 2013 Bonds”); (ii) pay off an existing debt owed to First Security Bank evidenced by the Association’s Promissory Note dated March 29, 2018 (the “FSB Note” which together with the Series 2013 Bonds are referred to as the “Refunded Obligations”); (iii) fund a debt service reserve fund; and, (iv) pay the costs of issuing the Bonds.

The Bonds will be issued pursuant to a Resolution adopted by the Board of Directors (the "Board") of the Association on December 16, 2020 (the “Resolution”) and secured under a Trust Indenture between the Association and Bank OZK, as Trustee, dated as of the date of delivery of the Bonds (the "Indenture") (see THE INDENTURE).

Payment of principal of the Bonds will be made at the corporate trust office of the Trustee, which is located in Little Rock, Arkansas. Payment of interest on the Bonds shall be by check or draft to the registered owners of the Bonds as of the record date for such payment as shown on the bond registration books of the Association maintained by the Trustee. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month preceding each interest payment date.

The Bonds are primarily payable from, and secured by a pledge of the Association's revenues and other resources, including particularly revenues derived from the sale of water. The Bonds will be issued on a parity with the Association’s outstanding obligations. (*See* SECURITY FOR THE BONDS and THE ASSOCIATION).

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

AUTHORITY

The Bonds are being issued under the authority of the Constitution and laws of the State of Arkansas, including particularly Amendment 65 to the Constitution of the State of Arkansas and the Act.

The Board of Directors of the Association has authorized by Resolution the issuance of the Bonds and the execution and delivery of the Indenture.

THE BONDS

The Bonds shall be payable solely from the revenues of the Association as hereinafter set forth. Principal on the Bonds is payable at the corporate office of Bank OZK, Little Rock, Arkansas, the Trustee. Interest on the Bonds is payable semiannually on February 1, and August 1, in each year, commencing August 1, 2021, by check or draft of the Trustee mailed to the registered owner thereof. The Bonds will be issued only in book-entry form, and individual purchasers of the Bonds will not receive physical delivery of bond certificates.

Proceeds of the Bonds together with funds transferred from the indenture securing the Series 2013 Bonds will be used (i) to currently refund the Refunded Obligations on the date of delivery of the Bonds; (ii) to fund a debt service reserve fund; and (iii) pay the costs of issuing the Bonds.

REDEMPTION

Optional Redemption. The Bonds are subject to redemption prior to maturity, at the option of the Association, in whole or in part, in inverse order of maturities (less than all of the bonds of a single maturity to be selected by lot by the Trustee in such manner as it may determine) from funds from any source on any date on or after February 1, 2026, at par.

Mandatory Sinking Fund Redemption. The Bonds maturing August 1, 2023, August 1, 2025, August 1, 2027, August 1, 2029, August 1, 2031, August 1, 2034, August 1, 2038 and August 1, 2042 shall be subject to mandatory sinking fund redemption at a price of the principal amount being redeemed plus accrued interest to the date of redemption, on August 1, in the years and principal amounts as follows:

Term Bonds Maturing August 1, 2023

August 1	Principal Amount
2022	$140,000
2023*	$140,000

Term Bonds Maturing August 1, 2025

August 1	Principal Amount
2024	$135,000
2025*	$145,000

Term Bonds Maturing August 1, 2027

August 1	Principal Amount
2026	$135,000
2027*	$145,000

Term Bonds Maturing August 1, 2029

August 1	Principal Amount
2028	$155,000
2029*	$155,000

Term Bonds Maturing August 1, 2031

August 1	Principal Amount
2030	$150,000
2031*	$160,000

Term Bonds Maturing August 1, 2034

August 1	Principal Amount
2032	$160,000
2033	$160,000
2034*	$160,000

Term Bonds Maturing August 1, 2038

August 1	Principal Amount
2035	$170,000
2036	$175,000
2037	$180,000
2038*	$180,000

Term Bonds Maturing August 1, 2042

August 1	Principal Amount
2039	$160,000
2040	$150,000
2041	$165,000
2042*	$160,000

*Final Maturity

Order of Redemption. Optional redemption shall be in inverse order of maturities and by lot (in such manner as the Trustee shall determine) within a maturity.

Notice of Redemption. Notice of redemption will be mailed by the Trustee by first class mail, postage prepaid, at least 30 days, but not more than 60 days, before the redemption date to each registered owner of the Bonds to be redeemed in whole or in part at his last address appearing on the Register, but no defect in or failure to give such notice of redemption will affect the validity of the redemption as to any registered owner to whom proper notice was mailed. So long as the Bonds are in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee of DTC, as registered owner of the Bonds, and the Trustee will not mail redemption notice directly to the Beneficiary Owners of the Bonds. See "Book-Entry Only" below. All Bonds so called for redemption will cease to bear interest on the date fixed for redemption, provided funds for their redemption have been duly deposited with the Trustee, and thereafter are registered owners of such Bonds called for redemption will have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such 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"). DTC has Standard & Poor's highest rating: AAA. 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** and **www.dtc.org**.

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 ("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 and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. 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. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to documents relating to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notice be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 Board 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).

Redemption proceeds and principal and interest 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 Trustee or Paying Agent, on 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 nor its nominee, Trustee, Board, or Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Board, Trustee, or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Board or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

SECURITY FOR THE BONDS

The Bonds are secured by a pledge of the revenues and other resources of the Association, including particularly revenues derived from the sale of water. The Bonds are further secured by a lien on and security interest in all property now owned by the Association and the property and replacements. See THE TRUST INDENTURE, Security for the Bonds. The Association has no taxing power. The resources of the Association are limited to water storage and distribution facilities and the revenues derived from the sale of water stored and distributed by the Association.

Additional Bonds. The Association has reserved the right to issue additional bonds. Additional bonds may be issued under the Indenture if the parity requirements set out below are met ("Additional Bonds"). Otherwise, any additional bonds will be subject and subordinate to the Bonds.

Before any Additional Bonds can be issued on a parity with the Bonds, there must be filed with the Trustee the following, as appropriate:

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

(ii) A certificate of the Chairman of the Association stating that no event of default specified in the Indenture has happened and is then continuing;

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

(iv) If the Additional Bonds are to be issued to acquire, construct, or equip capital improvements, or otherwise do not meet the requirements for refunding bonds set forth in subsection (v) below, a certificate to the effect that "adjusted gross revenues" of the Association (hereinafter defined) for the fiscal year immediately preceding the delivery of the Additional Bonds (the "immediately preceding fiscal year") were sufficient in amount:

(a) to make all payments into the funds of the Association created by the Indenture (exclusive of the Operation and Maintenance Fund and the Bond Fund) required by the provisions of the Indenture to be made during the immediately preceding fiscal year; and

(b) to pay all operation and maintenance expenses of the Association for the immediately preceding fiscal year; and

(c) to leave a balance equal to not less than 110% of the combined average annual principal and interest requirements during the current or any subsequent fiscal year of the Association for (A) the then outstanding Bonds, (B) the Additional Bonds then held by the Trustee for delivery and (C) any then outstanding Parity Obligations (defined below).

(v) If the Additional Bonds are to be issued to refund any bonds outstanding under the Indenture or Parity Obligations, a certificate that the test set forth in (iv) above have been satisfied or that annual debt service on the Additional Bonds to be issued does not exceed the annual debt service on all Bonds which would have been outstanding had the same not been refunded.

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

The term "adjusted gross revenues," means:

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

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

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

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

FINANCIAL INFORMATION

Set forth in Appendix A to this Official Statement is the comparative audited financial statements of the Association for the fiscal years ended 2019 and 2018. Such financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America. These financial statements should be read in their entirety together with any notes and supplemental information attached thereto.

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	Fiscal Years Ended December 31	
	Audited 2019	Audited 2018
Operating Revenues:		
Water Sales	$3,662,947	$3,637,835
Water Taps	79,675	76,185
Miscellaneous	797,822	834,314
Total Revenues	$4,540,444	$4,548,334
Operating Expenses	4,140,245	4,061,489
Operating Income	$400,199	$486,845
Add Back Depreciation	514,692	504,353
Net Revenues Available for Debt Service	$914,891	$991,198

OTHER DEBT

The Bonds are issued on parity with: (i) the Association's Water Revenue Bond issued to the United States Department of Agriculture, Rural Development on May 4, 2006 (the "2006 Bond") which is expected to have an outstanding principal balance of $730,478.53 when the Bonds are issued; (ii) the Association's Water Revenue Refunding and Improvement Bonds, Series 2010 (the "Series 2010 Bonds") which are expected to have an outstanding principal balance of $205,000 when the Bonds are issued; and (iii) and the Association's Water Revenue Bond issued to the Arkansas Development Finance Authority on November 14, 2019 (the "2019 Bond") which is expected to have an outstanding principal balance of $1,700,000 when the Bonds are issued. The 2019 Bonds, the 2006 Bond and the Series 2010 Bonds are collectively referred to as the "Parity Obligations." While the 2019 Bonds bear no interest, a 0.50% servicing fee is required to be paid to the Arkansas Natural Resources Commission and is treated as a component debt service for purposes of calculating coverage requirements necessary for the Bonds to be issued on parity with the 2019 Bonds.

SOURCES AND USES OF FUNDS

The proceeds of the Series 2021 Bonds will be used as follows:

Sources of Funds:	
Par Amount of Bonds	$3,350,000.00
Transfers from Refunded Obligations Reserve Funds	115,254.08
Transfers from Refunded Obligations Debt Service Funds	104,837.30
Reoffering Premium	13,730.05
Total Sources:	$3,583,821.43
Uses of Funds:	
Refund Series 2013 Bonds	$3,283,896.50
Refund FSB Note	89,765.73
Deposit to Debt Service Reserve Fund	103,584.38
Underwriter's Discount	67,000.00
Costs of Issuance	39,574.82
Total Uses:	$3,583,821.43

DEBT SERVICE REQUIREMENTS

The following tables set forth the amounts required to pay scheduled principal and interest on the 2021 Bonds and the Parity Obligations during the fiscal periods ending on the dates indicated.

	Series 2021 Bonds				
December 31	Principal	Interest	Total	Parity Obligations Debt Service	Total Series 2021 Bonds and Parity Obligations
2021	$ 70,000	$34,095	$104,095	$346,304	$450,399
2022	140,000	62,529	202,529	221,634	424,163
2023	140,000	61,479	201,479	221,634	423,113
2024	135,000	60,429	195,429	221,634	417,063
2025	145,000	59,146	204,146	221,634	425,780
2026	135,000	57,769	192,769	221,634	414,403
2027	145,000	55,069	200,069	221,634	421,703
2028	155,000	52,169	207,169	221,634	428,803
2029	155,000	49,069	204,069	221,634	425,703
2030	150,000	45,969	195,969	221,634	417,603
2031	160,000	43,344	203,344	134,383	337,727
2032	160,000	40,544	200,544	47,136	247,680
2033	160,000	37,344	197,344	47,136	244,480
2034	160,000	34,144	194,144	47,136	241,280
2035	170,000	30,944	200,944	47,136	248,080
2036	175,000	27,119	202,119	47,136	249,255
2037	180,000	23,181	203,181	47,136	250,317
2038	180,000	19,131	199,131	47,136	246,267
2039	160,000	15,081	175,081	47,136	222,217
2040	150,000	11,281	161,281	47,136	208,417
2041	165,000	7,719	172,719	47,136	219,855
2042	160,000	3,800	163,800	47,136	210,936
Totals	**$3,350,000**	**$831,353**	**$4,181,353**	**$2,993,889**	**$7,175,242**

ESTIMATED DEBT SERVICE COVERAGE

Assuming debt service on the 2021 Bonds and the Parity Obligations as shown in the tables under the caption "Debt Service Requirements" the following table illustrates the estimated debt service coverage on the 2021 Bonds and the Parity Obligations.

Net Revenues Available for Debt Service	$914,891
Maximum Annual Debt Service on the 2021 Bonds and the Parity Obligations	$450,399
Coverage	2.03X

THE ASSOCIATION

General. The primary service area of the Association is in Faulkner County. The Association also serves customers in White County and Pulaski County. The main office of the Association is located in Vilonia, which is the southern portion of Faulkner County. Faulkner County, Arkansas (the "County") is located in central Arkansas

History. The Vilonia Waterworks Association, Inc. was incorporated on May 16, 1974, as an Arkansas non-profit corporation. On September 16, 1974, the Association received notice of approval from the Farmers Home Administration of an approved loan and grant to construct water system improvements. The system became operational in early 1978, serving 1,200 customers with over 105 miles of water distribution lines, a 300,000 gallon storage tank, a 350 GPM water treatment plant and six water supply wells.

In late 1985, the Association began purchasing water on a wholesale basis from the Central Arkansas Water Users Association (CAWUA). At that time a 300 GPM water booster pumping station, 338,400 gallon storage tank and 5.35 miles of water transmission lines were added to the system.

In early 1986 the Association took possession of a 69,000 gallon storage tank and 150 GPM water booster pumping station in the Forest Acres Overlook Subdivision. In the spring of 1988, the Association constructed 35.7 miles of water distribution lines to serve 382 new customers. In March of 1990, the CAWUA water booster pumping station capacity was increased to 500 GPM. At its annual membership meeting on July 17, 1991, the membership of the Association passed a resolution authorizing the change of status from an Arkansas non-profit corporation to an Arkansas public facilities board. On July 11, 1991 the Vilonia City Council passed Ordinance No. 91-6 which created the Vilonia Waterworks Association, a public facilities board under Arkansas law.

In 1993, a 571,000 gallon water tank was added to the System. In 1998 the Association constructed a new water storage tank in the eastern portion of the water distribution system, near El Paso, Arkansas. The capacity of the tank was 300,000 gallons, and 1.3 miles of water line was required to distribute water to the system from the tank. In 2004 the Association completed the Cadron Ridge Project, which installed thirty-four (34) miles of new water line to add two hundred (200) new customers. In May, 2006, the Association acquired the assets of the Enola-Mt. Vernon water system, which added 703 new customers.

In 2018 and 2019, the Association upgraded water meters and provided water line extensions at South Church Street, West Lewisburg Road, Fire Station Road, Monark Road, Ridgeview, Church Street, Texas Lane, Sunny Gap, Honor's Place and North Ridge Subdivision. Also in 2019, the Association issued its $1,700,000 Water Revenue Bond the proceeds of which are being used upgrade meters over a two year period of time.

Sources of Water. The Association purchases treated surface water from Community Water System, Mid-Arkansas Utilities Public Water Authority, and Lonoke-White Public Water Authority. Both Community Water System and Lonoke-White Public Water Authority sources are surface water from Greer's Ferry Lake. A pipeline from Greers Ferry, Arkansas south to Mayflower, Arkansas is operated by the Community Water System which draws water from Greers Ferry Lake and treats it before distributing it to various communities south of Greers Ferry Lake including Greenbrier, Mayflower and Vilonia.

The Association's water purchase contract with Community Water System is a non-exclusive arrangement that recognizes its agreements with Mid-Arkansas Utilities Public Water Authority, and Lonoke-White Public Water Authority as secondary and tertiary suppliers of water. The Community Water System contract provides that the Association is required to take a minimum of 349,000,000 gallons per year regardless of how much water it takes from other suppliers. Currently the rate for the Community Water System contract is $3.20 per 1000 gallons. The rate for the Community Water System contract will be $3.22 per 1000 gallons beginning January 2021. In 2018, the Association was the largest wholesale purchaser of water from Community Water System, account for 15.9% of its total gross water revenues.

Mid-Arkansas Utilities Public Water Authority purchases treated surface water from Central Arkansas Water whose water supply is from two lakes, Lake Winona and Lake Maumelle. Mid-Arkansas Utilities Public Water Authority also purchased water from Jacksonville Waterworks whose source is twelve wells that pump from the Quaternary System Aquifer. The Association purchases water from Mid-

Arkansas Utilities Public Water Authority pursuant to a 10-year contract that was entered into on June 1, 2018. Pursuant to the contract, The Association is required to purchase from the Mid-Arkansas Utilities Public Water Authority a minimum of 0.20 million gallons of water per day ("MGD") at a rate of $2.52 per 1,000 gallons. The Association cannot exceed a maximum of 1 MGD. The rate may be adjusted based on a demonstrable increase or decrease in the costs of performance under the contract.

The Lonoke/White Public Water Authority utilizes an intake structure and water treatment plant in the Cove Creek area of Greers Ferry Lake, and a water transmission line to serve several water utilities in southern White County, Lonoke County, and northern Pulaski County including the Association. The Association has a water purchase contract with Lonoke/White Public Water Authority expiring June 27, 2054. The original water purchase contract provides for a usage rate of $1.25 per 1,000 gallons over a minimum volume rate fee $38,021 for the first 30,416,667 gallons. In addition, there is a $5.00/month per meter charge until certain debt of that entity is retired (the "Lonoke/White Monthly Meter Charge").

The Association's water supply contracts provide for price escalations resulting from increased costs of production of water by the supplier.

Customers. As of October of 2020 the Association has approximately 9,293 customers in Faulkner, Pulaski and White Counties. The Association does not have any customers using 5% of more of the water supply. The average number of water users by category for each of the past five years is as follows:

Year	Residential	Commercial	Total
2015	8,222	246	8,468
2016	8,337	300	8,637
2017	8,491	310	8,801
2018	8,626	305	8,931
2019	8,780	298	9,078

Water Rates. The Association currently has six service areas with separate rates for water services. The last rate adjustment was established in May 2018.

Area	Average 2019 Customers	0-1,000 Gallons Used	Per Each 1,000 Gallons Additional	Monthly Lonoke/White Meter Charge
Original System	6,576	$12.50	$5.60	$5.00
Lake Conway/Pulaski	1,008	$16.50	$5.60	$5.00
Enola/Mount Vernon	1,070	$20.00	$5.60	$5.00
Cadron Ridge Extension	405	$20.50	$5.60	$5.00
W. Lewisburg Rd. Ext.	13	$56.09	$5.60	$5.00
Sprinkler Meters	173	$6.25	$5.60	$5.00

Sewer Billing Fees. The Association provides billing services for four subdivisions which have their own sewer systems. Vilonia Water Association charges $4.00 per bill for this service. In 2019, these fees accounted for $17,448.00 in revenues.

The Board. The Association is governed by a five member Board of Directors. Names and occupations of present members of the Board of Directors are:

Members	Occupation	Term Expires
Howard Williams, Chairman	Retired	June 2021
Steve Simon, Vice Chairman	Retired	June 2023
Mickey Fortner, Secretary/Treasurer	Plumber	June 2024
Ronnie Fowlkes	Construction	June 2025
Brian Presley	Construction	June 2022

Management and Operations. The Association's General Manager is Cecil McMurtry. Mr. McMurtry was named Manager in October 2002, and was given his current title in June 2004. Currently, the Association has 13 employees.

THE CITY AND THE COUNTY

Location. The City of Vilonia, Arkansas (the "City") is located in Faulkner County (the "County") which is in central Arkansas. The City is located approximately 45 miles northeast of Little Rock, Arkansas.

Population. Resident population in the City and the County has been as follows:

Year	City	County
1970	423	31,572
1980	736	46,192
1990	1,133	60,006
2000	2,106	86,014
2010	3,815	113,237
2019*	4,623	126,007

*Estimate

Transportation. The City is served by U.S. Highway No. 64 and State Highway No. 107. The Conway Municipal Airport at Cantrell Field, located southwest of Conway, Arkansas, is approximately 25 miles from the City. The nearest commercial airport is located in Little Rock, approximately 45 miles from the City. Several motor freight carriers service the Little Rock/North Little Rock metropolitan statistical area, which includes the City.

Government. The City has the Mayor-City Council form of government. The names, occupations and terms of the Mayor and members of the City Council are:

Name	Occupation	Term Expires
Preston Scroggin	Mayor	December 31, 2022
Shawntel Brown	Central Arkansas Planning and Development	December 31, 2020
Skip Cates	School employee	December 31, 2020
Steven Craig	Firefighter	December 31, 2020
Kathy French	Retired	December 31, 2020
Jim King	Retired	December 31, 2020
Joe Maxwell	Self-employed	December 31, 2020

Medical Facilities. The City is served by two physicians. Conway Regional Medical Center, a 146 bed hospital, and Baptist Health Medical Center-Conway, a 111 bed hospital, are both located in Conway, Arkansas, which is 13 miles from the City.

Financial Institutions. The City is currently served by branches of Centennial Bank, Eagle Bank & Trust Company and First Security Bank.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system. The University of Central Arkansas, Central Baptist College and Hendrix College are located in Conway, Arkansas, which is 13 miles from the City.

Economy. The major employers in the City are:

Employer	Service or Product	Number of Employees
Vilonia School District	Education	500
Harp's	Grocery	54
City of Vilonia	Government	34

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

Year	Per Capita Personal Income
2014	$34,223
2015	34,884
2016	35,446
2017	36,424
2018	37,598

Total personal income estimates for the County are as follows:

Year	Total Personal Income
2014	$4,126,165,000
2015	4,228,275,000
2016	4,327,931,000
2017	4,494,650,000
2018	4,692,463,000

Set forth below are the annual average unemployment rates for the County and State since 2015 according to the Arkansas Department of Workforce Services:

	Annual Average Unemployment Rate (%)	
Year	County	State
2015	4.6	5.0
2016	3.8	4.0
2017	3.3	3.7
2018	3.2	3.6
2019	3.0	3.5
2020*	9.3	9.4

*As of May 2020.

THE TRUST INDENTURE

The following is a brief summary of the Indenture pursuant to which the Bonds will be issued. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, copies of which are on file with the Trustee.

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

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature now located thereon or therein situated in Faulkner County with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining now owned by the Association.

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

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

(d) All properties included in the Association.

(e) Replacement properties (as described in Section 409 of the Indenture) and any and all other property of every name and nature from time to time heretofore or hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds, by the Association or by any other person, firm or corporation to the Trustee, which is authorized to receive any and all such property at any time and at all times and to hold and to apply the same subject to the terms of the Indenture.

Rate Covenant. Under the Indenture, the Association covenants and agrees that it will fix, charge and collect rates, fees and charges for water and services furnished by the Association which shall produce total revenues in each fiscal year sufficient to (1) make all required deposits to the Debt Service Reserve Fund, (2) pay the Association's operation, repair and maintenance expenses, and (3) leave a balance equal to 110% of the debt service requirements for that fiscal year of all outstanding Bonds and Parity Obligations. The Board of Directors of the Association covenants that it will revise the rates, fees and charges from time to time as necessary to comply with this covenant.

Funds. The following Funds are to be established under the Indenture for the benefit of the Bondholders. The Bond Fund, Debt Service Reserve Fund and Rebate Fund will be maintained by the Trustee.

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

Operation and Maintenance Fund. After the required deposit has been made into the Bond Fund, there is required to be paid from the Gross Receipts Fund into a fund designated "Operation and Maintenance Fund," on the first business day of each month while any Bonds issued under the Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of the Fund, to pay the reasonable monthly expenses of operation, repair and maintenance of the properties of the Association for such month, and, to the extent determined by the Association, to pay costs of betterments and improvements to the properties of the Association, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and the cost of major repair and maintenance expenses and costs of betterments and improvements, may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance

Fund each month. If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the fund in the next succeeding month. If in any fiscal year, a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the properties of the Association during the next succeeding four (4) months, such surplus may be transferred and deposited in the Bond Fund.

Bond Fund. Money in the Bond Fund shall be applied in the following manner:

(a) There shall be paid from the Gross Receipts Fund into the Bond Fund, on the 15^{th} business day of each month, an amount equal to the sum of:

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

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

(b) The Association shall receive a credit against required monthly deposits into the Bond Fund for any moneys placed into the Bond Fund other than pursuant to paragraph (a).

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

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

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

Debt Service Reserve Fund. The Indenture requires that, upon the delivery of the Bonds, there shall be deposited with the Trustee for deposit in the Debt Service Reserve Fund an amount of one-half the maximum annual principal and interest requirement (the "Required Level"), or, in lieu thereof, a surety bond or other credit facility, in an amount equal to the Required Level.

(a) Upon the issuance of the Bonds, there shall be deposited $103,584.38 to the Debt Service Reserve Fund.

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

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

(d) In lieu of depositing moneys into the Debt Service Reserve Fund, the requirements of this section may be satisfied by depositing with the Trustee a surety bond or other credit facility in an amount equal to the Required Level, or portion, being satisfied. The surety bond must be issued by an insurance company rated AA or better by A.M. Best an must provide for the payment to the Trustee, upon demand, of all or any part of the principal amount which may be needed for use for any purpose for which the Debt Service Reserve Fund moneys may be used under the Indenture.

Construction Fund. The Indenture provides for the establishment of a Construction Fund. Moneys on deposit in the Construction Fund, including interest accruing on the amounts on deposit, shall be expended for construction of betterments and improvements to the System (the "Project"), or the expenses of issuing the Bonds. Such expenditures shall be in accordance with and pursuant to checks or requisitions signed by one or more duly designated representatives of the Association (which designation shall be in writing and filed with the depository of the Construction Fund and with the Trustee) and each such check or requisition or a copy thereof shall be filed with the depository and with the Trustee, and shall be accompanied by, or shall specify, at least the following information:

(a) The name of the person, firm or corporation to whom payment is to be made;

(b) The amount of the payment; and

(c) That the disbursement is for a proper expense of or pertaining to the Project.

In addition, each disbursement concerning expenses over which the Engineer employed by the Association shall exercise supervision (which in general shall be all expenses except engineering fees, legal fees and expenses of issuing bonds) shall be supported by a certificate signed by the Engineer certifying that the disbursement is for a proper expense and approving the same. The name and address of the Engineer shall be furnished the Trustee and the depository of the Construction Fund together with the signatures of the Engineer. The depository of the Construction Fund shall keep records concerning and reflecting all disbursements from the Construction and shall file a monthly accounting of disbursements with the Association and with the Trustee. The depository bank shall make payment from the Construction Fund pursuant to and in accordance with said requisitions. If other than the Trustee, the depository bank shall accept its obligations under this Indenture by an appropriate instrument, a copy of which shall be filed with the Trustee.

Any moneys remaining in the Construction Fund after the completion of the Project, as certified by the Chairman of the Association and by the Engineer supervising the acquisition and construction of the Project, may, at the option of the Association, be used to redeem Bonds as set forth in the Bonds or pay the cost of additional capital improvements for the Association. The procedure for disbursing moneys from the Construction Fund for additional improvements shall be the same as for disbursals to pay Project costs. After completion of the Project and such additional capital improvements as the Association elects to finance from the Construction Fund, the Construction Fund shall be closed and any remaining balance deposited in integral multiples of $5,000, into a special fund with the Trustee hereby created and designated "Special Bond Redemption Fund." Moneys held for the credit of the Special Bond Redemption Fund shall be used on the first optional redemption date to redeem Series Bonds. Any remaining Construction Fund moneys shall be deposited into the Bond Fund.

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

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

All moneys in any of the above funds in excess of the amount insured by the Federal Deposit Insurance Corporation shall be secured by perfected pledges of Government Securities or invested as authorized by the Indenture.

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

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

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

Determination and Payment of Rebate. The Association shall, unless and until the Association delivers to the Trustee a written opinion of counsel as described below, make the determinations and take the actions required as are necessary, in the opinion of counsel, to comply with the requirements of Section 148(f) of the Code and the regulations pertaining thereto. The Association shall rebate to the United States, not later than sixty (60) days after the end of the five-year period ending January 14, 2026, and not later than sixty (60) days after the end of each five-year period thereafter, an amount which insures that at least ninety percent (90%) of the Rebate Amount at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment or redemption of all principal of the Bonds, an amount sufficient to pay the remaining unpaid balance of the Rebate Amount, all in the manner and as required by Section 148 of the Code and the regulations pertaining thereto. Any Rebate Amount shall be paid from the Bond Fund, and any deficiency created therein shall be paid immediately from the Gross Receipts Fund into the Bond Fund.

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

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

Eligible Investments are defined as:

(a) Moneys held for the credit of the Debt Service Reserve Fund shall, at the direction of the Association, be invested and reinvested by the Trustee in Eligible Investments maturing (except in the case of money market funds) within five (5) years from the date of investment, or for more than ten (10) years if the investment can be redeemed at par.

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

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

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

(e) "Eligible Investments," as used in Section 701 of the Indenture, include only:

(1) Government Securities;

(2) Money market funds comprised exclusively of Government Securities, provided such funds are registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and have a rating by Standard & Poor's Corporation of AAAm-G, AAAm or AAm, or by Moody's Investors Service of P-1 or P-2; and

(3) Certificates of Deposit issued by banks that are members of the Federal Deposit Insurance Corporation and, to the extent not insured by the Federal Deposit Insurance Corporation, secured by a valid and enforceable pledge of Government Securities having a market value, at all times while the Certificate of Deposit is outstanding, at least equal to the principal and interest to become due on the Certificate of Deposit. The pledged securities must be delivered to the Association or the depository making the investment.

(f) The Trustee shall determine the market value of all investments held by the Trustee on December 31 of each year and shall report the market value to the Association and to the Underwriter. The Association shall cooperate with the Trustee by providing the necessary information about investments of moneys not held by the Trustee.

<u>Events of Default</u>. Each of the following is an event of default under the Indenture:

(a) Default in the due and punctual payment of any interest on any Bond and the continuance thereof for a period of thirty (30) days;

(b) Default in the due and punctual payment of any moneys required to be paid to the Trustee under the provisions of the Indenture and the continuation thereof for a period of thirty (30) days;

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

(d) Default in the performance or observance of any other of the covenants, agreements or conditions in the Indenture, or in the Bonds, and the continuance thereof for a period of sixty (60) days after written notice to the Association by the Trustee or by the holders of not less than ten percent (10%) in aggregate principal amount of Bonds.

(e) Any other "Event of default" as defined in a Parity Obligation or a document securing a Parity Obligation.

The term "default" shall mean default by the Association in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, or in the Bonds, exclusive of any period of grace required to constitute a default an "event of default."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supplemental Indentures Not Requiring Consent of Bondholders. The Association and the Trustee may, from time to time and at any time, enter into such supplemental indentures as shall not be inconsistent with the terms and provisions of the Indenture (a) to cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds.

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

INVESTMENT CONSIDERATIONS

General. The Bonds together with interest thereon are obligations solely of the Association and are to be paid from the revenues generated by the Association's on-going sale of water to its retail and commercial customers. The Bonds do not, directly or indirectly, obligate the Association or any aspect or instrumentality of the State to levy any form of taxation therefor or to make any appropriations for their payment, and the Bonds do not and shall never constitute a charge against the general credit or taxing powers of Faulkner County, Arkansas, the City of Vilonia, any City involved with the Association or the State of Arkansas.

The ability of the Association to pay principal and interest on the Bonds depends solely upon the continued sale of water by the Association at levels and rates that are equal to or greater than those levels and rates currently being realized by the Association. No guarantee can be given that revenues will be realized by the Association's activities will be sufficient to make payments under the Trust Indenture, or to make other payments in amounts sufficient to pay principal of, premium, if any, and interest on the Bonds. Purchasers of the Bonds should bear in mind that the occurrence of any number of events, some of which are specified in more detail below, could adversely affect the ability of the Association to produce its required level of revenues. Future economic and other conditions, economic developments in the service area and governmental regulation, may adversely affect revenues and expenses and consequently, the Association's ability to make payments under the Indenture. The future financial condition of the Association could also be adversely affected by, among other things, legislation, regulatory actions, increased competition from other water providers due to condemnation, demand for water, demographic changes, changes in the local economy, claims and other litigation and a number of other conditions that are unpredictable, including the following risk factors. This discussion of risk factors is not, and is not intended to be, exhaustive.

Governmental Regulation. The Association is currently not regulated by theArkansas Public Service Commission ("PSC"). Any new legislation that would subject the Association's rate making authority to PSC jurisdiction could hinder the Association's abilities to raise rates on a timely basis and will increase the Association administrative costs.

Environmental Matters. The Association currently knows of no environmental matters that could have a negative impact upon its operations. Expansion of the Association's system may require the obtaining of various environmental permits associated with, among other things, the right of the Association to take additional water from its existing or new sources, to cross wetland areas with its transmission and distribution pipelines and similar matters.

Condemnation. All or a portion of the Association's system can be condemned by municipalities or counties seeking to operate their own water distribution systems. No assurance can be given that the condemnation award in the event of an entire taking would be sufficient to pay the Bonds in full or that a partial taking would allow the Association to continue to operate on a profitable basis.

Adverse Economic Conditions. Increased unemployment or other adverse economic conditions that could increase the number of persons who are unable to pay fully for the water provided by the Association on a timely basis.

Adverse Changes With Wholesale Water Suppliers or Purchasers. Adverse economic conditions or other adverse occurrences within those communities supplying water to or purchasing water from the Association on a wholesale basis.

COVID-19. A novel strain of the coronavirus (which leads to the disease known as "COVID-19"), has recently spread throughout the world and has been characterized 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. As such, businesses and individuals are altering their behaviors in a manner that is expected to have negative impacts on regional, state, and local economies. Additionally, measures taken to prevent or reduce the spread of COVID-19, uncertainty about the duration of the pandemic, and the continued economic impact have caused volatility and significant declines in the financial markets in the United States. The United States Congress passed relief and stimulus legislation intended to address the financial impact of the pandemic on the United States economy and financial markets, however, it is too early to forecast the legislation's impact on the economy. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

The extent to which COVID-19 impacts the Association's operations and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19, and the actions to contain COVID-19 or treat its impact, among others. In particular, the continued spread of COVID-19 in the United States and the State could have a material adverse effect on the Association's operations and its financial condition. Currently, many businesses in the State and in the service area of the Association have closed voluntarily or are operating on a limited basis in response to COVID- 19. Such closures or limited operation could lead to a reduction in demand in the services provided by the Association, a reduction in revenue received by the Association, and an increase in delinquency of customers paying their bills to the Association. Such occurrences could have a material adverse effect on the financial condition of the Association and could impact the Association's ability to timely pay its obligations, including the Bonds.

At this time, the extent to which the financial condition of the Association is impacted by the COVID-19 pandemic is uncertain and cannot be predicted with confidence. Year to date through November, total operating revenues are below budget approximately $28,000. The primary factor for the reduction in operating revenues is a decrease in shutoff charges of approximately $28,000. The Association expects to collect a portion of the bad debts once shutoffs resume. The Association has taken additional measurers in response to COVID-19. The Association has not furloughed employees. The customer service lobby has been closed for seven months, but the call center and drive thru have remained opened and customers can pay their bill by multiple additional methods including online. The Association does not anticipate having to increase System rates as a result of COVID-19 and does not believe that the COVID-19 outbreak will materially adversely affect its ability to pay debt service on the Bonds.

Enforceability of Remedies. The remedies available to the owners of the bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be available or may be limited. The legal opinions delivered concurrent with the delivery of the Bonds will be qualified, as to enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors. Bond counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Trust Indenture authorizing the Bonds resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

CONTINUING DISCLOSURE

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

The Association's existing continuing disclosure agreements require the Association to file its audited financial statements for its preceding fiscal year by July 1 of each year. The audited financial statements of the Association for the fiscal years 2015, 2018, and 2019 were timely filed. The audited financial statement for fiscal year 2016 was filed September 7, 2017 which is 68 days late and the financial statement for the fiscal year 2017 was filed July 20, 2018 which is 19 days late. A notice concerning such late filings was not filed on EMMA.

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

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

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

"Annual Report" shall mean any Annual Report provided by the Association 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 Association and which has filed with the Trustee a written acceptance of such designation.

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

"Financial Obligation" shall mean a:

(A) debt obligation;

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The Association shall, or cause the Dissemination Agent to not later than one hundred eighty (180) days after the end of the Association's fiscal year (presently December 31), commencing with the report with respect to the 2020 fiscal year provide to the MSRB, through its continuing disclosure service portal EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the Association.

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

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

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

(a) The financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

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

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

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

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

9. Defeasances and tender offers.

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

11. Rating changes.

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

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

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

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

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

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

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

Termination of Reporting Obligation. The Association'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 Association 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 Association pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Association 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 Association and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

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

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

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the Association shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Association. 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 Association 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 Association 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 Association 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 Association, the Trustee or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Association or any Beneficial Owner may (and the Trustee, at the request of the Underwriters or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Association or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Association 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 Association or the Trustee) and the Trustee shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the Association agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

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

TAX EXEMPTION

In the opinion of Rose Law Firm, a Professional Association, Little Rock, Arkansas, Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county and municipal taxes.

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Association and the Trustee 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 and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Association has covenanted to comply with all such requirements of the Code.

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

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

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The Association has designated the Bonds as "qualified tax exempt obligations" and has covenanted not to use the System and the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds" within the meaning of the Code, and has represented that with the exception of "deemed designated" qualified tax exempt obligations, the Association and its subordinate entities have not and do not reasonably expect to issue more than $10,000,000 of such tax exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during the calendar year 2020.

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

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

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

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

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

Owners of Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to Discount Bonds as of any date, with respect to the accrual of original issue discount for such Discount Bonds purchased in the secondary markets and with respect to the state and local tax consequences of owning Discount Bonds.

It is not an event of default of 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 purposes.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Rose Law Firm, a Professional Association, Little Rock, Arkansas, Bond Counsel. Certain legal matters will be passed upon by McGue Law Firm, Cabot, Arkansas, counsel to the Association.

LITIGATION

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

UNDERWRITING

Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds at a purchase price of $3,296,730.05, which constitutes the par amount of the Bonds, $3,350,000.00 less underwriter’s discount of $67,000.00 plus a net reoffering premium of $13,730.05. The Underwriter is committed to purchase all of the Bonds if any are purchased.

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

MISCELLANEOUS

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

VILONIA WATERWORKS ASSOCIATION

By: /s/ Howard Williams
Chairman

APPENDIX A

Audited Financial Statements of Vilonia Waterworks Association for the years ended December 31, 2019 and 2018
(Attached)

VILONIA WATERWORKS ASSOCIATION
(A PUBLIC FACILITIES BOARD)

Financial Statements

Years Ended December 31, 2019 and 2018

ETA

ELLIS, TUCKER & ALDRIDGE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Member: American Institute of Certified Public Accountants • Arkansas Society of Certified Public Accountants

VILONIA WATERWORKS ASSOCIATION
(A PUBLIC FACILITIES BOARD)

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E T A

ELLIS, TUCKER & ALDRIDGE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
www.etacpas.com

D.C. ELLIS, CPA (1926-2004)
R. LARRY TUCKER, CPA
R. ALAN CLINE, CPA

JERRY W. BURCHFIELD, CPA
JAMES C. HANEY, CPA
GREGORY J. TUCKER, ACCOUNTANT
SUSAN N. LIVELY, ACCOUNTANT
RHONDA G. HARSHBARGER, OFFICE COORDINATOR

LITTLE ROCK OFFICE
10025 W. MARKHAM, STE 120
LITTLE ROCK, AR 72205-1408
(501) 664-3987
FAX (501) 664-7338

CABOT OFFICE
200 WEST MAIN STREET
CABOT, AR 72023-2945
(501) 843-6515
FAX (501) 843-4944

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CALVIN K. ALDRIDGE, CPA
JEFFERY L. GREEN, CPA

ANN M. NICHOLSON, CPA
JOSEPH C. WALLIS, CPA
AMY G. HALL, CPA
HANNAH N. MITCHELL, CPA
CHRISTI L. ROUNSAVALL, ACCOUNTANT
AMY N. BECKIUS, OFFICE COORDINATOR

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Members of the Public Facilities Board
Vilonia Waterworks Association
Vilonia, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Vilonia Waterworks Association (a public facilities board) as of, and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the public facilities board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vilonia Waterworks Association as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2020, on our consideration of Vilonia Waterworks Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vilonia Waterworks Association's internal control over financial reporting and compliance.

Ellis, Tucker & Aldridge, LLP
Cabot, Arkansas
June 12, 2020

VILONIA WATERWORKS ASSOCIATION

19 Industrial Drive/P.O. Box 300

Vilonia, Arkansas 72173

(501) 796-2711

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2019 and 2018

Introduction

As financial management of Vilonia Waterworks Association, a public facilities board (PFB) we offer readers of these financial statements this narrative overview and analysis of the financial activities of the PFB for the fiscal years ended December 31, 2019 and 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage those using these financial statements to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Operating revenues for 2019 were $4,540,444, a decrease of $7,890 or .17% less than 2018. Operating revenues for 2018 were $4,548,334, an increase of $144,079 or 3.27% more than 2017. Operations resulted in an increase in net position of $400,199 in 2019 and $486,845 in 2018. The term "net position" refers to the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. At the close of the fiscal year 2019, the PFB had a net position of $10,536,825, an increase of $369,425 compared to the 2018 net position of $10,167,400. The 2018 net position increased $601,875 compared to the 2017 net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PFB's financial statements, which is comprised of the financial statements and the notes to the financial statements. Since the PFB is comprised of a single enterprise fund, no fund level financial statements are shown.

Financial Statements - The financial statements are designed to provide readers with a broad overview of the PFB's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the PFB's (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial condition of the PFB is improving or deteriorating. Net position increases when revenues and capital contributions exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates financial improvement.

The statement of revenues, expenses and changes in net position presents information showing how a government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses may be reported in the financial statement for some items that will only result in cash receipts and disbursements in future fiscal periods, for example, accounts receivable outstanding at year end are collected in the following year and accounts payable outstanding at year end are paid in the following year.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to Financial Statements - The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial condition. In the case of the PFB, assets exceeded liabilities by $10,536,825 at the close of 2019. This represents an increase of $369,425, or 3.63%, compared to the net position of 2018. Assets exceeded liabilities by $10,167,400 at the close of 2018. This represents an increase of $601,875 or 6.29%, compared to the net position of 2017.

A portion of the PFB's net position reflects its investment in land and easements, engineering costs, construction of water storage and the distribution system, work in progress, and office furniture and equipment, less the related outstanding capital debt which provided the funds to acquire those assets. The PFB uses these capital assets to provide services and consequently, these assets are not available to liquidate liabilities or use for other spending.

The net position as of December 31, 2019, 2018 and 2017 is summarized provided below.

		2019		2018		Restated 2017
Assets						
Current Assets	$	2,523,990	$	2,308,039	$	1,998,347
Capital Assets		13,010,283		13,021,576		12,881,295
Other Assets		496,829		529,127		551,855
Deferred Outflows of Resources		249,584		315,914		394,777
Total Assets	$	16,280,686	$	16,174,656	$	15,826,274
Liabilities						
Current Liabilities	$	606,021	$	582,901	$	583,809
Long-Term Debt Outstanding		5,045,512		5,328,161		5,623,991
Deferred Inflows of Resources		92,328		96,194		52,948
Total Liabilities	$	5,743,861	$	6,007,256	$	6,260,748
Net Position						
Invested in Capital Assets-Net of Related Debt	$	8,504,856	$	8,354,747	$	7,940,377
Restricted Net Position		496,829		529,127		551,855
Unrestricted Net Position		1,535,140		1,283,526		1,073,293
Total Net Position	$	10,536,825	$	10,167,400	$	9,565,525

A condensed summary of the PFB's changes in net position for the calendar years of 2019, 2018 and 2017 is provided below:

		2019		2018		Restated 2017
Operating Revenues	$	4,540,444	$	4,548,334	$	4,404,255
Operating Expenses		4,140,245		4,061,489		3,988,833
Income (Loss) from Operations	$	400,199	$	486,845	$	415,422
Nonoperating Revenues (Expenses)						
Gain on Sale of Fixed Assets	$	7,876	$	12,147	$	14,174
Interest Income		32,076		19,124		10,320
Contributions in Aid of Construction		170,507		283,700		156,633
Interest Expense		(192,469)		(199,941)		(203,414)
Bond Issue Costs		(48,764)		-		-
	$	(30,774)	$	115,030	$	(22,287)
Increase (Decrease) in Net Position	$	369,425	$	601,875	$	393,135
Net Position, Beginning of Year		10,167,400		9,565,525		9,172,390
Net Position, End of Year	$	10,536,825	$	10,167,400	$	9,565,525

Cash Flows - Net cash provided by operating activities for 2019 and 2018 were $975,695 and $1,030,066 respectively. Net cash used by capital and related financing activities for 2019 and 2018 were $827,035 and $730,372 respectively, while net cash provided by investing activities for 2019 and 2018 were $32,076 and $19,124 respectively.

Significant Events - Projects completed in 2019 included additional upgrading of water meters and water line extensions at Monark Road, Ridgeview, Church Street, Texas Lane, Sunny Gap, Honor's Place, and North Ridge Subdivision. The PFB issued "2019 Water Revene Bonds". This bond will be used to upgrade meters in the following two years. Projects completed in 2018 included additional upgrading of water meters and water line extensions at Sourth Church Street, West Lewisburg, Road, and Fire Station road.

Capital Asset and Debt Administration

Capital Assets - The PFB's investment in capital assets was $13,010,283 as of December 31, 2019. This was an decrease of $11,293 compared to 2018. The PFB's investment in capital assets was $13,021,576 as of December 31, 2018, an increase of $140,281 compared to 2017.

Capital Debt - Vilonia Waterworks Association had three outstanding bond issues as of December 31,2019. One bond series was issued in 2010 in the amount of $2,480,000 and had outstanding bonds in the amount of $405,000 as of December 31, 2019. Another bond series was issued in 2013 in the amount of $3,955,000 and had an outstanding balance of $3,335,000 as of December 31, 2019. The other bond was issued in 2019 in the amount of $1,700,000 and had an outstanding balance of $40,858 as of December 31, 2019. Other long-term debt consisted of a note payable to U.S.D.A. Rurual Development, which had an unpaid balance of $746,120 as of December 31, 2019, and a note payable to First Security Bank, which had an unpaid balance of $92,465 as of December 31, 2019.

Requests for Information

This financial report is designed to provide a general overview of Vilonia Waterworks Association's finances for all those with an interest in the PFB's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Cecil McMurty, Manager, Vilonia Waterworks Association, 19 Industrial Dr,. P.O. Box 300, Vilonia, AR 72173.

VILONIA WATERWORKS ASSOCIATION
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	December 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,925,920	$ 1,712,886
Accounts Receivable, Net	286,183	290,267
Prepaid Expenses	16,921	15,447
Accrued Revenues	294,966	289,439
	$ 2,523,990	$ 2,308,039
Capital Assets		
Building	$ 916,164	$ 916,164
Office Furniture and Equipment	110,018	105,097
Water Storage and Distribution Facilities	17,586,279	17,271,498
Shop Building and Equipment	522,873	522,572
Transportation Equipment	699,099	611,686
	$ 19,834,433	$ 19,427,017
Less: Accumulated Depreciation	(6,983,282)	(6,545,333)
	$ 12,851,151	$ 12,881,684
Land	139,892	139,892
Construction in Progress	19,240	-
	$ 13,010,283	$ 13,021,576
Noncurrent Assets		
Restricted Cash	$ 496,829	$ 529,127
Deferred Outflow of Resources		
Bond Reacquistion Costs (Net)	$ 114,006	$ 134,369
Deferred Pension Outflows	135,578	181,545
	$ 249,584	$ 315,914
Total Assets & Deferred Outflows of Resources	$ 16,280,686	$ 16,174,656

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	December 31, 2019	December 31, 2018
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 154,123	$ 163,642
Taxes Payable	11,379	9,469
Accrued Wages	60,496	31,585
Accrued Interest	56,192	60,187
Bonds and Notes Payable Due within One Year	323,831	318,018
	$ 606,021	$ 582,901
Long Term Liabilities		
Bonds and Notes Payable	$ 4,619,443	$ 4,896,597
Less: Amount Due within One Year	(323,831)	(318,018)
	$ 4,295,612	$ 4,578,579
Customer Deposits	8,238	8,253
Net Pension Obligation	741,662	741,329
	$ 5,045,512	$ 5,328,161
Total Liabilities	$ 5,651,533	$ 5,911,062
Deferred Inflows of Resources		
Deferred Pension Inflows	$ 92,328	$ 96,194
NET POSITION		
Invested in Capital Assets, Net of Related Debt	$ 8,504,856	$ 8,354,747
Restricted	496,829	529,127
Unrestricted	1,535,140	1,283,526
Total Net Position	$ 10,536,825	$ 10,167,400
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 16,280,686	$ 16,174,656

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Water Sales	$ 3,662,947	$ 3,637,835
Water Taps	79,675	76,185
Miscellaneous Revenues	797,822	834,314
	$ 4,540,444	$ 4,548,334
Operating Expenses		
Salaries and Wages	$ 648,851	$ 611,373
Repairs and Maintenance	147,165	128,180
Tools and Supplies	29,654	25,101
Truck and Backhoe	51,062	62,090
Water Purchased	2,187,159	2,157,948
Utilities	66,302	70,659
Office Supplies and Postage	87,539	86,925
Professional Fees	17,024	53,176
Payroll Taxes	48,970	49,610
Insurance	170,612	166,043
Bad Debt	20,107	13,645
Depreciation	514,692	504,353
Employee Benefit Plan	135,239	119,486
Miscellaneous	15,869	12,900
	$ 4,140,245	$ 4,061,489
Operating Income	$ 400,199	$ 486,845
Nonoperating Revenues and Expenses		
Interest Income	$ 32,076	$ 19,124
Gain (Loss) on Sale of Fixed Assets	7,876	12,147
Interest Expense	(192,469)	(199,941)
Bond Issue Costs	(48,764)	-
	$ (201,281)	$ (168,670)
Income before Contributions	$ 198,918	$ 318,175
Contributions in Aid of Construction	170,507	283,700
Increase in Net Position	$ 369,425	$ 601,875
Net Position, Beginning of Year	10,167,400	9,565,525
Net Position, End of Year	$ 10,536,825	$ 10,167,400

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash Received-Water Sales and Fees	$ 3,641,397	$ 3,617,615
Other Operating Cash Receipts	877,497	910,499
Payments to Suppliers	(2,830,454)	(2,792,767)
Payments to Employees	(712,745)	(705,281)
Net Cash Provided by Operating Activities	$ 975,695	$ 1,030,066
Cash Flows from Capital and Related Financing Activities		
Expansion of Distribution System and Purchase of Equipment	$ (332,892)	$ (377,275)
Principal Payments on Bonds and Notes Payable	(277,154)	(199,053)
Contributions in Aid of Construction	-	487
Proceeds From the Sale of Fixed Assets	7,876	28,000
Bond Issue Costs	(48,764)	-
Interest and Fees Paid on Debt	(176,101)	(182,531)
Net Cash Used by Capital and Related Financing Activities	$ (827,035)	$ (730,372)
Cash Flows from Investing Activities		
Interest Income	$ 32,076	$ 19,124
Net Cash Provided (Used) by Investing Activities	$ 32,076	$ 19,124
Net Increase in Cash, Cash Equivalents and Restricted Cash	$ 180,736	$ 318,818
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	2,242,013	1,923,195
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 2,422,749	$ 2,242,013
Reconciliation to Statement of Net Position		
Cash - Unrestricted	$ 1,925,920	$ 1,712,886
Cash - Restricted	496,829	529,127
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 2,422,749	$ 2,242,013

See Independent Auditor's Report & Notes to Financial Statements

VILONIA WATERWORKS ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities		
Operating Income	$ 400,199	$ 486,845
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities		
Depreciation	$ 514,692	$ 504,353
(Increase) Decrease in:		
Accounts Receivable	4,084	1,510
Prepaid Expenses	(1,474)	38,429
Accrued Revenues	(5,527)	(8,085)
Deferred Pension Outflows	45,967	58,500
Increase (Decrease) in:		
Accounts Payable	(9,519)	(13,445)
Taxes Payable	1,910	(5,119)
Accrued Wages	28,911	(2,951)
Customer Deposits	(15)	-
Net Pension Obligation	333	(73,217)
Deferred Pension Outflows	(3,866)	43,246
Total Adjustments	$ 575,496	$ 543,221
Net Cash Provided (Used) by Operating Activities	$ 975,695	$ 1,030,066

See Independent Auditor's Report & Notes to Financial Statements

Note A - Significant Accounting Policies

(1) Financial Reporting Entity

Vilonia Waterworks Association was organized as a nonprofit corporation on May 16, 1974. On June 17, 1991, the nonprofit authorized the transfer of assets and operations to a public facilities board to be established by the City of Vilonia. The City created the Public Facilities Board (PFB) bearing the same name as the predecessor organization with the passage of Ordinance No. 91-6 on July 11, 1991. PFBs are authorized by Arkansas Code Annotated Section 14-137-101 et seq, and have such powers as the excercise of emininet domain and issuance of tax exempt bonds. The Vilonia Waterworks Association is governed by a board of five members. The PFB provides water service to individuals and businesses located in the City of Vilonia, Arkansas and surrounding areas.

(2) Proprietary Fund

The PFB's operations are accounted for as a proprietary fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(3) Basis of Accounting

The PFB's proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, rather than when received, and expenses are recognized when they are incurred, rather than when they are paid. All Government Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, are applied unless these pronouncements conflict with or contradict GASB pronouncements.

(4) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the PFB defines cash as cash on hand and in banks, including time certificates of deposit and restricted cash accounts.

(5) Capital Assets

Property and equipment are capitalized at cost. Depreciation is provided by applying the straight-line method over the estimated useful lives of the assets. Useful lives estimated are: 5 to 10 years for office furniture and equipment, 3 to10 years for transportation equipment, 15 to 50 years for buildings and related improvements, and 20 to 50 years for water storage, distribution lines, and related items.

Note A - Significant Accounting Policies (Continued)

(6) Compensated Absences

Liabilities for compensated balances for sick leave benefit and vacation benefits have been accrued in the period in which they were earned by employees. Regular full-time employees accumulate 10 paid six days per year with up to 60 days eligible to be carried forward to the following year. Regular full-time employees are eligible for paid vacation accrued at a rate as follows:

One to Five Years	2 weeks
Six to Fifteen Years	3 weeks
Fifteen to Twenty Years	4 weeks
Twenty Years or more	5 weeks

Regular full-time employees accumulate 10 days of vacation time to be carried over to the next calendar year.

(7) Interest Component of the Cost of Refunding Bonds

When bonds are refunded the difference between the reacquisition cost price and the net carrying amount is recognized as a component of interest using the straight-line method.

(8) Cash and Investments

The PFB is considered an Arkansas govenmental entity. Arkansas law requires public funds to be held by financial institutions located in the State of Arkansas and investments to be in obligations of the United States government. Public funds must be insured or secured by pledged collateral.

(9) Pensions

For Purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System Plan (APERS Plan) and additions to/deductions from APERS Plan's fiduciary net position have been determined on the same basis as they are reported by the APERS Plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(10) Use of Estimates

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

Note B - Cash Insured and Collateralized

Cash deposits with any one financial institution not exceeding $250,000 are insured by the Federal Deposit Insurance Corporation (F.D.I.C.) The PFB's financial institutions have pledged securities as collateral on amounts in excess of the F.D.I.C. limit.

Note C - Restricted Cash

The composition of restricted cash as of December 31, 2019 and 2018 is provided below.

	2019	2018
Meter Deposit Fund	$ 4,345	$ 4,343
Debt Service Reserve-Rural Development Loan	74,520	74,520
Bond Fund-2010 and 2013 Bonds	195,498	227,795
Debt Service Reserve Funds-2010 and 2013 Bonds	222,381	222,469
ANRC Meter Replacement	85	-
	$ 496,829	$ 529,127

On the fifteenth day of each month, the PFB is required to pay into the bond fund an amount equal to the sum of one-sixth of the next installment of interest on the outstanding bonds plus the trustee's and paying agent's fees plus one-twelfth of the next installment of principal on the outstanding bonds.

The two debt service reserve funds above in the total amount of $296,901 in 2019 and $296,989 in 2018 are maintained for the payment of principal and interest should the PFB lack adquate funds for these payments. These reserves are to be maintained until all bonds have been retired.

Note D - Accounts Receivable

Accounts receivable consist of unpaid amounts billed to customers for water and related charges. The PFB uses the allowance method to account for bad debts. Management reviews these amounts and increase the allowance as deemed appropriate in the circumstances.

A summary of aged accounts receivable is provided below:

	2019	2018
Due Currently	$ 223,723	$ 233,421
Past Due		
30 Days	11,188	11,173
60 Days	2,921	2,248
Over 90 Days	428,279	403,246
	$ 666,111	$ 650,088
Less: Allowance for Doubtful Accounts	(379,928)	(359,821)
	$ 286,183	$ 290,267

Note E - Capital Assets

	Balance 12/31/18	Increases	Decreases	Balance 12/31/19
Buildings	$ 916,164	$ -	$ -	$ 916,164
Office Furniture and Equipment	105,097	4,921	-	110,018
Water Storage and Distribution	17,271,498	314,781	-	17,586,279
Shop Buildingand Equipment	522,572	300	-	522,873
Transportation Equipment	611,686	164,156	(76,743)	699,099
	$ 19,427,017	$ 484,158	$ (76,743)	$ 19,834,433
Less: Accumulated Depreciation	(6,545,333)	(514,691)	76,743	(6,983,282)
	$ 12,881,684	$ (30,533)	$ -	$ 12,851,151
Land	139,892	-	-	139,892
Construction in Progress	-	19,240	-	19,240
	$ 13,021,576	$ (11,293)	$ -	$ 13,010,283

	Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Buildings	$ 916,164	$ -	$ -	$ 916,164
Office Furniture and Equipment	198,803	-	(93,706)	105,097
Water Storage and Distribution	16,766,128	600,388	(95,018)	17,271,498
Shop Buildingand Equipment	522,572	-	-	522,572
Transportation Equipment	636,980	62,600	(87,894)	611,686
	$ 19,040,647	$ 662,988	$ (276,618)	$ 19,427,017
Less: Accumulated Depreciation	(6,301,745)	(504,354)	260,766	(6,545,333)
	$ 12,738,902	$ 158,634	$ (15,852)	$ 12,881,684
Land	139,892	-	-	139,892
Construction in Progress	2,501	-	(2,501)	-
	$ 12,881,295	$ 158,634	$ (18,353)	$ 13,021,576

Note F - Bonds and Notes Payable

Long-term revenue bonds and notes payable collateralized by pledge of water revenue consisted of the following at December 31, 2019 and 2018.

	2019	2018
Vilonia Waterworks Association Water Revenue Refunding and Improvement Bond Series 2010 with principal payments due each August 1st. The bonds bear interest rates of 1.4% to 3.375% annually with interest payable on February 1st and August 1st each year. These bonds mature serially through August 1, 2021.	$ 405,000	$ 600,000
Vilonia Waterworks Association Water Revenue Refunding and Improvement Bond Series 2013 with principal payments due each August 1st. The bonds bear interest rates of 1.0% to 4.0% annually with interest payable on February 1st and August 1st each year. These bonds mature serially through August 1, 2042.	3,335,000	3,440,000
United States Department of Agriculture, Rural Development 4.25% note payable, due in monthly installments in the amount of $3,928, including interest. This note matures May 4, 2046.	746,120	761,198
First Security Bank 5.295% note payable, due in monthly installments in the amount of $659, including interest. This note matures March 29, 2038.	92,465	95,399
Vilonia Waterworks Association Water Revenue Bond, 0% interest, $1,700,000 bond with a disbursement cut-off date of April 21, 2021. Upon full disbursement, semi-annual installments in the amount of $87,249 plus a .05% servicing fee will commence. Prior to full disbursement, the servicing fee of .05% on the unpaid principal balance shall be payable semi-annually. This Bond matures April 15, 2031.	40,858	-
	$ 4,619,443	$ 4,896,597
Less: Amounts Due within One Year	(323,831)	(318,018)
	$ 4,295,612	$ 4,578,579

In refunding the 2003 bonds in 2010 and the 2007 bonds in 2013, the PFB's reacquisition prices exceeded the net carrying values of the refunded debt resulting in deferred outflows of resources on the bonds refunded in the amount of $184,051 and $106,512 respectively. In accordance with GASB 65, Items Previously Reported as Asssets and Liabilities, the deferred outflows of resources due to losses on bond refundings are amortized over the lives of the 2003 and 2007 bonds and are charged to interest expense. The amounts of these deferred outflows of resources charged to interest expense were $20,363 in both 2019 and 2018.

Note F - Bonds and Notes Payable (continued)

Required future principal payments of the long-term debt and future payments of interest on the long-term debt are provided in the two schedules below:

	Future Principal Payments					
	2010 Bonds	2013 Bonds	USDA RD Note Payable	FSB Note Payable	ANRC Bond	Total
2020	$ 200,000	$ 105,000	$ 15,738	$ 3,093	$	$ 323,831
2021	205,000	115,000	16,420	3,261	40,858	380,539
2022		110,000	17,131	3,437		130,568
2023		110,000	17,874	3,624		131,498
2024		110,000	18,648	3,820		132,468
2025-2029		630,000	106,089	22,440		758,529
2030-2034		735,000	131,158	29,218		895,376
2035-2039		880,000	162,150	23,571		1,065,721
2040-2044		540,000	200,467			740,467
2045-2049			60,436			60,436
	$ 405,000	$ 3,335,000	$ 746,111	$ 92,464	$ 40,858	$ 4,619,433

	Future Interest Payments					
	2010 Bonds	2013 Bonds	USDA RD Note Payable	FSB Note Payable	ANRC Bond	Total
2019	$ 19,269	$ 119,798	$ 32,052	$ 4,976	$	$ 176,095
2020	13,419	117,750	31,398	4,817		167,384
2021	6,919	115,493	30,716	4,649		157,777
2022		112,790	30,005	4,472		147,267
2023		109,985	29,262	4,286		143,533
2024-2028		500,058	133,998	18,264		652,320
2029-2033		388,890	109,970	11,835		510,695
2034-2038		247,180	80,265	3,571		331,016
2039-2043		72,400	43,540			115,940
2044-2048			5,378			5,378
	$ 39,607	$ 1,784,344	$ 526,584	$ 56,870	$	$ 2,407,405

Note F - Bonds and Notes Payable (continued)

Changes in long-term debt for the years ended December 31, 2019 and 2018 were as follows:

	Balance 12/31/18	Increases	Decreases	Balance 12/31/19	Due Within One Year	Due in Excess of One Year
Revenue Bonds	$ 4,040,000	$ 40,858	$ 300,000	$ 3,780,858	$ 305,000	3,475,858
Notes Payable	856,597	-	18,012	838,585	18,831	819,754
Customer Deposits	8,253	15	-	8,238	-	8,238
Net Pension Obligation	741,329	-	333	741,662	-	741,662
Total Long-Term Liabilities	$ 5,646,179	$ 40,873	$ 318,345	$ 5,369,343	$ 323,831	$ 5,045,512

	Balance 12/31/17	Increases	Decreases	Balance 12/31/18	Due Within One Year	Due in Excess of One Year
Revenue Bonds	$ 4,320,000	$ -	$ 280,000	$ 4,040,000	$ 300,000	3,740,000
Notes Payable	775,650	87,899	6,952	856,597	18,018	838,579
Customer Deposits	8,253	-	-	8,253	-	8,253
Net Pension Obligation	814,546	-	73,217	741,329	-	741,329
Total Long-Term Liabilities	$ 5,918,449	$ 87,899	$ 360,169	$ 5,646,179	$ 318,018	$ 5,328,161

Note G - Schedule of Rates Charged to Customers

Generally, the minimum monthly water rate inside the City of Vilonia is $12.50 on the first 1,000 gallons and $5.60 per 1,000 gallons thereafter. In a select area of the City and outside of the City the minimum rate ranges between $12.50 and $56.09 (depending upon the cost of extending the distributions lines to those area) and $5.60 per 1,000 gallons thereafter.

The monthly rates charged to customers receiving sewage disposal range from $35 to $57 depending upon the area served.

Note H - Water Source and Water Purchase Contracts

(1) Community Water System - The PFB has a water purchase contract with Community Water System which is located at Greers Ferry, Arkansas on Greers Ferry Lake.

(2) Lonoke/White Public Water Authority - Vilonia Waterworks Association is a member of this PWA which owns water intake, treatment, and storage facilities located in the Cove Creek area of Greers Ferry Lake. The 2011 contract requires minimum daily purchases of 1,000,000 gallons at a rate of $1.25 per 1,000 gallons. In addition to the purchase of water the members of the PWA are required to pay monthly participation fees of $5 per contracted meter. Water purchases from the PWA were $464,881 and $456,250 for 2019 and 2018. Member participation fees were $600,540 for 2019 and 2018.

(3) Mid-Arkansas Utilities Public Water Authority - The water purchase agreement with this PWA terminates in January of 2030. The required minimum daily purchase of water is 20,000 gallons.

Note I - Insurance Coverage

The PFB has workers compensation coverage and vehicle and equipment liability and property damage coverage through the respective programs sponsored by Arkansas Municipal League. For 2019 vehicles and equipment valued at $724,766 were covered, and for 2018 vehicles and equipment valued at $639,762 were covered. Buildings, contents, water tanks and related structures are insured by Employers Mutual Casualty Company. The limit of the coverage is $9,444,169.

Note J - Retirement Plan - APERS

The Public Facility Board contributes to the Arkansas Public Employees Retirement System (APERS Plan), which is a cost-sharing multi-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this system. The Plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 and 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the director of the Department of Finance and Administration.

Note J - Retirement Plan - APERS (continued)

(1) Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirements benefits are determined as a percentage of the member's highest 3 year average compensation times the member's years of service.

The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005	2.03%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service
- at any age with 28 years of actual service
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005)
- at age 55 with 35 years of credited service for elected or safety officials

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

(2) Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). The employer contribution rates applicable were 14.75% (July 1, 2017 to June 30, 2018), 14.75% (July 1, 2018 to June 30, 2019), and 15.32% (July 1, 2019 to December 31, 2019).

Note J - Retirement Plan - APERS (continued)

The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report found at http://www.apers.org/annualreports.

(3) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pension

At December 31, 2019 and 2018, the PFB reported a liability of $741,662 and $741,329, respectively, for its proportionate share of the net pension liability.

The collective net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. As of June 30, 2018 and 2017 the PFB's proportions was .0307% and .0336%, respectively.

For the years ended June 30, 2019 and 2018, the PFB recognized pension expense of $135,239 and $119,486, respectively. At June 30, 2019 and 2018, the PFB's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows		Deferred Inflows	
	2019	2018	2019	2018
Difference between expected and actual experience	$ 20,185	$ 11,790	$ (1,102)	$ (7,782)
Net difference between projected and actual investment earnings on pension plan investments	-	-	(5,633)	(18,759)
Changes of assumptions	40,255	84,348	(28,511)	(45,845)
Changes in proportion and difference between employer contributions and share of contributions	22,179	35,128	(57,082)	(23,808)
Contributions subsequent to the measurement date	52,959	50,271	-	-
	$ 135,578	$ 181,537	$ (92,328)	$ (96,194)

Note J - Retirement Plan - APERS (continued)

Amounts of $52,959 and $50,271 reported as deferred outflows of resources related to pensions resulting from the PFB's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2020 and December 31, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended 12/31	Amount
2020	$ (13,780)
2021	7,689
2022	342
2023	(3,960)
2024	-
Thereafter	-
	$ (9,709)

(4) Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level of Percent Payroll, Closed

Actuarial Assumptions

Investment Rate of Return: 7.15%

Salary Increases: 3.25% to 9.85% including inflation

Inflation Rate: 3.25% wage inflation, 2.50% price inflation

Mortality rates were based on the RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward two years for males and one year for females.

Note J - Retirement Plan - APERS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. these ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the APERS Plan's target asset allocation as of June 30, 2019 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37%	6.20%
International equity	24%	6.33%
Real assets	16%	3.32%
Absolute return	5%	3.56%
Domestic fixed	18%	1.54%
Total	100%	

The target allocation for the June 30, 2018 measurement date was as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37%	5.97%
International equity	24%	6.82%
Real assets	16%	4.59%
Absolute return	5%	3.15%
Domestic fixed	18%	0.83%
Total	100%	

Note J - Retirement Plan - APERS (continued)

(5) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and 2018, was 7.15% for both periods. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine pension liability.

(6) Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following presents the PFB's net pension liability as of June 30, 2019 measurement date, calculated using the discount rate of 7.15%, as well as what the PFB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	1% Lower 6.15%	Current Rate 7.15%	1% Higher 8.15%
Net pension liability	$ 1,188,699	$ 741,662	$ 372,836

Note K - Concentrations of Risk

While the operations of the PFB are always subject to the availability of a quality source of water, adequate water storage, and disruption of supply lines, as well as the risk of public safety in the event of contamination of the water, management does not consider these, or any other risks, to be significant concentrations of risks at this time.

Note L - Officers and Members of the Board of Directors

Howard Williams, Chairman
Steve Simon, Vice-Chairman
Mickey Fortner, Secretary
Ronnie Fowlkes, Director
Brian Presley, Director

Note M - Date of Management's Review

Subsequent events have been evaluated through June 20, 2020, which is the date the financial statements were available to be issued.

VILONIA WATERWORKS ASSOCIATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

APERS Fiscal Years Ended June 30, 2019 through 2015

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the Net Pension Liability	.0307%	.0336%	0.0315%	0.0327%	0.0344%
Proportionate Share of the Net Pension Liability	741,662	741,329	814546	782658	633767
Covered-Employee Payroll	664296	616416	586234	604467	623758
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employees	111.65%	120.30%	138.95%	129.48%	101.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.55%	79.59%	75.65%	75.50%	80.39%

This schedule represents Vilonia Waterworks Association's proportionate share of the Arkansas Public Employee Retirement Plan System. In the future ten years of data will be presented as the data becomes available.

VILONIA WATERWORKS ASSOCIATION

SCHEDULE OF CONTRIBUTIONS TO ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

APERS Fiscal Years Ended June 30, 2019 through 2015

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contributions	$ 118,522	$ 101,123	$ 80,326	$ 84,964	$ 90,617
Contractually Required Contribution	(118,522)	(101,123)	(80,326)	(84,964)	(90,617)
Contribution Deficiency	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Employee Payroll	$ 664,296	$ 616,416	$ 586,234	$ 604,467	$ 623,758
Contributions as a Percentage of Covered Employee Payroll	16.21%	16.40%	13.70%	14.06%	14.53%

This schedule represents Vilonia Waterworks Association's historical contributions and covered payroll to the Arkansas Public Employee Retirement Plan System. In the future ten years of data will be presented as the data becomes available.

ELLIS, TUCKER & ALDRIDGE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
www.etacpas.com

D.C. ELLIS, CPA (1926-2004)
R. LARRY TUCKER, CPA
R. ALAN CLINE, CPA

JERRY W. BURCHFIELD, CPA
JAMES C. HANEY, CPA
GREGORY J. TUCKER, ACCOUNTANT
SUSAN N. LIVELY, ACCOUNTANT
RHONDA G. HARSHBARGER, OFFICE COORDINATOR

LITTLE ROCK OFFICE
10025 W. MARKHAM, STE 120
LITTLE ROCK, AR 72205-1408
(501) 664-3987
FAX (501) 664-7338

CABOT OFFICE
200 WEST MAIN STREET
CABOT, AR 72023-2945
(501) 843-6515
FAX (501) 843-4944

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CALVIN K. ALDRIDGE, CPA
JEFFERY L. GREEN, CPA

ANN M. NICHOLSON, CPA
JOSEPH C. WALLIS, CPA
AMY G. HALL, CPA
HANNAH N. MITCHELL, CPA
CHRISTI L. ROUNSAVALL, ACCOUNTANT
AMY N. BECKIUS, OFFICE COORDINATOR

INDEPENDENT AUDITOR'S 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*

Members of the Public Facilities Board
Vilonia Waterworks Association
Vilonia, Arkansas

We have audited, 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, the financial statements of Vilonia Waterworks Association, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Vilonia Waterworks Associations' basic financial statements and have issued our report thereon dated June 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vilonia Waterworks Association'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 Vilonia Waterworks Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Vilonia Waterworks Association's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ellis, Tucker & Aldridge, LLP

Cabot, Arkansas
June 12, 2020