NEW ISSUE **BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds, and the Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. In the opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it is included in book income in calculating the corporate alternative minimum taxable income, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. See LEGAL MATTERS, Tax Exemption herein.

$3,285,000
CITY OF MENA, ARKANSAS
WATER AND SEWER REFUNDING
REVENUE BONDS
SERIES 2017

Dated: Date of Delivery Due: November 1, as shown below

The Bonds will not be general obligations of the City of Mena, Arkansas (the "City") but will be special obligations, secured by a pledge of and payable from revenues derived from the City's water and sewer system (the "System"). The pledge of revenues of the System in favor of the Bonds is on a parity with the pledge in favor of City's Water and Sewer Refunding and Construction Revenue Bonds, Series 2013 and senior to a loan with Union Bank of Mena, as further described herein. See **THE BONDS**, Security.

Interest on the Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2017 and the Bonds mature (on November 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE
$615,000 Serial Bonds

Year	Amount	Rate(%)	Yield(%)
2017	$160,000	2.000	1.250
2018	225,000	2.000	1.500
2019	230,000	2.000	1.700

$980,000 2.375% Term Bonds Due November 1, 2023 to Yield 2.375%
$805,000 3.250% Term Bonds Due November 1, 2026 to Yield 3.200%*
$885,000 3.625% Term Bonds Due November 1, 2029 to Yield 3.625%

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

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

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

Stephens Inc.

Dated: March 17, 2017

* Priced to first optional redemption date of November 1, 2022.

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

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

CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$3,285,000
CITY OF MENA, ARKANSAS
WATER AND SEWER REFUNDING
REVENUE BONDS
SERIES 2017

INTRODUCTION TO OFFICIAL STATEMENT

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

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Mena, Arkansas (the "City") of its Water and Sewer Refunding Revenue Bonds, Series 2017, in the aggregate principal amount of $3,285,000 (the "Bonds"). The Bonds are being issued to current refund the City's Water and Sewer Refunding Revenue Bonds, Series 2010 (the "Bonds Refunded"), to fund a debt service reserve and to pay expenses of issuing the Bonds. See **THE BONDS,** Purposes for Bonds.

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

The Bonds are not general obligations of the City, but are special obligations payable solely from revenues of the City's water and sewer (combined) system (the "System"). The pledge of revenues of the System ("System Revenues") in favor of the Bonds is on a parity with the pledge of System Revenues in favor of the City's Water and Sewer Refunding and Construction Revenue Bonds, Series 2013 (the "Series 2013 Bonds") and senior to a loan with Union Bank of Mena, dated December 19, 2014 (the "Bank Loan"). See **THE BONDS,** Security. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 2273, adopted March 10, 2017 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or integral multiple thereof. Interest is payable November 1, 2017, and semiannually thereafter on each May 1 and November 1. Principal is payable at the principal office of Bank of the Ozarks, Little Rock, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of $5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS,** Generally.

The Bonds are subject to extraordinary redemption from proceeds of the Bonds not necessary for the purposes intended and are subject to optional redemption on and after November 1, 2022. The Bonds maturing on November 1, 2023, November 1, 2026 and November 1, 2029 are also subject to mandatory sinking fund redemption prior to maturity as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS,** Redemption.

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

It is expected that the Bonds will be available for delivery on or about April 27, 2017, through the facilities of the Depository Trust Company, in New York, New York.

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

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

THE BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Redemption. The Bonds shall be subject to optional, extraordinary and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Bonds are subject to redemption at the option of the City from funds from any source, on and after November 1, 2022, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

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

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on November 1, 2023, November 1, 2026 and November 1, 2029 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on November 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing November 1, 2023

Years	Principal Amount
2020	$240,000
2021	240,000
2022	245,000
2023 (maturity)	255,000

Bonds Maturing November 1, 2026

Years	Principal Amount
2024	$260,000
2025	265,000
2026 (maturity)	280,000

Bonds Maturing November 1, 2029

Years	Principal Amount
2027	$285,000
2028	290,000
2029 (maturity)	310,000

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

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

Purposes for Bonds. The Bonds are being issued to current refund the Bonds Refunded, to fund a debt service reserve and to pay costs of issuing the Bonds. The Bonds Refunded will be retired on the date the Bonds are issued at a price of par plus accrued interest.

The sources and uses of funds to accomplish the refunding of the Bonds Refunded (the "Refunding") are estimated by the City as follows:

SOURCES:

Principal Amount of Bonds	$3,285,000
Existing Funds for Bonds Refunded	463,260
Original Issue Premium	5,983
Total Sources	$3,754,243

USES:

Refunding Costs	$3,502,104
Debt Service Reserve	160,759
Costs of Issuance	42,105
Underwriter's Discount	49,275
Total Uses	$3,754,243

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

Security. The Bonds are not general obligations of the City but are special obligations, secured by a pledge of System Revenues. The pledge of System Revenues in favor of the Bonds is on a parity with the pledge in favor of the Series 2013 Bonds and senior to the Bank Loan.

The City has outstanding certain bonds that financed water and sewer improvements which are payable solely from local sales and use taxes and such bonds are not obligations of the City secured by System Revenues.

There is a debt service reserve securing the Bonds in an amount equal to one-half of the maximum annual debt service requirement on the Bonds (based on a year ending November 1). The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE**, Additional Parity Bonds.

THE CITY AND THE COUNTY

Location. The City is a city of the first class organized and existing under the laws of the State. The City is located in the west central part of the State approximately 130 miles southwest of Little Rock, Arkansas. The City is the county seat of Polk County (the "County").

The Population. The population trends for the City and County since 1970 are set forth below:

Year	City	County
1970	4,530	13,297
1980	5,145	17,007
1990	5,475	17,347
2000	5,637	20,229
2010	5,737	20,662

Transportation. The City is served by U.S. Highways Nos. 59, 71 and 270. Approximately three motor freight carriers make daily shipments from the City to major cities across the United States. Rail service is provided by the Kansas City Southern Railroad.

The Mena Intermountain Municipal Airport, with a 6,000 foot, paved and lighted runway, serves public aircraft and provides maintenance for commercial aircraft. The airport has an instrument landing system. The nearest commercial passenger airport is 79 miles away in Fort Smith, Arkansas.

Government. The government of the City operates under the mayor-city council form of government, pursuant to which a mayor is elected for a four (4) year term and six (6) aldermen are elected for two (2) year terms. The current mayor (whose term expires December 31, 2018) and aldermen of the City (whose terms expire December 31, 2018) and their principal occupations are as follows:

Name	Occupation
George McKee	Mayor
Mary Alice Head	Retail Merchant
Dwight Douglas	Retired
Andy Brown	Insurance Agent
Terri Neugent	Retired
Ron Tilley	Minister
James Earl Turner	Business Owner - Construction

Medical Facilities. The City is served by the Mena Medical Center (with 65 licensed beds) and approximately 20 physicians. A Community Health Center in the City also provides medical and dental services.

Financial Institutions. The City is served by The Union Bank of Mena, which has its principal office in the City. Arvest Bank, Bear State Bank, National Association, Chambers Bank and Diamond Bank also have branch offices in the City.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system which is fully accredited by the Arkansas State Department of Education. Rich Mountain Community College is located in the City.

Economy. The economy of the City is a mixture of industry, agriculture and commercial trade. Set forth below are the major employers located in the City:

Company	Product	Number of Employees
Nidec Motor Corporation	Electric Motors	360
Mena Medical Center	Health Care	326
Wal-Mart	Retail	300
Mena Public Schools	Education	280
University of Arkansas - Rich Mountain	Education	118
Brodix	Aluminum Products	80
Sterling Machinery	Steel Products	80
City of Mena	Government	62

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

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

Year	Per Capita Personal Income
2011	$24,484
2012	26,181
2013	26,802
2014	28,929
2015	28,776

Total personal income estimates for the County are as follows:(1)

Year	Total Personal Income
2011	$503,408,000
2012	535,062,000
2013	545,494,000
2014	585,937,000
2015	581,733,000

Set forth below are the annual average unemployment rates for the County and the State since 2012 according to the Arkansas Department of Workforce Services:

	Annual Average Unemployment Rate (%)	
Year	County	State
2012	7.4	7.6
2013	7.3	7.3
2014	6.4	6.1
2015	6.0	5.2
2016*	4.9	3.8

*As of December, 2016

THE SYSTEM

Management. The System operates under the direction of the Mena Water and Sewer Commission which consists of five persons whose occupations and terms of office are as follows:

Name	Occupation	Term Expires
Sue Cavner, Chair	Medical Facility Administrator	2023
David Young, Vice Chair	Human Resources	2018
David Ray, Secretary	Accountant	2022
Tommy Fowler	Business Owner	2025
Debra Buschman	Attorney	2024

Management of the day-to-day operations of the System is under the control of Charles Pitman. Mr. Pitman, who is 38 years old, has served in his current capacity since 2012. He has five years of experience in utility finance. There are 20 employees of the System.

(1) Source: Bureau of Economic Analysis, United States Department of Commerce.

Sewer System. The City's sewer system serves substantially all of the residents of the City and 55 persons located outside the City. The sewer system is comprised of approximately 45 miles of collection lines and five sub-lift stations. The current wastewater treatment plant was built in 1975 and consists of a main lift station capable of pumping 3,500,000 gallons per day and two facultative lagoons. In 1987, the City upgraded its treatment process with four "upflow" dyna-sand filters with a design flow of 4,100,000 gallons per day. The lagoons were again upgraded in 1994 with a floating lateral aeration system.

Water System. The City's water system serves substantially all of the residents of the City, 900 retail customers located outside the City and three wholesale users. The water system consists of a water treatment plant and treated water storage and distribution system. The City's water source is Irons Fork Lake which is located approximately six miles northeast of the City. With three high service pumps, it is capable of delivering 3,600,000 gallons per day to the City. There are eight storage tanks with a storage capacity of over 5,000,000 gallons. The System has approximately 295 miles of water mains.

Water Rates. Set forth below are the monthly retail water rates for the System.

No. of Gallons	Inside City Limits	Outside City Limits
0-1,000	$0 (included in monthly meter fee)	$3.13 per 1,000 gallons
1,001-7,000	$3.13 per 1,000 gallons	3.13 per 1,000 gallons
7,001-12,000	2.94 per 1,000 gallons	2.94 per 1,000 gallons
All over 12,000	2.61 per 1,000 gallons	2.61 per 1,000 gallons

In addition to the monthly fee for water usage, there is an additional monthly meter fee of $12.15 per meter for customers inside the City, $15.50 per meter for customers outside the City (excluding the Nunley-Racetrack Road and Board Camp/Opal Extension Areas) and $22.87 for customers in the Nunley-Racetrack Road and Board Camp/Opal Extension Areas.

Sewer Rates. Set forth below are the monthly sewer rates for the System.

No. of Gallons	Inside City Limits	Outside City Limits
First 1,000	$8.50 (min. charge)	$11.75 (min. charge)
All over 1,000	3.30 per 1,000 gallons	3.75 per 1,000 gallons

Customers. The average number of water and sewer users for each of the past five fiscal years is as follows:

Years (Ending October 31)	Water Users	Sewer Users
2012	3,792	2,800
2013	3,780	2,785
2014	3,757	2,762
2015	3,755	2,762
2016	3,766	2,757

The City currently sells water to Rural Water District #17 of LeFlore County, Oklahoma, Acorn Rural Water Association and Freedom Rural Water Association under contracts with those entities. The contracts are not take, take or pay or requirements contracts. The wholesale water users have approximately 1,600 customers. The wholesale water users purchased approximately 33% of the water sold by the System for the fiscal year ended October 31, 2016 and accounted for approximately 14% of System Revenues for that same period.

Other than Acorn Rural Water Association and Freedom Rural Water Association, there are no other users of the System who account for more than 5% of System Revenues. The five largest users of the System are:

1. Freedom Rural Water Association
2. Acorn Rural Water Association
3. Rich Mountain Nursing and Rehab
4. Rural Water District #17 of LeFlore County, Oklahoma
5. Nidec Motor Corporation

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

THE AUTHORIZING ORDINANCE

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

Rates and General Covenants to Operate. (a) The rates currently charged for services of the System, and the conditions, rights and obligations pertaining thereto, are ratified, confirmed and continued.

The City covenants and agrees that the rates shall never be reduced while any of the Bonds are outstanding. The City further covenants and agrees that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net System Revenues at least equal to 120% of each year's required payments of principal and interest on all System Obligations. "Net System Revenues" are defined as gross System Revenues less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal utility systems, excluding depreciation, interest and bond amortization expenses. "System Obligations" are defined to mean all outstanding obligations to which System Revenues are pledged.

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

Funds and Disposition of Revenues. (a) All System Revenues shall be paid into a special fund designated "Water and Sewer Revenue Fund" (the "Revenue Fund").

(b) There shall first be paid from the Revenue Fund into a fund designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on or before the first day of each month, sufficient money to pay all the operation expenses and to make reasonable provision for the repair and maintenance of the System.

(c) After making the monthly deposit into the Operation and Maintenance Fund, there shall be transferred from the Revenue Fund into a special fund designated "2017 Water and Sewer Revenue Bond Fund" (the "Bond Fund") the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the Bonds, as they mature, with Trustee's fees.

There shall be paid into the Bond Fund on the first business day of each month until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment, a sum equal to one-sixth (1/6) of the next installment of interest on the Bonds plus one-twelfth (1/12) of the next installment of principal of the Bonds; provided, however, the payments into the Bond Fund through October, 2017 shall be increased to one-sixth (1/6) of the installment of principal and interest due on November 1, 2017.

There is created, as a part of the Bond Fund, a Debt Service Reserve which shall be maintained in an amount equal to one-half of the maximum annual debt service requirement on the Bonds (based on a year ending November 1) (the "Required Level"). The Debt Service Reserve will be funded with proceeds of the Bonds.

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

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

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds as the same become due, any sums then held in the Debt Service Reserve shall be used to the extent necessary to pay such principal and interest, but the Debt Service Reserve shall be reimbursed by increasing the monthly payments into the Bond Fund to an amount equal to one-fifth (1/5) of the next installment of interest on the Bonds plus one-tenth (1/10) of the next installment of principal of the Bonds. The Debt Service Reserve shall be used solely as described in the Authorizing Ordinance, but the moneys therein may be invested as set forth below.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments when due, with the fees of the Trustee, and over and above the Required Level of the Debt Service Reserve, such surplus shall either be applied to the payment of the principal of and interest on the Bonds that may be called for redemption prior to maturity, used for the construction of extensions, betterments and improvements to the System, or transferred to the Revenue Fund, all within one year after such surplus has been created.

There shall be withdrawn from the Bond Fund not later than three (3) days before the due date for the principal and/or interest on any Bond, at maturity or redemption prior to maturity, and deposited with the Trustee at least one (1) business day before the due date, an amount equal to the amount of such bond and interest due thereon for the sole purpose of paying the same, together with the fees of the Trustee.

(d) Simultaneously with making the deposit into the Bond Fund, there shall be transferred from the Revenue Fund into the bond fund for the Series 2013 Bonds (the "2013 Bond Fund") an amount equal to the required monthly deposit into such fund. The obligation to make the required monthly deposits into the Bond Fund and the 2013 Bond Fund shall rank on a parity of security. If the City issues any additional parity bonds, the obligation to make payments into debt service and debt service reserve funds for those bonds shall rank on a parity of security with the obligation to make payments into the Bond Fund and the 2013 Bond Fund. In the event System Revenues remaining after the required monthly deposit into the Operation and Maintenance Fund are insufficient to make the full monthly deposits into the Bond Fund, the 2013 Bond Fund and the bond funds for the additional parity bonds, the amount deposited into each shall be reduced proportionately.

(e) There shall next be paid from the Revenue Fund the amount required to be paid to Union Bank of Mena in connection with the Bank Loan.

(f) After making the required payments into the Operation and Maintenance Fund, the Bond Fund and the 2013 Bond Fund and to Union Bank of Mena, there shall be paid from the Revenue Fund into a fund designated "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), on or before the fifth day of each month 1% of the gross System Revenues for the preceding month which remains after the deposit has been made into the Operation and Maintenance Fund. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements and repairs made necessary by the depreciation of the System or the cost of justifiable extensions to the System.

(g) Any surplus in the Revenue Fund after making all disbursements and providing for all funds or payments described above may be used, at the option of the City, for any other lawful municipal purpose.

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

The City reserves the right to issue additional bonds to finance or pay the cost of constructing any future extensions, betterments or improvements to the System or to refund bonds issued for such purposes, but the City shall not authorize or issue any such additional bonds ranking on a parity with the outstanding Bonds unless and until there have been procured and filed with the City Clerk and the Trustee a statement by an independent certified public accountant not in the regular employ of the City ("Accountant") reciting the opinion, based upon necessary investigation, that the Net System Revenues for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 130% of the average annual principal and interest requirements on all the then outstanding System Obligations and the additional bonds then proposed to be issued. The term "Net System Revenues" means gross System Revenues less the amounts required to pay the costs of operation, maintenance and repair of the System determined in accordance with generally accepted accounting principles (excluding depreciation, interest and amortization expense). In making the computation set forth above, the City and the Accountant may, based upon the opinion or report of an Accountant or a registered professional engineer not in the regular employ of the City, (a) treat any increase in rates for the System enacted subsequent to the first day of the preceding fiscal year as having been in effect throughout such fiscal year and may include in gross System Revenues for such fiscal year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such fiscal year and (b) include in gross System Revenues for such preceding fiscal year any additional revenues to be derived from the completion of a project to be financed by such additional bonds.

The additional bonds, the issuance of which is restricted and conditioned hereby, shall not be deemed to mean System Obligations the security and source of payment of which are subordinate and subject to the priority of the Bonds. Such subordinate System Obligations may be issued without complying with the terms and conditions hereof.

Accounts and Records. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the registered owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee within 180 days after the end of the fiscal year and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee, or any registered owner of the Bonds, may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

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

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

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

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

Default and Remedies. If there be any default in the payment of the principal of or interest on any of the Bonds, or if the City defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of the State. And in the case of a default in the payment of the principal of and interest on any of the

Bonds, the Trustee may, and upon the written request of registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners of the Bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the revenues in conformity with the laws of the State and with the Authorizing Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

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

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

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

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

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

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

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

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the registered owners of not less than 10% in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by 60 days' notice in writing to the City Clerk and to the registered owners of the Bonds. The majority in value of the registered owners of the outstanding Bonds, or the City, so long as it is not in default under the Authorizing Ordinance, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk. The original Trustee and any successor Trustee shall file a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. No resignation or removal shall become effective until the successor Trustee shall have been appointed.

Investments. (a) Moneys held for the credit of the Bond Fund shall be continuously invested and reinvested by the City in Permitted Investments (as hereinafter defined), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the payment date for interest or principal and interest.

(b) Moneys held for the credit of the Debt Service Reserve shall be invested and reinvested by the City in Permitted Investments, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than ten (10) years after the date of investment or the maturity date of the Bonds, whichever is earlier.

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

(d) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund, except that interest earnings and profits on investments of moneys in the Debt Service Reserve which increase the amount thereof above the Required Level shall to the extent of any such excess be transferred from time to time into the Bond Fund.

(e) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) ("Government Securities"), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the

United States Government, (iii) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds or (iv) money market funds, including funds managed by the Trustee, invested exclusively in Government Securities or investments described in (ii) above.

Nonarbitrage. The City covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City covenants that no moneys held in any fund in connection with the Bonds will be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City covenants to make any arbitrage rebate payments to the United States Treasury that become due with respect to the Bonds.

CONTINUING DISCLOSURE AGREEMENT

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

As part of each annual report, the City has been obligated to file the audited financial statements of Mena Regional Health System (the "Hospital") or the audited financial statements of the System, as appropriate for the type of bond issue (e.g., hospital revenue bonds and water and sewer revenue bonds). If filed later than the date the annual report that year is due, the audited financial statements must be filed within 30 days of receipt thereof.

During the past five years, the City has timely filed on EMMA the audited financial statements of the System. The audited financial statements of the Hospital for the years ended December 31, 2011 through 2015 have been filed; however, the audited financial statements of the Hospital for the year ended December 31, 2011 was neither filed when the annual report was due nor filed within 30 days of receipt. Such audited financial statements were filed on EMMA approximately 319 days late. A notice concerning the City’s failure to timely file such audited financial statements was not filed on EMMA. The audit of the Hospital for the year ended December 31, 2016 has not yet been conducted.

The City’s continuing disclosure agreements have also required that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data varies depending on the type of bond issue and how each is secured. During the past five years, all supplemental information required by the continuing disclosure agreements in connection with bonds secured by revenues of the System has been filed, except as described in the next sentence. The information required to be provided included rates for the System for the fiscal year then ended and the previous fiscal year. In several instances, only the then current rates for the System or the rates for the fiscal year then ended (and not the previous fiscal year) were included. A notice concerning the City’s failure to file was not filed on EMMA.

The supplemental information required by the continuing disclosure agreement in connection with bonds secured by revenues of the Hospital for the fiscal years ended December 31, 2012 through 2015 was timely filed. However, the supplemental information for the Hospital for the fiscal year ended December 31, 2011 was sent to the dissemination agent but was not filed on EMMA. A notice concerning the City's failure to file was not filed on EMMA. The supplemental information for the fiscal year ended December 31, 2016 is not yet due.

The following is a summary, which does not purport to be comprehensive and definitive, of certain provisions of the Continuing Disclosure Agreement.

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently October 31), commencing with the report after the end of the 2017 fiscal year, provide to the MSRB through its continuing disclosure service portal provided through EMMA at http://www.emma.msrb.org or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

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

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

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

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

2. The annual financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America, which shall be 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.

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modification to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Remainder of page intentionally left blank]

FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the System for the fiscal years ended October 31, 2016 and 2015. These financial statements were prepared in accordance with accounting principles generally accepted in the United States and were audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

Revenues and expenses of the System are summarized by management of the City as follows for the preceding five years (fiscal years ended October 31):

	2016	2015	2014	2013	2012
Operating Revenues	$2,351,449	$2,178,606	$2,185,436	$2,144,179	$2,243,735
Operating Expenses Before Depreciation and Amortization	(1,499,284)	(1,380,029)	(1,476,254)	(1,408,371)	(1,381,205)
Operating Income	852,165	798,577	709,182	735,808	862,530
Interest Income	3,953	3,849	4,120	5,987	5,796
Depreciation and Amortization Expenses	(847,362)	(867,625)	(829,087)	(800,031)	(791,262)
Interest Expense (1)(2)	(297,711)	(305,713)	(313,626)	(340,041)	(310,888)
Loss (excluding items listed below)(2)(3)	$(288,955)	$(370,912)	$(429,411)	$(398,277)	$(233,824)

(1) Interest expenses are included for the obligations secured by System Revenues.
(2) Excluded are interest expenses for the bonds secured by local sales and use taxes.
(3) Excludes loss or gain on disposition of capital assets, insurance recoveries, grant revenues, non-utility income, capital grants and gifts and operating transfers in.

[Remainder of page intentionally left blank.]

DEBT SERVICE COVERAGE

The following table shows the funds available for debt service on the Bonds, the Series 2013 Bonds and the Bank Loan, the maximum amount of debt service due, and the extent to which debt service is covered by such funds:

Net Revenues Available for Debt Service (1)(A)	$856,118
Maximum Annual Debt Service Requirements on the Bonds and the Series 2013 Bonds (2)(B)	674,364
Debt Service Coverage (A/B)	1.27x
Maximum Annual Debt Service Requirements on the Bonds, the Series 2013 Bonds and the Bank Loan (2)(C)	691,535
Debt Service Coverage (A/C)	1.24x

(1) Before depreciation, amortization and interest expense per the audited financial statements of the System for the fiscal year ended October 31, 2016 excluding loss or gain on disposition of capital assets, insurance recoveries, grant revenues, non-utility income, capital grants and gifts and operating transfers in. Includes interest income of $3,953.
(2) Based on a fiscal year ending October 31.

[Remainder of page intentionally left blank.]

DEBT SERVICE REQUIREMENTS

Set forth below are the annual debt service requirements for the Bonds for each year ending November 1:

Year (Ending November 1)	Bond Principal	Bond Interest	Total Debt Service
2017	$160,000.00	$ 47,951.81	$ 207,951.81
2018	225,000.00	90,618.76	315,618.76
2019	230,000.00	86,118.76	316,118.76
2020	240,000.00	81,518.76	321,518.76
2021	240,000.00	75,818.76	315,818.76
2022	245,000.00	70,118.76	315,118.76
2023	255,000.00	64,300.00	319,300.00
2024	260,000.00	58,243.76	318,243.76
2025	265,000.00	49,793.76	314,793.76
2026	280,000.00	41,181.26	321,181.26
2027	285,000.00	32,081.26	317,081.26
2028	290,000.00	21,750.00	311,750.00
2029	310,000.00	11,237.50	321,237.50
TOTALS	$3,285,000.00	$730,733.15	$4,015,733.15

[Remainder of page intentionally left blank.]

Set forth below are the annual debt service requirements for the Bonds, the Series 2013 Bonds and the Bank Loan for each fiscal year ending October 31.

Year (Ending October 31)	Bonds	Series 2013 Bonds	Bank Loan	Total
2017	--	$ 355,345.02	$ 17,171.52	$ 372,516.54
2018	$ 253,261.19	361,045.02	17,171.52	631,477.73
2019	313,368.76	360,995.02	17,171.52	691,535.30
2020	313,818.76	355,895.02	2,861.96	672,575.74
2021	318,668.76	355,680.02	-	674,348.78
2022	312,968.76	359,977.52	-	672,946.28
2023	312,209.38	358,571.27	-	670,780.65
2024	316,271.88	356,632.52	-	672,904.40
2025	314,018.76	359,002.52	-	673,021.28
2026	310,487.51	355,665.02	-	666,152.53
2027	316,631.26	356,812.52	-	673,443.78
2028	311,915.63	352,006.26	-	663,921.89
2029	306,493.75	356,290.63	-	662,784.38
2030	315,618.75	355,153.13	-	670,771.88
2031	--	107,778.13	-	107,778.13
2032	--	109,243.76	-	109,243.76
2033	--	105,618.76	-	105,618.76
2034	--	106,903.13	-	106,903.13
TOTALS	$4,015,733.15	$5,428,615.27	$54,376.52	$9,498,724.94

LEGAL MATTERS

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

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

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

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds, the System and the facilities financed and refinanced by the Bonds Refunded. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

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

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

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The City has designated the Bonds as "qualified tax exempt obligations" and has covenanted not to use the System and the proceeds of the Bonds in a manner which would cause the Bonds to be "private activity bonds" within the meaning of the Code, and has represented that the City and its subordinate entities have not and do not 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 the Section 145 of the Code)) during calendar year 2017.

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

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

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

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

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

MISCELLANEOUS

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

Underwriting. Stephens Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of $3,241.707.70 (principal amount plus $5,982.70 of original issue premium less $49,275 of Underwriter's discount). The Underwriter is committed to purchase all of the Bonds if any are purchased.

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

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

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

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

CITY OF MENA, ARKANSAS

By /s/ George McKee
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

MENA WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF MENA, ARKANSAS

AUDITED FINANCIAL STATEMENTS

OCTOBER 31, 2016 AND 2015

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MENA WATER UTILITIES
OCTOBER 31, 2016 AND 2015

CONTENTS

Independent Auditor's Report

To the Commissioners
Mena Water Utilities
Mena, Arkansas

We have audited the accompanying financial statements of the Mena Water Utilities (the Utility), as of and for the years ended October 31, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

4200 Jenny Lind Road, Ste B
Fort Smith, Arkansas 72901
Ph: 479.649.0888 email: marcl@selectcpa.com
www.selectcpa.com

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mena Water Utilities as of October 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Mena, Arkansas, as of October 31, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the information for cost-sharing employer plans on pages and 25 through 26 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mena Water Utilities basic financial statements. The schedule of revenues and expenses – sewer only, and the supplementary statistics required by Rural Development is presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statistics required by Rural Development is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The schedule of revenues and expenses – sewer only has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2017, on our consideration of Mena Water Utilities' 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 Mena Water Utilities' internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs. P.C.
Fort Smith Arkansas
January 16, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Mena Water Utilities' (the Utility) annual financial report presents the analysis of the Utility's financial performance during the calendar year ended October 31, 2016. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Utility ended the year October 31, 2016 with a net asset balance of $5,967,648.
- The change in net position or net loss of the Utility was a decrease of $225,082.
- The statement of cash flows identifies sources and uses of cash activity for the fiscal year. For fiscal year 2016, cash and cash equivalents increased by $71. Cash provided from the day to day operations resulted in an increase of $580,738. Cash used by capital and related financing activities totaled $824,027. This amount largely was comprised of capital expenditures totaling $163,560 and debt service of $785,743. Additional amounts consisted of transfers from the City of Mena totaling $125,276. Furthermore, cash provided by investing activities totaled $243,360.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis and Basic Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Utility report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Utility's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Utility creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Position identifies the Utility's revenues and expenses for the fiscal year ended October 31, 2016. This statement provides information on the Utility's operations over the past fiscal year and can be used to determine whether the Utility has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the Utility's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current calendar year.

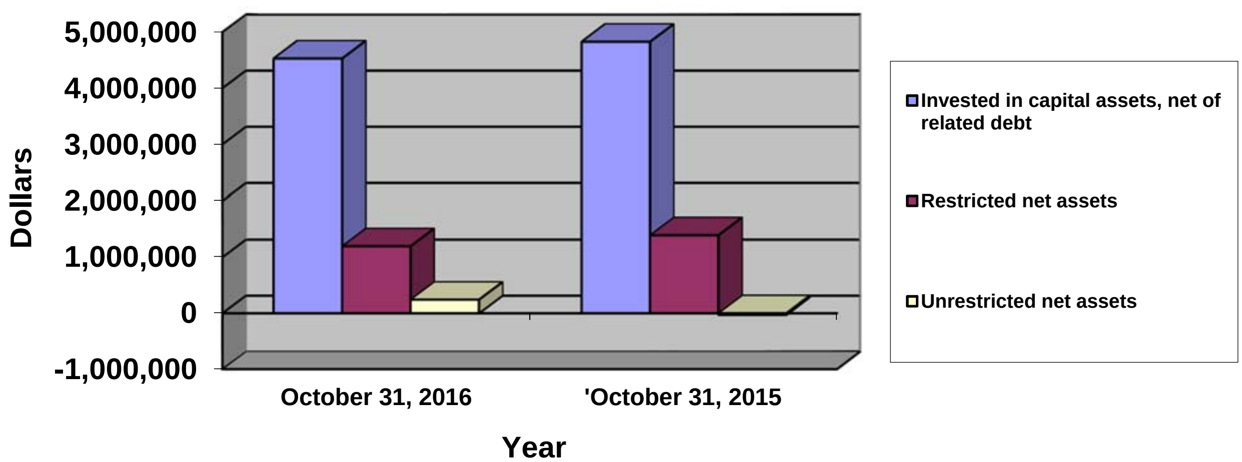
CONDENSED FINANCIAL INFORMATION

Condensed financial information from the statement of net assets as of October 31, 2016 and 2015 and the statement of revenues, expenses and changes in net assets for the years then ended are as follows:

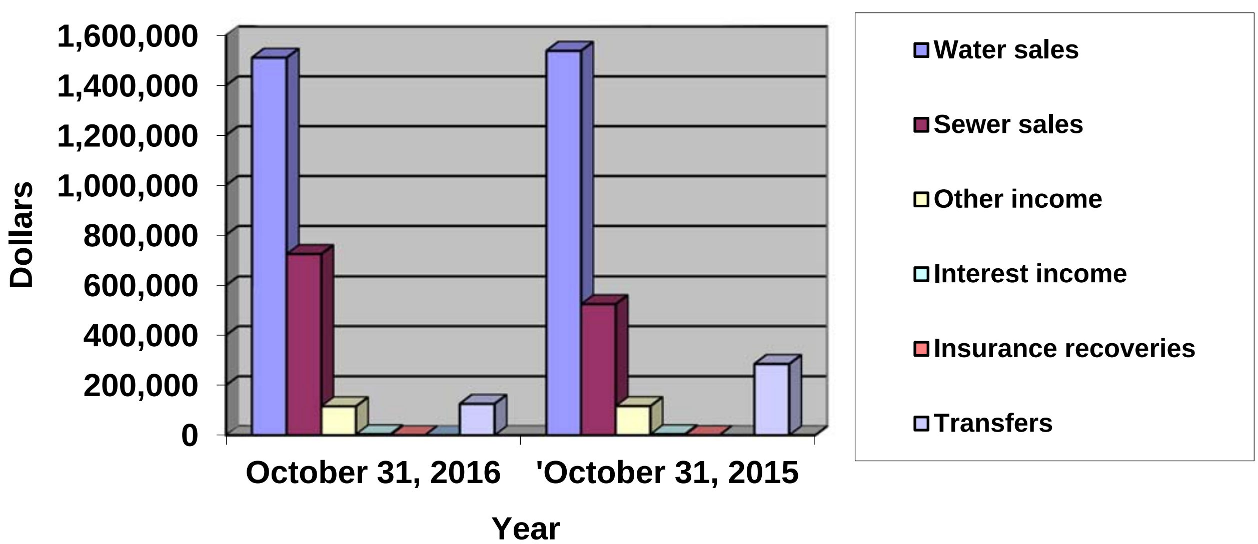
	October 31, 2016	October 31, 2015
Current assets	$ 1,678,969	$ 1,616,102
Restricted investments	571,219	574,952
Capital assets, net	13,070,038	13,803,203
Total assets	15,320,226	15,994,257
Deferred outflows	333,769	307,338
Current liabilities	814,475	776,794
Long-term liabilities	8,810,228	9,166,446
Total liabilities	9,624,703	9,943,240
Deferred inflows	61,644	165,625
Net position:		
Net investment in capital assets	4,527,877	4,828,616
Restricted	1,196,891	1,392,730
Unrestricted	242,880	(28,616)
Total net position	$ 5,967,648	$ 6,192,730
Operating revenues	$ 2,351,449	$ 2,178,606
Operating expenses, excluding depreciation	1,499,284	1,380,029
Depreciation	847,362	867,625
Total operating expenses, including depreciation	2,346,646	2,247,654
Operating loss	4,803	(69,048)
Nonoperating revenues (expenses)	(355,161)	(330,105)
Transfers	125,276	284,326
Change in net position	(225,082)	(114,827)
Beginning of year net position, as previously stated	6,192,730	6,786,044
GASB 68 implementation adjustment	0	(478,487)
End of year net position, restated	6,192,730	6,307,557
End of year net position	$ 5,967,648	$ 6,192,730

CONDENSED FINANCIAL INFORMATION (CONTINUED)

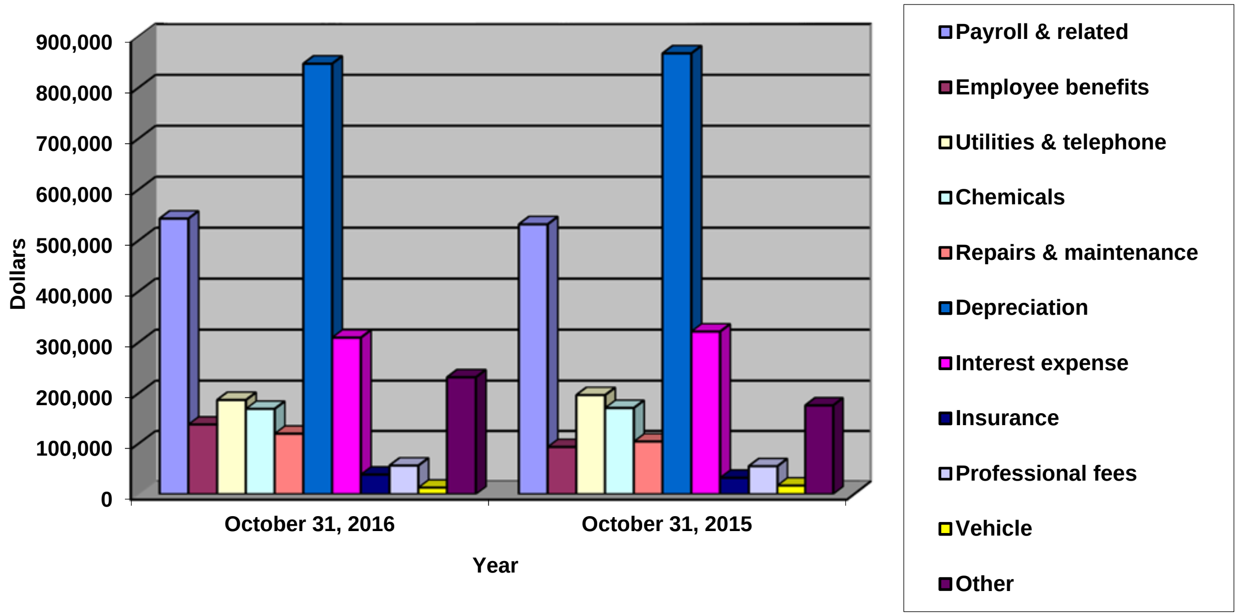
Classifications of net assets presented in a graph format



Revenue of the Utility presented in a graph format



<u>Expenses of the Utility presented in graph format</u>



CAPITAL ASSETS

The Utility's capital assets as of October 31, 2016 and 2015 amounted to $26,879,673 and $28,572,435 respectively. This investment in capital assets includes the utility plant and distribution system, machinery and equipment, and construction in process. Fixed assets put into service totaled $290,421. Of this amount, $242,688 were for projects started in the prior year as well as the current year and $47,733 being acquired in the current year. The Utility identified $1,856,322 in fixed asset to remove from service and the depreciation schedule. This resulted in a loss on disposal of assets of $49,363.

LONG-TERM DEBT

As of October 31, 2016, the Utility had $8,775,700 in outstanding debt compared to $9,258,567 as of October 31, 2015. Principal retired during the year totaled $482,867. More detail on the Utility's debt can be found on pages 16 and 17.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Utility's customers, investors and other interested parties with an overview of the Utility's financial operations and financial condition. Should the reader have questions regarding the information included in this report or need additional financial information, please contact the finance officer of the Mena Water Utilities, 701 Mena Street, Mena, Arkansas 71953; 479-394-2761

FINANCIAL STATEMENTS

MENA WATER UTILITIES

STATEMENTS OF NET POSITION

AS OF OCTOBER 31,	2016	2015
Assets		
Current Assets		
Cash and cash equivalents - unrestricted	$ 77,188	$ 77,117
Restricted checking and savings accounts	708,220	944,160
Certificates of deposit	119,097	118,831
Restricted investments	571,219	574,952
Accounts receivable, net of allowance for doubtful accounts	220,707	207,655
Other receivables	65,241	64,343
Inventory	174,969	151,394
Prepaid expenses	313,547	52,602
Total Current Assets	2,250,188	2,191,054
Noncurrent Assets		
Capital Assets		
Property, plant, and equipment	26,879,673	28,572,435
Less accumulated depreciation	(13,809,635)	(14,769,232)
Net Capital Assets	13,070,038	13,803,203
Total Assets	15,320,226	15,994,257
Deferred Outflows		
Deferred loss on refunding, net of amortization	147,213	156,717
Deferred outflows of resources related to pension	186,556	150,621
Total Deferred Outflows	333,769	307,338
Liabilities		
Current Liabilities		
Accounts payable	78,904	49,331
Sales tax payable	11,313	11,628
Payroll taxes payable	3,978	4,352
Wages payable	44,556	36,365
Accrued interest	132,515	136,325
Customer meter deposits	59,705	57,100
Current portion of long-term debt	483,504	481,693
Total Current Liabilities	814,475	776,794
Noncurrent liabilities:		
Long-term debt, net of unamortized bond discounts	8,274,999	8,758,496
Net pension liability	535,229	407,950
Total Noncurrent Liabilities	8,810,228	9,166,446
Total Liabilities	9,624,703	9,943,240
Deferred Inflows		
Deferred inflows of resources related to pension	61,644	165,625
Total Deferred Inflows	61,644	165,625
Net Position		
Net investment in capital assets	4,527,877	4,828,616
Restricted	1,196,891	1,392,730
Unrestricted	242,880	(28,616)
Total Net Position	$ 5,967,648	$ 6,192,730

See accompanying notes to financial statements.

MENA WATER UTILITIES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED OCTOBER 31,	2016	2015
Operating Revenue		
Metered water	$ 1,510,751	$ 1,538,254
Measured sewer	725,352	524,191
Other	115,346	116,161
Total Operating Revenue	2,351,449	2,178,606
Operating Expenses		
Advertising	1,180	1,365
Employee benefits	151,042	149,249
GASB 68 adjustment to employee benefits	(12,637)	(55,533)
Depreciation	847,362	867,625
Insurance	38,948	32,514
Dues and fees	42,590	51,838
Office	15,308	16,365
Professional fees	56,889	55,593
Contractual services	3,074	5,411
Lab expense	24,167	26,237
Vehicle	13,070	17,154
Repairs and maintenance	120,109	104,490
Salaries	504,378	486,191
Supplies	7,645	7,287
Chemicals	169,433	171,242
Education and safety	6,273	6,989
Utilities and telephone	187,061	196,829
Payroll taxes	39,052	46,020
Other operating expenses	131,702	60,788
Total Operating Expenses	2,346,646	2,247,654
Net Income (Loss) From Operations	4,803	(69,048)
Other Income (Expenses)		
Interest income	3,953	3,849
Loss on disposition of equipment	(49,364)	(12,717)
Insurance recoveries	-	393
Interest expense, inclusive of amortization of bond discounts and amortization of deferred amount on advance refunding	(309,750)	(321,630)
Total Net Other Income (Expenses)	(355,161)	(330,105)
Net Income Loss Transfers	(350,358)	(399,153)
Operating Transfers	125,276	284,326
Change in Net Positon	(225,082)	(114,827)
Net Position at Beginning of Year, as previously stated	6,192,730	6,786,044
GASB 68 implementation adjustment	-	(478,487)
Net Position at Beginning of Year, as restated	6,192,730	6,307,557
Net Position at End of Year	$ 5,967,648	$ 6,192,730

See accompanying notes to financial statements.

MENA WATER UTILITIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31,	2016	2015
Cash Flows From Operating Activities		
Cash receipts from customers	$ 2,221,838	$ 2,066,027
Other receipts	115,346	116,161
Cash payments to suppliers for goods and services	(1,260,259)	(981,825)
Cash payments to employees for services	(496,187)	(480,426)
Net Cash Provided By Operating Activities	580,738	719,937
Cash Flows From Non-Capital and Related Financing Activities		
Insurance recoveries	-	393
Net Cash Provided By Non-Capital and Related Financing Activities	-	393
Cash Flows From Capital and Related Financing Activities		
Acquisition of property, plant and equipment	(163,560)	(351,952)
Proceeds from sale of property, plant, and equipment	-	3,750
Loan proceeds	-	79,659
Repayment of debt	(482,867)	(588,648)
Interest paid on debt	(302,876)	(314,386)
Transfers from the City of Mena	125,276	284,326
Net Cash Used By Capital and Related Financing Activities	(824,027)	(887,251)
Cash Flows From Investing Activities		
Net restricted checking and savings account activity	235,940	7,377
Reinvestment of certificate of deposit earnings	(266)	(611)
Net redemption/(purchase) of certificates of deposit	-	201,949
Net restricted investment activity	3,733	(7,435)
Interest income	3,953	3,849
Net Cash Provided By Investing Activities	243,360	205,129
Net Increase In Cash and Cash Equivalents	71	38,208
Cash and Cash Equivalents, Beginning of Year	77,117	38,909
Cash and Cash Equivalents, End of Year	$ 77,188	$ 77,117
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income (loss) from operations	$ 4,803	$ (69,048)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	847,362	867,625
Pension related adjustments	(12,637)	(55,533)
(Increase) decrease in:		
Trade accounts receivable	(13,052)	3,185
Other receivables	(898)	806
Inventory	(23,575)	17,622
Prepaid expenses	(260,945)	6,906
Increase (decrease) in:		
Accounts payable	29,573	(56,260)
Sales tax payable	(315)	(409)
Payroll taxes payable	(374)	25
Wages payable	8,191	5,765
Customer meter deposits	2,605	(747)
Net Cash Provided By Operating Activities	$ 580,738	$ 719,937

See accompanying notes to financial statements.

MENA WATER UTILITIES

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2016 AND 2015

NATURE OF BUSINESS

Mena Water Utilities (the Utility) renders services on a user charge basis to the general public of Polk County, Arkansas, for the handling of domestic sewage, commercial/industrial waste, and domestic and commercial water. The Utility extends unsecured credit for services provided to its customers for a limited period of time. Under accounting principles generally accepted in the United States of America, the Utility is a discretely presented component unit of the City of Mena, Arkansas, for financial reporting purposes.

1. Summary of Significant Accounting Policies

a. Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Utility. The Utility accounts for its operations as an enterprise fund.

The financial statements of the Utility have been prepared in accordance with generally accepted accounting principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Utility implemented GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989, FASB and AICPA Pronouncements.* This pronouncement incorporates the FASB, APB, and ARB pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The implementation of this pronouncement had no significant effect on the financial statements.

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

b. Sales and Use Tax Revenue

The Utility received $64,320 in 2016 and $188,610 in 2015 from the City of Mena. These monies were derived from the City's sales and use tax. These funds were used to support debt service on certain bond issues as discussed in Note 6.

c. Accounts Receivable

Accounts receivable consists of sewer and water fees and surcharges billed to residential and commercial/industrial customers based on consumption. Accounts receivable are recorded net of estimated uncollectible amounts.

1. Summary of Significant Accounting Policies (continued)

d. Cash Equivalents

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

e. Inventory

Inventory is stated at the lower of cost, determined using the first in first out method, or market.

f. Risk Management

The Utility is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, dental and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption. Settled claims have not exceeded coverage in any of the three preceding years and there has been no significant reduction in coverage in both fiscal years 2016 and 2015.

g. Capital Outlays and Depreciation

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

Utility plant in service	7-40 years
Machinery and equipment	3-10 years

h. Estimates

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

1. Summary of Significant Accounting Policies (continued)

i. Compensated Absences

Utility policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off, or in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date.

j. Net Position

Net position of the Utility are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Utility, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

k. Income Tax Status

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

2. Customers and Rates

a. Classes of Users

All customers whose premises are served in any manner by the Utility are classified as either residential, commercial, or industrial users. Customer classes are determined by the Utility and its Commission

2. Customers and Rates (continued)

b. Rate Structure

The charges to each customer inside the Mena city limits are determined each month based on the rate schedule established in January 2016, and are based on the volume of water used and treated in accordance with the rates in Schedule A below.

The charges to each customer outside the Mena city limits are determined each month based on the rate schedule established in January 2016, and are based on the volume of water used and treated in accordance with the rates in Schedule B below.

Schedule A

Gallons	Water	Sewer
Up to 1,000	$12.15 (minimum charge)	$8.50 (minimum charge)
Next 6,000	$3.13 per 1,000 gallons	$3.30 per 1,000 gallons
Next 5,000	$2.94 per 1,000 gallons	$3.30 per 1,000 gallons
Remainder	$2.61 per 1,000 gallons	$3.30 per 1,000 gallons

Schedule B

Gallons	Water	Sewer
Zero	$15.50 (minimum charge)	-
Up to 1,000	-	$11.75 (minimum charge)
Next 7,000	$3.13 per 1,000 gallons	$3.75 per 1,000 gallons
Next 5,000	$2.94 per 1,000 gallons	$3.75 per 1,000 gallons
Remainder	$2.61 per 1,000 gallons	$3.75 per 1,000 gallons

The Utility charges $0.30 each month per water meter in service for the Clean Water Act.

3. Cash Deposits

The Utility had deposits in three area banks which were classified as follows:

As Of October 31, 2016	**Book Value**	**Bank Value**
FDIC Insured	$ 653,854	$ 654,036
Collateralized	249,811	281,830
Total cash on deposit	$ 903,665	$ 935,866

The above schedule does not include $840 of petty cash on hand at October 31, 2016.

4. Restricted Assets

Restricted checking and savings accounts consists of the following:

As Of October 31,	2016	2015
Depreciation Reserve Fund	$ 34,757	$ 54,940
2010 Bond Debt Service Reserve	614	789
2010 Bond Fund	270,966	355,258
Meter Deposit Account	59,705	57,992
2013 Bond Debt Service Reserve	272,679	365,769
2013 Bond Debt Service Fund	370	527
2013 Meter Construction Fund	69,129	108,885
Total	$ 708,220	$ 944,160

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

As Of October 31,	2016	2015
2010 Bond Fund	271,904	274,119
2013 Bond Fund	299,315	300,833
Total	$ 571,219	$ 574,952

5. Property, Plant and Equipment

Activity of capital assets consist of the following:

As Of	November 1, 2015	Additions	Retirements	October 31, 2016
Land	$ 6,540	$ -	$ -	$ 6,540
Utility plant in service	27,470,268	244,917	(1,745,058)	25,970,127
Machinery and equipment	931,855	45,504	(111,264)	866,095
Construction in progress	163,772	115,827	(242,688)	36,911
Total capital assets	28,572,435	406,248	(2,099,010)	26,879,673
Less accumulated depreciation				
Utility plant in service	14,098,312	795,747	(1,699,376)	13,194,683
Machinery and equipment	670,920	51,615	(107,583)	614,952
Total accumulated depreciation	14,769,232	847,362	(1,806,959)	13,809,635
Capital assets, net	$ 13,803,203	$ (441,114)	$ (292,051)	$ 13,070,038

5. Property, Plant and Equipment (continued)

As Of	November 1, 2014	Additions	Retirements	October 31, 2015
Land	$ -	$ 6,540	$ -	$ 6,540
Utility plant in service	26,991,329	565,021	(86,082)	27,470,268
Machinery and equipment	928,556	3,299	-	931,855
Construction in progress	386,680	109,364	(332,272)	163,772
Total capital assets	28,306,565	684,224	(418,354)	28,572,435
Less accumulated depreciation				
Utility plant in service	13,357,123	810,804	(69,615)	14,098,312
Machinery and equipment	614,099	56,821	-	670,920
Total accumulated depreciation	13,971,222	867,625	(69,615)	14,769,232
Capital assets, net	$ 14,335,343	$ (183,401)	$ (348,739)	$ 13,803,203

6. Long-Term Debt

Long-term debt of the Utility consists of:

As of October 31,	2016	2015
Rural Development - Payments are made monthly in the amount of $5,360 and include interest of 5.00%. The note matures in 2034 and is secured by the City of Mena's pledge of a 1% sales and use tax.	$ 745,253	$ 771,373
Water Revenue Refunding Bonds, Series 2010 - Payments are made in annual installments ranging from $135,000 in 2011 to $355,000 in 2029. Interest rates vary from 2.00% to 4.50% and are secured by revenues of the system.	3,635,000	3,835,000
Water and Sewer Refunding and Construction Revenue Bonds, Series 2013 - Payments are made in annual installments ranging from $120,000 in 2013 to $335,000 in 2029 to $105,000 in 2033. Interest rates vary from 1.00% to 3.625% and are secured by revenues of the system.	4,345,000	4,585,000
Union Bank of Mena - Kohler generator loan. Payments are made monthly in the amount of $1,431 including interest at 2.99% The note matures in December 2019 and is secured by the generator and all accessions, attachments and accessories.	50,447	67,194

6. Long-Term Debt (continued)

As of October 31,	2016	2015
Total long-term debt	8,775,700	9,258,567
Less current maturities	483,504	481,693
Long-term debt	8,292,196	8,776,874
Less unamortized discounts	17,197	18,378
Long-term debt, net	$ 8,274,999	$ 8,758,496

Debt is scheduled to be repaid as follows:

October 31,	Principal	Interest	Total
2017	$ 483,504	$ 293,190	$ 776,694
2018	505,401	281,139	786,540
2019	517,384	267,197	784,581
2020	513,611	252,477	766,088
2021	528,778	237,154	765,932
2022-2026	2,906,651	913,312	3,819,963
2027-2031	2,872,373	340,653	3,213,026
2032-2034	447,998	25,723	473,721
Total	$ 8,775,700	$ 2,610,845	$ 11,386,545

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

As Of	November 1, 2015	Additions	Retirements	October 31, 2016
Rural Development	$ 771,373	$ -	$ 26,120	$ 745,253
2010 Series Bonds	3,835,000	-	200,000	3,635,000
2013 Series Bonds	4,585,000	-	240,000	4,345,000
Bank of Mena	67,194	-	16,747	50,447
Total	$ 9,258,567	$ -	$ 482,867	$ 8,775,700

As Of	November 1, 2014	Additions	Retirements	October 31, 2015
Rural Development	$ 796,900	$ -	$ 25,527	$ 771,373
Arkansas Development Finance Auth.	120,656	-	120,656	-
2010 Series Bonds	4,030,000	-	195,000	3,835,000
2013 Series Bonds	4,820,000	-	235,000	4,585,000
Bank of Mena	-	79,659	12,465	67,194
Total	$ 9,767,556	$ 79,659	$ 588,648	$ 9,258,567

7. Bond Discount Costs and Deferred Loss on Refunding

Bond discount costs incurred in connection with the issuance of the 2010 and 2013 Series general obligation bonds are being amortized over 20 years. Amortization of the bond discounts totaled $1,182 for both years ended October 31, 2016 and 2015, and is included in interest expense on the statement of revenues, expenses and changes in net position. The unamortized portion is netted with long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance was $147,213 and $156,717 on October 31, 2016 and 2015, respectively. This is reflected on the statement of net position as deferred outflows and is amortized over the life of the new debt which is 20 years. Amortization of the deferred loss totaled $9,504 for both years ended October 31, 2016 and 2015, and is included in interest on the statement of revenues, expenses and changes in net position.

8. Arkansas Public Employees Retirement System

Implementation of GASB 68 - Restatement of Prior Year Ending Net Position

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27,* which became effective with fiscal year ending June 30, 2015. The Statement establishes standards for public pension plan obligations for participating employers. Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on it proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. Accordingly, the effect of this was to add $407,750 to net pension liability, add $150,621 to deferred outflows of resources related to pension, add $165,625 to deferred inflows of resources related to pension and reduce unrestricted net position by $478,487 as of October 31, 2015.

Plan Description

The Utility participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

8. Arkansas Public Employees Retirement System (continued)

Plan Description

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.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Funding Policy: The Utility contributes an actuarially determined amount to the plan, which was 14.50% of annual covered payroll for the year ending October 31, 2016. Contributions made by the Utility were $76,785 and $75,822 for the years ended October 31, 2016 and 2015, respectively. Employees are not required to contribute to the plan.

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

8. Arkansas Public Employees Retirement System (continued)

Benefits Provided

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

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)). Employers contributed 14.76% of compensation for the fiscal year ended June 30, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at http://www.apers.org/annualreports.

Measurement Date

The collective Net Pension Liability was measured as of June 30, 2015, 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.

8. Arkansas Public Employees Retirement System (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 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 of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (13 years for District Judges New Plan/Paid Off Old Plan and 20 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% to 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

Long-Term Expected Return on Plan Assets

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 are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by the plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

8. Arkansas Public Employees Retirement System (continued)

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	16%	0.83%
	100%	

Total Real Rate of Return	5.25%
Plus: Price Inflation - Actuary's Assumption	2.50%
Less: Investment Expenses (Passive)	0.10%
Net Expected Return	7.65%

Single Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between 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 the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net Pension Liability	$ 881,661	$ 535,229	$ 247,120

8. Arkansas Public Employees Retirement System (continued)

Pension Expense and Deferred Outflows/Inflows of Resources

The Utility's proportionate share of pension expense was $64,725 for the year ended October 31, 2015. At October 31, 2016, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 35,089
Changes in assumptions	78,988	-
Net difference between projected and actual earnings on pension plan investments	-	26,555
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,435	-
Utility contributions subsequent to the measurement date	103,133	-
Total	$ 186,556	$ 61,644

$103,133 reported as deferred outflows of resources related to pensions resulting from Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended October 31, 2017, any 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 October 31,	Net Increase (Decrease) in Pension Expense
2017	$ 335
2018	335
2019	(4,495)
2020	25,604
	$ 21,779

9. Concentrations Of Credit Risk

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

10. Subsequent Events

The Utility has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended October 31, 2016 through January 16, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTARY AND OTHER INFORMATION

MENA WATER UTILITIES

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS - ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED OCTOBER 31, 2016

	2015	2014
Total Pension Liability		
Service cost	$ 49,059	$ 46,267
Interest cost	198,260	189,335
Difference between expected and actual experience	(40,009)	(6,624)
Changes of assumptions	55,877	61,757
Benefit payment, including refunds of employee contributions	(134,876)	(121,905)
Changes in proportion and differences between contributions	4,435	-
Net change in total pension liability	132,746	168,830
Total pension liability - beginning	2,573,337	2,404,507
Total pension liability - ending	$ 2,706,083	$ 2,573,337
Plan Net Fiduciary Position		
Contributions - employer	$ 76,105	$ 75,638
Contributions - employee	14,749	13,575
Net investment income	49,093	347,281
Benefit payments, including refunds of employee contributions	(134,876)	(121,905)
Administrative	(2,020)	(1,971)
Other	2,416	2,666
Net change in plan net fiduciary position	5,467	315,284
Plan net fiduciary position - beginning	2,165,387	1,850,103
Plan net fiduciary position - ending	$ 2,170,854	$ 2,165,387
Net pension (asset) / liability - ending	$ 535,229	$ 407,950
Plan net fiduciary position as percentage of total pension liability	80.22%	84.15%
Covered employee payroll	$ 515,482	$ 509,008
Net pension (asset)/liability positon as percentage of covered employee payroll	103.83%	80.15%

Note to Schedule:
Only two fiscal years are presented because 10-year data not yet available.

See independent auditor's report.

MENA WATER UTILITIES

SCHEDULE OF EMPLOYER CONTRIBUTIONS LAST TWO FISCAL YEARS
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED OCTOBER 31, 2016

	2015	2014
Contractually required contribution	$ 76,105	$ 75,638
Contributions in relation to the contractually required contribution	$ (76,105)	$ (75,638)
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 515,482	$ 509,008
Contributions as a percentage of covered-employee payroll	14.76%	14.86%

Note to Schedule:
Only two fiscal years are presented because 10-year data not yet available.

See independent auditor's report.

MENA WATER UTILITIES

SCHEDULE OF REVENUES, EXPENSES - SEWER ONLY

FOR THE YEARS ENDED OCTOBER 31,	2016	2015
Operating Revenue		
Measured sewer	$ 725,352	$ 524,191
Total Operating Revenue	725,352	524,191
Operating Expenses		
Advertising	354	334
Employee benefits	45,770	43,410
Depreciation	290,156	292,253
Insurance	12,043	10,054
Dues and fees	13,055	11,740
Office	4,488	4,774
Professional fees	17,728	17,014
Contractual services	922	1,503
Lab expense	21,605	19,958
Vehicle	774	2,989
Repairs and maintenance	61,762	25,553
Salaries	165,903	158,839
Supplies	3,008	3,132
Chemicals	39,274	54,679
Education and safety	2,791	2,141
Utilities and telephone	76,868	80,437
Payroll taxes	13,614	16,108
Other operating expenses	13,861	18,366
Total Operating Expenses	783,976	763,284
Net Loss From Operations	(58,624)	(239,093)
Other Income (Expenses)		
Interest income	1,977	1,925
Interest expense	(38,107)	(42,175)
Total Net Other Income (Expenses)	(36,130)	(40,250)
Net Loss Before Transfers	(94,754)	(279,343)
Operating Transfers	125,276	284,326
Change in Net Assets	$ 30,522	$ 4,983

See independent auditor's report.

MENA WATER UTILITIES

SUPPLEMENTARY STATISTICS REQUIRED BY RURAL DEVELOPMENT

FOR THE YEAR ENDED OCTOBER 31, 2016

1. Monthly water rates: All charges shall be based on water consumption, and the amount to be paid by each customer shall be computed on the basis of the following schedule of rates.

Inside Mena City Limits	
For the first 1,000 gallons of water consumption per month, or portion thereof.	$12.15 (minimum)
For the next 6,000 gallons of water consumption per month, or portion thereof.	$3.13 1,000 gallons
For the next 5,000 gallons of water consumption per month, or portion thereof.	$2.94 1,000 gallons
For all water consumption in excess of 12,000 gallons per month.	$2.61 1,000 gallons
Outside Mena City limits	
No usage	$15.50 (minimum)
For the next 7,000 gallons of water consumption per month, or portion thereof.	$3.13 1,000 gallons
For the next 5,000 gallons of water consumption per month, or portion thereof.	$2.94 1,000 gallons
For all water consumption in excess of 12,000 gallons per month.	$2.61 1,000 gallons

2. The number of water customers billed during the year ended October 31, 2016 was 3,763 per month.
3. Total gallons of water produced during the year ended October 31, 2016 amounted to 387,344,300.
4. Total gallons of water sold during the year ended October 31, 2016 amounted to 357,869,400.
5. In the opinion of management, reserve accounts are being properly maintained.
6. In the opinion of management, the accounting records were adequate and in agreement with the accompanying financial statements, after giving effect to various adjustments.

See independent auditor's report.

MENA WATER UTILITIES

SUPPLEMENTARY STATISTICS REQUIRED BY RURAL DEVELOPMENT

FOR THE YEAR ENDED OCTOBER 31, 2016

7. Mena Water Utilities commissioners as of October 31, 2016 were:

Sue Cavner	Vice-chair
David Ray	Secretary
Tommy Fowler	Member
David Young	Member
Debra Buschman	Member

See independent auditor's report.

ADDITIONAL REPORT

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*

To the Commissioners
Mena Water Utilities
Mena, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mena Water Utilities, as of and for the year ended October 31, 2016, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated January 16, 2017.

Internal Control over Financial Reporting

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

4200 Jenny Lind Road, Ste B
Fort Smith, Arkansas 72901
Ph: 479.649.0888 email: marcl@selectcpa.com
www.selectcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
January 16, 2017