

INDEPENDENT AUDITOR'S REPORT

CITY OF HOPE, ARKANSAS

DECEMBER 31, 2021

CITY OF HOPE, ARKANSAS
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

City Manager and Board of Directors
City of Hope, Arkansas

Opinion

We have audited the accompanying 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 City of Hope, Arkansas (the "City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 City of Hope, Arkansas, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Financial Statements" section of our report. We are required to be independent of City of Hope, Arkansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibilities 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt the ability of City of Hope, Arkansas, to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 internal control of City of Hope, Arkansas. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt the ability of City of Hope, Arkansas, to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hope, Arkansas's basic financial statements. The budgetary comparison schedules-proprietary fund and the schedule of operating transfers as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the budgetary comparison schedules-proprietary funds and the schedule of operating transfers are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of City of Hope, Arkansas's internal control over financial reporting and 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 the 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 City of Hope, Arkansas's internal control over financial reporting and compliance.

William C Miller, LLC

November 10, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOPE, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

As management of the City of Hope, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2021. The information contained in this analysis should be considered in conjunction with the basic financial statements, notes, and supplementary information to enhance one's understanding of the City's overall performance.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2021 by \$19,343,435, which is an increase of \$2,888,334 over last year.
- As of the close of the current year, the City's governmental funds reported an ending fund balance of \$6,907,940, of which \$3,588,960 is available for spending at the City's discretion (unrestricted and unassigned) and \$3,318,980 is restricted for use inside specified funds.
- At the end of 2021, unassigned, unrestricted fund balance for the General Fund was \$3,588,960, which is 66.4% of total general fund expenditures.
- The City's long-term debt, including current maturities, decreased by \$4,622,687 due to decreased liability for net pension liabilities and landfill closure.
- The City's capital assets, net of depreciation, decreased \$83,296 largely due to depreciation expense.
- The City's component units, Hope Water & Light and Hope Tourist Promotion, have net position of \$42,111,226 and \$1,141,690, respectively, as of December 31, 2021.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.

These two statements report the City's net position and changes in them. You can think of the City's net position - the difference between assets and liabilities - as one way to measure the City's financial health. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's streets, to assess the overall health of the City.

CITY OF HOPE, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021

Government-wide Financial Statements (Continued)

In the Statement of Net Position and the Statement of Activities, the City will be divided into two kinds of activities.

- * Governmental Activities - Most of the City's basic services are reported here, including police, fire, streets, parks, and general administration. Sales tax, turnback, property tax, and fines finance most of these activities.
- * Business-Type Activities - the City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sewer and sanitation are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law. However, the City's Board of Directors establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. The two kinds of funds, Governmental and Proprietary, use different accounting approaches.

- * Governmental Funds - Most of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the difference between governmental activities and governmental funds in a reconciliation following the fund financial statement.
- * Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's Proprietary Funds are the same as the business-type activities that will be reported in the government-wide statements but provides more detail and information, such as cash flows.
- * Fiduciary Funds - The City is trustee for the Firemen's Relief and Pension Fund and custodial funds. The financial information from the Firemen's Relief and Pension Fund is excluded from the government-wide statements because the City cannot use these assets to finance operations. A separate statement of fiduciary net position and a statement of changes in fiduciary net position are provided.

CITY OF HOPE, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021

Government-wide Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hope, assets and deferred outflows exceeded liabilities and deferred inflows by \$19,343,435 at the close of 2021.

By far, the City's largest portion of net position (85.08%) is its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. These capital assets are used to provide services to citizens and, therefore, are not available for future spending. Restricted net position includes those assets restricted for debt and other purposes. The unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors; however the City's unrestricted net position reflects a deficit.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current & Other Assets	\$ 7,485,711	\$ 6,177,666	\$ 2,240,541	\$ 2,091,393	\$ 9,726,252	\$ 8,269,059
Capital Assets	<u>16,826,594</u>	<u>16,531,880</u>	<u>12,718,020</u>	<u>13,096,030</u>	<u>29,544,614</u>	<u>29,627,910</u>
Total Assets	<u>24,312,305</u>	<u>22,709,546</u>	<u>14,958,561</u>	<u>15,187,423</u>	<u>39,270,866</u>	<u>37,896,969</u>
Deferred Outflows	<u>721,380</u>	<u>1,165,529</u>	<u>606,483</u>	<u>784,767</u>	<u>1,327,863</u>	<u>1,950,296</u>
Long-term Liabilities Outstanding	3,539,967	6,502,234	13,540,455	15,184,405	17,080,422	21,686,639
Other Liabilities	<u>640,013</u>	<u>513,867</u>	<u>656,494</u>	<u>751,795</u>	<u>1,296,507</u>	<u>1,265,662</u>
Total Liabilities	<u>4,179,980</u>	<u>7,016,101</u>	<u>14,196,949</u>	<u>15,936,200</u>	<u>18,376,929</u>	<u>22,952,301</u>
Deferred Inflows	<u>2,277,952</u>	<u>391,798</u>	<u>600,413</u>	<u>48,065</u>	<u>2,878,365</u>	<u>439,863</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	15,140,379	14,699,118	1,317,943	1,359,404	16,458,322	16,058,522
Restricted	3,318,980	3,210,637	686,016	737,992	4,004,996	3,948,629
Unrestricted	<u>116,394</u>	<u>(1,442,579)</u>	<u>(1,236,277)</u>	<u>(2,109,471)</u>	<u>(1,119,883)</u>	<u>(3,552,050)</u>
Total Net Position	<u>\$18,575,753</u>	<u>\$ 16,467,176</u>	<u>\$ 767,682</u>	<u>\$ (12,075)</u>	<u>\$ 19,343,435</u>	<u>\$ 16,455,101</u>

CITY OF HOPE, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021

Net Position (Continued)

During the current fiscal year, the net position of the city increased by \$2,888,334. The City's revenues are largely comprised of sales tax revenues as well as charges for services through sanitation and wastewater. The increase in net position was largely due to an increase of \$609,096 in grants and contributions and increased tax revenue.

	2021			2020		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program Revenues						
Charges for Services	\$ 330,520	\$ 3,017,608	\$ 3,348,128	\$ 330,648	\$ 2,660,340	\$ 2,990,988
Operating Grants & Contributions	1,084,862		1,084,862	473,874		473,874
Capital Grants & Contributions				1,892		1,892
General Revenues						
Sales Tax	4,067,077		4,067,077	3,682,007		3,682,007
Property Tax	486,698		486,698	482,069		482,069
State Turnback	1,033,112		1,033,112	970,345		970,345
Franchise Fees	148,140		148,140	140,153		140,153
Interest Income	3,569	1,993	5,562	4,176	5,413	9,589
Other Income	743,249	82,395	825,644	636,367	69,574	705,941
Transfers	586,150	101,121	687,271	506,910	116,980	623,890
Total Revenues	<u>8,483,377</u>	<u>3,203,117</u>	<u>11,686,494</u>	<u>7,228,441</u>	<u>2,852,307</u>	<u>10,080,748</u>
Expenses						
Law Enforcement	2,164,260		2,164,260	2,825,720		2,825,720
Public Safety	1,009,657		1,009,657	1,017,529		1,017,529
Recreation & Culture	581,754		581,754	553,700		553,700
General Government	2,548,274		2,548,274	2,030,294		2,030,294
Interest on Long-term Debt	70,855		70,855	74,818		74,818
Sanitation		1,289,871	1,289,871		2,296,450	2,296,450
Wastewater		1,133,489	1,133,489		1,362,126	1,362,126
Total Expenses	<u>6,374,800</u>	<u>2,423,360</u>	<u>8,798,160</u>	<u>6,502,061</u>	<u>3,658,576</u>	<u>10,160,637</u>
Change In Net Position	2,108,577	779,757	2,888,334	726,380	(806,269)	(79,889)
Beginning Net Position	<u>16,467,176</u>	<u>(12,075)</u>	<u>16,455,101</u>	<u>15,740,796</u>	<u>794,194</u>	<u>16,534,990</u>
Ending Net Position	<u>\$ 18,575,753</u>	<u>\$ 767,682</u>	<u>\$19,343,435</u>	<u>\$ 16,467,176</u>	<u>\$ (12,075)</u>	<u>\$ 16,455,101</u>

CITY OF HOPE, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021

Governmental Activities

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's net revenues available for spending for program purposes at the end of the fiscal year. As of the end of 2021, the City's governmental funds reported an ending fund balance of \$6,907,940, an increase of \$1,161,534 from 2020.

Business-type Activities

The sanitation fund reported income of \$261,733 before operating transfers, compared to a loss of \$965,542 before operating transfers in 2020. Wastewater reported income of \$416,903 before operating transfers, compared to income of \$42,293 before operating transfers in 2020. The increase in income in Sanitation was largely due to increased operating revenue of \$263,302 and due to decreased expenses of \$1,006,579, which includes decreased land fill closure costs of \$220,829. The Wastewater fund increase in income was largely due to an increase in operating revenues of \$148,390 from 2020 and due to decreased expenses of \$228,637.

General Fund Budgetary Highlights

The general fund relies heavily on sales taxes, which continue to be somewhat unpredictable and slow-growing. In response, the City is conservative in the area of budgeting sales tax revenues. Overall, revenues in the general fund were over budget and expenses were under budget for the year, with net excess over budget of \$989,793.

Capital Assets

At the end of 2021, the City had \$29,544,614, net of accumulated depreciation, invested in capital assets including police and fire equipment, buildings, park facilities, roads, airport, and wastewater treatment plants. This represents a decrease, net of accumulated depreciation, of \$83,296 from last year. The decrease is largely due to depreciation and dispositions exceeding purchases.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Building/Plant	\$ 8,298,764	\$ 7,943,488	\$ 18,796,916	\$ 18,687,548	\$ 27,095,680	\$ 26,631,036
Infrastructure	11,053,737	10,406,009			11,053,737	10,406,009
Land	2,012,225	2,012,225	1,168,808	1,168,808	3,181,033	3,181,033
Construction in Progress	97,724	250,105			97,724	250,105
Vehicles & Equipment	6,095,427	5,926,136	2,434,624	2,361,520	8,530,051	8,287,656
Accumulated Depreciation	(10,731,283)	(10,006,083)	(9,682,328)	(9,121,846)	(20,413,611)	(19,127,929)
Totals	<u>\$ 16,826,594</u>	<u>\$ 16,531,880</u>	<u>\$ 12,718,020</u>	<u>\$ 13,096,030</u>	<u>\$ 29,544,614</u>	<u>\$ 29,627,910</u>

This year's additions included the following:

Patmos Road rehab	\$ 76,885
Playground equipment	47,962
Hot mix overlay of city streets	310,640
Vehicles	84,722
Sewer system improvement	74,357
Sanitation equipment	58,031
City Hall roof	216,430
Park fencing	104,830

CITY OF HOPE, ARKANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021

Debt

At year-end, the City had \$17,724,952 in outstanding bonds, and other long-term debt compared to \$22,347,639 last year. The decrease of \$4,622,687, which can largely be attributed to decreases in net pension liability and lower estimated closure/post closure costs. The net pension liability and closure/post closure costs are generally out of management control.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue Bonds	\$ 1,580,059	\$ 1,638,372	\$11,825,397	\$12,325,737	\$13,405,456	\$13,964,109
Other long-term debt	252,900	295,302	1,940,810	2,204,833	2,193,710	2,500,135
Net pension liability	1,793,214	4,676,743	332,572	1,206,652	2,125,786	5,883,395
Totals	<u>\$ 3,626,173</u>	<u>\$ 6,610,417</u>	<u>\$14,098,779</u>	<u>\$15,737,222</u>	<u>\$17,724,952</u>	<u>\$22,347,639</u>

Economic Factors and Next Year's Budget and Rates

Sales tax and all other revenues and fees are expected to remain steady, and staff continues to budget conservatively, limit capital projects and purchases, and closely monitor all spending. To counteract lack of growth and other factors, staff will present various alternatives to the Board of Directors for their input and direction.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Clark, Finance Director, or Catherine Cook, City Manager, at City Hall during normal business hours. You may obtain information about Hope Water and Light by contacting their management in the offices located at 105 North Elm.

BASIC FINANCIAL STATEMENTS

CITY OF HOPE, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hope Water and Light Commission	Hope Tourism Commission
Assets and Deferred Outflows					
Cash	\$ 4,875,227	\$ 941,925	\$ 5,817,152	\$ 6,101,936	\$ 1,110,810
Investments	1,300,000	320,000	1,620,000	2,100,000	59,551
Receivables, net of allowance for doubtful accounts of \$5,467	862,232	5,074	867,306	6,020,288	56,930
Other current assets	47,804	33,351	81,155	246,832	
Due from other funds	232,592		232,592		
Due from component units		254,175	254,175		
Materials/supplies inventory	39,286		39,286	384,476	
Restricted assets:					
Cash	128,570	123,012	251,582	9,079,217	
Investments		563,004	563,004	4,077,429	
Accrued interest receivable				408	
Property plant and equipment, net	16,826,594	12,718,020	29,544,614	38,363,248	
Total Assets	<u>24,312,305</u>	<u>14,958,561</u>	<u>39,270,866</u>	<u>66,373,834</u>	<u>1,227,291</u>
Deferred Outflows Of Resources					
Deferred amounts on refunding		519,757	519,757	134,303	
Pension related deferred outflows	721,380	86,726	808,106	290,141	
Total Deferred Outflows Of Resources	<u>721,380</u>	<u>606,483</u>	<u>1,327,863</u>	<u>424,444</u>	
 Total Assets and Deferred Outflows Of Resources	<u>\$ 25,033,685</u>	<u>\$ 15,565,044</u>	<u>\$ 40,598,729</u>	<u>\$ 66,798,278</u>	<u>\$ 1,227,291</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Hope Water and Light Commission	Hope Tourism Commission
Liabilities and Deferred Inflows					
Current liabilities					
Accounts payable	\$ 349,844		\$ 349,844	\$ 1,748,739	\$ 85,601
Due to other funds	174,419	\$ 58,173	232,592	254,175	
Accrued liabilities	29,544	39,997	69,541	294,919	
Customer deposits				833,492	
Contracts payable - current				16,575	
Notes payable - current		36,019	36,019		
Bonds payable - current	60,916	515,000	575,916	550,000	
Compensated absences - current	25,290	7,305	32,595	168,101	
Accrued interest payable				99,793	
Noncurrent Liabilities					
Notes payable		24,655	24,655		
Bonds payable	1,519,143	11,310,397	12,829,540	16,659,928	
Contracts payable				472,230	
Net pension liability	1,793,214	332,572	2,125,786	1,137,429	
Closure/post-closure payable		1,807,088	1,807,088		
Accrued compensated absences	227,610	65,743	293,353	284,006	
Total Liabilities	4,179,980	14,196,949	18,376,929	22,519,387	85,601
Deferred Inflows Of Resources					
Pension related deferred inflows	2,277,952	600,413	2,878,365	2,167,665	
Total Liabilities and Deferred Inflows of Resources	6,457,932	14,797,362	21,255,294	24,687,052	85,601
Net Position					
Net investment in capital assets	15,140,379	1,317,943	16,458,322	20,722,643	
Restricted for:					
Capital projects	3,129,894	39,236	3,169,130		
Debt service	128,570	646,780	775,350	13,157,054	
Other purposes					
Spendable	21,230		21,230		
Nonspendable	39,286		39,286		
Unrestricted	116,394	(1,236,277)	(1,119,883)	8,231,529	1,141,690
Total Net Position	18,575,753	767,682	19,343,435	42,111,226	1,141,690
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 25,033,685	\$ 15,565,044	\$ 40,598,729	\$ 66,798,278	\$ 1,227,291

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

CITY OF HOPE, ARKANSAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Law enforcement	\$ 2,164,260	\$ 330,520	\$ 43,847	
Public safety	1,009,657			
Recreation and culture	581,754			
General government	2,548,274		1,041,015	
Interest on long-term debt	70,855			
Total governmental activities	6,374,800	330,520	1,084,862	
Business-type activities:				
Sanitation	1,289,871	1,550,663		
Wastewater	1,133,489	1,466,945		
Total business-type activities	2,423,360	3,017,608		
Total primary government	\$ 8,798,160	\$ 3,348,128	\$ 1,084,862	
Component units:				
Hope Tourism Commission	\$ 388,781	\$ 34,884		
Hope Water and Light Commission	32,232,328	32,538,355		\$ 100,685
Total component units	\$ 32,621,109	\$ 32,573,239		\$ 100,685

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

CITY OF HOPE, ARKANSAS
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Units	
	Primary Government				
	Governmental Activities	Business-type Activities	Total	Hope Water and Light Commission	Hope Tourism Commission
Primary Government					
Governmental activities:					
Law enforcement	\$(1,789,893)		\$(1,789,893)		
Public safety	(1,009,657)		(1,009,657)		
Recreation and culture	(581,754)		(581,754)		
General government	(1,507,259)		(1,507,259)		
Interest on long-term debt	(70,855)		(70,855)		
Total governmental activities	<u>(4,959,418)</u>		<u>(4,959,418)</u>		
Business-type activities:					
Sanitation		\$ 260,792	260,792		
Wastewater		<u>333,456</u>	<u>333,456</u>		
Total business-type activities		<u>594,248</u>	<u>594,248</u>		
Total primary government	<u>(4,959,418)</u>	<u>594,248</u>	<u>(4,365,170)</u>		
Component units:					
Hope Tourism Commission					\$(353,897)
Hope Water and Light Commission				\$ <u>406,712</u>	
Total component units				<u>406,712</u>	<u>(353,897)</u>
General revenues:					
Sales tax	4,067,077		4,067,077		687,266
Property tax	486,698		486,698		
State turnback	1,033,112		1,033,112		
Franchise taxes	148,140		148,140		
Interest income	3,569	1,993	5,562	158,840	859
Other income	743,249	82,395	825,644	(77,225)	
Transfers	<u>586,150</u>	<u>101,121</u>	<u>687,271</u>	<u>(635,000)</u>	<u>(103,239)</u>
Total general revenues, special items and transfers	<u>7,067,995</u>	<u>185,509</u>	<u>7,253,504</u>	<u>(553,385)</u>	<u>584,886</u>
Changes in Net Position	2,108,577	779,757	2,888,334	(146,673)	230,989
Net Position - Beginning	<u>16,467,176</u>	<u>(12,075)</u>	<u>16,455,101</u>	<u>42,257,899</u>	<u>910,701</u>
Net Position - Ending	<u>\$ 18,575,753</u>	<u>\$ 767,682</u>	<u>\$ 19,343,435</u>	<u>\$ 42,111,226</u>	<u>\$ 1,141,690</u>

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

CITY OF HOPE, ARKANSAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Special Revenue Funds			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Street Fund	Airport Fund	Capital Outlay Fund		
Assets						
Cash	\$ 2,421,514	\$1,408,891	\$ 954,040	\$ 90,782		\$ 4,875,227
Investments	600,000	700,000				1,300,000
Receivables, net of allowance for doubtful accounts of \$5,467	691,080	96,813	19,062	55,277		862,232
Inventories		15,239	24,047			39,286
Due from other funds	232,592					232,592
Prepaid expense	43,007	4,386	411			47,804
Restricted assets:						
Cash and investments					\$ 128,570	128,570
Total Assets	<u>\$ 3,988,193</u>	<u>\$2,225,329</u>	<u>\$ 997,560</u>	<u>\$ 146,059</u>	<u>\$ 128,570</u>	<u>\$ 7,485,711</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 349,505		\$ 339			\$ 349,844
Accrued compensated absences	23,447	\$ 1,843				25,290
Accrued liabilities	26,281	1,937				28,218
Due to other funds		36,488	13,102	\$ 124,829		174,419
Total Liabilities	<u>399,233</u>	<u>40,268</u>	<u>13,441</u>	<u>124,829</u>		<u>577,771</u>
Fund Balances						
Nonspendable						
Inventories		15,239	24,047			39,286
Restricted - expendable		2,169,822	960,072	21,230	128,570	3,279,694
Unassigned	<u>3,588,960</u>					<u>3,588,960</u>
Total Fund Balances	<u>3,588,960</u>	<u>2,185,061</u>	<u>984,119</u>	<u>21,230</u>	<u>128,570</u>	<u>6,907,940</u>
Total Liabilities and Fund Balances	<u>\$ 3,988,193</u>	<u>\$2,225,329</u>	<u>\$ 997,560</u>	<u>\$ 146,059</u>	<u>\$ 128,570</u>	<u>\$ 7,485,711</u>

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

CITY OF HOPE, ARKANSAS
 RECONCILIATION OF TOTAL
 GOVERNMENTAL FUND BALANCES TO NET POSITION
 OF GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2021

Total Governmental Fund Balance	\$ 6,907,940
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Amounts reported for governmental activities in the
 Statement of Net Position are different because:

The following assets and deferred outflows are not
 financial resources and therefore are not reported in
 governmental funds.

Capital assets	16,826,594
Pension related deferred outflows	721,380

The following liabilities and deferred inflows, including
 long-term debt, are not due and payable in the current
 period and therefore are not reported in governmental
 funds.

Bonds payable	(1,580,059)
Net pension liabilities	(1,793,214)
Pension related deferred inflows	(2,277,952)
Accrued interest payable	(1,326)
Accrued compensated absences	<u>(227,610)</u>

Net Position of Governmental Activities	<u>\$ 18,575,753</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HOPE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Special Revenue Funds		Capital Projects Fund Capital Outlay Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Street Fund	Airport Fund			
Revenues						
Sales tax	\$ 4,067,077					\$ 4,067,077
Property tax	434,825	\$ 51,873				486,698
State general turnback	227,034	806,078				1,033,112
Franchise taxes	148,140					148,140
Licenses and permits	18,499					18,499
Fines, forfeitures and fees	312,021					312,021
Grants/Contributions	1,034,736		\$ 46,645	\$ 3,481		1,084,862
Interest and dividend income	1,725	1,844				3,569
Other income	405,176	2,881	222,896	112,296		743,249
Total Revenues	<u>6,649,233</u>	<u>862,676</u>	<u>269,541</u>	<u>115,777</u>		<u>7,897,227</u>
Expenditures						
Current:						
Law enforcement	2,495,929			1,744		2,497,673
Public safety	971,863					971,863
Recreation and culture	537,593					537,593
General government	1,399,689	537,639	148,849		262	2,086,439
Debt service:						
Principal		23,048		58,312		81,360
Interest		335		70,520		70,855
Capital outlay		477,770	42,540	555,750		1,076,060
Total Expenditures	<u>5,405,074</u>	<u>1,038,792</u>	<u>191,389</u>	<u>686,326</u>	<u>262</u>	<u>7,321,843</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,244,159</u>	<u>(176,116)</u>	<u>78,152</u>	<u>(570,549)</u>	<u>(262)</u>	<u>575,384</u>
Other Financing Sources						
Transfers in	605,000	545,000		363,239		1,513,239
Transfers out	(795,968)	(101,121)	(30,000)			(927,089)
Total Other Financing Sources (Uses)	<u>(190,968)</u>	<u>443,879</u>	<u>(30,000)</u>	<u>363,239</u>		<u>586,150</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,053,191</u>	<u>267,763</u>	<u>48,152</u>	<u>(207,310)</u>	<u>(262)</u>	<u>1,161,534</u>
Fund Balance - Beginning	<u>2,535,769</u>	<u>1,917,298</u>	<u>935,967</u>	<u>228,540</u>	<u>128,832</u>	<u>5,746,406</u>
Fund Balance - Ending	<u>\$ 3,588,960</u>	<u>\$2,185,061</u>	<u>\$ 984,119</u>	<u>\$ 21,230</u>	<u>\$ 128,570</u>	<u>\$ 6,907,940</u>

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

CITY OF HOPE, ARKANSAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balances - Governmental Funds \$ 1,161,534

Amount reported for governmental activities are
 different because:

Governmental funds report capital outflows as expenditures.
 For the statement of activities, the costs of those assets are
 allocated over their useful lives and reported as
 depreciation expense.

Capital addition	1,037,741
Depreciation	(743,027)

Repayments of long-term liabilities are expenditures in governmental funds but reduces long-term liabilities in the statement of net position.	81,360
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Expenses that do not require current financial resources are
 not reported as expenses in the governmental funds but are
 reported as expenses in the statement of activities:

Change in accrued compensated absences	17,822
Change in accrued interest payable	(55)

Current year pension expenditures are reported on
 governmental statement of revenues, expenditures and
 changes in fund balances and are actuarially determined
 in the government wide statement of activities.
 Differences are reflected in deferred outflows and inflows of
 resources balances

553,202

Changes in Net Position Governmental Activities	<u><u>\$ 2,108,577</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HOPE, ARKANSAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Sanitation Fund	Wastewater Fund	Totals
Assets			
Current Assets			
Cash	\$ 437,900	\$ 504,025	\$ 941,925
Investments		320,000	320,000
Accounts receivable, net	3,337	1,737	5,074
Receivable from component unit	135,268	118,907	254,175
Prepaid expense	28,552	4,799	33,351
Total Current Assets	<u>605,057</u>	<u>949,468</u>	<u>1,554,525</u>
Restricted Assets			
Cash - debt service	125,517	(2,505)	123,012
Investments - bond funds		55,168	55,168
Investments - debt services	136,475	329,620	466,095
Investments - capital projects		41,741	41,741
Total Restricted Assets	<u>261,992</u>	<u>424,024</u>	<u>686,016</u>
Property, Plant and Equipment, Net	<u>4,342,731</u>	<u>8,375,289</u>	<u>12,718,020</u>
Deferred Outflows of Resources			
Pension related deferred outflows	54,526	32,200	86,726
Deferred amount on refunding		519,757	519,757
Total Deferred Outflows of Resources	<u>54,526</u>	<u>551,957</u>	<u>606,483</u>
Total Assets and Deferred Outflows	<u><u>\$ 5,264,306</u></u>	<u><u>\$ 10,300,738</u></u>	<u><u>\$ 15,565,044</u></u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2021

	Sanitation Fund	Wastewater Fund	Totals
Liabilities and Net Position			
Current Liabilities			
Accrued liabilities	\$ 8,921	\$ 31,076	\$ 39,997
Other funds	50,181	7,992	58,173
Current maturities of long-term debt	<u>245,614</u>	<u>312,710</u>	<u>558,324</u>
Total Current Liabilities	<u>304,716</u>	<u>351,778</u>	<u>656,494</u>
Long-term Debt			
Note Payable	24,655		24,655
Compensated absences	41,355	24,388	65,743
Closure/post-closure care payable	1,807,088		1,807,088
Net pension liability	225,960	106,612	332,572
Bonds payable	<u>2,107,721</u>	<u>9,202,676</u>	<u>11,310,397</u>
Total Long-term Debt	<u>4,206,779</u>	<u>9,333,676</u>	<u>13,540,455</u>
Total Liabilities	<u>4,511,495</u>	<u>9,685,454</u>	<u>14,196,949</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>384,813</u>	<u>215,600</u>	<u>600,413</u>
Net Position			
Net investment in capital assets	1,964,291	(646,348)	1,317,943
Restricted for debt service	261,992	384,788	646,780
Restricted for capital projects		39,236	39,236
Unrestricted (deficit)	<u>(1,858,285)</u>	<u>622,008</u>	<u>(1,236,277)</u>
Total Net Position	<u>367,998</u>	<u>399,684</u>	<u>767,682</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 5,264,306</u>	<u>\$ 10,300,738</u>	<u>\$ 15,565,044</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Sanitation Fund	Wastewater Fund	Totals
Revenues			
Service fees	\$ 1,550,663	\$ 1,466,945	\$ 3,017,608
Other		82,395	82,395
	<u>1,550,663</u>	<u>1,549,340</u>	<u>3,100,003</u>
Operating Expenses			
Landfill post closure cost	(220,829)		(220,829)
Operating and maintenance	1,139,951	479,289	1,619,240
Depreciation and amortization	302,261	296,569	598,830
Total Operating Expenses	<u>1,221,383</u>	<u>775,858</u>	<u>1,997,241</u>
Operating Income (Loss)	<u>329,280</u>	<u>773,482</u>	<u>1,102,762</u>
Nonoperating Revenue (Expense)			
Interest income	941	1,052	1,993
Interest expense	(66,438)	(352,631)	(419,069)
Fiduciary fees	(2,050)	(5,000)	(7,050)
Total Nonoperating Expense	<u>(67,547)</u>	<u>(356,579)</u>	<u>(424,126)</u>
Income Before Operating Transfers	261,733	416,903	678,636
Operating Transfers in (out)	<u>202,242</u>	<u>(101,121)</u>	<u>101,121</u>
Change in Net Position	463,975	315,782	779,757
Net Position - Beginning	<u>(95,977)</u>	<u>83,902</u>	<u>(12,075)</u>
Net Position - Ending	<u>\$ 367,998</u>	<u>\$ 399,684</u>	<u>\$ 767,682</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Sanitation Fund	Wastewater Fund	Totals
Cash Flows From Operating Activities			
Cash received from customers	\$ 1,552,869	\$ 1,548,606	\$ 3,101,475
Cash paid for supplies and operating costs	(532,313)	(132,634)	(664,947)
Cash paid for employee and related costs	(742,217)	(408,928)	(1,151,145)
Net Cash Provided by Operating Activities	<u>278,339</u>	<u>1,007,044</u>	<u>1,285,383</u>
Cash Flows From Noncapital Financing Activities			
Operating transfers from (to) other funds	<u>64,811</u>	(105,314)	(40,503)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>64,811</u>	(105,314)	(40,503)
Cash Flows From Capital And Related Financing Activities			
Purchase of fixed assets	(97,788)	(84,682)	(182,470)
Fiduciary fees	(2,050)	(5,000)	(7,050)
Principal paid, long-term debt	(239,235)	(305,000)	(544,235)
Interest paid on long-term debt	(66,885)	(353,182)	(420,067)
Net Cash Used in Capital and Related Financing Activities	<u>(405,958)</u>	<u>(747,864)</u>	<u>(1,153,822)</u>
Cash Flows From Investing Activities			
Proceeds from sale of investments	1,008	62,680	63,688
Investment income received	<u>941</u>	<u>1,052</u>	<u>1,993</u>
Net Cash Provided by Investing Activities	<u>1,949</u>	<u>63,732</u>	<u>65,681</u>
Net Increase (Decrease) in Cash	(60,859)	217,598	156,739
Cash - Beginning of Year	<u>624,276</u>	<u>283,922</u>	<u>908,198</u>
Cash - End of Year	<u>\$ 563,417</u>	<u>\$ 501,520</u>	<u>\$ 1,064,937</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Sanitation Fund	Wastewater Fund	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating net income (loss)	\$ 329,280	\$ 773,482	\$ 1,102,762
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	302,261	296,569	598,830
Pension expense other than contributions	(110,434)	(62,130)	(172,564)
Landfill closure/post closure care	(220,829)		(220,829)
(Increase) decrease in current assets:			
Receivables, net	2,206	(734)	1,472
Prepaid expense	(19,359)	495	(18,864)
Increase (decrease) in current liabilities:			
Accrued liabilities	1,884	1,223	3,107
Accrued compensated absences	(6,670)	(1,861)	(8,531)
Net Cash Provided by Operating Activities	<u>\$ 278,339</u>	<u>\$ 1,007,044</u>	<u>\$ 1,285,383</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	<u>Fiduciary Fund</u>	<u>Custodial Funds</u>		
	Firemen's Pension and Relief Fund	District Court Accounts	Bonds and Fines Accounts	Total
Assets				
Cash	\$ 403,460	\$ 54,676	\$ 21,940	\$ 480,076
Total Assets	<u>403,460</u>	<u>54,676</u>	<u>21,940</u>	<u>480,076</u>
 Investments at Fair Value	 <u>1,625,107</u>	 <u></u>	 <u></u>	 <u>1,625,107</u>
Liabilities				
Other accrued liabilities	<u></u>	<u>54,676</u>	<u>21,940</u>	<u>76,616</u>
Total Liabilities	<u></u>	<u>54,676</u>	<u>21,940</u>	<u>76,616</u>
 Net Position				
Held in Trust for Pension Benefits	<u>\$ 2,028,567</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,028,567</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Firemen's Pension and Relief Fund</u>
Additions	
Contributions	
General property taxes	\$ 86,410
Future supplement	<u>21,669</u>
Total Contributions	<u>108,079</u>
Investment Income	
Dividends and interest	47,555
Net decrease in fair value	<u>(87,940)</u>
Net Investment Loss	<u>(40,385)</u>
Total Additions	<u>67,694</u>
Deductions	
Pension benefits	(157,276)
Future supplement	<u>(21,354)</u>
Total Deductions	<u>(178,630)</u>
Decrease in Net Position Before Transfers	(110,936)
Transfer Other Funds	<u>50,968</u>
Net Decrease in Net Position	<u>(59,968)</u>
Net Position Restricted for Pension Benefits	
Beginning of Year	<u>2,088,535</u>
Net Position Restricted for Pension Benefits	
End of Year	<u><u>\$ 2,028,567</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hope, Arkansas (the “City”) was incorporated in 1875 under the laws of the State of Arkansas. The City provides various services and consists of many different activities and smaller accounting entities. These services include the following: 1) police force, 2) fire-fighting and prevention force, 3) street maintenance force, 4) parks and recreation system, 5) sanitation department, 6) wastewater department, 7) water and light commission, 8) tourism commission, and 9) general administration. All are responsible to the citizens of Hope, and are therefore included within the reporting unit.

The City is a charter city and is governed by a seven-member Board of Directors which is elected by ward. The Board, in turn, elects the Mayor of the City. The Board also hires a professional city manager to carry out its decisions and to manage the City’s daily operations. This form of city government is authorized by Arkansas statute ACA14-47-101-139.

The accounting and reporting practices of the City conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Recently adopted statements had limited effect on financial statements for the year ended December 31, 2021.

Statement No. 83, *Certain Asset Retirement Obligations*: An asset obligation is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The recognition should occur when the liability is both incurred and reasonably estimable. As of December 31, 2021, management determined the City has no liability related to the standard.

Statement No. 84, *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post employment benefit arrangements that are fiduciary activities. The statement had no effect on the City’s fiduciary fund statements other than reporting Court and Bond and Fines funds as custodial funds rather than agency funds.

Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*: This statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The City no longer capitalizes construction period interest. Construction period interest is expensed rather than capitalized.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Governmental Accounting Standards Board issued the following statements not yet implemented by the City. Management has not yet determined the impact of these Standards on the financial statements when adopted.

Statement No. 87, *Leases*, issued in June 2017, will be effective for the City for the year ending December 31, 2022. This Statement will increase the usefulness of government financial statements by requiring recognition of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangement.

Statement No. 91, *Conduit Debt Obligation*, issued May, 2019, will be effective for the City for the year ending December 31, 2022. This statement will provide a single method for government issuers to report a conduit debt obligations and related commitments to enhance comparability and consistence of conduit debt obligation reporting and reporting of related transactions and other events by issuer.

GASB Statement No. 92, *Omnibus 2020*, is effective for the City for the year ending December 31, 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, is effective for the City for the year ending December 31, 2022. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an IBOR, most noticeably LIBOR (London Interbank Offered Rate).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, is effective for the City for the year ending December 31, 2023. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for the City for the year ending December 31, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* - an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB No. 32, is effective for the year ending December 31, 2022. The objective of this statement is to increase consistency and comparability related to the reporting of defined contribution pension and other post employment plans while mitigating costs associated with reporting those plans.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity - The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The criteria for including accounting entities, agencies, and commissions as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Government Accounting and Financial Reporting Standards*, include whether:

- * the organization is legally separate (can sue and be sued in its own name)
- * the City holds the corporate powers of the organization
- * the City appoints a voting majority of the organization's board
- * the City is able to impose its will on the organization
- * the organization has the potential to impose a financial benefit/burden on the City
- * there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has two component units: the Hope Water and Light Commission and the Hope Tourism Commission.

Discretely Presented Component Units - Component units are legally separate units for which the management of the primary government still has significant influence over or accountability for its financial operations.

As stated the following component units are included in the City's reporting entity:

1. Hope Water and Light Commission operates the City's water and electric systems. The City appoints the Commission's board for five-year terms. The Commission's board has complete legal, budgetary, and administrative control over the Commission's affairs. The Commission is discretely presented as a separate column in the City's government-wide financial statements and issues separately audited financial statements, copies of which can be obtained from the management of the Commission at 105 North Elm Street, Hope, Arkansas 71801.
2. Hope Tourism Commission is governed by seven members appointed by the City and was created to promote and develop tourism in the City. The Commission collects a special 2% tax levied by the City to subsidize the Commission's operations. The Commission is discretely presented as a separate column in the City's government-wide financial statements. Financial statements for Hope Tourism Commission can be obtained from the City's administrative offices at 206 West Avenue A, Hope, Arkansas 71801.

Related Organization - The Hope Housing Authority is a related organization excluded from the financial reporting entities because the City's accountability does not extend beyond making appointments. The five citizens who serve on the Authority administer federal and other funds to improve housing conditions for low-income citizens of the City. Audited financial statements are available from the Hope Housing Authority.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: 1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; 2) operating grants and contributions which finance annual operating activities including restricted investment income; and 3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund type - governmental, proprietary and fiduciary - are presented. Major governmental and major enterprise funds are reported in separate columns in the fund financial statements. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus/Basis of Accounting - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers sales and use taxes available if they are collected within thirty days after year-end. All other revenues are considered to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, compensated absences, and claims and judgements which are reported as expenditures in the year when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund and accounts for all financial resources of the general government except those accounted for in another fund.

Street Fund - The Street Fund is a special revenue fund that primarily accounts for special revenue sources which are legally restricted to expenditures for street and highway purposes.

Airport Fund - The Airport Fund is a special revenue fund that primarily accounts for special revenue sources which are legally restricted to expenditures for the City's airport.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

Capital Outlay Fund - The Capital Outlay Fund is a capital projects fund that primarily accounts for special revenue sources, generally grant funds, which are restricted for large capital expenditures and related items, other than those financed by enterprise funds.

The *Debt Service Fund* is a nonmajor governmental fund. The Debt Service Fund accounts for financial resources which are restricted, committed or assigned to expenditure for principal and interest on the City's general debt obligations.

Enterprise funds account for activities for which the City charges a fee to external users for goods or services. The City reports the following major enterprise funds:

Sanitation Fund - The Sanitation Fund is an enterprise fund used to account for the City's sanitation operations including garbage and trash removal and the City's landfills.

Wastewater Fund - The Wastewater Fund is an enterprise fund used to account for the City's wastewater operations including maintenance and operation of the City's sewer facilities and wastewater collection infrastructure.

Fiduciary funds account for resources held by the City on the behalf of others. The City reports the following fiduciary funds:

Firemen's Pension and Relief Fund - The Firemen's Pension and Relief Fund is a pension trust fund that accounts for resources that are required to be held in trust for its members and beneficiaries. This fund is managed by a board of trustees that must act in accordance with the specific purposes and terms of the retirement plan.

Custodial Funds - Custodial funds account for resources held in a purely custodial capacity for others. The City has two custodial funds, the *District Court Accounts Fund* and the *Bond and Fines Account Fund*.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. All taxes are included in general revenues. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services or delivering goods in connection with a fund's ongoing operations. The primary source of operating revenues in the City's major enterprise funds is charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include: taxes, fines and forfeitures, grants and entitlements, and donations. Recognition standards are based on the characteristics and classes of the non-exchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unearned revenues.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted net assets current in nature are reported with current assets and current liabilities in the financial statements. Restricted investments report assets restricted for acquisition or construction of non-current assets or restricted for liquidation of long-term debt.

Allowance for Uncollectible Receivables - The Hope Water and Light Commission provides billing and collection services provided for the Sanitation and Wastewater Funds and remits 100% of the related billings to the funds. Any bad debt expense is absorbed by Hope Water and Light Commission which recorded an allowance of \$73,575. Accordingly, the allowance for doubtful accounts for the proprietary funds as of December 31, 2021 was \$-0-. The City recorded an allowance of \$5,467 for various receivables in the City's governmental funds.

Investments - Investments are reported at fair value. Short-term investments are reported at cost (which approximates fair value) and are held by the City in various forms as allowed by the laws of the State of Arkansas. The City records all interest revenue earned from investment activities in the respective funds. As of December 31, 2021, the City considers investments to include certificates of deposit, United States government bonds, and money market mutual funds consisting of United States Treasury obligations.

Inventories - Inventories in governmental funds consist of expendable supplies held for consumption, stated on a first-in, first-out basis. Inventories are reported at cost and recorded as expenditures at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded using the weighted average method.

Capital Assets - The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary fund and component unit capital assets are also reported in their respective fund financial statements.

In 2005, the City adopted GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government*, which requires the City to capitalize and report infrastructure assets subsequent to the GASB 34 transition date. The city has not recorded infrastructure assets prior to January 1, 2005.

Fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Acquisitions of property and equipment in excess of \$1,000 and with a life of 3 years or more are capitalized.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives for depreciable assets are as follows:

Buildings	5 - 40 years
Infrastructure and other improvements	20 - 40 years
Mobile equipment, furniture and machinery	2 - 10 years

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources - The statement of net position and the balance sheet - governmental funds include a separate section for deferred outflows and deferred inflows of resources.

Deferred outflows of resources represent a consumption of resources that applies to a future period and will not be recognized as an expense or expenditure until that time. Pension related deferred outflows included in the financial statements represent the differences between estimated and actual investment earnings, changes in actuarial assumptions, and city contributions to the plans subsequent to the measurement dates. Bond refunding outflow represents the difference in the carrying value of refunded debt and its reacquisition price.

Deferred inflows of resources represent an acquisition of resources that applies to a future period and will not be recognized as revenue until that time. Pension related deferred inflows included in the financial statements represent differences between projected and actual actuarial experience related to pensions.

Long-term Debt - In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are amortized over the terms of the respective bonds. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as expenditures.

Compensated Absences - Vacation and sick leave vests and accumulates. Sick leave is normally paid for an illness-related absence only. However, for law enforcement officers and firefighters, Arkansas Codes Ann. 14-52-107 and 14-53-108 require that sick leave will accumulate at the rate of twenty (20) working days per year beginning one year after the date of employment. If unused, sick leave will accumulate to a maximum of ninety (90) days as authorized by the City. Accumulated sick leave is paid at the regular rate of pay at the time of retirement or death.

Compensated balances are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and accrued liabilities.

Pension - In January, 2015, the City adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 (GASB 68)* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68 (GASB 71)*. GASB No. 68 required governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability and provided measurement of the annual costs of pension benefits. GASB No. 71 relates to amounts associated with a government's contribution to a defined benefit pension plan after the measurement date of the net pension liability. Implementation of these standards resulted in recognition of deferred outflow and deferred inflow of resources as well as net pension liabilities related to the City's pension plans.

For purposes of measuring the net pension liability, the deferred outflows of resources and deferred inflows of resources related to pensions, the pension expense, information about the fiduciary net position of the City's defined benefit pension plans (the Plans), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes - The City levies property taxes applicable to the following year during the month of October. Property taxes assessed during the previous year are due and payable after February 1. Taxes are delinquent after the second week in October. Delinquent property taxes as of December 31, 2021, are not significant. The assessed value of taxable property upon which property taxes are levied is determined by the County Assessor. The Assessor estimates full market value of the property and applies a statutory rate of 20% to arrive at an assessed value. Hempstead County is the collecting agent for the levy and remits the collections to the City, net of a collection fee. Each unit of government receives its proportionate share of tax receipts from the County Treasurer, based on its individual mill levy, in the month following the collection. The City levied 5 mills of property taxes for general government operations and is subject to a statutory limitation of 5 mills established by the State of Arkansas. This operating tax levy limitation may not be increased except by amendment to the State Constitution. The City levied 1.0 mill for the Firemen's Pension and Relief Fund. The mill for the Pension fund is apart from the statutory limitation of 5 mills for operations.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that offset the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: BUDGET REQUIREMENTS AND REPORTING

The City is required by its Municipal Code to adopt annual budgets for the General Fund, Street Fund, Airport Fund, Capital Outlay Fund, Sanitation Fund and the Wastewater Fund. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1 of the preceding calendar year, the City Manager and various department heads prepare budget appropriations. These budget appropriations include proposed expenditures and means of financing and are submitted to the City's Board of Directors.
2. Prior to February 1 of the calendar year for which the budgets have been prepared, the budgets are approved and adopted by the Board of Directors and the original budget may be revised by the Board of Directors after adoption.
3. Budgetary control is exercised at the fund-type level. The level of the budgetary responsibility is the appropriations. Unused appropriations lapse at the end of the year.

The City Manager has the authority to transfer budgeted amounts within any fund. Budgetary amounts in the financial statements are the final authorized amounts as revised during the year.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: DEPOSITS AND INVESTMENTS

At December 31, 2021, the City's deposits consisted of demand accounts and the City's investments consisted of certificates of deposit and funds consisting of United States Treasury obligations held by bond funds. Additionally, the Firemen's Pension and Relief Fund ("FPRF"), a fiduciary fund, maintains an investment account at a brokerage firm with investments consisting of United States Government bonds and certificates of deposit. At December 31, 2021, the FPRF investments with a cost of \$1,506,374 had a fair market value of \$1,625,107.

Investments for the City at December 31, 2021, include the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Classified as Investments					
Unrestricted:					
Certificates of deposit	\$ 1,620,000	\$ 1,620,000			
Restricted:					
U.S. Treasury obligations	426,529	426,529			
Certificates of deposit	136,475	136,475			
Total	\$ 2,183,004	\$ 2,183,004			

The City's investments in U.S. Treasury obligations consists of the Federated Treasury Obligation Fund, a publicly traded money market mutual fund comprised primarily of short term U.S. Treasury securities. This fund has a Standard & Poor's Credit rating of AAAM.

U.S. Treasury obligations at December 31, 2021, are valued using quoted market prices, a Level 1 determination.

Type	Fair Value	Level 1	Level 2	Level 3
Classified as Investments				
Restricted:				
U.S. Treasury obligations	\$ 426,529	\$ 426,529		
	<u>\$ 426,529</u>	<u>\$ 426,529</u>		

Investments at December 31, 2021, for the Firemen's Pension and Relief Fund, all of which are Level 1 investments, include the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Classified as Investments					
Restricted:					
U.S. Government bonds	\$ 1,417,189		\$ 322,402	\$ 764,395	\$ 310,392
Certificates of deposit	207,918	\$ 101,752	106,166		
Total	<u>\$ 1,625,107</u>	<u>\$ 101,752</u>	<u>\$ 428,568</u>	<u>\$ 764,395</u>	<u>\$ 310,392</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As means of limiting its exposure to fair value losses from rising interest rates, the City's policy is to attempt to match investment maturities with cash flow requirements. The City invests only in certificates of deposit or funds consisting of short term U.S. Treasury securities. The FPRF investment policies address interest rate risk by managing asset allocation. The FPRF allows for 0% - 15% in cash and cash equivalents, 0% - 35% in equities and 65% - 100% in fixed income investments.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligation of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Arkansas. All securities pledged as collateral are held in the name of the City. At December 31, 2021, the City had no uninsured deposits. Hope Water and Light Commission and Hope Tourism Commission had no uninsured deposits.

Credit Risk - Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the stewardship of the City's finance department. Investing is performed in accordance with investment policies complying with State statutes and the City Charter. Funds may be invested in: (1) direct obligations of the United States government (for which the full faith and credit of the United States government are pledged), (2) certificates of deposit at savings and loan associations or federally insured banks when secured by acceptable collateral, (3) savings accounts at savings and loan associations and banks, to the extent fully insured, and (4) any bond, note, or other indebtedness insured by United States government or those agencies insured and guaranteed by the federal government.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. As of December 31, 2021, the City had \$425 in cash on hand and cash and certificates of deposits totaling \$7,824,784 book value as reconciled to financial institution balances totaling \$7,731,280. Hope Water and Light Commission had financial institution balances of \$21,641,023 and Hope Tourism Commission had financial institution balances of \$1,187,093.

Based on the financial institution balances, the City has concentrations of credit risk by issuer as follows:

Issuer	Investment Type	Fair Value	Percentage of Total
<i>Primary Government</i>			
BancorpSouth	Cash and certificates of deposit	\$ 1,964,627	25%
Bank OZK	Cash and certificates of deposit	1,270,255	16%
Farmer's Bank & Trust	Cash and certificates of deposit	4,253,387	55%
Diamond Bank	Certificates of deposit	120,000	2%
Citizens Bank	Cash and certificates of deposit	123,011	2%
		<u>\$ 7,731,280</u>	<u>100%</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Component Unit - Hope Water and Light Commission

Bank OZK	Cash	\$ 9,079,217	42%
Bank OZK	Certificates of deposit	1,050,156	5%
Farmer's Bank & Trust	Certificates of deposit	3,027,273	14%
Farmer's Bank & Trust	Cash	6,384,377	29%
Diamond Bank	Certificates of deposit	2,100,000	10%
		<u>\$ 21,641,023</u>	<u>100%</u>

Component Unit - Hope Tourism Commission

Bancorp South		\$ 1,127,542	95%
Farmer's Bank & Trust	Certificates of deposit	59,551	5%
		<u>\$ 1,187,093</u>	<u>100%</u>

Foreign Currency Risk - foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City had no foreign investments at December 31, 2021.

NOTE 4: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables result from transactions between various funds within the City. Outstanding balances are generally a result of time lag between the clearing of liabilities between funds. The following schedule reports interfund balances at December 31, 2021:

<u>Funds with Payables:</u>		<u>Funds with Receivables</u>		
		<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Wastewater Fund</u>
Sanitation Fund	\$ 50,181	\$ 50,181		
Wastewater Fund	7,992	7,992		
Airport Fund	13,102	13,102		
Street Fund	36,488	36,488		
Capitol Outlay Fund	124,829	124,829		
Hope Water and Light Commission	<u>254,175</u>		<u>\$ 135,268</u>	<u>\$ 118,907</u>
	<u>\$ 486,767</u>	<u>\$ 232,592</u>	<u>\$ 135,268</u>	<u>\$ 118,907</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 4: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Transfers are used to move revenues from the fund with collection authorization to debt service and the Firemen's Pension and Relief Fund and to move unrestricted revenues to finance various programs that the government must account for in other funds. Transfers recorded in the city-wide and fund financial statements are as follows:

Transferred from Fund:	Recipient Funds					Total Transfers to Other Funds
	General Fund	Street Fund	Capital Outlay Fund	Sanitation	Firemen's Pension and Relief Fund	
General		\$ 545,000	\$ 200,000		\$ 50,968	\$ 795,968
Street				\$ 101,121		101,121
Airport	\$ 30,000					30,000
Wastewater				101,121		101,121
Component Unit:						
Hope Water & Light	575,000		60,000			635,000
Tourism			103,239			103,239
Total Received	<u>\$ 605,000</u>	<u>\$ 545,000</u>	<u>\$ 363,239</u>	<u>\$ 202,242</u>	<u>\$ 50,968</u>	<u>\$ 1,766,449</u>

NOTE 5: RESTRICTED ASSETS

Certain assets in the City's financial statements are restricted for debt service, capital improvement, and other purposes, and are reflected in the financial statements as restricted cash, and restricted investments. These restrictions are disclosed on the face of the city-wide and fund financial statements

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 6: CAPITAL ASSETS

Primary Government

The following table provides a summary of changes in capital assets of the governmental activities for the year ended December 31, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,012,225			\$ 2,012,225
Construction in progress	250,105	\$ 21,549	\$ 173,930	97,724
Total Capital Assets, Not Being Depreciated	<u>2,262,330</u>	<u>21,549</u>	<u>173,930</u>	<u>2,109,949</u>
Capital assets, being depreciated:				
Land improvements	659,871			659,871
Infrastructure	10,406,009	647,728		11,053,737
Buildings	7,283,617	355,276		7,638,893
Furniture and fixtures	230,658	42,701		273,359
Vehicles	1,461,456	84,722	17,827	1,528,351
Equipment	4,234,022	59,695		4,293,717
Total Capital Assets, Being Depreciated	24,275,633	1,190,122	17,827	25,447,928
Less: Accumulated Depreciation	10,006,083	743,027	17,827	10,731,283
Total Capital Assets, Being Depreciated, Net	<u>14,269,550</u>	<u>447,095</u>	<u>17,827</u>	<u>14,716,645</u>
<i>Governmental Activities:</i>				
Capital Assets, Net	<u>\$ 16,531,880</u>	<u>\$ 468,644</u>	<u>\$ 173,930</u>	<u>\$ 16,826,594</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 6: CAPITAL ASSETS (CONTINUED)

Business Activities

The following table provides a summary of changes in capital assets of the business-type activities for the year ended December 31, 2021.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,168,808			\$ 1,168,808
Total Capital Assets, Not Being Depreciated	<u>1,168,808</u>			<u>\$ 1,168,808</u>
Capital assets, being depreciated:				
Land improvements	3,349,199	\$ 35,011		3,384,210
Plant and equipment	15,338,349	74,357		15,412,706
Vehicles	321,531	4,746		326,277
Machinery and equipment	<u>2,039,991</u>	<u>68,356</u>		<u>2,108,347</u>
Total Capital Assets, Being Depreciated	21,049,070	182,470		21,231,540
Less: Accumulated Depreciation	<u>9,121,848</u>	<u>560,480</u>		<u>9,682,328</u>
Total Capital Assets, Being Depreciated, Net	<u>11,927,222</u>	<u>(378,010)</u>		<u>11,549,212</u>
<i>Business-type Activities</i>				
Capital Assets, Net	<u>\$ 13,096,030</u>	<u>\$(378,010)</u>		<u>\$ 12,718,020</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 6: CAPITAL ASSETS (CONTINUED)

Component Units

The following table provides a summary of changes in capital assets of the Component Units for the year ended December 31, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units				
Capital assets, not being depreciated:				
Land	\$ 825,406		\$(12,280)	\$ 813,126
Construction in progress	13,006,902	\$ 1,898,652		14,905,554
Water rights	<u>662,422</u>			<u>662,422</u>
Total Capital Assets, Not Being Depreciated	<u>14,494,730</u>	<u>1,898,652</u>	<u>(12,280)</u>	<u>16,381,102</u>
Capital assets, being depreciated:				
Plant and equipment	58,912,380	837,465	(172,688)	59,577,157
Building and other improvements	3,185,125	59,974		3,245,099
Machinery and equipment	<u>6,862,532</u>	<u>75,826</u>		<u>6,938,358</u>
Total Capital Assets, Being Depreciated	68,960,037	973,265	(172,688)	69,760,614
Less: Accumulated Depreciation	<u>(45,741,312)</u>	<u>(2,207,658)</u>	<u>170,502</u>	<u>(47,778,468)</u>
Total Capital Assets, Being Depreciated, Net	<u>23,218,725</u>	<u>(1,234,393)</u>	<u>(2,186)</u>	<u>21,982,146</u>
<i>Component Units</i>				
Capital Assets, Net	<u>\$ 37,713,455</u>	<u>\$ 664,259</u>	<u>\$(14,466)</u>	<u>\$ 38,363,248</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Primary Government

Governmental Activities

Administration	\$ 127,795
Street	172,897
Parks and recreation	173,569
Police	103,799
Fire protection	8,425
Airport	<u>156,542</u>
Total depreciation expense	<u>743,027</u>

Business-type Activities

Wastewater	258,218
Sanitation	<u>302,262</u>
Total depreciation expense	<u>560,480</u>

Total depreciation expense, primary government	<u><u>\$ 1,303,507</u></u>
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NOTE 7: CAPITAL ASSETS IN BUSINESS-TYPE ACTIVITIES

	<i>Business-Type Activities</i>		
	<u>Sanitation</u>	<u>Wastewater</u>	<u>Total</u>
Land	\$ 1,073,516	\$ 95,292	\$ 1,168,808
Land improvements	3,384,210		3,384,210
Utility plant	867,393	14,545,313	15,412,706
Vehicles	233,414	92,863	326,277
Machinery and equipment	<u>1,781,770</u>	<u>326,577</u>	<u>2,108,347</u>
	7,340,303	15,060,045	22,400,348
Less: accumulated depreciation	<u>2,997,572</u>	<u>6,684,756</u>	<u>9,682,328</u>
Property, Plant and Equipment, Net	<u><u>\$ 4,342,731</u></u>	<u><u>\$ 8,375,289</u></u>	<u><u>\$ 12,718,020</u></u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 8: COMMITMENTS

At December 31, 2021, the City had no construction contract commitments in place.

Note Payable - Governmental Activities

In November, 2017, the City incurred a note payable in the amount of \$102,768 for the purchase of a Freightliner dump truck. Principal and interest at the rate of 4.75% totaled \$2,355 monthly until October 13, 2021, at which time the note was fully paid.

NOTE 9: LONG-TERM DEBT

Revenue Bonds - Governmental Activities

General obligation bonds, issued by the City for various municipal improvements, are governed by Arkansas statutes which require voter approval for issuance of general obligation bonds. General obligation bonds pledge the full faith and credit of the government.

Capital Improvement Bond, Series 2006

In 2007, the City issued \$220,000 Capital Improvement Bond, Series 2006, for the purpose of constructing a new animal control facility. The bond is secured by franchise fees and a real estate mortgage on the animal control facility which had a book value of \$97,226 at December 31, 2021. The revenues pledged for this bond represent approximately 10% of the City's annual franchise fee revenue over the life of the bond. The pledged revenues will not be available for other purposes until the bond is repaid; the bond matures in 2026. The City recognized franchise fees of \$148,140 and made principal and interest payments of \$16,703 on the bond in 2021. Outstanding principal on the bond as of December 31, 2021, totaled \$71,806.

Capital Improvement Bond, Series 2009

In 2009, the City issued \$2,041,800 Capital Improvement Bond, Series 2009, for the purpose of constructing a building for lease to the Southwest Arkansas Educational Cooperative. The bond is secured by lease income from the building and a real estate mortgage on the building which has a book value of \$2,045,899 at December 31, 2021. The revenues pledged for this bond represent 100% of the City's annual lease income from the building over the life of the bond. The pledged revenues will not be available for other purposes until the bond is repaid when the bond matures in 2042. The City recognized lease income of \$112,296 from the building and made principal and interest payments of \$112,391 in 2021. Outstanding principal on the bond as of December 31, 2021, totaled \$1,508,253.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 9: LONG-TERM DEBT (CONTINUED)

Note Payable - Business-type Activities

In September, 2020, the City purchased a Freightliner in the amount of \$139,250 by incurring a note payable in the amount of \$139,516, including costs of \$266. Principal and interest at the rate of 3.95% totaled \$3,151 monthly. The note matures August, 2023. The outstanding balance of \$60,674 is due as follows: \$36,019 in 2022 and \$24,655 in 2023.

Revenue Bonds - Business-type Activities

Sewer Revenue Refunding Bonds, Series 2016

On December 28, 2016, the City issued Sewer Revenue Refunding Bonds, Series 2016, in the amount of \$6,770,000, with interest rate of 1.00% to 3.75%, for the purpose of advance refunding \$6,250,000 of the outstanding Series 2013 revenue bonds, with interest rates from 2.00% to 4.80%. The City used the net proceeds along with other resources to purchase U.S. Treasury Securities - State and Local, Government Series which were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2013 bonds. As a result, that portion of the Series 2013 bonds is considered defeased, and the City has removed the liability from its accounts.

The reacquisition price exceeded the net carrying amount of the Series 2013 bonds by \$457,866. This amount is being amortized as an element of interest expense over the life of the new bonds. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$212,316.

The Sewer Revenue Refunding Bonds, Series 2016, are special obligation bonds payable solely from the revenues of the Wastewater Fund. The bonds, maturing December 1, 2038, are subject to redemption by sinking fund redemption beginning December 1, 2028. The bonds may be redeemed at the option of the City from funds from any source on and after June 1, 2022, in whole at anytime and in part on any interest date at par plus accrued interest to the date of redemption.

Waste Disposal Revenue Bonds, Series 2016

On May 17, 2016, the City issued Waste Disposal Revenue Bonds, Series 2016, in the amount of \$3,205,000 for the purpose of acquiring, constructing, and equipping capital improvements to the City's solid waste system, for the purpose of establishing a debt service reserve, and for the purpose of paying costs of issuance of the bonds. The bonds, with an interest rate of 2.00% to 3.00%, are payable solely from sanitation revenues. The bonds, maturing June 1, 2031, are subject to redemption by sinking fund redemption beginning June 1, 2027.

Sewer Revenue Capital Improvement and Refunding Bonds, Series 2017

On January 10, 2017, the City issued Sewer Revenue Capital Improvement and Refunding Bonds, Series 2017, in the amount of \$4,315,000, with interest rates from 1.750% to 4.625%, for the purpose to advance refund the remaining principal of \$2,885,000 of Series 2013 revenue bonds, with interest rates of 2.00% to 4.80%, and for improvements to the City's sewer system. The City used the net proceeds along with other resources to purchase U.S. Treasury Securities - State and Local, Government Series which were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2013 bonds. As a result, the series 2013 bonds are considered defeased, and the City has removed the liability from its accounts.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 9: LONG-TERM DEBT (CONTINUED)

Sewer Revenue Capital Improvement and Refunding Bonds, Series 2017 (Continued)

The reacquisition price exceeded the net carrying amount of the Series 2013 bonds by \$205,864. This amount is being amortized as an element of interest expense over the life of the old bonds. The debt service on the Series 2017 bonds was wrapped around the debt service on the Series 2016 bonds using a (combined) annual debt service constraint equal to the original Series 2013 debt service and a final maturity of 2043; consequently, there was no economic gain.

The Sewer Revenue Capital Improvement and Refunding Bonds, Series 2017, are special obligation bonds payable solely from the revenue of the Wastewater Fund and from funds and moneys pledged to the payment of the bonds under a Trust Indenture. The bonds, maturing December 31, 2043, are subject to redemption by sinking fund redemption December 1, 2018. The bonds may be redeemed at the option of the City from funds from any source, on and after June 1, 2022, in whole at any time or in part on any interest payment date, at par plus accrued interest to the date of redemption.

Summary of Long-term Debt

Bonds payable at December 31, 2021, is comprised of the following individual issues:

Description	Interest Rate	Original Issue
<i>Governmental Activities</i>		
Capital Improvement Bond, Series 2006, secured by franchise fees - due in monthly payments of \$1,378 through October, 2026	4.38%	\$ 220,000
Capital Improvement Bond, Series 2009, secured by lease income - due in monthly payments of \$9,358 through March, 2042	4.38%	2,041,800
<i>Business-type Activities</i>		
Wastewater Fund		
Sewer Revenue Refunding Bonds Series 2016 - due in varying amounts through December 1, 2038	1.00 - 3.75%	6,770,000
Sewer Revenue Capital Improvement and Refunding Bonds, Series 2017 - due in varying amounts through December 31, 2043	1.75 - 4.625%	4,315,000
Sanitation Fund		
Waste Disposal Revenue Bonds Series 2016, due in varying amounts through June 1, 2031	2.00 - 3.00%	3,205,000

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 9: LONG-TERM DEBT (CONTINUED)

Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year is as follows:

	Beginning Balance	Additions	Retirements/ Deductions	Ending Balance	Within One Year
Primary Government					
<i>Governmental Activities</i>					
Capital Improvement					
Bond, Series 2006	\$ 84,888		\$ 13,082	\$ 71,806	\$ 13,666
Capital Improvement					
Bond, Series 2009	1,553,484		45,231	1,508,253	47,250
Note payable	23,048		23,048	-	-
Net pension liability	4,676,743		2,883,529	1,793,214	
Compensated absences	<u>272,254</u>	<u>\$ 7,468</u>	<u>26,822</u>	<u>252,900</u>	<u>25,290</u>
<i>Total Governmental Activities</i>	<u>\$ 6,610,417</u>	<u>\$ 7,468</u>	<u>\$ 2,991,712</u>	<u>\$ 3,626,173</u>	<u>\$ 86,206</u>
<i>Business-type Activities</i>					
Revenue bonds	\$ 12,460,000		\$ 510,000	\$ 11,950,000	\$ 515,000
Discount	<u>(134,263)</u>		<u>(9,660)</u>	<u>(124,603)</u>	
Total bonds payable	12,325,737		500,340	11,825,397	515,000
Net pension liability	1,206,652		874,080	332,572	
Notes payable	95,375		34,701	60,674	36,019
Compensated absences	81,541		8,493	73,048	7,305
Closure/Post closure	<u>2,027,917</u>		<u>220,829</u>	<u>1,807,088</u>	
<i>Total Business-type Activities</i>	<u>\$ 15,737,222</u>		<u>\$ 1,638,443</u>	<u>\$ 14,098,779</u>	<u>\$ 558,324</u>
<i>Component Units</i>					
Revenue bonds	\$ 7,290,000	\$ 9,995,000	\$ 190,000	\$ 17,095,000	\$ 550,000
Premium/Discount	<u>118,485</u>	<u>4,799</u>	<u>8,356</u>	<u>114,928</u>	
Total bonds payable	7,408,485	9,999,799	198,356	17,209,928	550,000
Net pension liability	4,368,730		3,231,301	1,137,429	
Contracts payable	504,955		16,150	488,805	16,575
Compensated absences	<u>542,588</u>	<u>87,568</u>	<u>178,049</u>	<u>452,107</u>	<u>168,101</u>
<i>Total Component Units</i>	<u>\$ 12,824,758</u>	<u>\$10,087,367</u>	<u>\$ 3,623,856</u>	<u>\$ 19,288,269</u>	<u>\$ 734,676</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 9: LONG-TERM DEBT (CONTINUED)

Debt Service Requirements to Maturity

The annual principal and interest requirements to amortize debt of outstanding bond issues as of December 31, 2020, are presented in the following schedule.

Year End December 31,	Governmental Activities		Business-type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	60,916	67,916	515,000	406,212	575,916	474,128
2023	63,635	65,197	525,000	395,231	588,635	460,428
2024	66,476	62,356	540,000	383,119	606,476	445,475
2025	69,443	59,389	550,000	369,997	619,443	429,386
2026	69,638	56,295	565,000	355,688	634,638	411,983
2027 - 2030	251,337	197,847	2,445,000	1,247,945	2,696,337	1,445,792
2031 - 2035	382,669	178,811	2,410,000	1,143,144	2,792,669	1,321,955
2036 - 2040	476,050	85,430	2,585,000	695,994	3,061,050	781,424
2041 - 2043	<u>139,895</u>	<u>4,209</u>	<u>1,815,000</u>	<u>151,801</u>	<u>1,954,895</u>	<u>156,010</u>
	<u>\$ 1,580,059</u>	<u>\$ 777,450</u>	<u>\$ 11,950,000</u>	<u>\$ 5,149,131</u>	<u>\$13,530,059</u>	<u>\$5,926,581</u>

NOTE 10: CLOSURE AND POST-CLOSURE COST

The City operates both a Class I and a Class IV landfill through the Sanitation Fund. Class I wastes are non-hazardous household, commercial and industrial solid waste as well as conditionally exempt hazardous wastes. Class IV wastes are non-hazardous, bulky, inert, non-putrescible solid wastes that do not degrade or degrade very slowly.

Laws and regulations of both the federal and state governments require that the City provide for closure and post-closure care for landfills once they have reached capacity. Such care consists of (1) covering the site with an impermeable cap, (2) implementing additional groundwater monitoring, (3) providing a minimum of 30 years of post-closure care, and (4) demonstration of financial assurance for the closure and post-closure care. Although closure and post-closure care costs are expended near or after the date that the landfill cell discontinues accepting waste, the City reports a portion of these costs as annual operating expense during the service life of the landfill cell. The cumulative recognition of this liability totaling \$1,807,088, as of December 31, 2021 is based on the following:

	Class I	Class IV
Cubic yards of capacity used	979,175	98,211
Estimated total capacity	1,850,000	1,875,517
Percentage of total capacity used	52.93%	5.24%
Estimated total current cost	\$ 3,400,562	\$ 137,986

The estimated total current cost of closure and post closure remaining to be recognized is \$1,600,700 for the Class I landfill and \$130,760 for Class IV landfill. The estimated remaining site life in 34 years for the Class I landfill and 146 years for the Class IV landfill.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 10: CLOSURE AND POST-CLOSURE COST (CONTINUED)

The preceding information is based on engineering landfill capacity used to date and engineering estimates of the cost to perform all closure and post-closure care as of December 31, 2021, for the Class I and Class IV landfills. Actual costs may be higher or lower as a result of inflation or deflation, changes in technology, or regulatory changes to the landfill's closure plan.

As a means of demonstrating financial assurance for closure and post-closure care cost, the City of Hope uses the financial test method to demonstrate financial assurance on the Class I and Class IV landfills. This method requires the City to ensure that funds necessary to meet closure and post-closure care costs will be immediately available whenever closure and post-closure care is needed by demonstrating a certain level of financial viability. The results of the financial test are provided annually to the Arkansas Department of Environmental Quality. In the event that the City fails the financial test, the State Treasurer may withhold the City of Hope's general distributions for up to 8.25 years or until the financial obligation for closure and post-closure care is satisfied.

NOTE 11: CONTINGENCIES

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibles of any related receivable at December 31, 2021, may be impaired. In the opinion of the City, there are no significant contingencies.

NOTE 12: RISK MANAGEMENT

In the course of functioning as a local government, the City is exposed to risks of loss relative to public officials' and employees' errors and omissions, law enforcement liability, vehicle liability and damages, heavy equipment liability and damages, and building and personal property liability and damages. These risks of loss are handled through the purchase of commercial insurance. Specifically, the City holds a policy of legal defense, general liability, under an insurance plan obtained through the Arkansas Municipal League. The Municipal League Defense Program (MLDP) allows participating municipalities to pool their resources and provide limited protection for the personal assets of officials, board or commission members, and employees.

Protection to municipalities from civil rights lawsuits is also provided under the MLDP. City vehicles are insured through a similar program with the Arkansas Municipal League. Finally, workers' compensation benefits are provided through an insurance plan with the Arkansas Municipal League - Workers' Compensation Trust.

NOTE 13: DEFERRED COMPENSATION PLAN

The City and its component unit, the Hope Water and Light Commission, offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 13: DEFERRED COMPENSATION PLAN (CONTINUED)

The plan was amended effective January 1, 1997, to provide that all assets and income of the plan be held in trust for the exclusive benefit of the participants and their beneficiaries. Thus, the plan is administered by an independent plan administrator, ICMA Retirement Corporation, in accordance with a service agreement. The City's and the Commission's administrative involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs the investing function.

Because the City and the Commission have delegated administrative and investment responsibilities to a third party administrator, the plan assets no longer meet the requirements for inclusion in the City's combined financial statements and have been excluded from the 2021 basic financial statements.

NOTE 14: FIREMEN PENSIONS

Firemen's Pension and Relief Fund ("FPRF")

Plan Description - The FPRF is a single-employer defined benefit pension plan administered by the City and established by Arkansas Code. Benefit provisions are established by State of Arkansas Act #14, as amended. The FPRF, whose assets are administered by a Board of Trustees, provides retirement, disability, and survivor benefits to its participants. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 634; accordingly, the FPRF is closed to new members. The FPRF does not prepare separate financial statements. The Arkansas Fire and Pension Review Board (AFPRB) oversees requests for benefit increases and review of the annual financial and actuarial reports. The AFPRB is composed of nine members as follows: two fire fighters, two police officers, three persons appointed by the governor from a list submitted by the Arkansas Municipal League, one person appointed by the Governor who is not a current or former retiree and who is not a current or former member of the governing body of any political subdivision, and the Director of the Department of Finance and Administration.

In addition to the AFPRB, the FPRF has a board of trustees consisting of seven members. The members are comprised of the city manager, city finance director, city clerk, and four retired members of the pension fund who are elected by secret written ballot annually.

Benefits Provided - Minimum benefits are determined by Arkansas statute. Annual retirement benefits equal 60% of the member's final salary, but not less than \$4,200. Members are eligible for these benefits after 20 years of service. Employees retiring after January 1, 1987, are entitled to additional compensation of \$240 annually for each year worked in excess of 20 years, up to a maximum additional annual compensation of \$1,200. Benefits for participants over age 59 are increased by 1.25% of final salary for each year worked in excess of 25 years up to a maximum of 100% of final salary.

Contributions - Contributions to the FPRF are set forth by Arkansas Code. The City's contribution to the FPRF consists of a one mill real and personal property tax collection and an insurance premium tax turn-back collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen's salaries for active participants. Contributions are paid from the General Fund. There were no active or deferred retirement option (DROP) plan members in 2021. Membership consisted of 13 retirees and beneficiaries receiving benefits at December 31, 2021. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the FPRF are established by Arkansas Code and may not be less than 6%.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 14: FIREMEN PENSIONS (CONTINUED)

Cost of Living Adjustment (COLA) - The board of trustees has the ability to make ad hoc cost of living adjustments (COLA) and other benefit improvements through a process that requires actuarial soundness and approval by the Pension Review Board. Therefore, in the opinion of the actuary, any increases are not substantively automatic, and no COLA is included in the determination of the Total Pension Liability.

Method Used to Value Investments - Investments are stated at fair value in the accompanying statement of fiduciary net position. The fair value of marketable investments, including U.S. government securities and corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at the statement of fiduciary net position date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net increase or decrease in fair value of investments reflected in the accompanying statement of changes in fiduciary net position available for benefits represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. Net unrealized gains or losses on investments represent the change in the difference between the cost and market value of the investments at the beginning versus the end of the year. Decrease in fair value totaled \$87,939 for the year ending December 31, 2021.

The FPRF administrative costs are financed through the plan assets as approved by the Board of Trustees. Total 2021 contributions to the FPRF were \$86,410 which were comprised of property taxes collected by the City. There were no active fire employees covered by the FPRF at December 31, 2021.

In addition, Act 1452 of 1999 and Act 1373 of 2003 authorized the distribution of supplement funds to local police and fire plans. Distributions to the FPRF for the year ended December 31, 2021, were \$21,669.

Pension Liabilities, Pension Expense, and Deferred Inflows of Resources Related to Pensions

Funded Status and Funding Progress - At December 31, 2021, the FPRF was fully funded and had a negative net pension liability (net pension asset) of \$(218,923). The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. FPRF has no covered payroll as there are no active employees.

For the year ended December 31, 2021, the City recognized pension expenses of \$79,786. At December 31, 2021 the City reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 131,656	\$ 40,649

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 14: FIREMEN PENSIONS (CONTINUED)

Amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Deferred Outflow/(Inflow) Amounts</u>
2022	\$ 29,621
2023	20,098
2024	13,870
2025	27,418
	<u>\$ 91,007</u>

Actuarial assumptions: The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization	Four years
Asset valuation	Market value of assets
Investment return/discount	5.00%
Mortality	1983 GAM

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Long-term Expected Return on Plan Assets - The long-term expected return on FPRF investments was determined using a building block method with best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all local police and fire pension funds, the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The target allocation and the long-term expected rates of return are shown in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Fixed Income	80%	2.25%
Domestic Equity	10%	4.75%
Foreign Equity	0%	6.25%
Cash and Equivalents	10%	0.25%
	<u>100%</u>	
Expected Inflation		2.50%

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 14: FIREMEN PENSIONS (CONTINUED)

Single Discount Rate - A single discount rate of 5.00% was used to measure the Total Pension Liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.00%. Since the Net Position as projected with future income is sufficient to meet all benefit payments, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Regarding the sensitivity of the Net Pension Liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 5.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage point lower or one-percentage point higher:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
Total Pension Liability	\$ 1,976,398	\$ 1,809,644	\$ 1,666,120
Net Pension Liability (Asset)	\$(52,169)	\$(218,923)	\$(362,447)

A schedule of changes in employer's net pension liability as actuarially determined is as follows:

Total Pension Liability

Service cost	\$ -0-
Interest on total pension liability	87,457
Difference between actual and expected experience	16,506
Assumption change	35,171
Benefit payments	(157,276)
Net Change in Total Pension Liability	(18,142)

Total Pension Liability - Beginning	1,827,786
Total Pension Liability - Ending	<u>\$ 1,809,644</u>

Plan Fiduciary Net Position

Contributions - employer	\$ 86,410
Net investment loss	(40,385)
Benefit payments	(157,276)
Other	315
Net Change in Plan Net Position	(110,936)

Plan Fiduciary Net Position - Beginning	2,139,503
Plan Fiduciary Net Position - Ending	<u>\$ 2,028,567</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 14: FIREMEN PENSIONS (CONTINUED)

Net Pension Liability (Asset)

Interest on total pension liability	\$ 87,457
Difference between actual and expected experience	16,506
Contributions - employer	(86,410)
Net investment loss	40,385
Administrative expense	-0-
Assumption change	35,171
Other	(315)
Net Change in Net Pension Liability (Asset)	<u>92,794</u>

Net Pension Liability (Asset) - Beginning	(311,717)
Net Pension Liability (Asset) - Ending	<u><u>\$ (218,923)</u></u>

Percentage of Total Pension Liability

The *Local Police and Fire Retirement System ("LOPFI")* 112.10%

Plan Description - The City participates in a statewide cost-sharing multi-employer defined benefit pension plan that is administered by the Arkansas Police and Fire Retirement System (LOPFI). LOPFI was established under the authority of Act 364 of the 1981 Arkansas General Assembly. LOPFI policy is established by a seven member board of trustees.

Benefits provided - LOPFI benefit terms are established in accordance with the provisions of Arkansas Code. The authority to establish and amend benefit provisions is set forth in Arkansas statutes and is vested in the Arkansas General Assembly with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect July 1, 1981, are eligible to participate in the Plan.

LOPFI provides retirement, disability, and death benefits to plan members with the benefit amount determined by enrollment in Benefit Program 1, Benefit Program 2, or Deferred Retirement Option Plan.

Contributions - The contribution requirements of employers and employees and the amendments of those requirements are based on the actuary's determination of the rate required to fund the plan. The current employee contribution rate is 8.5% of covered payroll for paid firemen. The City made contributions of \$147,171 to the plan for the year ended December 31, 2021. As of December 31, 2021, the City's required contribution was 23.5% of annual covered payroll.

Pension Liabilities, Pension Expense, and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the City reported a liability of \$1,126,354 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the City's proportion was 0.20089%.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 14: FIREMEN PENSIONS (CONTINUED)

For the year ended December 31, 2021, the City recognized pension expense of \$180,186. At December 31, 2021, the City reported deferred inflows and outflows of resources related to LOPFI from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 125,670	\$ 95
Net difference between projected and actual investment earnings on pension plan investments	-0-	288,664
Changes of assumptions	31,010	-0-
Changes in proportion and differences between employee contributions and share of contributions	20,537	125,994
City contributions subsequent to the measurement date	<u>147,171</u>	
Total	<u>\$ 324,388</u>	<u>\$ 414,753</u>

The amount of \$147,171 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow/Inflow Amounts
2022	\$(30,269)
2023	(37,327)
2024	(127,625)
2025	<u>(42,315)</u>
	<u>\$(237,536)</u>

Actuarial assumptions: The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

Paid Service Assumptions

Wage inflation	3.25%
Price inflation	2.50%
Investment rate of return	7.50%, as adopted by the Board
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market; 20% corridor
Salary increase	3.75% to 18.25%, including inflation
Amortization method	Level percentage of payroll, closed

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 14: FIREMEN PENSIONS (CONTINUED)

Volunteer Service Assumptions

Inflation rate	2.50%
Investment rate of return	7.50%, as adopted by the Board
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market; 20% corridor
Amortization method	Increasing dollar, closed

The mortality table used to measure retired life mortality was the RP-2014 Health Annuitant, Disabled Retiree and Employee mortality tables for males and females.

Long-term Expected Return on Plan Assets - The long-term expected return on LOPFI investments was determined using a building block method in which expected future real rates of return are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in LOPFI's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	25%	0.9%
Domestic Equity	42%	5.1%
Foreign Equity	18%	7.1%
Alternative investments	15%	7.4%

Single Discount Rate - A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. Since the net position as projected with future income is sufficient to meet all benefit payments, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total liability.

Regarding the sensitivity of the Net Pension Liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower or one percentage point higher:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 1,922,570	\$ 1,126,354	\$ 484,255

Pension plan fiduciary net position: LOPFI issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. The financial report along with the actuarial valuation report and required schedules are available from the LOPFI website, www.lopfi-prb.com in the LOPFI Reports section. This report may also be obtained by writing to Arkansas Local Police and Fire Retirement System, P.O. Drawer 34164, Little Rock, Arkansas 72203 or by calling 501-682-1745.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN

Plan description: City employees other than firemen participate in the Arkansas Public Employees' Retirement Plan (the Plan), a multi-employer, cost sharing, defined benefit plan, qualified under Section 401(a) of the Internal Revenue Code, with defined contribution options. The Plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The cost of administering the Plan are paid out of investment earnings. The administration and control of the plan is vested in the Board of Trustees of Arkansas Public Employee's Retirement System (APERS). Membership includes three state and three non-state employees all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State, and the Director of the Department of Finance and Administration. The Plan issues a publicly available financial report that includes financial statements and supplementary information for the plan which is available on the APERS website, www.apers.org. The report may also be obtained by writing to APERS, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201-1015.

Benefits provided: The Plan provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Retirement benefits are determined as a percentage of the members highest 3-year average compensation times the member's years of service.

Current retirement law provides for a 3% cost of living adjustment to all APERS retirees who have been retired or participated in the Deferred Retirement Option Plan (DROP) for at least twelve months on July 1 of each year. Benefit provisions are established by Arkansas law and may be amended only by Arkansas General Assembly.

Contributions: Requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees based on an actuarial determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2021, and 15.32% from June 30, 2021, to December 31, 2021. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

The City's contributions to APERS for the year ended December 31, 2021, totaled \$542,807.

Pension Liabilities, Pension Expense, and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the City reported a liability of \$1,218,355 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportion was 0.15846820%.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2021, the City recognized pension expense (benefit) of \$(208,827). On December 31, 2021, the City reported deferred inflows and outflows of resources related to APERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Changes of assumptions	\$ -	\$ 8,534
Changes in proportion and differences between employer contributions and share of contributions	12,514	197,665
Differences between expected and actual experience	27,884	78,138
Net difference between projected and actual investment earnings on pension plan investments	-	2,138,626
City contributions subsequent to the measurement date	<u>311,664</u>	<u>-</u>
Total	<u>\$ 352,062</u>	<u>\$ 2,422,963</u>

The amount of \$311,664, reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow/Inflow Amounts
	<u> </u>
2022	\$(601,651)
2023	(549,552)
2024	(582,354)
2025	<u>(649,008)</u>
	<u>\$(2,382,565)</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial assumptions: The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level of percent-of-payroll, closed
Remaining amortization	26 years, closed
Asset valuation method	4 year smoothed market with 25% corridor
Investment rate of return	7.15%
Inflation rate	3.25% wage inflation, 2.50% price inflation
Salary increases	3.25% to 9.85%, including inflation
Retirement age	Experienced-based table of rates specific to type of eligibility condition
Mortality table	Based on RP-2000 Combined Healthy Mortality Table, projected to 2020 Projection Scale BB, set forward 2 years for males and 1 year for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average service life for all members	3.9676

Investment Rate of Return: The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Domestic Fixed	18%	0.57%
Absolute Return	5%	3.05%
Real Assets	<u>16%</u>	4.81%
	100%	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary Assumption		<u>2.50%</u>
Net Expected Return		7.43%

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

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate of one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
City's proportionate share of the net pension liability	<u>\$ 3,644,579</u>	<u>\$ 1,218,355</u>	<u>\$ (785,357)</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report. Additional financial and actuarial information is available in APERS' annual financial report for the year ended June 30, 2021. This report can be found on Arkansas Legislative Audit's website at www.arklegaudit.gov. The actuarial valuation report is available from the APERS website, www.apers.org in the GASB 68 Overview section. The report may also be obtained by writing to APERS, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-501-682-7800.

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS

Arkansas Code provides that any municipal City official or employee vested in one of the City's retirement plans with 20 years of service and who attains 55 years of age or at any age after 28 years of service may continue to participate in the City's healthcare plan after retirement. The state of Arkansas has the authority to establish and amend the requirements of the statute. Any employee remaining on the City's insurance is responsible for 100% of the premiums. The City had one former employee participating in the City's insurance during the year ended December 31, 2021.

NOTE 17: FUND BALANCES (GOVERNMENTAL FUNDS)

The fund balances of the City's governmental funds are displayed in five classifications to make the nature and extent of the constraints placed on each government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable - Nonspendable fund balances are not in spendable form or are required to be maintained intact.

Restricted - Restricted fund balances may be spent only for specific purposes stipulated by constitutional provisions, enabling legislation, or external resource providers such as creditors, grantors, or contributors. Restrictions may be changed or lifted only with the consent of the resource providers.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 17: FUND BALANCES (GOVERNMENTAL FUNDS) (CONTINUED)

Committed - Committed fund balances may be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned - Assigned fund balances are intended to be used by the City for specific purposes as determined by the City Manager. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by the City Manager when funds are identified for a specific purpose such as purchasing or constructing capital assets.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. For projects funded by tax exempt debt proceeds and other sources, the debt proceeds are used first.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes when both restricted and unrestricted fund balance is available. When an expenditure is incurred for purposes for which amounts in unrestricted fund balance classifications could be used, the City applies committed amounts, followed by assigned amounts, and finally unassigned amounts. As of December 31, 2021, the fund balances of the City's governmental funds were composed of the following:

	General Fund	Street Fund	Airport Fund	Capital Outlay Fund	Nonmajor Fund	Total Governmental Funds
Nonspendable:						
Inventories		\$ 15,239	\$ 24,047			\$ 39,286
Restricted- expendable						
Street		2,169,822				2,169,822
Airport			960,072			960,072
Capital Outlay						
SW Coop						
maintenance				\$ 25,000		25,000
Animal Control					\$ 16,369	16,369
SW Coop Debt						
Service					112,201	112,201
Unassigned	<u>\$3,588,960</u>			<u>(3,770)</u>		<u>3,585,190</u>
Total Fund						
Balances	<u>\$3,588,960</u>	<u>\$2,185,061</u>	<u>\$ 984,119</u>	<u>\$ 21,230</u>	<u>\$ 128,570</u>	<u>\$ 6,907,940</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 18: SUBSEQUENT EVENTS

While the Covid-19 pandemic continues to cause disruption to the economy of the United States, management does not believe the City has experienced any material financial problems due to the virus. Management implemented CDC guidelines to protect the health of employees and believes operations have been maintained in such a manner as to avoid negative impact from the virus.

During 2022, the City continues to investigate methods and projects to save City resources.

Subsequent events for the Component Unit, Hope Water and Light Commission, are included in the Utility's separately issued financial statements.

Subsequent events were evaluated through November 10, 2022, the date the financial statements were available to be issued. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SINGLE-EMPLOYER PENSION SCHEDULES (FPRF)

MULTI-EMPLOYER PENSION SCHEDULES (APERS and LOPFI)

BUDGETARY COMPARISON SCHEDULES

General Fund
Street Fund
Airport Fund
Capital Outlay Fund

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
(FIREMEN'S PENSION AND RELIEF FUND)
DECEMBER 31, 2021

Schedule of Funding Progress and Related Ratios - Ten Year Data

Fiscal Year Ending	Discount Rate	Total Pension Liability (TPL)	Plan Net Position	Net Pension Liability (NPL)	Net Position as % of TPL	Covered Payroll	NPL as % of Payroll
12/31/2012	5.00%	2,253,469	2,350,364	(96,895)	104.30%	-0-	N/A
12/31/2013	5.00%	2,193,944	2,233,199	(39,255)	101.79%	-0-	N/A
12/31/2014	5.00%	2,148,310	2,211,986	(63,676)	102.96%	-0-	N/A
12/31/2015	5.00%	1,974,306	2,013,813	(39,507)	102.00%	-0-	N/A
12/31/2016	5.00%	2,077,373	2,079,471	(2,098)	100.10%	-0-	N/A
12/31/2017	5.00%	2,022,242	2,036,802	(14,560)	100.72%	-0-	N/A
12/31/2018	5.00%	1,968,068	1,985,323	(17,255)	100.88%	-0-	N/A
12/31/2019	5.00%	1,969,672	2,042,598	(72,926)	103.70%	-0-	N/A
12/31/2020	5.00%	1,827,786	2,139,503	(311,717)	117.05%	-0-	N/A
12/31/2021	5.00%	1,809,644	2,028,567	(218,923)	112.10%	-0-	N/A

Schedule of Contributions - Ten Year Data

Fiscal Year Ending	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Payroll
12/31/2012	\$(21,270)	\$ 76,721	\$(97,991)	-0-	N/A
12/31/2013	(21,847)	87,741	(109,588)	-0-	N/A
12/31/2014	(8,851)	80,504	(89,355)	-0-	N/A
12/31/2015	(14,357)	84,017	(98,374)	-0-	N/A
12/31/2016	-0-	82,557	(82,557)	-0-	N/A
12/31/2017	-0-	83,924	(83,924)	-0-	N/A
12/31/2018	-0-	84,631	(84,631)	-0-	N/A
12/31/2019	-0-	85,778	(85,778)	-0-	N/A
12/31/2020	-0-	85,587	(85,587)	-0-	N/A
12/31/2021	-0-	86,410	(86,410)	-0-	N/A

Key Assumptions:

Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Remaining Amortization	Five years
Asset Valuation	Market value of assets
Investment Return/Discount	5.00%
Mortality	1983 GAM

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
(FIREMEN'S PENSION AND RELIEF FUND)
DECEMBER 31, 2021

Schedule of Changes in Employer's Net Pension Liability and Related Ratios - 10 Year Data*			
Fiscal Year ending December 31,	2021	2020	2019
Total Pension Liability			
Service cost	\$ -	\$ -	\$ -
Interest	87,457	94,522	93,712
Difference between actual & expected experience	16,506	(77,922)	95,549
Assumption change	35,171	-	-
Benefit change	-	-	-
Benefit payments	(157,276)	(158,486)	(187,657)
Net Change in Total Pension Liability	(18,142)	(141,886)	1,604
Total Pension Liability - Beginning	1,827,786	1,969,672	1,968,068
Total Pension Liability - Ending	<u>\$ 1,809,644</u>	<u>\$ 1,827,786</u>	<u>\$ 1,969,672</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 86,410	\$ 85,587	\$ 85,778
Contributions - other	-	-	-
Net investment income	(40,385)	168,055	159,154
Benefit payments	(157,276)	(158,486)	(187,657)
Supplements	-	-	-
Administrative expense	-	-	-
Other	315	1,749	-
Net Change in Plan Net Position	(110,936)	96,905	57,275
Plan Fiduciary Net Position - Beginning	2,139,503	2,042,598	1,985,323
Plan Fiduciary Net Position - Ending	<u>\$ 2,028,567</u>	<u>\$ 2,139,503</u>	<u>\$ 2,042,598</u>
Plan Fiduciary Net Position as % of Total Pension Liability	112.10%	117.05%	103.70%
Covered Employee Payroll			
Net Pension Liability as % of Covered Employee Payroll	N/A	N/A	N/A

* Information for years prior to 2013 is not available.

Schedule of Investment Returns	
Fiscal Year Ending December 31	Annual Money-weighted Rate of Return
2012	4.63%
2013	-1.26%
2014	3.39%
2015	-4.93%
2016	8.14%
2017	3.01%
2018	2.60%
2019	3.31%
2020	8.37%
2021	-1.92%

Rates of return are net of investment expenses. The actuary calculated these rates using the provided information; therefore, these are annual money-weighted rates. Monthly money-weighted returns were not available.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
(FIREMEN'S PENSION AND RELIEF FUND)
DECEMBER 31, 2021

Schedule of Changes in Employer's Net Pension Liability and Related Ratios - 10 Year Data (Continued)*			
Fiscal Year ending December 31,	2018	2017	2016
Total Pension Liability			
Service cost	\$ -	\$ -	\$ -
Interest	96,420	99,177	94,305
Difference between actual & expected experience	37,063	33,349	28,334
Assumption change	-	-	-
Benefit change	-	-	156,844
Benefit payments	(187,657)	(187,657)	(176,416)
Net Change in Total Pension Liability	(54,174)	(55,131)	103,067
Total Pension Liability - Beginning	2,022,242	2,077,373	1,974,306
Total Pension Liability - Ending	<u>\$ 1,968,068</u>	<u>\$ 2,022,242</u>	<u>\$ 2,077,373</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 84,631	\$ 83,924	\$ 82,557
Contributions - other	-	-	-
Net investment income (loss)	51,644	61,099	160,119
Benefit payments	(187,657)	(187,657)	(176,416)
Supplements	-	-	-
Administrative expense	(97)	(35)	(926)
Other	-	-	324
Net Change in Plan Net Position	(51,479)	(42,669)	65,658
Plan Fiduciary Net Position - Beginning	2,036,802	2,079,471	2,013,813
Plan Fiduciary Net Position - Ending	<u>\$ 1,985,323</u>	<u>\$ 2,036,802</u>	<u>\$ 2,079,471</u>
Plan Fiduciary Net Position as % of Total Pension Liability	100.88%	100.72%	100.10%
Covered Employee Payroll			
Net Pension Liability as % of Covered Employee Payroll	N/A	N/A	N/A

* Information for years prior to 2013 is not available.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
(FIREMEN'S PENSION AND RELIEF FUND)
DECEMBER 31, 2021

Schedule of Changes in Employer's Net Pension Liability and Related Ratios - 10 Year Data (Continued)*			
Fiscal Year ending December 31,	2015	2014	2013
Total Pension Liability			
Service cost	\$ -	\$ -	\$ -
Interest	103,030	105,304	108,280
Difference between actual & expected experience	(101,606)	24,790	7,923
Assumption change	-	-	-
Benefit change	-	-	-
Benefit payments	(175,428)	(175,728)	(175,728)
Net Change in Total Pension Liability	(174,004)	(45,634)	(59,525)
Total Pension Liability - Beginning	2,148,310	2,193,944	2,253,469
Total Pension Liability - Ending	<u>\$ 1,974,306</u>	<u>\$ 2,148,310</u>	<u>\$ 2,193,944</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 84,017	\$ 80,504	\$ 87,741
Contributions - other	-	16,055	12,025
Net investment income (loss)	(106,702)	74,071	(29,098)
Benefit payments	(175,428)	(175,728)	(175,728)
Supplements	-	(16,055)	(12,025)
Administrative expense	(60)	(60)	(80)
Other	-	-	-
Net Change in Plan Net Position	(198,173)	(21,213)	(117,165)
Plan Fiduciary Net Position - Beginning	2,211,986	2,233,199	2,350,364
Plan Fiduciary Net Position - Ending	<u>\$ 2,013,813</u>	<u>\$ 2,211,986</u>	<u>\$ 2,233,199</u>
Plan Fiduciary Net Position as % of Total Pension Liability	102.00%	102.96%	101.79%
Covered Employee Payroll			
Net Pension Liability as % of Covered Employee Payroll	N/A	N/A	N/A

* Information for year prior to 2013 is not available.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
DECEMBER 31, 2021

Schedule of the City's Proportionate Share of the Net Pension Liability of Multi-Employer Cost Sharing Plans - Last Ten Years*

APERS	<u>2021</u>
City's proportion of the net pension liability	.15846820%
City's proportionate share of the net pension liability	\$ 1,218,355
City's covered-employee payroll	\$ 3,153,126
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.64%
Plan fiduciary net position as a percentage of the total pension liability	93.57%

* Information for years prior to 2015 is not available.

* Information in this schedule has been determined as of the measurement date (June 30 of the fiscal year) of the City's net pension liability.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
DECEMBER 31, 2021

Schedule of the City's Proportionate Share of the Net Pension Liability of Multi-Employer Cost Sharing Plans - Last Ten Years* (Continued)

APERS	<u>2020</u>
City's proportion of the net pension liability	.16640706%
City's proportionate share of the net pension liability	\$ 4,765,207
City's covered-employee payroll	\$ 3,247,791
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.72%
Plan fiduciary net position as a percentage of the total pension liability	75.38%
APERS	<u>2019</u>
City's proportion of the net pension liability	.17005624%
City's proportionate share of the net pension liability	\$ 4,102,656
City's covered-employee payroll	\$ 3,194,076
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.45%
Plan fiduciary net position as a percentage of the total pension liability	78.55%
APERS	<u>2018</u>
City's proportion of the net pension liability	.16794924%
City's proportionate share of the net pension liability	\$ 3,704,851
City's covered-employee payroll	\$ 3,148,992
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	117.65%
Plan fiduciary net position as a percentage of the total pension liability	79.59%

* Information for years prior to 2015 is not available.

* Information in this schedule has been determined as of the measurement date (June 30 of the fiscal year) of the City's net pension liability.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
DECEMBER 31, 2021

Schedule of the City's Proportionate Share of the Net Pension Liability of Multi-Employer Cost Sharing Plans - Last Ten Years* (Continued)

APERS	<u>2017</u>
City's proportion of the net pension liability	0.17435540%
City's proportionate share of the net pension liability	\$ 4,505,588
City's covered-employee payroll	\$ 3,209,646
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.38%
Plan fiduciary net position as a percentage of the total pension liability	75.65%
APERS	<u>2016</u>
City's proportion of the net pension liability	0.17136554%
City's proportionate share of the net pension liability	\$ 4,097,947
City's covered-employee payroll	\$ 3,133,975
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.76%
Plan fiduciary net position as a percentage of the total pension liability	75.50%
APERS	<u>2015</u>
City's proportion of the net pension liability	0.16959341%
City's proportionate share of the net pension liability	\$ 3,123,458
City's covered-employee payroll	\$ 2,979,203
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	104.84%
Plan fiduciary net position as a percentage of the total pension liability	80.39%

* Information for years prior to 2015 is not available.

* Information in this schedule has been determined as of the measurement date (June 30 of the fiscal year) of the City's net pension liability.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
DECEMBER 31, 2021

Schedule of the City's Proportionate Share of the Net Pension Liability of Multi-Employer Cost Sharing Plans - Last Ten Years* (Continued)

LOPFI	<u>2021</u>
City's proportion of the net pension liability	0.200890%
City's proportionate share of the net pension liability	\$ 1,126,354
City's covered-employee payroll	\$ 609,009
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.95%
Plan fiduciary net position as a percentage of the total pension liability	77.68%

* Information prior to 2015 is not available.

* Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year end) of the City's net pension liability.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
DECEMBER 31, 2021

Schedule of the City's Proportionate Share of the Net Pension Liability of Multi-Employer Cost Sharing Plans - Last Ten Years* (Continued)

LOPFI	<u>2020</u>
City's proportion of the net pension liability	0.222760%
City's proportionate share of the net pension liability	\$ 1,429,905
City's covered-employee payroll	\$ 655,273
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	218.22%
Plan fiduciary net position as a percentage of the total pension liability	73.03%
LOPFI	<u>2019</u>
City's proportion of the net pension liability	0.229850%
City's proportionate share of the net pension liability	\$ 1,169,767
City's covered-employee payroll	\$ 618,319
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.18%
Plan fiduciary net position as a percentage of the total pension liability	65.84%
LOPFI	<u>2018</u>
City's proportion of the net pension liability	0.222987%
City's proportionate share of the net pension liability	\$ 1,305,577
City's covered-employee payroll	\$ 608,914
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.41%
Plan fiduciary net position as a percentage of the total pension liability	71.17%

* Information prior to 2015 is not available.

* Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year end) of the City's net pension liability.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
DECEMBER 31, 2021

Schedule of the City's Proportionate Share of the Net Pension Liability of Multi-Employer Cost Sharing Plans - Last Ten Years* (Continued)

LOPFI	<u>2017</u>
City's proportion of the net pension liability	0.241980%
City's proportionate share of the net pension liability	\$ 1,094,996
City's covered-employee payroll	\$ 613,638
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.44%
Plan fiduciary net position as a percentage of the total pension liability	72.46%
LOPFI	<u>2016</u>
City's proportion of the net pension liability	0.223852%
City's proportionate share of the net pension liability	\$ 909,828
City's covered-employee payroll	\$ 545,145
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.90%
Plan fiduciary net position as a percentage of the total pension liability	72.41%
LOPFI	<u>2015</u>
City's proportion of the net pension liability	0.224400%
City's proportionate share of the net pension liability	\$ 629,006
City's covered-employee payroll	\$ 551,859
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	113.98%
Plan fiduciary net position as a percentage of the total pension liability	78.42%

* Information prior to 2015 is not available.

* Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year end) of the City's net pension liability.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS)
DECEMBER 31, 2021

Schedule of the City's Contributions to APERS - Last Ten Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required	\$ 541,624	\$ 500,931	\$ 497,295	\$ 476,085	\$ 460,745
Contributions in relation to the statutorily required	<u>541,624</u>	<u>500,931</u>	<u>497,295</u>	<u>476,085</u>	<u>460,745</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 3,535,402	\$ 3,270,208	\$ 3,246,055	\$ 3,168,554	\$ 3,145,852
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.03%	14.65%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required	\$ 453,405	\$ 456,411	\$ 441,436	\$ 417,608	\$ 390,477
Contributions in relation to the statutorily required	<u>453,405</u>	<u>456,411</u>	<u>441,436</u>	<u>417,608</u>	<u>390,477</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 3,127,009	\$ 3,108,605	\$ 2,979,203	\$ 2,867,511	\$ 2,822,687
Contributions as a percentage of covered-employee payroll	14.50%	14.68%	14.82%	14.56%	13.83%

* Information in this schedule has been determined as of the City's most recent fiscal year end.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (LOPFI)
DECEMBER 31, 2021

Schedule of the City's Contributions to LOPFI - Last Ten Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required	\$ 147,171	\$ 145,241	\$ 154,737	\$ 140,465	\$ 131,648
Contributions in relation to the statutorily required	<u>147,171</u>	<u>145,241</u>	<u>154,737</u>	<u>140,465</u>	<u>131,648</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 641,049	\$ 609,009	\$ 655,273	\$ 618,319	\$ 608,914
Contribution as a percentage of covered-employee payroll	22.95%	23.85%	23.61%	22.72%	21.62%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required	\$ 124,719	\$ 104,875	\$ 100,197	\$ 91,427	\$ 84,986
Contributions in relation to the statutorily required	<u>124,719</u>	<u>104,875</u>	<u>100,197</u>	<u>91,427</u>	<u>84,986</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 613,638	\$ 545,145	\$ 551,859	\$ 530,924	\$ 522,631
Contribution as a percentage of Covered-employee payroll	20.32%	19.24%	18.16%	17.22%	16.26%

* Information in this schedule has been determined as of the City's most recent fiscal year end.

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax	\$ 3,695,000	\$ 3,695,000	\$ 4,067,077	\$ 372,077
Property tax	450,000	450,000	434,825	(15,175)
State general turnback	212,000	212,000	227,034	15,034
Franchise taxes	180,000	180,000	148,140	(31,860)
Licenses and permits	11,500	11,500	18,499	6,999
Fines, forfeitures, and fees	341,500	341,500	312,021	(29,479)
Grants/Contributions	53,170	53,170	1,034,736	981,566
Interest and dividend income	225	225	1,725	1,500
Other income	391,000	391,000	405,176	14,176
Total Revenues	<u>5,334,395</u>	<u>5,334,395</u>	<u>6,649,233</u>	<u>1,314,838</u>
Expenditures				
Law enforcement	2,658,584	2,658,584	2,495,929	162,655
Public safety	905,182	905,182	971,863	(66,681)
Recreation and culture	781,877	781,877	537,593	244,284
General government	828,792	828,792	1,399,689	(570,897)
Total Expenditures	<u>5,174,435</u>	<u>5,174,435</u>	<u>5,405,074</u>	<u>(230,639)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>159,960</u>	<u>159,960</u>	<u>1,244,159</u>	<u>1,084,199</u>
Other Financing Sources (Uses)				
Transfers in	730,000	730,000	605,000	(125,000)
Transfers (out)	(826,562)	(826,562)	(795,968)	30,594
Total Other Financing Sources (Uses)	<u>(96,562)</u>	<u>(96,562)</u>	<u>(190,968)</u>	<u>(94,406)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>63,398</u>	<u>63,398</u>	<u>1,053,191</u>	<u>989,793</u>
Fund Balance - Beginning	<u>2,535,769</u>	<u>2,535,769</u>	<u>2,535,769</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,599,167</u>	<u>\$ 2,599,167</u>	<u>\$ 3,588,960</u>	<u>\$ 989,793</u>

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State street turnback	\$ 775,000	\$ 775,000	\$ 806,078	\$ 31,078
Property tax	55,000	55,000	51,873	(3,127)
Interest income	3,000	3,000	1,844	(1,156)
Grants/Contributions	400,000	400,000	-	(400,000)
Other income	643,581	643,581	2,881	(640,700)
Total Revenues	<u>1,876,581</u>	<u>1,876,581</u>	<u>862,676</u>	<u>(1,013,905)</u>
Expenditures				
Operations and maintenance	2,397,081	2,397,081	537,639	1,859,442
Capital expenditures	9,500	9,500	477,770	(468,270)
Debt service:				
Principal	15,000	15,000	23,048	(8,048)
Interest	-	-	335	(335)
Total Expenditures	<u>2,421,581</u>	<u>2,421,581</u>	<u>1,038,792</u>	<u>1,382,789</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(545,000)</u>	<u>(545,000)</u>	<u>(176,116)</u>	<u>368,884</u>
Other Financing Sources (Uses)				
Transfers in	545,000	545,000	545,000	-
Transfers (out)	-	-	(101,121)	(101,121)
Total Other Financing Sources (Uses)	<u>545,000</u>	<u>545,000</u>	<u>443,879</u>	<u>(101,121)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>267,763</u>	<u>267,763</u>
Fund Balance - Beginning	<u>1,917,298</u>	<u>1,917,298</u>	<u>1,917,298</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,917,298</u>	<u>\$ 1,917,298</u>	<u>\$ 2,185,061</u>	<u>\$ 267,763</u>

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Lease revenue	\$ 50,000	\$ 50,000	\$ 55,856	\$ 5,856
Rail spur maintenance	98,000	98,000	94,520	(3,480)
Grants/contributions	216,000	216,000	46,645	(169,355)
Other income	131,300	131,300	72,520	(58,780)
Total Revenues	<u>495,300</u>	<u>495,300</u>	<u>269,541</u>	<u>(225,759)</u>
Expenditures				
General government	495,300	495,300	148,849	346,451
Capital outlay	-	-	42,540	(42,540)
Total Expenditures	<u>495,300</u>	<u>495,300</u>	<u>191,389</u>	<u>303,911</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>78,152</u>	<u>78,152</u>
Other Financing Sources (Uses)				
Transfers (out)	-	-	(30,000)	(30,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>48,152</u>	<u>48,152</u>
Fund Balance - Beginning of Year	<u>935,967</u>	<u>935,967</u>	<u>935,967</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 935,967</u>	<u>\$ 935,967</u>	<u>\$ 984,119</u>	<u>\$ 48,152</u>

CITY OF HOPE, ARKANSAS
REQUIRED SUPPLEMENTARY INFORMATION
CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants/contributions	\$ 460,000	\$ 460,000	\$ 3,481	\$(456,519)
Other income	<u>112,296</u>	<u>112,296</u>	<u>112,296</u>	<u>-</u>
Total Revenues	<u>572,296</u>	<u>572,296</u>	<u>115,777</u>	<u>(456,519)</u>
Expenditures				
Current:				
Law enforcement	-	-	1,744	(1,744)
Debt service:				
Principal	58,312	58,312	58,312	-
Interest	70,520	70,520	70,520	-
Capital outlay	<u>1,116,526</u>	<u>1,116,526</u>	<u>555,750</u>	<u>560,776</u>
Total Expenditures	<u>1,245,358</u>	<u>1,245,358</u>	<u>686,326</u>	<u>559,032</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(673,062)</u>	<u>(673,062)</u>	<u>(570,549)</u>	<u>102,513</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>673,062</u>	<u>673,062</u>	<u>363,239</u>	<u>(309,823)</u>
Total Other Financing Sources and (Uses)	<u>673,062</u>	<u>673,062</u>	<u>363,239</u>	<u>(309,823)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	-	(207,310)	(207,310)
Fund Balance - Beginning of Year	<u>228,540</u>	<u>228,540</u>	<u>228,540</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 228,540</u>	<u>\$ 228,540</u>	<u>\$ 21,230</u>	<u>\$ 207,310</u>

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES - PROPRIETARY FUNDS
SCHEDULE OF OPERATING TRANSFERS

CITY OF HOPE, ARKANSAS
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Sanitation fees	\$ 1,292,400	\$ 1,550,663	\$ 258,263
Other	82,500	-	(82,500)
Total Revenues	<u>1,374,900</u>	<u>1,550,663</u>	<u>175,763</u>
Operating Expense			
Landfill post closure costs	-	(220,829)	220,829
Operations and maintenance	1,242,241	1,139,951	102,290
Depreciation and amortization	<u>29,100</u>	<u>302,261</u>	<u>(273,161)</u>
Total Operating Expense	<u>1,271,341</u>	<u>1,221,383</u>	<u>49,958</u>
Net Income (Loss) from Operations	<u>103,559</u>	<u>329,280</u>	<u>225,721</u>
Nonoperating Revenues (Expense)			
Interest income	-	941	941
Interest expense	(305,800)	(66,438)	239,362
Fiduciary fees	<u>-</u>	<u>(2,050)</u>	<u>(2,050)</u>
Total Nonoperating Revenue (Expense)	<u>(305,800)</u>	<u>(67,547)</u>	<u>238,253</u>
Income (Loss) Before Operating Transfers	(202,241)	261,733	463,974
Operating Transfers			
Transfers in	<u>202,241</u>	<u>202,242</u>	<u>(1)</u>
Changes in Net Position	-	463,975	463,975
Net Position - Beginning	<u>(95,977)</u>	<u>(95,977)</u>	<u>-</u>
Net Position - Ending	<u><u>\$(95,977)</u></u>	<u><u>\$ 367,998</u></u>	<u><u>\$ 463,975</u></u>

CITY OF HOPE, ARKANSAS
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Wastewater fees	\$ 1,451,350	\$ 1,466,945	\$ 15,595
Other	123,000	82,395	(40,605)
Total Revenues	<u>1,574,350</u>	<u>1,549,340</u>	<u>(25,010)</u>
Operating Expense			
Operations and maintenance	684,129	479,289	204,840
Depreciation and amortization	<u>151,100</u>	<u>296,569</u>	<u>(145,469)</u>
Total Operating Expense	<u>835,229</u>	<u>775,858</u>	<u>59,371</u>
Net Income (Loss) from Operations	<u>739,121</u>	<u>773,482</u>	<u>34,361</u>
Nonoperating Revenues (Expense)			
Interest income	16,000	1,052	(14,948)
Interest expense	(654,000)	(352,631)	301,369
Fiduciary fees	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Total Nonoperating Revenue (Expense)	<u>(638,000)</u>	<u>(356,579)</u>	<u>281,421</u>
Income (Loss) Before Operating Transfers	101,121	416,903	315,782
Operating Transfers			
Transfers out	<u>(101,121)</u>	<u>(101,121)</u>	<u>-</u>
Changes in Net Position	-	315,782	315,782
Net Position - Beginning of Year	<u>83,902</u>	<u>83,902</u>	<u>-</u>
Net Position - Ending	<u>\$ 83,902</u>	<u>\$ 399,684</u>	<u>\$ 315,782</u>

CITY OF HOPE, ARKANSAS
SCHEDULE OF OPERATING TRANSFERS
DECEMBER 31, 2021

Transferred from Fund:	Recipient Funds					Total Transfers to Other Funds
	General Fund	Street Fund	Capital Outlay Fund	Sanitation	Firemen's Pension and Relief Fund	
General	-	\$ 545,000	\$ 200,000	-	\$ 50,968	\$ 795,968
Street	-	-	-	\$ 101,121	-	101,121
Airport	\$ 30,000	-	-	-	-	30,000
Wastewater	-	-	-	101,121	-	101,121
Component Unit:						
Hope Water and Light	575,000	-	60,000	-	-	635,000
Tourism	-	-	103,239	-	-	103,239
Total Received	<u>\$ 605,000</u>	<u>\$ 545,000</u>	<u>\$ 363,239</u>	<u>\$ 202,242</u>	<u>\$ 50,968</u>	<u>\$ 1,766,449</u>

INTERNAL CONTROL AND COMPLIANCE SECTION

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*

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH CERTAIN STATE ACTS

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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***

City Manager and Board of Directors
City of Hope, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hope, Arkansas (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 10, 2022.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. Material weaknesses, however, may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City of Hope Arkansas 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*.

City Manager and Board of Directors
City of Hope, Arkansas

Purpose of the 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 10, 2022

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Independent Accountant's Report on Compliance with Certain State Acts

City Manager and Board of Directors
City of Hope, Arkansas

We have examined management's assertions that the City of Hope, Arkansas, complied with the requirements of the *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2021.

- (1) Arkansas Municipal Account Law of 1973, § 14-59-101 et seq.
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.
- (3) Improvement contracts, §§ 22-9-202 - 22-9-204
- (4) Budgets, purchases and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.
- (5) Investment of public fund, § 19-1-501 et seq.
- (6) Deposit of public funds, §§ 19-8-101 - 19-8-107

Management of the City is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and preform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the City of Hope, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2021, is fairly stated, in all material respects.

This report is intended solely for the information and use of the governing body, management, and the State of Arkansas, and is not intended to be and should not be used by anyone other than these specified parties.

William C Miller, LLC

November 10, 2022