DATED MAY 5, 2020

OFFICIAL STATEMENT

New Issue **Not Rated**
Book-Entry Only

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

$2,670,000
WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS,
SERIES 2020

Dated: Date of Delivery Due: September 1, as shown

The Water and Sewer Revenue Improvement and Refunding Bonds (the "Bonds") will not be general obligations of the West Stone County Water Association Public Water Authority of the State of Arkansas (the "Authority"), but will be special obligations secured by a pledge of and payable from the operation of the Authority's public water system (the "System").

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2020, and the Bonds mature on September 1 of each year, bear interest and are priced to yield as shown on the succeeding page.

The Bonds are payable solely from revenues derived from the operation of the System, which amount will be sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable. The Authority has fixed and has covenanted and agreed to maintain rates for services of the System which shall be sufficient at all times to provide at least (i) for the payment of operation and maintenance expenses of the System, and (ii) 110% of the maximum annual required payments of principal, premium, if any, and interest on the Bonds and any Additional Bonds. The payment of principal of and interest on the Bonds is secured by and payable from a pledge of the System's revenues and other resources pursuant to the terms of a Trust Indenture between the Authority and Centennial Bank, Jonesboro, Arkansas, as Trustee (the "Trustee").

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 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, subject to prior sale, when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Mitchell, Williams, Selig, Gates and Woodyard, P.L.L.C., Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions. It is expected that the Bonds will be available for delivery on or about June 9, 2020.

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

Dated: As of Date of Delivery.

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BONDS MATURITY SCHEDULE

$990,000 Serial Bonds

Year	Amount	Rate (%)	Yield (%)	CUSIP
2022	$100,000.00	3.000	1.650	956148AQ3
2023	100,000.00	3.000	1.700	956148AR1
2024	105,000.00	3.000	1.800	956148AS9
2025	105,000.00	3.000	1.900	956148AT7
2026	110,000.00	2.000	2.000	956148AU4
2027	115,000.00	2.000	2.100	956148AV2
2028	115,000.00	2.125	2.200	956148AW0
2029	120,000.00	2.250	2.300	956148AX8
2030	120,000.00	2.250	2.350	956148AY6

$1,680,000 Term Bonds

$115,000.00 1.500% Term Bonds Due September 1, 2021; Yield 1.500%; CUSIP 956148 AP5
$650,000.00 2.750% Term Bonds Due September 1, 2035; Yield 2.750%; CUSIP 956148 AZ3
$915,000.00 3.000% Term Bonds Due September 1, 2041; Yield 3.000%; CUSIP 956148 BA7

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

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

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

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

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

The CUSIP numbers shown herein have been assigned by an organization not affiliated with the Authority. Neither the Authority, nor the Underwriter nor the Trustee were responsible for the selection of CUSIP numbers, and neither make any representation as to the accuracy of such numbers on the or as indicated herein.

This Official Statement contains descriptions and summaries of the Bonds, the Authority, the Act, and the Trust Indenture, and related matters. Such descriptions and summaries do not purport to be comprehensive or definitive. All references to the Bonds, the Authority, the Act, and the Trust Indenture are qualified in their entirety by reference to the actual texts of the Bonds, the Authority, the Act, and the Trust Indenture. All terms capitalized herein and not otherwise defined shall have the meanings set forth in the Trust Indenture. A summary of the Trust Indenture, including definitions of certain terms contained therein, is included in this Official Statement.

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

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CONTENTS OF OFFICIAL STATEMENT

OFFICIAL STATEMENT

$2,670,000
WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS,
SERIES 2020

INTRODUCTION

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 appendices hereto. A full review should be made of the entire Official Statement, as well as the Trust Indenture described herein.

This Official Statement is furnished to prospective investors in connection with the sale by the West Stone County Water Association Public Water Authority, an Arkansas public water authority (the "Authority") of its Water Revenue Refunding and Improvement Bonds, Series 2020, in the aggregate principal amount of $2,670,000 (the "Bonds"). The Bonds mature and bear interest as shown inside the front cover.

The Bonds are dated June 9, 2020. The Bonds are being issued to finance the cost of (i) refunding the Authority's outstanding Water Revenue Refunding Bonds Series, 2014 in the approximate outstanding amount of $1,973,509.41 (the "Series 2014 Bonds"), which were issued for purpose of refunding the Authority's Water Refunding and Construction Bonds, Series 2002 and its outstanding United States Department of Agriculture Rural Development loans, (ii) construction of certain additional improvements to the Authority's water system, (iii) funding a portion of the debt service reserve, and (iv) paying costs incidental thereto. See **PURPOSES OF BONDS.**

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

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of $5,000 or an integral multiple thereof. Interest is payable September 1, 2020, and semiannually thereafter on each March 1 and September 1. Principal is payable at the principal office of Centennial Bank, Jonesboro, Arkansas, which is the Trustee and Paying Agent for the registered owners of the Bonds (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 shall be subject to redemption at the option of the Authority from funds from any source, on and after September 1, 2025, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed to the redemption date. See **THE BONDS,** Redemption.

Under existing law and assuming compliance with certain covenants described herein, (i) interest in the Bonds is excludable from gross income for federal income tax purposes, subject to the Authority's compliance with all requirements of the Internal Revenue Code of 1986, as amended, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) interest on the Bonds is exempt from State income tax, and (iii) the Bonds are exempt from property sales tax in the State. See **TAX EXEMPTION AND LEGAL MATTERS,** Tax Exemption.

The Bonds are not general obligations of the Authority, but are special obligations payable solely from the net revenues derived from the operation of the Authority's water system (the "Revenues"). See **SECURITY FOR THE BONDS; ADDITIONAL BONDS**.

The Authority is a public water authority organized under the laws of the State of Arkansas (the "State") located in Independence County, Arkansas (the "County"), which is in the northcentral portion of the State. The Authority is authorized and empowered under the Constitution and laws of the State of Arkansas, including particularly the Water Authority Act, Chapter 35 of Title 4, Arkansas Code of 1987 (the "Act"), to issue revenue bonds and expend the proceeds thereof for improvements to the Authority's water system (the "System"). See **THE AUTHORITY.**

It is expected that the Bonds will be available for delivery on or about June 9, 2020 through the facilities of The Depository Trust Company, in New York, New York.

The Authority and Centennial Bank, Jonesboro, Arkansas, as dissemination agent, have entered into a Continuing Disclosure Agreement with regards to the Bonds (the "Continuing Disclosure Agreement") in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See **THE CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Trust Indenture and the Continuing Disclosure Agreement, each summarized herein, are available upon request from Stephens Inc. 111 Center Street, 23rd Floor, Little Rock, Arkansas 72201.

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

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AUTHORITY TO ISSUE BONDS

The Authority is authorized by the Act to acquire, operate and maintain a water storage, treatment and distribution facilities (the "System") and to supply water to its customers and to make a charge therefor. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, including particularly the Act, and a Resolution adopted by the Board of Directors of the Authority on May 5, 2020 (the "Authorizing Resolution") and a Trust Indenture to be entered into by and between the Authority and the Trustee (the "Trust Indenture"). See **THE TRUST INDENTURE**. The Bonds will not be general obligations of the Authority. The Bonds will be special obligations secured by a pledge of and payable solely from revenues derived from the operation of the System and will not constitute an indebtedness of the Authority within the meaning of any constitutional or statutory limitation. See **THE BONDS**, Security.

PURPOSES OF BONDS

Purposes. The Bonds are being issued to finance the cost of refunding the Series 2014 Bonds, constructing the Improvements (as described below), funding a portion of the debt service reserve for the Bonds, and paying costs incidental to the issuance of the Bonds. The proceeds of the Series 2014 Bonds were used to current refund the Authority's Water Refunding and Construction Bonds, Series 2002 (the "Series 2002 Bonds"), to current refund certain United States Department of Agriculture Rural Development loans to the Authority, to fund a debt service reserve fund, and to fund certain costs associated with the issuance of the Series 2014 Bonds. The proceeds of the Series 2002 Bonds were used to refund certain other indebtedness of the Authority, to fund costs of construction of a new water storage tank, refurbishment of existing tanks, and the acquisition of water meters and other apparatus, to fund a debt service reserve, and to pay costs of issuance of the Series 2002 Bonds.

Proceeds of the Bonds may be invested in Permitted Investments as set forth in the Trust Indenture.

The Improvements. The Authority anticipates that the improvements to the System to be constructed with proceeds of the Bonds will include construction and installation of a new pump station and tank at Parma, Arkansas, addition of new pumps in the pump station, replacement of a water line or lines over a bridge crossing, sandblasting and painting of a tank, and related improvements to the System (collectively, the "Improvements" or the "Project").

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SOURCES AND USES

Sources and Uses of Bonds. The sources and uses of funds to finance the refunding of the 2007 Bonds together with certain other bank loans and additional indebtedness of the Authority and construction of the Improvements to the System are estimated to be as follows:

Sources of Funds	
Par Amount of Bonds	$2,670,000.00
Transfer from 2014 Debt Service Fund	85,358.91
Transfer from 2014 Deb Service Reserve Fund	74,987.47
Net Original Issue Premium	14,821.90
TOTAL SOURCES	**$2,845,168.28**
Uses of Funds	
Costs of Issuance*	$85,075.00
Deposit to 2020 Construction Fund	700,000.00
Deposit to 2020 Refunding Fund	1,973,509.41
Deposit to 2020 Debt Service Reserve Fund	85,362.50
Rounding Amount	1,221.37
TOTAL USES	**$2,845,168.28**

* Includes, among other costs, underwriter's discount, trustee fees, and bond counsel fees.

The payment of Underwriters' discount and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS,** Underwriting for a description of the Underwriters' discount. The net proceeds of the Bonds, consisting of the principal amount of the Bonds, plus net original issue premium, less Underwriter's discount, will be (a) transferred to the Trustee to be applied to the payment of costs of issuance of the Bonds, (b) deposited in the 2020 Refunding Fund for refunding of the Series 2014 Bonds, (c) deposited to the 2020 Construction Fund for construction of the Project, (d) deposited to the 2020 Debt Service Reserve Fund, and (e) deposited to the 2020 Costs of Issuance Account for the Bonds as more particularly described in the Trust Indenture.

The Bonds are secured under the Trust Indenture. For a summary of the terms of the Trust Indenture, see **THE TRUST INDENTURE** herein. The Authority may issue additional bonds on a parity of security with the Bonds, but the authority to issue any additional bonds on a parity with the Bonds is contingent upon compliance with the requirements of the Trust Indenture. See **SECURITY FOR THE BONDS; ADDITIONAL BONDS,** Additional Bonds.

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THE BONDS

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate for each maturity 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 transaction in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Closing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, AND EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

So long as the 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 Trust Indenture, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Trust Indenture. The Authority and the Trustee have no responsibility or obligation to 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 Trust Indenture 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 number thereof. In the even any Bond is mutilated, lost or destroyed, the Trustee shall authenticate and deliver to the registered owner a new Bond in accordance with the provisions therefor in the Trust Indenture.

Each Bond is exchangeable or transferable by any 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 issue and maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchanger therefor.

No charge shall be made to the owner of any Bond for the privilege of registration, but any owner 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 Authority or the Trustee incurred in connection therewith shall be paid by the Authority. Neither the Authority 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 of, premium, if any, or interest on 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 any 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 are subject to optional redemption as follows:

Optional Redemption. The Bonds shall be subject to redemption at the option of the Authority from funds from any source, on and after September 1, 2025, in whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount being redeemed to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the Authority 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.

Notwithstanding the preceding paragraph, the Bonds shall also be subject to redemption prior to maturity, at the option of the Authority, in whole or in part, from excess funds generated internally by the System on any interest payment date, at a redemption price equal to the principal amount being redeemed to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the Authority 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.

Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on September 1 in each of 2021, 2035 and 2041 are subject to mandatory sinking fund redemption (selected by lot by the Trustee by any method utilized by the Trustee), at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, on September 1 of each of such years as follows:

Bonds Maturing September 1, 2021

Year	Principal Amounts
2020	$20,000
2021 (maturity)	95,000

Bonds Maturing September 1, 2035

Year	Principal Amounts
2031	$125,000
2032	125,000
2033	130,000
2034	135,000
2035 (maturity)	135,000

Bonds Maturing September 1, 2041

Year	Principal Amounts
2036	$140,000
2037	145,000
2038	150,000
2039	155,000
2040	160,000
2041 (maturity)	165,000

In case any outstanding Bond is in a denomination greater than $5,000, each $5,000 of face value of such Bond shall be treated as a separate Bond of the denomination of $5,000.

The Trustee shall give notice of the call for redemption by first class mail or by any other standard means, including electronic or facsimile communication. not less than thirty (30), nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner of any Bond called for redemption, addressed to such registered owner's registered address. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for their redemption have been deposited with the Trustee as provided in the Trust Indenture.

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.**

Security. The Bonds are not general obligations of the Authority, but are special obligations payable solely from and secured by a pledge of the Revenues of the System, as more particularly described below.

General. The Bonds are not general obligations of the Authority, but are special obligations payable solely from and secured by a pledge of Revenues of the System.

The Bonds are secured under the Trust Indenture. For a summary of the terms of the Trust Indenture, see **THE TRUST INDENTURE** herein. The Authority may issue additional bonds on a parity of security with the Bonds, but the authority to issue any additional bonds on a parity of security with the Bonds is contingent upon compliance with the requirements of the Trust Indenture. See **SECURITY FOR THE BONDS; ADDITIONAL BONDS,** Additional Bonds.

Rate Covenants. In the Trust Indenture, the Authority covenants and agrees that the rates and charges fixed for services of the System will produce Revenues at least sufficient to (1) pay the System's operation, repair and maintenance expenses and (2) leave a balance equal to 110% of the maximum annual debt service requirements for Bonds and all other additional parity obligations. The Authority further covenants and agrees that the rates, fees and charges shall, if and when necessary from time to time, be increased in such manner as will produce Revenues sufficient to meet these requirements. See **THE TRUST INDENTURE**, Rate Covenants.

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SECURITY FOR THE BONDS; ADDITIONAL BONDS

The Bonds will be special limited obligations of the Authority, payable solely from and secured by a pledge of the revenues of the Authority, including particularly, revenues derived from the sale of water transmitted and distributed by the Authority's facilities (the "Revenues"). The Bonds do not constitute an indebtedness Stone County or the State of Arkansas, nor a general obligation of the Authority.

The Bonds are further secured by a lien on and security interest in all property now owned by the Authority and replacements thereof. See **THE TRUST INDENTURE**, Security for the Bonds.

The Authority has no taxing power. The resources of the Authority are limited to the water facilities and the revenues derived from the sale and distribution of water by the Authority's facilities.

The Authority is a public water authority organized for the purpose of distributing potable drinking water in certain rural and unincorporated areas of Stone, Cleburne, and Van Buren Counties, Arkansas. See **THE AUTHORITY**. Specifically, the Authority has entered into water purchase contracts (the "Water Purchase Agreements") with each of the City of Mountain View, Arkansas and Community Water System Public Water Authority of the State of Arkansas (the "Suppliers") for the purchase of specified amounts of treated water from the Suppliers and that obligate the Authority to make certain payments to the Suppliers. The Suppliers are entitled to withdraw or have contracts with water districts entitled to withdraw municipal and industrial water from White River and Greers Ferry Lake pursuant to agreements with the U.S. Army Corps of Engineers. See **THE AUTHORITY**.

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

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

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

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

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

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

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

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

The term "adjusted gross revenues" means:

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

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

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

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

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THE AUTHORITY

Generally. The Authority is a body politic and governmental created in 2002 pursuant to the provisions of the Water Authority Act, Chapter 35 of Title 4, Arkansas Code of 1987 (the "Act") for the purpose, generally stated, of distributing potable drinking water in certain rural and unincorporated areas of Stone, Cleburne, and Van Buren Counties, Arkansas. The Authority is the successor of the West Stone County Water Association, a rural water utility created in 1980, whose obligations, debts, commitments and liabilities have been transferred to and assumed by the Authority. In accordance with the Act, the Authority is authorized to own and operate a water distribution system, from time to time issue its bonds in such principal amounts as the Authority determines shall be necessary to provide sufficient funds to carry out its purposes and powers, execute trust indentures and mortgage and pledge is property as security therefor.

Water Supply; Water Purchase Contracts. The supply of treated water for the Authority's water facilities is provided by and purchased from the Suppliers, whose source of water is the White River and Greers Ferry Lake. See **SECURITY FOR THE BONDS; ADDITIONAL BONDS**.

Water System Facilities. The Authority's water distribution system is comprised of approximately 600 miles of pipeline, ranging in size from two inches (2") to ten inches (10") in diameter, serving approximately 1,806 residential and agricultural customers in the rural areas of Stone, Cleburne and Van Buren Counties. The system additional includes ten tank sites with a combined storage capacity in excess of 1,100,000 gallons and eight pumping stations.

The Authority's assets and operations are collectively referred to as the "System."

Water Sales; Customers. The volume of water sold by the Authority for the past five years was as follows:

Year Ending June 30	Total Gallons Sold
2015	137,296,000
2016	160,487,000
2017	156,449,000
2018	180,132,000
2019	177,688,000

No single user of the System accounts for in excess of 5% of water sold by the Authority.

Water Rates. Below are the Authority's current water rates:

For Residential and Commercial Users:

Gallons:	Rate:
First 1,000 Gallons (≤1,000)	$26.74
Next 4,000 Gallons (>1,000 and ≤5,000)	$6.08/1,000 Gallons
Next 5,000 Gallons (>5,000 and ≤10,000)	$4.97/1,000 Gallons
Next 20,000 Gallons (>10,000 and ≤30,000)	$4.42/1,000 Gallons
Over 30,000 Gallons (>30,000)	$4.25/1,000 Gallons

In addition, the Authority also charges certain additional connection, reconnection, tap, plumbing inspection, and road bore fees.

Retail Customers. The Authority had the following number of retail customers during the years set forth below:

Year Ending June 30	Number of Retail Meters
2015	1,764
2016	1,770
2017	1,768
2018	1,804
2019	1,806

Board of Directors and Administration. The Board of Directors of the Authority consists of five qualified members residing in the service area of the Authority. Board members serve staggered five-year terms. Board members are elected at the annual meeting of the Authority. The current members of the Board of Directors, their offices and their occupations are as follows:

Name	Office	Occupation
Preston Hipp	President	Bank Loan Officer
Lacy McElroy	Vice-President	Retired
Heather Berry	Secretary/Treasurer	Teacher
David Campbell		Retired
Heath Holland		Electric Lineman

The Manager of the Authority's water system is Daymon Carlton. Mr. Carlton has managed the system for over 20 years. He has a Class A Surface Water Operator's License issued by the Arkansas Department of Health. He is also responsible for the System's day-to-day operations. The Authority employs four additional full-time employees in addition to Mr. Carlton.

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

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FINANCIAL INFORMATION

A summary of Audited Financial Statements of the Authority for the Fiscal Years Ended June 30, 2017, 2018 and 2019 is below, and the Audited Financial Statements of the Authority for such years are attached as Appendix A hereto. Neither Turner & Associates, PLC nor Turner, Williams & Associates, P.A., the Authority's independent auditor, has been engaged to perform and has not performed, since the date of its report included herein, any procedures on the Audited Financial Statements addressed in that report. . Neither Turner & Associates, PLC nor Turner, Williams & Associates, P.A. has performed any procedures relating to this Official Statement.

	2019	2018	2017
OPERATING REVENUES[1]:	$1,109,065	$1,082,203	$991,446
OPERATING EXPENSES[2]:	($829,221)	($861,406)	($780,066)
NET OPERATING REVENUE (EXPENSE) before depreciation and non-operating revenue and expenses:	$279,844	$220,797	$211,380
DEPRECIATION:	($272,154)	($275,555)	($276,043)
NON-OPERATING REVENUE (EXPENSE)[3]	($52,127)	($79,106)	($69,593)
NET INCOME (LOSS):	**($44,437)**	**($133,864)**	**($134256)**

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[1] Includes interest income.
[2] Excludes depreciation and non-operating expenses
[3] Excludes interest income.

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DEBT SERVICE SCHEDULES

Set forth below are the debt service requirements for the Bonds during each fiscal year of the Authority ending June 30:

Fiscal Year (Ending June 30)	Principal	Rate (%)	Interest	Net New Debt Service
2020	$20,000.00	1.500	$16,330.24	$36,330.24
2021	95,000.00	1.500	71,393.76	166,393.76
2022	100,000.00	3.000	69,968.76	169,968.76
2023	100,000.00	3.000	66,968.76	166,968.76
2024	105,000.00	3.000	63,968.76	168,968.76
2025	105,000.00	3.000	60,818.76	165,818.76
2026	110,000.00	2.000	57,668.76	167,668.76
2027	115,000.00	2.000	55,468.76	170,468.76
2028	115,000.00	2.125	53,168.76	168,168.76
2029	120,000.00	2.250	50,725.00	170,725.00
2030	120,000.00	2.250	48,025.00	168,025.00
2031	125,000.00	2.750	45,325.00	170,325.00
2032	125,000.00	2.750	41,887.50	166,887.50
2033	130,000.00	2.750	38,450.00	168,450.00
2034	135,000.00	2.750	34,875.00	169,875.00
2035	135,000.00	2.750	31,162.50	166,162.50
2036	140,000.00	3.000	27,450.00	167,450.00
2037	145,000.00	3.000	23,250.00	168,250.00
2038	150,000.00	3.000	18,900.00	168,900.00
2039	155,000.00	3.000	14,400.00	169,400.00
2040	160,000.00	3.000	9,750.00	169,750.00
2041	165,000.00	3.000	4,950.00	169,950.00
Total	**$2,670,000.00**	**-**	**$904,905.32**	**$3,574,905.32**

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ESTIMATED DEBT SERVICE COVERAGE

The following reflects revenues of the Authority from operation of the System available for debt service based on historical results for the years ended June 30, 2017, 2018 and 2019:

	2019	2018	2017
Net Operating Revenues	$2,686	($55,959)	($65,105)
Plus:			
Depreciation	$272,154	$275,555	$276,043
Interest Expense	5,004	1,201	442
Estimated Funds Available for Debt Service(A)	$279,844	$220,797	$211,380
Maximum Annual Debt on the Bonds (B)*	$170,725	$170,725	$170,725
Coverage (A/B)*	1.64X	1.29X	1.24X

*Assumes an average interest rate of 2.8008563% on the Bonds.

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AREA ECONOMIC DATA - THE COUNTIES

The Counties. The Authority serves customers within Stone, Cleburne, and Van Buren Counties, Arkansas (the "Counties").

Stone County is located in north central Arkansas. The county seat of Stone County is Mountain View, which is approximately 100 miles north of Little Rock Arkansas and approximately 150 miles northwest of Memphis, Tennessee.

Cleburne County is located in north central Arkansas. The county seat of Cleburne County is Heber Springs, Arkansas, which is approximately 65 miles north of Little Rock, Arkansas and approximately 135 miles west of Memphis, Tennessee.

Van Buren County is located in north central Arkansas. The county seat of Van Buren County is Clinton, Arkansas, which is approximately 75 miles north of Little Rock, Arkansas and approximately 165 miles west of Memphis, Tennessee.

Population. Since 1970, the population trend for Stone, Cleburne, and Van Buren Counties, according to the United States Census Bureau, is as follows: [1]

Year	Stone	Cleburne	Van Buren
1970	6,838	10,349	8,275
1980	9,022	16,909	13,357
1990	9,831	19,520	14,057
2000	11,535	24,109	16,220
2005*	11,775	25,333	16,666
2010	12,158	26,773	17,303
2015*	12,541	28,213	17,490
2018*	12,771	29,077	18,322

*Estimates as of July 1 of each year per UA Little Rock Census Data Center

Transportation. The Authority's geographic area is served by U.S. Highway Nos. 66, 263, 74, 225 and 9. Mountain View Airport serves the Counties.

[1] Source: United States Census Bureau

Financial Institutions and Bank Deposits. The Counties are served by branches of Bank OZK, Centennial Bank, Eagle Bank and Trust Company, First Arkansas Bank and Trust, First National Bank, First Security Bank, First Service Bank, First State Bank, Home Bank of Arkansas, Regions Bank, Simmons Bank, Stone Bank, The Citizens Bank, The First National Bank of Izard County and U.S. Bank National Association. Bank deposits in the Counties have been as follows for the years indicated[2]:

Stone County

Year (as of June 30)	Total Deposits (1,000's)	Average Annual Growth (Decline)
2014	277,811	--
2015	275,226	(0.93)
2016	299,814	8.93
2017	328,262	9.49
2018	338,425	3.10
2019	352,877	4.27

Cleburne County

Year (as of June 30)	Total Deposits (1,000's)	Average Annual Growth (Decline)
2014	466,511	--
2015	485,944	4.17
2016	513,251	5.62
2017	524,244	2.14
2018	554,248	5.72
2019	556,697	0.44

Van Buren County

Year (as of June 30)	Total Deposits (1,000's)	Average Annual Growth (Decline)
2014	262,161	--
2015	271,565	3.59
2016	285,875	5.27
2017	277,646	(2.88)
2018	276,171	(0.53)
2019	278,929	1.00

Education. Primary and secondary education for the inhabitants of the Counties are provided by public school systems fully accredited by the North Central Association of Secondary Schools and Colleges, including the Heber Springs School District, West Side School District, Mountain View School District, Stone County School District, Clinton School District, and South Side Bee Branch School District. Ozarka College has a campus in Mountain View, and Arkansas State University has a campus in Heber Springs. University of Central Arkansas is located approximately 50 miles away in Conway, and Arkansas State University is located approximately 100 miles away in Jonesboro.

[2] Source: Federal Deposit Insurance Corporation

Economy. The economy of the Counties is a mixture of industry, agricultural and commercial trade. Set forth below are the names of the largest employers in the Counties:[3]

Stone County	Cleburne County	Van Buren County
Mountain View School District	Heber Springs School District	Ozark Health Medical Center
Walmart Stores, Inc.	Walmart Stores, Inc.	Clinton School District
Stone County Medical Center	Defiance Metal Products	Walmart Stores, Inc.
Mountain View Nursing LLC	Green Dental Laboratories, Inc.	South Side Bee Branch School District
McDonald's Corporation	Baptist Health Medical Center	Shirley School District
Excel Boat Company LLC	Union Gas Well Service LLC	Fairfield Bay Community Club
Hardee's	Sonic Drive-Ins	Indian Rock Village
Fiber Energy Products AR LLC	Southridge Village	Southwestern Energy Company
Harps Food Stores, Inc.	Concord School District	Petit Jean Electric Cooperative
T.D. Home Center	Quitman School District	Sonic Drive-Ins

Additional Economic Data. Total personal income estimates for the Counties are as follows:[4]

Year	Personal Income – Stone County	Personal Income – Cleburne County	Personal Income – Van Buren County
2013	$328,680	$866,694	$470,226
2014	$352,915	$901,465	$495,837
2015	$363,083	$907,893	$503,734
2016	$355,711	$884,492	$490,222
2017	$369,142	$920,783	$496,841
2018	$387,241	$956,340	$517,615

Per capital personal income estimates for the Counties are as follows[5]:

Year	Personal Income – Stone County	Personal Income – Cleburne County	Personal Income – Van Buren County
2013	$26,457	$33801	$27,726
2014	$28,509	$35207	$29,374
2015	$29,328	$35799	$30,032
2016	$28,461	$35135	$29,480
2017	$29,491	$36764	$30,051
2018	$31,086	$38307	$31,176

[3] Source: Arkansas Economic Development Commission – Strategic Planning & Research Division Reports - 2016
[4] Source: Federal Reserve Economic Data
[5] Source: Federal Reserve Economic Data

The annual average unemployment rates for the Counties and the State of Arkansas since 2014 are as follows[6]:

Year	Stone County	Cleburne County	Van Buren County	State
2014	7.6	8.3	8.1	6.0
2015	6.3	6.9	6.7	5.0
2016	5.1	5.9	6.9	4.0
2017	4.8	4.9	5.5	3.7
2018	4.5	4.5	5.3	3.7
2019	4.7	4.8	5.0	3.4

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[6] Source: Arkansas Department of Workforce Services

THE TRUST INDENTURE

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

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

(a) All real estate and premises, rights of way and easements, with all buildings, additions and improvements of every nature located thereon or therein, with the tenements, hereditaments, appurtenances, rights, privileges and immunities thereunto belonging or appertaining now owned or leased by the Authority or to be financed or refinanced by Bonds issued under the Trust Indenture.

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

(c) All revenues and income received while any bonds issued under the Trust Indenture are outstanding, including particularly, the income received by the Authority from its contracts for the sale of water to wholesale customers and all other persons, firms, associations, corporations or organizations of any nature (the "Revenues").

(d) All moneys in the Bond Fund (hereinafter described), the Construction Fund, and the Refunding Fund established pursuant to the Trust Indenture and all investments therein and earnings thereon.

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

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

If the Authority fails to comply with its rate covenant in any fiscal year, it will undertake a study of the rate revisions necessary to again be in compliance with the rate covenant. The study shall be completed and filed with the Trustee not later than the 15th day of the sixth month of the following fiscal year. Revised rates, fees and charges, as indicated in the study, shall be placed into effect not later than the 15th day of the sixth month of the fiscal year immediately following the fiscal year in which the study is made. If the Authority complies with this provision it shall not be deemed in default for the fiscal year in which the rate study is made and the immediately following fiscal year, provided that the total

Revenues in each of these fiscal years are sufficient to make the payments and deposits provided for in clause (1) above and leave a balance equal to 100% of the debt service requirements for such fiscal year of all outstanding Bonds and Parity Obligations.

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

Gross Receipts Fund. All Revenues received by the Authority shall be paid upon receipt into a special fund designated "Gross Receipts Fund."

Operation and Maintenance Fund. Under the Trust Indenture, there is required to be paid from the Gross Receipts Fund into a fund designated "Operation and Maintenance Fund," not later than the 20th day of each month while any Bonds issued under the Trust Indenture are outstanding, an amount sufficient, together with existing moneys held for the credit of the Fund, to pay the reasonable monthly expenses of operation, repair and maintenance (exclusive of depreciation expense and debt service charges and expenses) of the properties of the Authority for the following month, and, to the extent determined by the Authority, to pay costs of betterments and improvements to the properties of the Authority, and from which disbursement shall be made only for those purposes. Fixed annual charges, such as insurance premiums, and the cost of major repair and maintenance expenses and costs of betterments and improvements, may be computed and set up on an annual basis and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month. If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the fund in the next succeeding month. If in any fiscal year, a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the properties of the Authority during the next succeeding four (4) months, such surplus may be transferred and deposited in the Bond Fund.

Bond Fund. (a) After the required deposit has been made in the Operation and Maintenance Fund, there shall be paid from the Gross Receipts Fund into the "2020 Bond Fund" (the "Bond Fund"), not later than the 20th day of each month, an amount equal to the sum of:

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

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

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

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

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

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

Construction Fund. There is created under the Trust Indenture a special fund to be designated "Series 2020 Construction Fund" or "Construction Fund." Moneys in the Series 2020 Construction Fund shall be disbursed to the Authority for Project costs that shall include costs of acquisition, costs of construction, architect's and engineer's fees, and other allowable costs of the Series 2020 Project. Such expenditures shall be paid in accordance with and pursuant to written draw requests that shall be signed by the President, System Manager, or their designee. Each draw request shall specify: (i) the number of the request for payment; (ii) the name of the person, firm or corporation to whom payment is to be made; (iii) the amount of the payment; (iv) that the disbursement is for a proper expense of or pertaining to the Project; and (v) the general classification of the expenditure.

Upon receipt of each draw request the Trustee shall issue its check upon the Construction Fund payable to the person, firm or corporation designated in the draw requests. In making such payment from the Construction Fund, the Trustee may rely on any such requisitions and any such certificates delivered to it pursuant to the Trust Indenture and the Trustee shall be relieved of all liability with respect to making such payments in accordance with any such requisitions and such supporting certificate or certificates without inspection of the Project or any other investigations

Debt Service Reserve Fund. There is created under the Indenture a special fund to be designated "2020 Debt Service Reserve Fund" (the "Debt Service Reserve Fund") for the purpose of paying debt service on the Series 2020 Bonds. After the required deposit has been made in the Operation and Maintenance Fund and into the Bond Fund, the Trustee shall make any required payments into the Debt Service Reserve Fund, amounts equal to the required monthly deposit for the Series 2020 Bonds. The required monthly deposit into the 2020 Debt Service Reserve Fund shall be an amount equal to the lesser of (i) one-half (i.e. 50%) of the maximum annual principal and interest requirements on the Series 2020 Bonds, (ii) 10% of the original proceeds of the Series 2020 Bonds or (iii) 125% of the maximum annual principal and interest requirements on the Series 2020 Bonds (the "Series 2020 Debt Service Reserve Fund Requirement").

If for any reason there shall be a deficiency in the payments made into the Bond Fund for the Series 2020 Bonds so that there are unavailable sufficient moneys therein to pay the principal of, premium, if any, and interest on the Series 2020 Bonds as the same become due, any sums then held in the 2020 Debt Service Reserve Fund shall be used to the extent necessary to pay such principal, premium, interest and fees of the Trustee, but the 2020 Debt Service Reserve Fund shall be reimbursed as described above. The 2020 Debt Service Reserve Fund shall be used solely as described herein, but the moneys therein may be invested as set forth in this Indenture. Any earnings on moneys in the Series 020 Debt Service Reserve Fund that increase the amount therein above the Series 2020 Debt Service Reserve Requirement Fund shall be transferred into the Bond Fund for the Series 2020 Bonds.

Rebate Fund. The Trust Indenture provides for the establishment of a Rebate Fund (the "Rebate Fund"), into which moneys are to be deposited for the purpose of complying with the arbitrage rebate requirements of Section 148(f) of the Internal Revenue Code of 1986.

Refunding Fund. The Trust Indenture provides for the establishment of a Refunding Fund of the Authority (the "Refunding Fund") into which moneys are to be deposited for the purpose of effecting the refunding of the Authority's outstanding Water Revenue Refunding Bonds, Series 2014.

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

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

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

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

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

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

Determination and Payment of Rebate. The Authority shall, unless and until the Authority delivers to the Trustee a written opinion of counsel as described below, make the determinations and take the actions required as are necessary, in the opinion of counsel, to comply with the requirements of Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations pertaining thereto. The Authority shall rebate to the United States, not later than sixty (60) days after the end of the five-year period set forth in the Trust Indenture, and not later than sixty (60) days after the end of each five-year period thereafter, an amount which insures that at least ninety percent (90%) of the Rebate Amount at the time of such payment will have been paid to the United States, and, within sixty (60) days after the payment or redemption of all principal of the Bonds, an amount sufficient to pay the remaining unpaid balance of the Rebate Amount, all in the manner and as required by Section 148 of the Code and the regulations pertaining thereto. Upon receipt by the Trustee of a written request of the Authority certifying that certain amounts in the Rebate Fund are not subject to rebate and an opinion of Bond Counsel (hereinafter defined) to the effect that failure to rebate such amounts will not cause interest on the Bonds to become includable in gross income of the bondholders for federal income tax purposes under existing laws, regulations, rulings and decisions, the Trustee shall transfer any such amounts to the credit of the Bond Fund. Except as provided in the previous sentence, moneys in the Rebate Fund shall be applied solely to meet the Authority's rebate obligations.

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

Investment of Funds.

(a) Moneys held for the credit of all funds created by the Trust Indenture may be invested and reinvested in Permitted Investments and other investments permitted by Arkansas law that shall mature, or that shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(b) Obligations purchased as an investment of any fund or account shall be deemed at all times a part of such fund. Any profit or loss realized on investments of moneys in any fund shall be charged to said fund.

(c) The Trustee shall so invest and reinvest pursuant to the direction of the Authority.

(d) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations 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) certificates of deposit of banks, including the Trustee, which are members of the Federal Deposit Insurance Corporation, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds, (iv) money market funds invested exclusively in Government Securities and obligations described in (ii) above, or (v) any other investment authorized by applicable laws of the State of Arkansas.

Permitted Investments shall mature, or 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 in the case of the Bond Fund. The Trustee shall follow any investment instructions of the Authority that are not inconsistent with the foregoing provisions of this paragraph.

(e) Investments of moneys in all funds shall be valued in terms of current market value as of the last day of each year.

(f) Moneys held for the credit of any other fund shall be continuously invested and reinvested 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 that the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

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

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

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

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

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

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

(e) Declaration of bankruptcy by the Authority.

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

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

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

Remedies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Trustee may, from time to time and at any time, enter into such supplemental indenture as shall not be inconsistent with the terms and provisions of the Trust Indenture (a) to cure any ambiguity or formal defect or omission in the Trust Indenture or in any supplemental indentures, or (b) to grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, District or security that may lawfully be granted to or conferred upon the bondholders or the Trustee, or (c) in connection with the issuance of Additional Bonds, or (d) to make any other change determined by the Trustee, in reliance on opinions of counsel and certifications of the Authority, to be not materially adverse to the interests of the Bondholders or which does not involve a change referred to in Section 1202 of the Trust Indenture which requires consent of specific Bondholders.

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

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THE CONTINUING DISCLOSURE AGREEMENT

The Authority will enter into a Continuing Disclosure Agreement with the Trustee, as Dissemination Agent, in the form attached hereto as Appendix C. Reference is made to Appendix C regarding the undertakings made by the Authority to provide certain updated financial information and operating data annually, and the timely notice of specified material events as described in Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Currently, such information will be made available by the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at www.emma.msrb.org. Annual reports as specified in the Continuing Disclosure Agreement will first be filed for information relating to the Authority's fiscal year ending June 30, 2020. As of the date hereof, most recent fiscal year for which the Authority's audit is available is for the fiscal year ended June 30, 2019.

During the past five years the Authority has been party to one undertaking in connection with its Series 2014 Bonds. As part of such undertaking, the Authority has agreed to provide to the MSRB the following: (i) within 180 days of the Authority's fiscal year end, certain financial information and operating data for the Authority, and (ii) audited financial statements of the Authority, when available. The audited financial statements will be prepared by a certified public accountant and will be conducted in accordance with either Arkansas law or generally accepted auditing standards and government auditing standards issued by the Controller General of the United States. The Authority has agreed, under the terms of the Continuing Disclosure Agreement for the Series 2014 Bonds, to provide its annual report, including the Authority's audited financial statements, by December 30 of each year. If the audited financial statements are not available prior to the annual report date, the Authority shall provide unaudited financial statements of the Authority by the annual report date and the audited financial statements when and if available. In addition, the Authority has agreed to provide other financial information and operating data required by the Rule on an annual basis. The Authority is in compliance with those undertakings.

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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 transaction in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & 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 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 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 to 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 Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 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 Authority or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

So long as the 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 Resolution, 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 Resolution. The Authority and the Trustee have no responsibility or obligation to 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.

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TAX EXEMPTION AND LEGAL MATTERS

Tax Exemption. In the opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Rogers, Arkansas, 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. The opinions set forth in the previous sentence are subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 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 and the Authority's water system. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements in the Trust Indenture.

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

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds.

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

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

Original Issue Discount. The Bonds maturing in the years 2027, 2028, 2029, and 2030 were sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

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

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

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

Premium Bonds. The initial public offering prices of the Bonds maturing in the years 2022, 2023, 2024, and 2025 were greater than the amount payable on such Bonds at maturity. When the initial public offering price for any Bond is greater than the principal amount thereof, such difference constitutes original issue premium and the Bond is a “Premium Bond”. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012. 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.

Bank Qualification. 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 80% of interest expense allocable to "qualified tax-exempt obligations." Under the Code, the term includes any obligation which (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more than $10,000,000 of tax-exempt obligations other than private activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code) during the calendar year, and (3) is so designated by the Authority. The Authority has designated the Bonds as "qualified tax-exempt obligations" and has represented and covenanted not to use the Authority's water distribution system or the proceeds of the Bonds in a manner that would cause the Bonds to be "private activity bonds" within the meaning of the Code, and that the Authority and its subordinate entities have not and will not issue more than $10,000,000 of such tax-exempt obligations during calendar year 2014, other than private activity bonds that are not "qualified 501(c)(3) bonds." The Authority has covenanted not to use the System in a manner which would cause the Bonds to be "private activity bonds."

Future Legislative Changes. Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Bonds from gross income for federal income tax purposes. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the forgoing 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 Authority to execute and deliver the Trust Indenture or to issue the Bonds.

There is no litigation pending or known to be threatened that could have a materially adverse effect on the ability of the Authority to operate its water system or to collect water revenues sufficient to pay the costs of operating and maintaining the water system and to pay debt service on outstanding obligations payable from revenues of the water system.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinions of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, Bond Counsel.

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BONDHOLDERS' RISKS

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

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

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

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

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

(4) Infectious Disease. **The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to nhelp states and local governments fight the pandemic. Arkansas Governor Asa Hutchinson (the "Governor") has declared a state of emergency due to the outbreak of COVID-19, which has spread to the State, including to the Counties. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies. Significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact are expected. The United States Congress has passed relief and stimulus legislation which is intended to**

address the financial impact of the pandemic on the United States economy and financial markets. It is too early to predict if the legislation will have its intended effect. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

In an attempt to slow the spread of COVID-19 in the State, the Governor has taken numerous and wide-spread actions designed to mandate or encourage "social distancing." On March 28, 2020, the Arkansas General Assembly enacted legislation that creates a COVID-19 Rainy Day Fund to help the State cope with the outbreak. Developments with respect to COVID-19 and the State's responses to COVID-19 (including governmental mandates) may continue to occur at a rapid pace, including on a daily basis, and the swift spread of the outbreak may- continue to increase in severity for an unknown period of time. The potential financial impact of the COVID-19 outbreak on the Authority cannot be predicted at this time. The continued spread of the outbreak could have a material adverse effect on the Authority, the Counties, and the Revenues derived from the operation of the System.

(5) Adverse Changes With Wholesale Water Suppliers. Adverse economic conditions or adverse occurrences within those communities supplying water to the Authority on a wholesale basis could occur.

(6) Matters Relating to the Bonds and the Security for the Bonds. The remedies available to the Trustee or the owners of the Bonds upon an event of default under the Trust Indenture are in many respects dependent upon judicial actions that are often subject to discretion and delay. Upon existing constitutional and statutory law and judicial decisions, including specifically Title 9 of the United States Code (the federal bankruptcy code), the remedies provided in the Trust Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the delivery of the Trust Indenture will be qualified with respect to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. The Authority is authorized by State law to file for bankruptcy under the United States Bankruptcy Code.

(7) Matters Relating to the Implementation of the Improvements. Forecasts relating to Authority revenues and expenses depend upon the successful completion and implementation of the Improvements. Ricks typical related to construction projects and acquisition of easements are applicable to the Improvements.

The Authority's properties have a limited utility for other than water storage or distribution purposes. As a result, in the event of a default, any resulting judgment and sale of the properties, the Trustee's remedies and the number of entities that could purchase or lease the Authority's properties would be limited, and the sales price or rentals generated by the facilities might thus be affected.

If and when an owner of Bonds elects to sell a Bond prior to its maturity, there is no assurance that a market will have been established, maintained and in existence for the purchase and sale of the Bonds.

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MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Trust Indenture authorizing the Bonds may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State 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 maybe 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 Trust Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Underwriting. Under the Bond Purchase Agreement (the "Agreement"), Stephens Inc. (the "Underwriter"), has agreed, subject to certain conditions precedent, to purchase the Bonds from the Authority at an aggregate purchase price of $2,634,091.90 (par amount plus net original issue premium of $14,821.90 and less Underwriter's discount of $50,730.00). The Underwriter is committed to purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the Authority.

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 inside front cover hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

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

No Rating. The Bonds are not rated. Neither the Authority nor the Underwriter undertakes any responsibility to obtain a credit rating for the Bonds.

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 Authority and the purchasers or owners of any of the Bonds.

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

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

WEST STONE COUNTY WATER ASSOCIATION PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS

By /s/ Preston Hipp
President

Dated: As of the Cover Page hereof.

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018 AND FOR JUNE 30, 2018 AND 2017

Neither Turner & Associates, PLC nor Turner, Williams & Associates, P.A., the Authority's independent auditor(s), has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the Audited Financial Statements addressed in that report. Neither Turner & Associates, PLC nor Turner, Williams & Associates, P.A. has performed any procedures relating to this Official Statement.

Attached.

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY STATE OF ARKANSAS
FOX, ARKANSAS

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
West Stone County Water Association, Public Water Authority, State of Arkansas

We have audited the accompanying financial statements of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of and for the year ended June 30, 2019 and 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019, on our consideration of the West Stone County Water Association, Public Water Authority, State of Arkansas 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 the West Stone County Water Association, Public Water Authority, State of Arkansas internal control over financial reporting and compliance.

Searcy, Arkansas
August 30, 2019

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF NET POSITION
JUNE 30, 2019 AND 2018

	Unrestricted	Temporarily Restricted	Total June 30, 2019	Memo Totals June 30, 2018
Assets				
Current Assets:				
Cash and cash equivalents	$ 166,578	$ -	$ 166,578	$ 177,339
Accounts receivable - water sales	106,144	-	106,144	115,668
Accounts receivable - other	25,321	-	25,321	-
Prepaid expenses	9,824	-	9,824	5,829
Total Current Assets	307,867	-	307,867	298,836
Property, Plant, and Equipment:				
Land	10,100	-	10,100	10,100
Property, plant, and equipment, net	6,323,435	-	6,323,435	6,484,929
Total Property, Plant, and Equipment	6,333,535	-	6,333,535	6,495,029
Other assets				
Restricted assets	-	248,837	248,837	243,415
Total Other Assets	-	248,837	248,837	243,415
Total Assets	$ 6,641,402	$ 248,837	$ 6,890,239	$ 7,037,280
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities:				
Accounts payable	$ 34,183	$ -	$ 34,183	$ 30,911
Accrued taxes, payroll & benefits	2,383	-	2,383	11,595
Accrued interest payable	22,839	-	22,839	23,616
Customer meter deposits	-	61,398	61,398	59,558
Current portion long-term debt	102,135	-	102,135	97,594
Total Current Liabilities	161,540	61,398	222,938	223,274
Long-term Liabilities				
Bonds and notes payable	2,057,135	-	2,057,135	2,155,423
Less: Current portion long-term debt	(102,135)	-	(102,135)	(97,594)
Total Long-term Liabilities	1,955,000	-	1,955,000	2,057,829
Total Liabilities	2,116,540	61,398	2,177,938	2,281,103
Deferred Inflows of Resources				
Deferred revenue	13,586	-	13,586	16,607
Total Deferred Inflows of Resources	13,586	-	13,586	16,607
Net Position				
Unrestricted Net Position	234,876	-	234,876	216,107
Net investment in capital assets	4,276,400	-	4,276,400	4,339,606
Restricted Net Position	-	187,439	187,439	183,857
Total Net Position	4,511,276	187,439	4,698,715	4,739,570
Total Liabilities and Deferred Inflows of Resources and Net Position	$ 6,641,402	$ 248,837	$ 6,890,239	$ 7,037,280

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Unrestricted	Temporarily Restricted	Total June 30, 2019	Memo Totals June 30, 2018
Operating revenue				
Water revenue	$ 1,077,530	$ -	$ 1,077,530	$ 1,047,922
Tap and connection fees	30,113	-	30,113	29,000
Inspection fees	-	-	-	1,300
Net transfers from restricted assets	(3,582)	3,582	-	-
Other income	-	-	-	1,251
Total Revenue	1,104,061	3,582	1,107,643	1,079,473
Operating expenses				
Water purchased	351,123	-	351,123	318,012
Depreciation expense	272,154	-	272,154	275,555
Salaries	204,120	-	204,120	219,046
Water distribution system repairs	36,156	-	36,156	85,013
Utilities and phone	66,968	-	66,968	64,408
Insurance	23,919	-	23,919	18,588
Postage	7,702	-	7,702	8,152
Sales tax	84,762	-	84,762	71,767
Vehicle expenses	19,295	-	19,295	24,999
Payroll taxes	11,262	-	11,262	16,352
Fees and dues	17,571	-	17,571	17,333
Miscellaneous expenses	541	-	541	12,933
Office supplies	5,802	-	5,802	4,803
Total operating expenses	1,101,375	-	1,101,375	1,136,961
Net operating income (loss)	2,686	3,582	6,268	(57,488)
Nonoperating revenue (expense)				
Interest income	5,004	-	5,004	1,201
Insurance reimbursements	26,483	-	26,483	-
Other income/expense	(4,867)	-	(4,867)	1,470
Interest expense	(73,743)	-	(73,743)	(80,576)
Other income (expense), net	(47,123)	-	(47,123)	(77,905)
Increase (decrease) in net position	$ (44,437)	$ 3,582	$ (40,855)	$ (135,393)

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Unrestricted Net Position	Restricted Net Position	Total June 30, 2019	Memo Totals June 30, 2018
Net assets at beginning of year	4,555,713	183,857	4,739,570	4,874,963
Change in net position	(44,437)	3,582	(40,855)	(135,393)
Net assets at end of year	$ 4,511,276	$ 187,439	$ 4,698,715	$ 4,739,570

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Cash received from customers	$ 1,115,988	$ 1,070,476
Net (deposits)/releases (to)/from restricted assets	952	1,422
Cash paid for water	(351,123)	(318,012)
Cash paid to suppliers	(321,255)	(326,530)
Cash paid to employees	(204,120)	(219,046)
Net cash provided (used) by operating activities	240,442	208,310
Cash flows from investing activities		
Interest income	5,004	1,201
Net cash provided (used) by investing activities	5,004	1,201
Cash flows from capital and related financing activities		
Purchase of capital assets	(110,659)	-
Cash received from insurance/reimbursements	26,483	-
Principal paid on capital debt	(98,288)	(96,148)
Interest paid on capital debt	(73,743)	(80,576)
Net cash provided (used) by capital and related financing activitie:	(256,207)	(176,724)
Net increase (decrease) in cash and cash equivalents	(10,761)	32,787
Cash and cash equivalents at beginning of year	177,339	144,552
Cash and cash equivalents at end of year	$ 166,578	$ 177,339

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Reconciliation of operating income/(loss) to net cash provided /(used) by operating activities		
Net operating income/(loss)	$ 6,268	$ (57,488)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	272,154	275,555
Change in assets and liabilities which provided/(used) cash		
Accounts receivable	9,525	(10,185)
Prepaids and other receivables	(29,317)	(5,829)
Restricted assets	952	1,422
Accounts and other payables	(7,972)	3,051
Customer meter deposits	1,841	1,578
Deferrred revenue	(3,021)	(390)
Accrued expenses	(9,988)	596
Net cash provided (used) by operating activities	$ 240,442	$ 208,310

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

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The West Stone County Water Association (the Association) was organized as a Public Water Authority of the State of Arkansas for the purpose of distributing water to its rural constituency in Stone County, Arkansas.

Basis of Accounting

The financial statements of the Association are prepared in accordance with generally accepted accounting principles (GAAP). It applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements and apply all FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The accounting objectives of this measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Operating revenues and expenses are distinguished from other income (expense) items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues (expenses) not meeting this definition are reported as other nonoperating income (expenses), but remain a major component of the overall revenues and expenses of the Association.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions and regulatory requirements. Accordingly, net position of the System and changes therein are classified and reported as follows as required by GASB:

Unrestricted Net Position - consists of all other fund position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Restricted Net Position– Component of net position that consist of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Net investment in Capital Assets- consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Fair value of financial instruments

The estimated fair values of the Association's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Income taxes

The Association is a political subdivision of the State of Arkansas and is exempt from federal income taxes.

Management has evaluated the Association's tax position and concluded the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. With few exceptions, the Association is no longer subject to income tax examinations by the United States federal, state or local authorities for years before 2013.

Concentration of Credit Risk

Sales of water services are made on open account to customers located in the West Stone County Water area and are collateralized to the extent of each customer's meter deposit.

Concentration of Custodial Risk

The Association had deposits in multiple local banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to $250,000. The custodial risk is the risk that in the event of bank failure, the Association's deposits may not be returned to the system. The Association's deposit policy for custodial credit risk requires compliance with the provisions of the state law. State law requires collateralization of all deposits with federal depository insurance, bond and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. At June 30, 2019 and 2018, all of the Department's deposits were insured or collateralized.

Concentration of Vendor Risk

Purchases for the years ended June 30, 2019 and 2018, the Association purchased $351,126 and $318,010 of water from Mountain View and Community Water. These purchases accounted for 100% of the water purchased by the Association. Management believes no significant risk is present under this arrangement.

Cash and cash equivalents

Cash and cash equivalents include all short term highly liquid investments with original maturities of three months or less which are readily convertible to cash.

Accounts receivable

Accounts receivable consist of amounts due for water sales and various miscellaneous charges. Meter deposits are considered to adequately cover past due accounts, therefore no allowance for doubtful accounts has been recorded. Bad debt expense for the years ended June 30, 2019 and 2018 was $541 and $10,699, respectively.

Property and equipment

Acquisitions of property and equipment in excess of $1,000 and a useful life of greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Interest expenditures incurred on construction projects are capitalized as a cost of construction. Depreciation is computed using primarily the straight-line method over the following estimated useful lives:

Buildings	39-40 years
Vehicles and equipment	5-15 years
Land	Indefinite
Water distribution system	40 years

Depreciation expense was $272,154 and $275,555 for the years ended June 30, 2019 and 2018, respectively.

Customer deposits

As a security for payment of bills, the Association requires a deposit from customers. No interest is paid on such deposits.

Revenue recognition

The Association's revenue is derived primarily from water. Revenue is recognized on the accrual basis and is recorded as services are provided. Operating revenues result from providing services in connection with the principal ongoing operations. Non-operating revenues represent all other revenue not meeting this definition.

Sales taxes

Sales taxes charged to the Association's customers are recorded as revenue when received. An expense is then recorded when these amounts are remitted to the appropriate taxing authority. Sales tax expense is a component of operating expenses.

Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Association's deferred inflows consist of deferred revenue, which are prepayments received from customers, that will be recognized as income when water usage is billed to the customer.

Subsequent Events

Management has evaluated subsequent events through August 30, 2019, the date which the financial statements were available to be issued.

2) RESTRICTED ASSETS AND BOARD DESIGNATED RESERVES

Restricted assets consist of customer meter deposits and bond reserve accounts. Board designated reserves are included in unrestricted cash on the Statement of Financial Position.

Temporarily restricted assets at June 30, 2019 and 2018 consist of the following:

	2019	2018
Customer meter deposits	$ 61,398	$ 59,558
Reserve accounts – debt reserves	187,439	183,857
Total temporarily restricted assets	$ 248,837	$ 243,515

3) PROPERTY AND EQUIPMENT

At December 31, 2019 and 2018, the carrying value and accumulated depreciation of property and equipment are as follows:

Activity for the Association for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, being depreciated:				
Land and buildings	$ 95,074	$ -	$ -	$ 95,074
Water distribution system	10,337,082	-	-	10,337,082
Equipment	489,933	110,660	-	600,593
Totals, capital assets being depreciated	10,922,089	110,660	-	11,032,749
Less accumulated depreciation for:				
Capital assets	(4,427,060)	(272,154)	-	(4,699,214)
Total capital assets, net	$ 6,495,029	$ (161,494)	$ -	$ 6,333,535

Activity for the Association for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, being depreciated:				
Land and buildings	$ 95,074	$ -	$ -	$ 95,074
Water distribution system	10,337,082	-	-	10,337,082
Equipment	489,933	-	-	489,933
Totals, capital assets being depreciated	10,922,089	-	-	10,922,089
Less accumulated depreciation for:				
Capital assets	(4,151,505)	(275,555)	-	(4,427,060)
Total capital assets, net	$ 6,770,584	$ (275,555)	$ -	$ 6,495,029

4) LONG-TERM DEBT

Long-term debt consisted of the following:

	2019	2018
Bond payable (See description below)	$ 2,050,000	$ 2,140,000
Note payable to a bank bearing interest at 2.00% per annum. Payable in monthly installments of $764, including interest, through July 2020. The note is secured by equipment.	7,135	15,423
Total long-term debt	$ 2,057,135	$ 2,155,423

Bonds payable

2014 Series Revenue Refunding

On December 18, 2014, the Association issued bonds in the amount of $2,380,000 in order to refinance USDA loans and the 2002 Revenue Bond issue. According to the bond agreement payments are required to be made by the 20th of every month into a bond reserve fund. The monthly payment is recomputed every year in order to fund the current bond maturities. Principal and interest payments are made every September 1 and interest only on March 1.

Date	Principal	Date	Principal	Date	Principal
09/01/15	60,000	09/01/22	100,000	09/01/29	125,000
09/01/16	90,000	09/01/23	100,000	09/01/30	130,000
09/01/17	90,000	09/01/24	100,000	09/01/31	140,000
09/01/18	90,000	09/01/25	105,000	09/01/32	145,000
09/01/19	95,000	09/01/26	120,000	09/01/33	145,000
09/01/20	95,000	09/01/27	120,000	09/01/34	150,000
09/01/21	100,000	09/01/28	125,000	09/01/35	155,000

The balance of bonds outstanding as of June 30, 2019 and 2018 was $2,050,000 and $2,140,000, respectively.

Changes in long-term debt are as follows for the year ended June 30, 2019:

	Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019	Amounts due within one year	Amounts due greater than one year
Revenue bonds payable	$ 2,140,000	$ -	$ (90,000)	$ 2,050,000	$ 95,000	$ 1,955,000
Notes payable	15,423	-	(8,288)	7,135	7,135	-
Total non-current liabilities	$ 2,155,423	$ -	$ (98,288)	$ 2,057,135	$ 102,135	$ 1,955,000

Changes in long-term debt are as follows for the year ended June 30, 2018:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018	Amounts due within one year	Amounts due greater than one year
Revenue bonds payable	$ 2,230,000	$ -	$ (90,000)	$ 2,140,000	$ 90,000	$ 2,050,000
Notes payable	21,571	-	(6,148)	15,423	7,594	7,829
Total non-current liabilities	$ 2,251,571	$ -	$ (96,148)	$ 2,155,423	$ 97,594	$ 2,057,829

Maturities of long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2020	$ 102,135	$ 69,003
2021	95,000	66,806
2022	100,000	64,369
2023	100,000	61,619
2024	100,000	58,619
2025 – 2029	570,000	241,060
2030 – 2034	685,000	128,757
2035 – 2039	305,000	12,300
	$ 2,057,135	$ 702,533

5) CHANGES IN NET POSITION

The changes in net position for the years ended June 30, 2019 and 2018 are as follows:

Changes in net position are as follows for the year ended June 30, 2019:

	Net In Capital Assets	Unrestricted	Restricted	Total
Net Position at June 30, 2018	$ 4,339,606	$ 216,107	$ 183,857	$ 4,739,570
Profit	-	(40,855)	-	(40,855)
Transfers	(63,206)	59,624	3,582	-
Net Position at June 30, 2019	$ 4,276,400	$ 234,876	$ 187,439	$ 4,698,715

Changes in net position are as follows for the year ended June 30, 2018:

	Net In Capital Assets	Unrestricted	Restricted	Total
Net Position at June 30, 2017	$ 4,519,013	$ 170,564	$ 185,386	$ 4,874,963
Profit	-	(135,393)	-	(135,393)
Transfers	(179,407)	180,936	(1,529)	-
Net Position at June 30, 2018	$ 4,339,606	$ 216,107	$ 183,857	$ 4,739,570

SUPPLEMENTARY INFORMATION

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 Board of Directors
West Stone County Water Association, Public Water Authority, State of 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the West Stone County Water Association, Public Water Authority, State of Arkansas's basic financial statements, and have issued our report thereon dated August 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West Stone County Water Association, Public Water Authority, State of Arkansas'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 West Stone County Water Association, Public Water Authority, State of Arkansas's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Stone County Water Association, Public Water Authority, State of Arkansas's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Stone County Water Association, Public Water Authority, State of Arkansas'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.

Searcy, Arkansas
August 30, 2019

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY STATE OF ARKANSAS
FOX, ARKANSAS

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

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TURNER
WILLIAMS
& ASSOCIATES, P.A.

BUDDY WILLIAMS, CPA • WADE TURNER, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
West Stone County Water Association, Public Water Authority, State of Arkansas

We have audited the accompanying financial statements of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of and for the year ended June 30, 2018 and 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of the West Stone County Water Association, Public Water Authority, State of Arkansas 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 the West Stone County Water Association, Public Water Authority, State of Arkansas internal control over financial reporting and compliance.

Turner, Williams and Associates, P.A.

Searcy, Arkansas
October 19, 2018

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Total June 30, 2018	Memo Totals June 30, 2017
Assets				
Current Assets:				
Cash and cash equivalents	$ 177,339	$ -	$ 177,339	$ 144,552
Accounts receivable - water sales	115,668	-	115,668	105,483
Prepaid expenses	5,829	-	5,829	-
Total Current Assets	298,836	-	298,836	250,035
Property, Plant, and Equipment:				
Land	10,100	-	10,100	10,100
Property, plant, and equipment, net	6,484,929	-	6,484,929	6,760,484
Total Property, Plant, and Equipment	6,495,029	-	6,495,029	6,770,584
Other assets				
Restricted assets	-	243,415	243,415	243,366
Total Other Assets	-	243,415	243,415	243,366
Total Assets	$ 6,793,865	$ 243,415	$ 7,037,280	$ 7,263,985
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities:				
Accounts payable	$ 30,911	$ -	$ 30,911	$ 33,305
Accrued taxes, payroll & benefits	11,595	-	11,595	10,998
Accrued interest payable	23,616	-	23,616	18,172
Customer meter deposits	-	59,558	59,558	57,980
Current portion long-term debt	97,594	-	97,594	111,571
Total Current Liabilities	163,716	59,558	223,274	232,026
Long-term Liabilities				
Bonds and notes payable	2,155,423	-	2,155,423	2,251,571
Less: Current portion long-term debt	(97,594)	-	(97,594)	(111,571)
Total Long-term Liabilities	2,057,829	-	2,057,829	2,140,000
Total Liabilities	2,221,545	59,558	2,281,103	2,372,026
Deferred Inflows of Resources				
Deferred revenue	16,607	-	16,607	16,996
Total Deferred Inflows of Resources	16,607	-	16,607	16,996
Net Position				
Unrestricted Net Position	216,107	-	216,107	170,564
Net investment in capital assets	4,339,606	-	4,339,606	4,519,013
Restricted Net Position	-	183,857	183,857	185,386
Total Net Position	4,555,713	183,857	4,739,570	4,874,963
Total Liabilities and Deferred Inflows of Resources and Net Position	$ 6,793,865	$ 243,415	$ 7,037,280	$ 7,263,985

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Total June 30, 2018	Memo Totals June 30, 2017
Operating revenue				
Water revenue	$ 1,047,922	$ -	$ 1,047,922	$ 961,759
Tap and connection fees	29,000	-	29,000	23,950
Inspection fees	1,300	-	1,300	1,320
Net transfers from restricted assets	1,529	(1,529)	-	-
Other income	1,251	-	1,251	3,718
Total Revenue	1,081,002	(1,529)	1,079,473	990,747
Operating expenses				
Water purchased	318,012	-	318,012	268,937
Depreciation expense	275,555	-	275,555	276,043
Salaries	219,046	-	219,046	211,648
Water distribution system repairs	85,013	-	85,013	82,086
Utilities and phone	64,408	-	64,408	60,697
Insurance	18,588	-	18,588	23,691
Postage	8,152	-	8,152	7,451
Sales tax	71,767	-	71,767	66,789
Vehicle expenses	24,999	-	24,999	18,618
Payroll taxes	16,352	-	16,352	16,297
Fees and dues	17,333	-	17,333	17,311
Miscellaneous expenses	12,933	-	12,933	1,045
Office supplies	4,803	-	4,803	5,496
Total operating expenses	1,136,961	-	1,136,961	1,056,109
Net operating income (loss)	(55,959)	(1,529)	(57,488)	(65,362)
Nonoperating revenue (expense)				
Interest income	1,201	-	1,201	442
Other income/reimbursements	1,470	-	1,470	4,428
Interest expense	(80,576)	-	(80,576)	(74,021)
Other income (expense), net	(77,905)	-	(77,905)	(69,151)
Increase (decrease) in net position	$ (133,864)	$ (1,529)	$ (135,393)	$ (134,513)

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted Net Position	Restricted Net Position	Total June 30, 2018	Memo Totals June 30, 2017
Net assets at beginning of year	4,689,577	185,386	4,874,963	5,009,476
Change in net position	(133,864)	(1,529)	(135,393)	(134,513)
Net assets at end of year	$ 4,555,713	$ 183,857	$ 4,739,570	$ 4,874,963

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018	June 30, 2017
Cash flows from operating activities		
Cash received from customers	$ 1,070,476	$ 977,783
Net (deposits)/releases (to)/from restricted assets	1,422	257
Cash paid for water	(318,012)	(268,937)
Cash paid to suppliers	(326,530)	(303,611)
Cash paid to employees	(219,046)	(211,648)
Net cash provided (used) by operating activities	208,310	193,844
Cash flows from investing activities		
Interest income	1,201	443
Net cash provided (used) by investing activities	1,201	443
Cash flows from capital and related financing activities		
Purchase of capital assets	-	(22,314)
Cash received from insurance/reimbursements	-	4,428
Principal paid on capital debt	(96,148)	(99,719)
Interest paid on capital debt	(80,576)	(74,021)
Net cash provided (used) by capital and related financing activitie:	(176,724)	(191,626)
Net increase (decrease) in cash and cash equivalents	32,787	2,661
Cash and cash equivalents at beginning of year	144,552	141,891
Cash and cash equivalents at end of year	$ 177,339	$ 144,552

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

WEST STONE COUNTY WATER ASSOCIATION
PUBLIC WATER AUTHORITY OF STATE OF ARKANSAS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Reconciliation of operating income/(loss) to net cash provided /(used) by operating activities		
Net operating income/(loss)	$ (57,488)	$ (65,362)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	275,555	276,043
Change in assets and liabilities which provided/(used) cash		
Accounts receivable	(10,186)	(13,221)
Prepaids and other receivables	(5,829)	-
Restricted assets	1,422	(5,627)
Accounts and other payables	3,051	(3,027)
Customer meter deposits	1,578	5,884
Deferrred revenue	(390)	1,484
Accrued expenses	597	(2,330)
Net cash provided (used) by operating activities	$ 208,310	$ 193,844

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

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The West Stone County Water Association (the Association) was organized as a Public Water Authority of the State of Arkansas for the purpose of distributing water to its rural constituency in Stone County, Arkansas.

Basis of Accounting

The financial statements of the Association are prepared in accordance with generally accepted accounting principles (GAAP). It applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements and apply all FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The accounting objectives of this measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Operating revenues and expenses are distinguished from other income (expense) items in the statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues (expenses) not meeting this definition are reported as other nonoperating income (expenses), but remain a major component of the overall revenues and expenses of the Association.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net position and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions and regulatory requirements. Accordingly, net position of the System and changes therein are classified and reported as follows as required by GASB:

Unrestricted Net Position - consists of all other fund position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Restricted Net Position– Component of net position that consist of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Net investment in Capital Assets- consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Fair value of financial instruments

The estimated fair values of the Association's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Income taxes

The Association is a political subdivision of the State of Arkansas and is exempt from federal income taxes.

Management has evaluated the Association's tax position and concluded the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. With few exceptions, the Association is no longer subject to income tax examinations by the United States federal, state or local authorities for years before 2013.

Concentration of Credit Risk

Sales of water services are made on open account to customers located in the West Stone County Water area and are collateralized to the extent of each customer's meter deposit.

Concentration of Custodial Risk

The Association had deposits in multiple local banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to $250,000. The custodial risk is the risk that in the event of bank failure, the Association's deposits may not be returned to the system. The Association's deposit policy for custodial credit risk requires compliance with the provisions of the state law. State law requires collateralization of all deposits with federal depository insurance, bond and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. At June 30, 2018 and 2017, all of the Department's deposits were insured or collateralized.

Concentration of Vendor Risk

Purchases for the years ended June 30, 2018 and 2017, the Association purchased $318,010 and $268,937 of water from Mountain View and Community Water. These purchases accounted for 100% of the water purchased by the Association. Management believes no significant risk is present under this arrangement.

Cash and cash equivalents

Cash and cash equivalents include all short term highly liquid investments with original maturities of three months or less which are readily convertible to cash.

Accounts receivable

Accounts receivable consist of amounts due for water sales and various miscellaneous charges. Meter deposits are considered to adequately cover past due accounts, therefore no allowance for doubtful accounts has been recorded. Bad debt expense for the years ended June 30, 2018 and 2017 was $10,699 and $0, respectively.

Property and equipment

Acquisitions of property and equipment in excess of $1,000 and a useful life of greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Interest expenditures incurred on construction projects are capitalized as a cost of construction. Depreciation is computed using primarily the straight-line method over the following estimated useful lives:

Buildings	39-40 years
Vehicles and equipment	5-15 years
Land	Indefinite
Water distribution system	40 years

Depreciation expense was $275,555 and $276,043 for the years ended June 30, 2018 and 2017, respectively.

Customer deposits

As a security for payment of bills, the Association requires a deposit from customers. No interest is paid on such deposits.

Revenue recognition

The Association's revenue is derived primarily from water. Revenue is recognized on the accrual basis and is recorded as services are provided. Operating revenues result from providing services in connection with the principal ongoing operations. Non-operating revenues represent all other revenue not meeting this definition.

Sales taxes

Sales taxes charged to the Association's customers are recorded as revenue when received. An expense is then recorded when these amounts are remitted to the appropriate taxing authority. Sales tax expense is a component of operating expenses.

Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Association's deferred inflows consist of deferred revenue, which are prepayments received from customers, that will be recognized as income when water usage is billed to the customer.

Subsequent Events

Management has evaluated subsequent events through October 19, 2018, the date which the financial statements were available to be issued.

2) RESTRICTED ASSETS AND BOARD DESIGNATED RESERVES

Restricted assets consist of customer meter deposits and bond reserve accounts. Board designated reserves are included in unrestricted cash on the Statement of Financial Position.

Temporarily restricted assets at June 30, 2018 and 2017 consist of the following:

	2018	2017
Customer meter deposits	$ 59,558	$ 57,980
Reserve accounts – debt reserves	183,857	185,386
Total temporarily restricted assets	$ 243,415	$ 243,366

3) PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, the carrying value and accumulated depreciation of property and equipment are as follows:

Activity for the Association for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, being depreciated:				
Land and buildings	$ 95,074	$ -	$ -	$ 95,074
Water distribution system	10,337,082	-	-	10,337,082
Equipment	489,933	-	-	489,933
Totals, capital assets being depreciated	10,922,089	-	-	10,922,089
Less accumulated depreciation for:				
Capital assets	(4,151,505)	(275,555)	-	(4,427,060)
Total capital assets, net	$ 6,770,584	$ (275,555)	$ -	$ 6,495,029

Activity for the Association for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, being depreciated:				
Land and buildings	$ 95,074	$ -	$ -	$ 95,074
Water distribution system	10,337,082	-	-	10,337,082
Equipment	467,619	22,314	-	489,933
Totals, capital assets being depreciated	10,899,775	22,314	-	10,922,089
Less accumulated depreciation for:				
Capital assets	(3,875,462)	(276,043)	-	(4,151,505)
Total capital assets, net	$ 7,024,313	$ (253,729)	$ -	$ 6,770,584

4) LONG-TERM DEBT

Long-term debt consisted of the following:

	2018	2017
Bond payable (See description below)	$ 2,140,000	$ 2,230,000
Note payable to a bank bearing interest at 2.00% per annum. Payable in monthly installments of $764, including interest, through July 2020. The note is secured by equipment.	15,423	21,571
Total long-term debt	$ 2,155,423	$ 2,251,571

Bonds payable

2014 Series Revenue Refunding

On December 18, 2014, the Association issued bonds in the amount of $2,380,000 in order to refinance USDA loans and the 2002 Revenue Bond issue. According to the bond agreement payments are required to be made by the 20th of every month into a bond reserve fund. The monthly payment is recomputed every year in order to fund the current bond maturities. Principal and interest payments are made every September 1 and interest only on March 1.

Date	Principal	Date	Principal	Date	Principal
09/01/15	60,000	09/01/22	100,000	09/01/29	125,000
09/01/16	90,000	09/01/23	100,000	09/01/30	130,000
09/01/17	90,000	09/01/24	100,000	09/01/31	140,000
09/01/18	90,000	09/01/25	105,000	09/01/32	145,000
09/01/19	95,000	09/01/26	120,000	09/01/33	145,000
09/01/20	95,000	09/01/27	120,000	09/01/34	150,000
09/01/21	100,000	09/01/28	125,000	09/01/35	155,000

The balance of bonds outstanding as of June 30, 2018 and 2017 was $2,140,000 and $2,230,000, respectively.

Changes in long-term debt are as follows for the year ended June 30, 2018:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018	Amounts due within one year	Amounts due greater than one year
Revenue bonds payable	$ 2,230,000	$ -	$ (90,000)	$ 2,140,000	$ 90,000	$ 2,050,000
Notes payable	21,571	-	(6,148)	15,423	7,594	7,829
Total non-current liabilities	$ 2,251,571	$ -	$ (96,148)	$ 2,155,423	$ 97,594	$ 2,057,829

Changes in long-term debt are as follows for the year ended June 30, 2017:

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017	Amounts due within one year	Amounts due greater than one year
Revenue bonds payable	$ 2,320,000	$ -	$ (90,000)	$ 2,230,000	$ 90,000	$ 2,140,000
Notes payable	31,290	-	(9,719)	21,571	21,571	-
Total non-current liabilities	$ 2,351,290	$ -	$ (99,719)	$ 2,251,571	$ 111,571	$ 2,140,000

Maturities of long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2019	$ 97,594	$ 71,013
2020	102,829	70,024
2021	95,000	66,806
2022	100,000	64,369
2023	100,000	61,619
2024 – 2028	545,000	259,554
2029 – 2033	665,000	153,782
2034 – 2038	450,000	27,400
	$ 2,155,423	$ 774,567

5) CHANGES IN NET POSITION

The changes in net position for the years ended June 30, 2018 and 2017 are as follows:

Changes in net position are as follows for the year ended June 30, 2018:

	Net In Capital Assets	Unrestricted	Restricted	Total
Net Position at June 30, 2017	$ 4,519,013	$ 170,564	$ 185,386	$ 4,874,963
Profit	-	(135,393)	-	(135,393)
Transfers	(179,407)	180,936	(1,529)	-
Net Position at June 30, 2018	$ 4,339,606	$ 216,107	$ 183,857	$ 4,739,570

Changes in net position are as follows for the year ended June 30, 2017:

	Net In Capital Assets	Unrestricted	Restricted	Total
Net Position at June 30, 2016	$ 4,673,024	$ 150,809	$ 185,643	$ 5,009,476
Profit		(134,513)		(134,513)
Transfers	(154,011)	154,268	(257)	-
Net Position at June 30, 2017	$ 4,519,013	$ 170,564	$ 185,386	$ 4,874,963

TURNER WILLIAMS & ASSOCIATES, P.A.

BUDDY WILLIAMS, CPA • WADE TURNER, CPA
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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 Board of Directors
West Stone County Water Association, Public Water Authority, State of 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the West Stone County Water Association, Public Water Authority, State of Arkansas, as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the West Stone County Water Association, Public Water Authority, State of Arkansas's basic financial statements, and have issued our report thereon dated October 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West Stone County Water Association, Public Water Authority, State of Arkansas'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 West Stone County Water Association, Public Water Authority, State of Arkansas's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Stone County Water Association, Public Water Authority, State of Arkansas's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Stone County Water Association, Public Water Authority, State of Arkansas'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*.

1600 W. Beebe Capps Expwy. | Searcy, AR 72143 | ph 501.268.0704 | fx 501.268.4520

915 Highway 25B N. | Heber Springs, AR 72543 | ph 501.362.3153 | fx 501.362.9762

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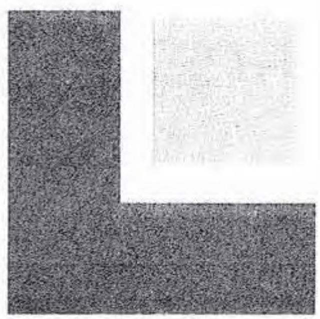
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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.

Turner, Williams and Associates, P.A.

Searcy, Arkansas
October 19, 2018



APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT

Attached.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "**Disclosure Agreement**") is executed and delivered as of **________**, 2020 by the **WEST STONE COUNTY WATER ASSOCIATION PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS** (the "**Issuer**") and **CENTENNIAL BANK**, Jonesboro, Arkansas (the "**Trustee**"), in its capacity as Dissemination Agent ("**Dissemination Agent**"), in connection with the issuance of the Issuer's $2,670,000 West Stone County Water Association Public Water Authority of the State of Arkansas Water Revenue Refunding and Improvement Bonds, Series 2020 (the "**Bonds**"). The Bonds are being issued pursuant to an authorizing resolution adopted by the Issuer on May 5, 2020 and a Trust Indenture dated of even date (the "**Indenture**"). The Issuer and the Trustee covenant and agree as follows:

SECTION 1. <u>Purpose of the Disclosure Agreement</u>. This Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. <u>Definitions</u>. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Disclosure Statement" shall mean the Annual Financial Information and any other information provided by the Issuer pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Agreement.

"Annual Financial Information" shall mean the financial information, prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, which are applicable to information of the type provided) or operating data with respect to the System, or prepared in accordance with other commercially reasonably standards prescribed by state law or typically used for similarly situated issuers, which shall be provided at least annually. Any or all of the foregoing items may be included in the Annual Financial Information by specific reference to other documents, including, but not limited to other official statements of debt issues by the Issuer or related public entities that have been previously provided to the MSRB via EMMA. The Issuer intends to incorporate by reference any audited financial statements of the Issuer made public by Legislative Audit on its website at www.legaudit.state.ar.us. The Issuer shall clearly identify in the Annual Financial Information or the Annual Disclosure Statement each such other document so included by reference.

"Beneficial Owner" of a Bond shall mean any person whom (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" shall mean any day on which banks located in the city in which the designated corporate trust office of the Trustee is located is open for business.

"Disclosure Representative" shall mean the Authorized Designee of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Trustee from time to time.

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

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

"Listed Events" shall mean any of the events listed in subsection 5(a) of this Disclosure Agreement.

"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.

"System" shall mean the Issuer's water distribution system.

"Underwriter" shall mean Crews & Associates, Inc. or its successor.

SECTION 3. <u>Provision of Annual Financial Information</u>.

(a) The Issuer shall, or shall cause the Dissemination Agent, to, not later than 180 days after the end of the Issuer's fiscal year (presently June 30), commencing with the fiscal year ended June 30, 2020, provide to the MSRB through its continuing disclosure service portal which is provided through EMMA at http://www.emma.msrb.org, or any similar system acceptable to the Securities and Exchange Commission, its Annual Financial Information that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 days prior to said date, the Issuer shall provide its Annual Financial Information to the Dissemination Agent. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under subsection 5(b) hereof.

(b) The Annual Financial Information and each Annual Disclosure Statement, if any, shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if the audited financial statements are not available by that date, but shall be submitted within 60 days of the approval of the Issuer's board of directors or the date on which they are otherwise approved by the Board's chairman or authorized designee.

(c) If by 15 days prior to the date specified in subsection 3(a) for providing the Annual Financial Information to the MSRB, the Dissemination Agent has not received a copy of the Annual Financial Information of the Issuer, the Dissemination Agent shall contact the Disclosure Representative to determine if the Issuer is in compliance with subsection 3(a).

(d) If the Dissemination Agent is unable to verify that the Annual Financial Information has been provided to the MSRB by the date required in subsection 3(a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(e) On the effective date of this Agreement, the most recent fiscal year for which the issuer's audited financial statements were available were for the year ending June 30, 2019.

SECTION 4. Content of Annual Financial Information and Disclosure Statements. The Issuer's Annual Disclosure Statement shall contain or include by reference the following:

(a) The Issuer's most recent Annual Financial Information, which shall be satisfied by submission of the Issuer's audited financial statements, if any;

(b) As described in subsection 3(b), the Issuer's audited financial statements for the most recent fiscal year available.

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

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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 Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls (other than mandatory sinking fund redemptions, if any), if material;

(ix) Defeasances and tender offers;

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes, if applicable;

(xii) Bankruptcy, insolvency, receivership or similar event of the Issuer;

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

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation" of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

The Dissemination Agent shall, not later than the next Business Day after obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (i), (viii), and (ix) of subsection 5(a)), contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection 5(e).

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

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

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under subsection 5(b).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this 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 Issuer pursuant to this 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.

SECTION 8. Amendment; Waiver.

(a) Notwithstanding any other provision of this Agreement, the Issuer and the Dissemination Agent may amend this Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer so long as such amendment is not materially adverse to the Dissemination Agent), and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the Issuer and the Dissemination Agreement, to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule; provided that the Issuer shall have provided notice of such delivery and of the amendment to the MSRB through EMMA.

(b) Notwithstanding any other provision of this Agreement, the Issuer and Dissemination Agent specifically may supplement this Agreement to include any other bonds of the issuer for which the Rule requires a written undertaking. Such supplements may relate to bonds issued prior to and/or subsequent to the issuance of the Bonds, and for purposes of this Agreement, such supplements will not require an opinion of counsel.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Disclosure Statement or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement If the Issuer chooses to include any information in any Annual Disclosure Statement or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall not have any obligation under this Disclosure Agreement to update such information or include it in any Annual Disclosure Statement or notice of occurrence of a Listed Event.

SECTION 10. Default.

(a) In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent, the Issuer, or any Beneficial Owner may (and the Dissemination Agent, 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 Issuer or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement.

(b) A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities, and Liabilities of Trustee and Dissemination Agent. 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 this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees, and agents, harmless against any loss, expense, and liabilities that 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 Trustee's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:	West Stone County Water Association Public Water Authority of the State of Arkansas Post Office Box 126 Fox, Arkansas 75051 Attention: Manager Telephone: (870) 363-4800
To the Dissemination Agent:	Centennial Bank P.O. Box 7514 Jonesboro, AR 72403 Attention: Lorre Gookin Telephone: (870) 268-1904

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of this page intentionally left blank.]

Dated: _____________, 2020.

ISSUER:

WEST STONE COUNTY WATER ASSOCIATION PUBLIC WATER AUTHORITY OF THE STATE OF ARKANSAS

By: ________________________________
Preston Hipp, President

Dated: _____________, 2020.

DISSEMINATION AGENT:

CENTENNIAL BANK,
Jonesboro, Arkansas

By: ______________________________________
Lorre Gookin, Vice President – Senior Trust Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL DISCLOSURE STATEMENT

Name of Issuer:	West Stone County Water Association Public Water Authority of the State of Arkansas
Name of Bond Issue:	$2,670,000 West Stone County Water Association Public Water Authority of the State of Arkansas, Water Revenue Refunding and Improvement Bonds, Series 2020
Date of Issuance:	_____________, 2020

NOTICE IS HEREBY GIVEN that the West Stone County Water Association Public Water Authority (the "**Issuer**") has not provided an Annual Disclosure Statement with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated _____________, 2020 between the Issuer and Centennial Bank, Jonesboro, Arkansas, as Dissemination Agent. The Issuer anticipates that the Annual Disclosure Statement will be filed by _________________________, 20___.

Dated __________________, 20____.

CENTENNIAL BANK,
Jonesboro, Arkansas, as Dissemination Agent

By: ____________________________________

cc: West Stone County Water Association Public Water Authority
Post Office Box 126 Fox, Arkansas 75051 Attention: Director

APPENDIX C

FORM OF BOND COUNSEL OPINION

Attached.

_____________, 2020

Centennial Bank
Jonesboro, Arkansas

West Stone County Water Association
Public Water Authority of the State of Arkansas
Fox, Arkansas

Stephens Inc.
Little Rock, Arkansas

Re: $2,670,000 West Stone County Water Association Public Water Authority of the State of Arkansas, Water Revenue Refunding and Improvement Bonds, Series 2020

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the West Stone County Water Association Public Water Authority of the State of Arkansas (the "**Authority**") of $2,670,000 West Stone County Water Association Public Water Authority of the State of Arkansas, Water Revenue Refunding and Improvement Bonds, Series 2020 (the "**Bonds**"). The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the state of Arkansas, including particularly Act No. 1330 of the Act of Arkansas of 2003, as amended, and codified at Chapter 35 of Title 4, Arkansas Code of 1987 (the "**Authorizing Legislation**"), pursuant to a Resolution of the board of directors of the Authority adopted on May 5, 2020, and pursuant to the Trust Indenture dated _____________, 2020 by and between the Authority and Centennial Bank, Jonesboro, Arkansas, as trustee (the "**Indenture**"). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion letter. As to questions of fact material to our opinions set forth herein, we have relied upon the representations of the Authority contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Authority is duly created and validly existing as a public water authority of the state of Arkansas with the corporate power to adopt the Indenture, perform the agreements on its part contained therein, and issue the Bonds.

2. The Indenture has been duly adopted by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms.

3. Pursuant to the Authorizing Legislation, the Indenture creates a valid lien on the Revenues of the Authority derived from the operation of the Authority's water system (the "**System**").

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from revenues of the System.

5. The interest on the Bonds (including any original issue discount properly allocable thereto) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with all such requirements.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent (80%) of the portion of such financial institutions' interest expense allocable to interest on the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. The interest on the Bonds is exempt from state of Arkansas income tax and the Bonds are exempt from property taxes in the state of Arkansas.

8. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

It is to be understood that the rights of the registered owners of the Bonds and the enforceability of the Bonds and the Authorizing Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that hereafter occur.

Sincerely yours,

MITCHELL, WILLIAMS, SELIG,
GATES & WOODYARD, P.L.L.C.