

Hope Water and Light Commission
Component Unit of City of Hope, Arkansas
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 and DECEMBER 31, 2020

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HOPE WATER AND LIGHT COMMISSION
Component Unit of the City of Hope, Arkansas
December 31, 2021 and 2020

TABLE OF CONTENTS

Independent Auditor's Report

Independent Auditor's Report - - - - - 1 - 3

Management's Discussion and Analysis - - - - - 5 - 8

BASIC FINANCIAL STATEMENTS

Statements of Net Position - - - - - 10 - 11

Statements of Revenue, Expenses, and Changes in Net Position - - - - - 12

Statements of Cash Flows - - - - - 13 - 14

Notes to Financial Statements - - - - - 15 - 31

REQUIRED SUPPLEMENTARY INFORMATION

Summary of Utility's Proportionate Share (Unaudited) - - - - - 33

Summary of Utility's Contributions (Unaudited) - - - - - 34

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenses, and Changes in Net Position - Water and Electric - - - - - 36

Schedule of Operating Expenses - Water and Electric - - - - - 37

Miscellaneous (Unaudited) - - - - - 38 - 45

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* - - - - - 47 - 48

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INDEPENDENT AUDITOR'S REPORT

To the Members
Hope Water and Light Commission
Hope, Arkansas

Opinions

We have audited the accompanying financial statements of the business-type activities of Hope Water and Light Commission, a component unit of the City of Hope, Arkansas, as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Hope Water and Light Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hope Water and Light Commission as of December 31, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Hope Water and Light Commission 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 Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Hope Water and Light Commission 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 Hope Water and Light Commission. 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 Hope Water and Light Commission 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 and pension trend information on page 5 through 8 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Hope Water and Light Commission. The schedule of revenues, expenses and changes in net position - water and electric and the schedule of operating expenses - water and electric are presented for additional analysis and are not a required part of the basic financial statements.

Supplementary Information - Continued

The schedule of revenues, expenses and changes in net position - water and electric and the schedule of operating expenses - water and electric are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information - miscellaneous is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary section - miscellaneous has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2022, on our consideration of Hope Water and Light Commission'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 Hope Water and Light Commission's internal control over financial reporting and compliance.

September 2, 2022

William C Miller, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOPE WATER AND LIGHT COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021 AND 2020

We, the management of Hope Water and Light Commission (the Utility), offer all parties interested in the financial position of Hope Water and Light Commission this narrative overview and analysis of financial activities for the fiscal year ended December 31, 2021 and 2020. We encourage readers to consider the information presented herein.

To ensure the integrity of our financial statements, the Utility maintains a system of internal accounting controls. These internal controls have been put in place so that the Utility's assets are properly safeguarded and the books and records reflect only those transactions that have been duly authorized. Management evaluates controls on an ongoing basis.

Based on the statements above, it is management's assertion that the financial statements do not omit or improperly include untrue statements of a material fact or include statements of a misleading nature.

Financial Highlights

Total assets at December 31, 2021, exceeded liabilities by \$43,854,447. Of this amount, \$8,231,529 may be used to meet the Utility's ongoing obligations to customers and creditors in accordance with the Utility's fund designations and fiscal policies. An additional \$13,157,054 is restricted to meet the Utility's water and electric debt service requirements.

In 2021, net position decreased by \$146,673 compared to an increase of \$1,569,906 in 2020. Operating revenues increased by \$7,695,737 and operating expenses increased by \$9,139,789. This was mostly due to the winter storms in February 2021, and extremely low temperatures as compared to 2020. In March, 2021, the Utility received a power bill from AEP/SWEPCO for \$6,365,509 which was nearly five times normal cost. Since this is a pass through charge to utility customers, it increases the revenue that is received by the Utility. The storm created an increase in expense of \$5,000,000. The Commission voted to pay the entire \$5,000,000 from cash and certificates of deposit and only \$2,000,000 of that \$5,000,000 would be collected from customers through the PCA calculation over a 24 month period. The Commission voted to only collect \$2,000,000 of the \$5,000,000 that was paid. More businesses and activities were in full swing in 2021 than in 2020, using more electricity and water. All these factors contributed to the increase in revenue and the increase in expenses for 2021.

Total operating revenues for the water and electric systems for 2021 were \$32,486,496, an increase from 2020 revenues by \$7,680,983. Broadband operating revenues totaled \$51,859, an increase of \$14,754.

Total operating expenses for the water and electric systems for 2021 were \$31,789,766, an increase from 2020 expenses by \$9,102,546, and for broadband were \$46,015, an increase of \$37,243.

Overview of the Basic Financial Statements

The discussion and analysis is intended to serve as an introduction to Hope Water and Light Commission's Basic Financial Statements. The Basic Financial Statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. This report also contains supplementary information that allocates revenues, expenses, and changes in net position between the water and electric services.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the finances of the Utility in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the assets and liabilities of the Utility, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Utility is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The functions of the Utility are intended to recover all or a significant portion of their costs through user fees and charges and are considered business-type activities.

HOPE WATER AND LIGHT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021 AND 2020

The Financial Statements - Continued

The Utility uses an enterprise fund, which is a type of proprietary fund, to account for its water, electric, and broadband operations. The propriety fund financial statements provide separate information for the water, electric, and broadband operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. Refer to pages 15 through 31 of the Basic Financial Statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Utility's financial position. Assets exceeded liabilities by \$43,854,447 as of December 31, 2021.

The net investment in capital assets (i.e., land, utility plant, building, and other improvements, machinery and equipment, water rights, and construction in progress), less any outstanding debt used to acquire those assets, is 49.21% \$20,722,643 of net position. The Utility uses these capital assets to provide service to customers; consequently these assets are not available for future spending. Although the Utility's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be liquidated to satisfy outstanding debt obligations.

Net Position	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 14,853,532	\$ 16,003,131	\$ 16,275,325
Non-current assets:			
Restricted assets	13,157,054	3,983,417	4,524,677
Capital assets:			
Net of depreciation	<u>38,363,248</u>	<u>37,713,455</u>	<u>35,970,319</u>
Total assets	<u>66,373,834</u>	<u>57,700,003</u>	<u>56,770,321</u>
Deferred outflows or resources	<u>424,444</u>	<u>1,008,079</u>	<u>594,786</u>
Current liabilities	3,965,794	3,909,109	4,252,346
Non-current liabilities	<u>18,553,593</u>	<u>12,440,559</u>	<u>12,207,660</u>
Total liabilities	<u>22,519,387</u>	<u>16,349,668</u>	<u>16,460,006</u>
Deferred inflow of resources	<u>2,167,665</u>	<u>100,515</u>	<u>217,108</u>
Net invested in capital assets	20,722,643	29,079,175	26,624,666
Restricted	13,157,054	3,716,145	4,044,939
Unrestricted	<u>8,231,529</u>	<u>9,462,579</u>	<u>10,018,388</u>
	<u>\$ 42,111,226</u>	<u>\$ 42,257,899</u>	<u>\$ 40,687,993</u>

Approximately twenty percent (\$8,231,529) of net position represents unrestricted net position that may be used to meet ongoing obligations to customers and creditors. An additional thirty one percent (\$13,157,054) represents restricted assets to meet water and electric debt service.

As of December 31, 2021, the Utility is able to report positive balances in all three categories of net position.

HOPE WATER AND LIGHT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021 AND 2020

ANALYSIS OF THE UTILITY'S OPERATIONS

The following table provides a summary of operations for the years ended December 31, 2021 and 2020. Net position decreased by \$146,673 compared to the fiscal year ending 2020. Both revenues and expenses were greater in the current year.

CHANGES IN NET POSITION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenue	\$ 32,538,355	\$ 24,842,618	\$ 29,123,871
Operating expenses	<u>31,835,781</u>	<u>22,695,992</u>	<u>25,941,914</u>
Operating income	702,574	2,146,626	3,181,957
Nonoperating revenue (expenses)	(314,932)	(15,105)	109,055
Capital contributions	100,685	13,385	15,301
Transfers out (City of Hope)	<u>(635,000)</u>	<u>(575,000)</u>	<u>(575,000)</u>
Change in net position	(146,673)	1,569,906	2,731,313
Net position - beginning of year	<u>42,257,899</u>	<u>40,687,993</u>	<u>37,956,680</u>
Net position - end of year	<u><u>\$ 42,111,226</u></u>	<u><u>\$ 42,257,899</u></u>	<u><u>\$ 40,687,993</u></u>

KILOWATT-HOURS BILLED
(000s omitted)

<u>Type of Customer</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Residential	66,040	63,315	68,068
Small commercial	18,402	17,888	19,497
Large commercial	13,364	13,242	14,533
Light and power	74,981	70,193	73,006
Industrial	43,145	40,961	78,462
Interdepartmental	3,582	3,452	3,343
Area lighting	<u>3,179</u>	<u>3,407</u>	<u>3,470</u>
	<u><u>222,693</u></u>	<u><u>212,458</u></u>	<u><u>260,379</u></u>

GALLONS BILLED
(000s omitted)

<u>Type of Customer</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Residential	212,949	216,682	216,129
Commercial	236,460	219,243	231,078
Industrial	366,005	356,080	359,426
Wholesale	146,910	143,709	137,215
Interdepartmental	<u>331</u>	<u>267</u>	<u>455</u>
Total	<u><u>962,655</u></u>	<u><u>935,981</u></u>	<u><u>944,303</u></u>

HOPE WATER AND LIGHT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2021 AND 2020

CAPITAL ASSETS

The Utility's capital assets as of December 31, 2021, totals \$38,363,248 (net of accumulated depreciation). Capital assets include land, utility plant, buildings and other improvements, machinery and equipment, and construction in progress. Major capital asset events during the current fiscal year included the following:

*	Fiber Projects	\$ 1,186,685
*	Office Reservoir Rehabilitation	113,155
*	Front Parking Lot East End	42,920
*	SCADA Upgrade	37,750
*	25 Foot Equipment Trailer	12,813
*	2 Ton Air Conditioner - Server Room	9,653
*	River Transfer Switch	8,040
*	Limo Silo	7,734

**CAPITAL ASSETS
(Net of Depreciation)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 813,126	\$ 825,406	\$ 844,954
Utility plant	17,775,513	18,635,491	19,378,868
Building & other improvements	982,189	1,014,915	1,108,983
Machinery & equipment	3,224,444	3,568,319	3,527,770
Water rights	662,422	662,422	662,422
Construction in progress	14,905,554	13,006,902	10,447,322
Total capital assets	<u>\$ 38,363,248</u>	<u>\$ 37,713,455</u>	<u>\$ 35,970,319</u>

If you have questions about this report or need any additional information, please contact Hope Water and Light Commission, Attn: General Manager, Administrative Services, P.O. Box 2020, Hope, AR 71802, call (870) 777-3000 or email CustomerService@hope-wl.com.

BASIC FINANCIAL STATEMENTS

HOPE WATER AND LIGHT COMMISSION
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash	\$ 6,101,936	\$ 8,984,112
Investments	2,100,000	3,700,561
Receivables (net of allowance for uncollectible):		
Accounts	6,020,288	2,722,464
Accrued interest	444	614
Inventories	384,476	443,321
Prepaid expenses	246,388	152,059
Total current assets	<u>14,853,532</u>	<u>16,003,131</u>
Non-current assets:		
Restricted assets:		
Cash	9,079,217	206,494
Investments	4,077,429	3,775,587
Accrued interest receivable	408	1,336
Total restricted assets	<u>13,157,054</u>	<u>3,983,417</u>
Capital assets (net of accumulated depreciation)		
Land	813,126	825,406
Utility plant	17,775,513	18,635,491
Building and other improvements	982,189	1,014,915
Machinery and equipment	3,224,444	3,568,319
Water rights	662,422	662,422
Construction in progress	14,905,554	13,006,902
Total Capital Assets	<u>38,363,248</u>	<u>37,713,455</u>
Total Non-current assets	<u>51,520,302</u>	<u>41,696,872</u>
Total Assets	<u>66,373,834</u>	<u>57,700,003</u>
Deferred Outflows Of Resources		
Deferred amounts on refunding	134,303	144,439
Deferred pension outflows	290,141	863,640
Total deferred outflows	<u>424,444</u>	<u>1,008,079</u>
Total	<u><u>\$ 66,798,278</u></u>	<u><u>\$ 58,708,082</u></u>

The notes to the financial statements are an integral part of this statement.

HOPE WATER AND LIGHT COMMISSION
STATEMENTS OF NET POSITION (CONTINUED)
AS OF DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Liabilities		
Current liabilities:		
Account payable	\$ 1,748,739	\$ 2,173,984
Due to other government agencies	254,175	215,468
Accrued liabilities	294,919	250,868
Accrued interest	99,793	38,901
Customer deposits	833,492	845,689
Contracts payable - current	16,575	16,150
Accrued compensated absences - current	168,101	178,049
Revenue bonds - current	<u>550,000</u>	<u>190,000</u>
Total current liabilities	<u>3,965,794</u>	<u>3,909,109</u>
Non-current liabilities:		
Accrued compensated absences	284,006	364,539
Net pension liability	1,137,429	4,368,730
Revenue bond	16,659,928	7,218,485
Contracts payable	<u>472,230</u>	<u>488,805</u>
Total non-current liabilities	<u>18,553,593</u>	<u>12,440,559</u>
Total Liabilities	<u>22,519,387</u>	<u>16,349,668</u>
Deferred Inflows Of Resources		
Deferred pension inflows	<u>2,167,665</u>	<u>100,515</u>
Net Position		
Net invested in capital assets	20,722,643	29,079,175
Restricted for electric debt	1,957,107	1,635,104
Restricted for water debt	2,490,864	2,081,041
Restricted for broadband debt	8,709,083	
Unrestricted	<u>8,231,529</u>	<u>9,462,579</u>
Total Net Position	<u>42,111,226</u>	<u>42,257,899</u>
Total	<u>\$ 66,798,278</u>	<u>\$ 58,708,082</u>

The notes to the financial statements are an integral part of this statement.

HOPE WATER AND LIGHT COMMISSION
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenue		
Electric sales	\$ 28,311,016	\$ 20,684,307
Water sales	3,764,445	3,654,036
Broadband sales	51,859	37,105
Penalties and service charges	213,376	216,578
Other income	<u>197,659</u>	<u>250,592</u>
Total operating revenues	<u>32,538,355</u>	<u>24,842,618</u>
Operating expenses		
Cost of sales and services	25,828,443	15,544,932
Distribution	1,800,239	1,843,807
Customer accounts	991,153	978,736
Administration	1,198,320	2,279,214
Depreciation	<u>2,017,626</u>	<u>2,049,303</u>
Total operating expenses	<u>31,835,781</u>	<u>22,695,992</u>
Operating income	<u>702,574</u>	<u>2,146,626</u>
Nonoperating revenues (expenses)		
Interest revenue	158,840	303,680
Interest expenses	(230,115)	(124,159)
Bond issuance, other costs	(166,432)	(92,310)
Disposal of assets	<u>(77,225)</u>	<u>(102,316)</u>
Net nonoperating revenues (expenses)	<u>(314,932)</u>	<u>(15,105)</u>
Income before capital contributions and transfers	387,642	2,131,521
Capital contributions	100,685	13,385
Transfers out: City of Hope, Arkansas - General Fund	<u>(635,000)</u>	<u>(575,000)</u>
Change in net position	(146,673)	1,569,906
Net position - beginning	<u>42,257,899</u>	<u>40,687,993</u>
Net position - ending	<u>\$ 42,111,226</u>	<u>\$ 42,257,899</u>

The notes to the financial statements are an integral part of this statement.

HOPE WATER AND LIGHT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Receipts from customers	\$ 29,240,531	\$ 24,900,038
Payments to suppliers	(25,989,871)	(16,364,668)
Payments to employees	<u>(4,015,175)</u>	<u>(4,003,015)</u>
Net cash provided by (used for) operating activities	<u>(764,515)</u>	<u>4,532,355</u>
Cash flows from noncapital financing activities		
Transfers to City	<u>(635,000)</u>	<u>(575,000)</u>
Net cash used for noncapital financing activities	<u>(635,000)</u>	<u>(575,000)</u>
Cash flows from capital and related financing activities		
Contribution in aid of construction		13,385
Acquisition and construction of capital assets	(3,598,326)	(3,922,599)
Principal payment on revenue bonds	(190,000)	(415,000)
Interest payments - bonds	(147,545)	(129,476)
Issuance of revenue bonds	9,999,799	7,410,564
Bonds issuance, other costs	(163,153)	(101,082)
Deposit current refunding escrow		(7,930,326)
Proceeds from (Cost of) disposal of assets	68,458	84,868
Principal payments - leases, contracts, and other liabilities	(16,150)	(15,736)
Interest payments - leases, contracts, and other liabilities	<u>(21,678)</u>	<u>(18,993)</u>
Net cash provided by (used for) capital and related financing activities	<u>5,931,405</u>	<u>(5,024,395)</u>
Cash flows from investing activities		
Purchase of investments	(6,177,429)	(7,476,148)
Proceeds from sale of investments	7,476,148	7,175,000
Interest on investments	<u>159,938</u>	<u>309,284</u>
Net cash provided by investing activities	<u>1,458,657</u>	<u>8,136</u>
Net increase (decrease) in cash	5,990,547	(1,058,904)
Cash at beginning of year	<u>9,190,606</u>	<u>10,249,510</u>
Cash at end of year	<u><u>\$ 15,181,153</u></u>	<u><u>\$ 9,190,606</u></u>
Reconciliations to cash and cash equivalents		
Current assets		
Unrestricted cash	\$ 6,101,936	\$ 8,984,112
Noncurrent assets		
Restricted cash	<u>9,079,217</u>	<u>206,494</u>
	<u><u>\$ 15,181,153</u></u>	<u><u>\$ 9,190,606</u></u>

The notes to the financial statements are an integral part of this statement.

HOPE WATER AND LIGHT COMMISSION
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 702,574	\$ 2,146,626
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	2,017,626	2,049,303
Other depreciation included in operating expenses	190,032	213,344
(Increase) decrease in assets:		
Receivables	(3,297,824)	57,420
Inventories	58,845	24,034
Prepaid expenses	(94,329)	(31,360)
Deferred outflows	583,635	(413,293)
Increase (decrease) in liabilities:		
Accounts payable	258,997	(261,552)
Due to other governmental agencies	38,707	(3,059)
Accrued compensated absences	(90,481)	146,464
Accrued liabilities	44,051	28,534
Customer deposits	(12,197)	(18,227)
Net pension liabilities	(3,231,301)	710,714
Deferred inflows	<u>2,067,150</u>	<u>(116,593)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (764,515)</u></u>	<u><u>\$ 4,532,355</u></u>
Supplemental Disclosure of Noncash Transactions		
Contribution of capital assets	\$ 100,685	
Capital asset acquisitions in accounts payable	699,424	\$ 745,418
Amortization	1,780	1,562

The notes to the financial statements are an integral part of this statement.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Hope Water and Light Commission (the Utility) is a component of the City of Hope, Arkansas, governed by a five member commission. The Utility is included in the City's financial statements.

Basis of Accounting

The financial statements of the Utility have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals.

The Utility uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the Utility are charges to customers for water and electric sales and services. Operating expenses for the Utility include the cost of water and electric sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available, it is the Utility's policy to use restricted resources first, as required, and then use unrestricted resources as they are needed.

Deposits and Investments

Cash includes cash on hand, deposit accounts, and money market accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit (CD's) and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. The Utility classifies all certificates of deposit as investments in its statement of net position. All certificates of deposit mature within the next fiscal year.

State statutes authorize the Utility to invest in bonds or other interest bearing securities of the United States or possessions of the United States, bonds or other interest bearing securities of the State of Arkansas or any political subdivision of the State.

For purposes of the statement of cash flows, cash in bank, money market and saving accounts are considered cash and cash equivalents. All certificates of deposit are considered investments.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Accounts receivable are shown net of allowance for uncollectible receivables in the amount of \$73,575 and \$81,607 for December 31, 2021 and December 31, 2020, respectively. Also, unbilled water and electricity receivables are included in accounts receivable recorded at year end.

Also included in accounts receivables is a power cost adjustment (PCA) receivable in the amount of \$2,452,679. In February 2021, the Utility received a power bill from its wholesale electric supplier AEP/SWEPCO in the amount of \$6,356,510. As explained in the 2020 audit, the Utility absorbed \$3,000,000 of that cost, \$1,365,510 was viewed as normal Power Cost Adjustment (PCA) and \$2,000,000 was placed in the PCA calculations which appears as a line item on the utility bills. That amount was broken into 24 months which was \$83,333 per month. After the winter storm the utility continued to experience an increase in the power cost from AEP/SWEPCO. The cost was attributed to the February winter storm. The receivable in 2021 increased because of the calculations used by Hope Water and Light's wholesale provider to determine the PCA. The charge is a passed through to the customers. The amount of the PCA increased in 2021 due mostly to the winter storm in February 2021. Subsequently, the PCA continued to increase because of the cost of fuel which would inadvertently increase the receivables since these cost are part of the rate structure for utility bills.

Inventories and Prepaid Expenses

Inventories consist of repair materials and spare parts for water and electrical distribution. Inventories are valued at cost, which approximates market, using the weighted average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (water lines, electrical distribution lines, and similar items), are stated at cost and the related depreciation is charged as an expense against operations. Capital assets are defined by the Utility as assets with an initial and an individual cost of more than \$1,000. The Utility records depreciation using the straight-line method of depreciation as shown over the following useful lives:

<u>Class</u>	<u>Method</u>	<u>Useful Life</u>
Building and other improvements	Composite	5 - 40 years
Utility plant	Composite	10 - 40 years
Machinery and equipment	Straight-Line	2 - 15 years

Capitalization of Storage Space Costs

It is the Utility's policy to capitalize the initial cost of the storage space (water rights). Amortization of storage space is not provided since the Utility has permanent rights to obtain water from the designated storage area provided that the required payments are made.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, amounts for vacation accrue along with the employer's share of payroll taxes, as the liability is incurred. It is the Utility's policy to permit employees to accumulate earned but unused vacation benefits to a maximum 320 hours and sick benefits to a maximum of 1,040 hours. Sick pay vests for retiring employees at a range from 15% to a maximum of 45%, based on the number of days' notice of retirement given to the Utility. Employees leaving prior to retirement do not receive accumulated sick pay. Since employees will only receive 15-45% of their accumulated sick pay, the Utility accrued 20% of the total sick pay for all employees. The current portion of accrued compensated absences is the amount expected to be paid out in the next year upon termination. A historical average of actual payments upon termination was used to estimate the expected amount to be paid in the next year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred pension outflows and deferred amounts on refunding qualify for reporting in this category. Deferred pension outflows are the following: 1) amount of contributions made by the Utility after the liability measurement date, but prior to the Utility year end, 2) net difference between projected and actual earnings on pension plan investments, 3) change in assumptions, 4) expected and actual experience, and 5) change in proportions and differences between employer contributions and proportionate share of contribution. Deferred amounts on refunding outflows represent the difference in the carrying value of refunded debt and its reacquisition price.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. Deferred pension inflows qualify for reporting in this category. Deferred pension inflows consist of the following: 1) difference in expected and actual experience and 2) change in proportion and differences between employer contributions and proportionate share of contribution.

Classification of Net Position

Restricted net position represents the excess of assets restricted pursuant to related bond indentures over current liabilities payable from these funds.

Allocation of Administrative Expenses and Transfers

Substantially all indirect administrative expenses not directly attributable to water or electricity are allocated approximately based on the number of water and electric meters. For the years ended December 31, 2021 and 2020, the results are the following allocation:

<u>Water</u>	<u>Electricity</u>
40%	60%

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Capitalization

GASB Statement No. 89 was adopted January 1, 2020. This statement established accounting requirements that interest costs incurred before the end of the construction period be recognized as an expense in which the costs are incurred for financial statements prepared using the economic resources measurement focus. There was, therefore, no construction period interest for the years ended December 31, 2021 and 2020.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Encumbrances

Encumbrances represent purchase orders, contracts, and other commitments for the expenditures of funds. Encumbrances do not constitute expenditures or liabilities. The Utility does not employ encumbrance accounting. Since it is the Utility's intention to honor all commitments, the subsequent year's appropriation will provide authority to complete these transactions. However, such commitments do not constitute a material amount.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Arkansas Public Employees Retirement System (APERS) plan and additions to/deductions from APERS's Fiduciary Net Position have been determined on the same basis as they are reported by APERS. APERS is a cost-sharing multiple-employer defined benefit pension plan and the Utility's proportion of the Net Pension Liability is based on the Utility's share of contributions to the pension plan relative to the total contributions of all participating employers. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: DEPOSITS AND INVESTMENTS

Interest Rate Risk

As of December 31, 2021 and 2020, Hope Water and Light Commission had no debt security investments. The Utility's investment policy requires the quoted rate on any instrument of investment not be lower than published weekly average rate for comparable investments as listed in the *Federal Reserve Statistical Release*.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

The Utility's investment policy requires institutions to pledge government securities in Hope Water and Light's name at a market value equal to no less than 105% of the deposits less any amount insured by the FDIC.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the Utility will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. Of the Utility's cash and certificates of deposit totaling \$21,641,023 at December 31, 2021 and \$16,733,293 at December 31, 2020, there were no deposits which were uninsured and uncollateralized.

Cash on hand and not deposited totaled \$19,423 and \$3,262 at December 31, 2021 and 2020, respectively.

Credit Risk

Concentrations of credit risk by issuer at December 31, 2021 and 2020 are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>		<u>Percentage</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Bank OZK	CD's	\$ 1,050,156	\$ 500,000	5%	3%
Bank OZK	Cash	9,079,217	206,494	42%	1%
Farmer's Bank & Trust	Cash	6,384,377	7,370,060	29%	44%
Farmer's Bank & Trust	CD's	3,027,273	4,276,710	14%	26%
Diamond Bank	CD's	2,100,000	2,700,000	10%	16%
Bancorp South	Cash	-	1,680,029	-	10%
		<u>\$21,641,023</u>	<u>\$ 16,733,293</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 a deposit. At December 31, 2021 and 2020, the Utility had no foreign investments.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 3: CAPITAL ASSETS

A summary of changes in capital assets for 2021 follows:

	Balance January 1, 2021	Additions Transfers	Disposals Transfers	Balance December 31, 2021
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	662,422			662,422
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:				
Utility plant	58,912,380	837,465	(172,688)	59,577,157
Buildings 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, net	<u>68,960,037</u>	<u>973,265</u>	<u>(172,688)</u>	<u>69,760,614</u>
Less accumulated depreciation for:				
Utility plant	(40,276,889)	(1,695,257)	170,502	(41,801,644)
Buildings and other improvements	(2,170,210)	(92,700)		(2,262,910)
Machinery and equipment	<u>(3,294,213)</u>	<u>(419,701)</u>		<u>(3,713,914)</u>
Total 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>
Total capital assets, net	<u>\$ 37,713,455</u>	<u>\$ 664,259</u>	<u>\$ (14,466)</u>	<u>\$ 38,363,248</u>

A summary of changes in capital assets for 2020 follows:

	Balance January 1, 2020	Additions Transfers	Disposals Transfers	Balance December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 844,954		\$ (19,548)	\$ 825,406
Construction in progress	10,447,322	\$ 3,711,408	(1,151,828)	13,006,902
Water rights	662,422			662,422
Total capital assets, not being depreciated:	<u>11,954,698</u>	<u>3,711,408</u>	<u>(1,171,376)</u>	<u>14,494,730</u>
Capital assets, being depreciated:				
Utility plant	58,076,438	978,070	(142,128)	58,912,380
Building and other improvements	3,181,837	35,981	(32,693)	3,185,125
Machinery and equipment	<u>6,792,773</u>	<u>466,966</u>	<u>(397,207)</u>	<u>6,862,532</u>
Total capital assets, being depreciated, net	<u>68,051,048</u>	<u>1,481,017</u>	<u>(572,028)</u>	<u>68,960,037</u>
Less accumulated depreciation for:				
Utility plant	(38,697,570)	(1,712,095)	132,776	(40,276,889)
Building and other improvements	(2,072,854)	(124,893)	27,537	(2,170,210)
Machinery and equipment	<u>(3,265,003)</u>	<u>(425,659)</u>	<u>396,449</u>	<u>(3,294,213)</u>
Total accumulated depreciation	<u>(44,035,427)</u>	<u>(2,262,647)</u>	<u>556,762</u>	<u>(45,741,312)</u>
Total capital assets, being depreciated, net	<u>24,015,621</u>	<u>(781,630)</u>	<u>(15,266)</u>	<u>23,218,725</u>
Total capital assets, net	<u>\$ 35,970,319</u>	<u>\$ 2,929,778</u>	<u>\$ (1,186,642)</u>	<u>\$ 37,713,455</u>

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 4: OPERATING LEASES

The Utility has entered into the following lease agreements:

An operating lease of postage meter in which the lease agreement states the Utility agrees to pay the lessor \$111 per month in quarterly installments. The term of the lease is June 12, 2020 to June 12, 2025. A total of \$1,473 and \$736 was paid under this lease during 2021 and 2020, respectively.

An operating lease of printers in which the lease agreement states the Utility agrees to pay the lessor \$302 per month. The term of the lease is August 19, 2020 through August 18, 2023. A total of \$3,624 and \$2,108 was paid under this lease during 2021 and 2020, respectively.

An operating lease was entered into for computer support and hosting. The fixed portion of the lease was \$3,038 each month and the variable portion was \$6,316 each month for a total payment of \$9,354 each month. The variable portion is reviewed on a quarterly basis to determine the per customer charge. The term of the lease was April 24, 2017 through April 24, 2018. The lease was extended until April 24, 2019, with automatic renewal thereafter. A total of \$115,135 and \$114,769 was paid during 2021 and 2020, respectively, under the lease. Future minimum lease payments for the years ending December 31, 2022, and each of the succeeding three years total \$113,763 each year.

An operating lease was entered into during 2021 with NISC for the broadband portion of the software. The uplift total was \$56,000 with monthly occurring fees of \$2,113. The monthly minimum recurring interest services fee is \$500 with a unit price based on the number of customers. The project has not gone live; therefore, there are no additional charges.

NOTE 5: CONTRACTS PAYABLE

In 1980, the City of Hope, Arkansas entered into a contract (interest only) with the Southwest Arkansas Water District (District) to reserve storage space sufficient to provide 10 million gallons of water per day (MGD) from the Millwood Reservoir. The reservation of storage space ensures that the City will have the contracted quantity of water available when needed. In 1981, the City of Hope reserved an additional 2 MGD for total of 12 MGD. In 1983, the City of Hope, Arkansas, began using 3 MGD of the reserved 12 MGD from the reservoir. The 1983 contract established the price of the 3 MGD at \$161,900 to be paid over 50 years bearing 2.632% interest. Upon payment in full, the City of Hope has permanent water storage space rights. The title to the storage space remains vested with the District.

In June 2016, the City of Hope, Arkansas, entered into a contract with the Southwest Arkansas Water District (District) to reserve storage space sufficient to provide 9 MGD from Millwood Reservoir. This 2016 contract established a price of the 9 MGD at \$500,522, which includes construction costs of \$485,560 and interest cost on a 2 MGD portion of the 9 MGD storage space of \$14,962, to be paid over 30 year bearing 2.632% interest beginning in January 2017. Upon payment in full, the City of Hope, Arkansas, has permanent water storage space rights. The title to the storage space remains vested with the District.

GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangibles assets be classified as capital assets. Further, as the contract does not place a limitation on the life of the water rights, and the Utility does not expect to cease utilizing the water rights in the foreseeable future, the water rights should be considered to have an indefinite useful life. Therefore, the capital asset is not being amortized.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 5: CONTRACTS PAYABLE (CONTINUED)

The Utility has contracts payable of \$488,805 and \$504,955 due at December 31, 2021 and 2020, respectively. The contracts are due in monthly installments of \$2,453 which includes interest at 2.632%. A total of \$29,440 was paid during 2021 and 2020, respectively, on these contracts.

The annual debt service requirements to maturity for contracts payable are as follows:

Year	December 31, 2021			December 31, 2020		
	Principal	Interest	Total	Principal	Interest	Total
2021				\$ 16,150	\$ 13,290	\$ 29,440
2022	\$ 16,575	\$ 12,865	\$ 29,440	16,575	12,865	29,440
2023	17,012	12,429	29,441	17,012	12,429	29,441
2024	17,459	11,981	29,440	17,459	11,981	29,440
2025	17,919	11,522	29,441	17,919	11,522	29,441
2026	18,391	11,051	29,442	18,391	11,051	29,442
2027-2031	99,473	47,730	147,203	99,473	47,730	147,203
2032-2036	95,688	34,387	130,075	95,688	34,387	130,075
2037-2041	96,454	22,202	118,656	96,454	22,202	118,656
2042-2046	109,834	8,823	118,657	109,834	8,823	118,657
Total	<u>\$ 488,805</u>	<u>\$ 172,990</u>	<u>\$ 661,795</u>	<u>\$ 504,955</u>	<u>\$ 186,280</u>	<u>\$ 691,235</u>

NOTE 6: LONG-TERM OBLIGATIONS

Long-term debt payable at December 31, 2021 and 2020 is comprised of the following issue:

Description	Interest Rate	Original Issue	Balance 12/31/2021	Balance 12/31/2020
Public Utility Revenue Bonds, Series 2021, for fiber optic communication system net of bond premium of \$4,799 due in varying amounts through April, 2041.	1.250% to 2.250%	<u>\$ 9,995,000</u>	<u>\$ 9,995,000</u>	<u>\$ -0-</u>
Water and Electric Refunding Revenue Bonds, Series 2020, net of Bond premium of \$120,564 due in varying amounts through April 1, 2035.	0.750% to 2.050%	<u>\$ 7,290,000</u>	<u>\$ 7,100,000</u>	<u>\$ 7,290,000</u>

Public Utility Revenue Bonds, Series 2021

On August 31, 2021, the Utility issued Public Utility Revenue Bonds, Series 2021, with interest rates of 1.250% to 2.250%, for the purpose of financing a portion of the costs of acquiring, constructing, and equipping facilities and apparatus for a fiber optic communications system.

The Public Utility Revenue Bonds, Series 2021, are special obligation bonds payable solely from pledge revenue, which are all monies derived from operations of the System after paying operations and maintenance expenses. The bonds mature April 1, 2041. The bonds are not obligations of City of Hope, Arkansas and do not constitute an indebtedness of the City.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

Water and Electric Refunding Revenue Bonds, Series 2020

On September 22, 2020, the Utility issued Water and Electric Refunding Revenue Bonds, Series 2020, with interest rates of 0.750% to 2.050%, for the purpose of current refunding \$7,805,000 of the outstanding Series 2015 revenue bond with interest rates from 1.00% to 3.88% and to pay costs of issuance of the Series 2020 bonds.

The reacquisition price exceeded the net carrying amount of the series 2015 bond by \$146,973. This amount is being amortized as an element of interest over the life of the new bonds. The current refunding resulted in an economic gain (difference between the present value of the debt servicing payments on the old and new debt) of \$933,933.

The Water and Electric Refunding Revenue Bonds, Series 2020, are special obligation bonds payable solely from pledge revenue, which are all monies derived from operations of the Utility after paying operations and maintenance expenses. The bonds mature April 1, 2035. The bonds are not obligations of City of Hope, Arkansas and do not constitute an indebtedness of the City.

The annual principal and interest requirements to amortize outstanding bonds as of December 31, 2021 and 2020, are presented in the following schedules.

Outstanding Bonds, December 31, 2021.

December 31	2021 Revenue Bonds			2020 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 110,000	\$ 110,637	\$ 220,637	\$ 440,000	\$ 142,000	\$ 582,000
2023	445,000	186,564	631,564	455,000	133,200	588,200
2024	450,000	177,664	627,664	460,000	124,100	584,100
2025	460,000	168,664	628,664	470,000	114,900	584,900
2026	470,000	159,464	629,464	480,000	105,500	585,500
2027	480,000	150,064	630,064	490,000	95,900	585,900
2028-2032	2,495,000	657,253	3,152,253	2,605,000	328,500	2,933,500
2033-2035	1,590,000	294,487	1,884,487	1,700,000	68,500	1,768,500
2036-2041	3,495,000	278,861	3,773,861			
Total	<u>\$ 9,995,000</u>	<u>\$ 2,183,658</u>	<u>\$12,178,658</u>	<u>\$ 7,100,000</u>	<u>\$ 1,112,600</u>	<u>\$ 8,212,600</u>

Outstanding Bonds, December 31, 2020.

December 31	2020 Revenue Bonds		
	Principal	Interest	Total
2021	\$ 190,000	\$ 76,545	\$ 266,545
2022	440,000	142,000	582,000
2023	455,000	133,200	588,200
2024	460,000	124,100	584,100
2025	470,000	114,900	584,900
2026	480,000	105,500	585,500
2027	490,000	95,900	585,900
2028-2032	2,605,000	328,500	2,933,500
2033-2035	1,700,000	68,500	1,768,500
Total	<u>\$ 7,290,000</u>	<u>\$ 1,189,145</u>	<u>\$ 8,479,145</u>

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of the changes in long-term debt for the year ended December 31, 2021.

	Balance January 1, 2021	Additions	Retirements/ Deductions	Balance Dec. 31, 2021	Due Within One Year	Long Term Balance
Revenue bonds payable	\$ 7,290,000	\$ 9,995,000	\$ 190,000	\$ 17,095,000	\$ 550,000	\$ 16,545,000
Premium	118,485	4,799	8,356	114,928		114,928
Total bonds payable	7,408,485	9,999,799	198,356	17,209,928	550,000	16,659,928
Net pension liability	4,368,730		3,231,301	1,137,429		1,137,429
Contracts payable	504,955		16,150	488,805	16,575	472,230
Accrued compensated absences	542,588	87,568	178,049	452,107	168,101	284,006
	<u>\$ 12,824,758</u>	<u>\$ 10,087,367</u>	<u>\$ 3,623,856</u>	<u>\$ 19,288,269</u>	<u>\$ 734,676</u>	<u>\$ 18,553,593</u>

The following is a summary of the changes in long-term debt for the year ended December 31, 2020.

	Balance January 1, 2020	Additions	Retirements/ Deductions	Balance Dec. 31, 2020	Due Within One Year	Long Term Balance
Revenue bonds payable	\$ 8,220,000	\$ 7,290,000	\$ 8,220,000	\$ 7,290,000	\$ 190,000	\$ 7,100,000
(Discount) Premium	(22,754)	120,564	20,675	118,485		118,485
Total bonds payable	8,197,246	7,410,564	8,199,325	7,408,485	190,000	7,218,485
Net pension liability	3,658,016	710,714		4,368,730		4,368,730
Contracts payable	520,691		15,736	504,955	16,150	488,805
Accrued compensated absences	396,124	280,145	133,681	542,588	178,049	364,539
	<u>\$ 12,772,077</u>	<u>\$ 8,401,423</u>	<u>\$ 8,348,742</u>	<u>\$ 12,824,758</u>	<u>\$ 384,199</u>	<u>\$ 12,440,559</u>

NOTE 7: RISK MANAGEMENT

The Utility is exposed to various risks of loss related to damage to and destruction of assets and commercial crime for which the Utility carries commercial insurance.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency, amount of pay-outs, and other economic and social factors.

The Utility participates in the Municipal League Defense Program (MLDP). The MLDP is an optional program whereby participating municipalities can pool their resources and provide legal defense, expenses, and damages in suits against the Utility's officials, Commission members, and employees. Protection to municipalities from civil rights lawsuits is also available under the MLDP.

The Utility also holds vehicle insurance under an insured plan of the Arkansas Municipal League. The Municipal Vehicle Program is an optional program whereby participating municipalities can pool their resources and provide liability protection on their vehicles. Contributions are made by members and the funds are deposited in a trust account managed by the Arkansas Municipal League and used to pay claims. The Utility provides workers' compensation benefits under an insured plan of the Municipal League Worker's Compensation Trust.

There have been no significant reductions in insurance coverage in the major categories of risk from that of the prior year. The amount of settlements has not exceeded the insurance coverage for any of the past three years.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 8: PENSION PLAN

Plan Description - The Utility contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing, multiple-employer, defined benefit pension plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officer trustees, including the Auditor of the State, the Treasurer of the State, and the Director of the Department of Finance and Administration.

Benefits Provided - Benefit provisions are set for in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributor, prior to 7/1/2005	2.07%
Contributor, on or after 7/1/2005, but after 7/1/2007	2.03%
Contributor on or after 7/1/2007	2.00%
Non-contributory	1.72%

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

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

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

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

Contributions - Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2021. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 8: PENSION PLAN (CONTINUED)

The Utility's contributions to APERS for the years ended December 31, 2021 and 2020, were \$452,589 and \$455,476, respectively, and were equal to the required contribution.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions - Hope Water and Light Commission reported a liability of \$1,137,429 and \$4,368,730 for the years ended December 31, 2021 and 2020, respectively, 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 Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportion was .14794237% and .15256159% as of June 30, 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, the Utility recognized pension benefit of \$137,583 and expense of \$790,366, respectively.

Deferred outflows of resources and deferred inflows of resources related to pensions for the Utility are as follows:

	December 31, 2021		December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,032	\$ 72,948	\$ 57,996	\$ 2,893
Changes of assumptions		7,967	54,737	74,852
Contributions made after measurement date and before year end	232,627		232,146	
Changes in proportion and differences between employer contributions and proportionate share of contribution	31,482	90,176	56,494	22,770
Net difference between projected and actual earnings on pension plan investments		1,996,574	462,267	
Total	<u>\$ 290,141</u>	<u>\$ 2,167,665</u>	<u>\$ 863,640</u>	<u>\$ 100,515</u>

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

Year Ended	Net of Deferred Outflows Minus Deferred Inflows
2022	\$(277,355)
2022	(469,094)
2024	(525,176)
2025	(605,899)
	<u>\$(1,877,524)</u>

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 8: PENSION 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 (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	26 year (7.6 years for District Judges (New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.5% price inflation
Salary Increases	3.25% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	3.9676

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 8: PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 System's target asset allocation as of June 30, 2021 and 2020, are summarized in the table below:

<u>Asset Class</u>	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%	37%	6.22%
International Equity	24%	6.69%	24%	6.69%
Real Assets	16%	4.81%	16%	4.81%
Absolute Return	5%	3.05%	5%	3.05%
Domestic Fixed	18%	.57%	18%	.57%
Total	<u>100%</u>		<u>100%</u>	
Total Real Rate of Return		4.93%		4.93%
Plus: Price Inflation - Actuary Assumption		<u>2.50%</u>		<u>2.50%</u>
Net Expected Return		7.43%		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 the 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 to 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.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.15% at December 31, 2021 and 2020, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate at December 31, 2021 and 2020.

	<u>1% Lower 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Higher 8.15%</u>
December 31, 2021	\$ 3,402,498	\$ 1,137,429	\$(733,192)
	<u>1% Lower 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Higher 8.15%</u>
December 31, 2020	\$ 6,653,899	\$ 4,368,730	\$ 2,482,948

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 9: DEFERRED COMPENSATION PLAN

The Utility offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Utility 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. The Utility's plan was amended effective January 1, 1997, to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The plan was amended October 31, 2007, to include the administration of a payroll deduction IRA program. The assets of the plan are held in trust, with the Commission serving as trustee, for the exclusive benefit of Plan participants and their beneficiaries.

The Utility has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the Utility's financial statements as December 31, 2021 and 2020.

NOTE 10: TRANSFERS

The revenue generated by the rates, fees, and charges for electricity and water charged and collected by the Utility are established to provide revenues sufficient to pay all costs of and charges and expenses in connection with the proper operation and maintenance of the water and electric system, all necessary repairs, and replacements or renewals to the systems. The revenue is also used to pay the principal and interest on all bonds payable and to create and maintain reserves as may be required to secure operations of the systems by resolution or trust indenture authorizing or securing bonds and notes and to pay any and all amounts which the Commission may be obligated to pay from such revenue by law or contract. Any surplus funds remaining after the satisfaction of those expenses may be available for other purposes of the City in accordance with Arkansas Code Annotated 14-201-121 and Article V, Section 506 of the Trust Indenture for the Series 2015 City of Hope Water and Electric Revenue Bonds. For the years ended December 31, 2021 and 2020, \$635,000 and \$575,000, respectively, was transferred to the City of Hope, Arkansas.

NOTE 11: GASB PRONOUNCEMENTS

The following pronouncements of the Governmental Accounting Standards were effective for Hope Water and Light Commission for the year ended December 31, 2021.

Statement No. 83, *Certain Asset Retirement Obligations*, issued in November 2016, was effective for the Utility for the year ending December 31, 2020. An asset retirement 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 recognizes a liability based on the guidance in this Statement. The Statement established 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 occurs when the liability is both incurred and reasonable estimable. As of December 31, 2021 and 2020, the Utility did not have a legally enforceable liability associated with the retirement of a tangible capital asset.

Statement No. 84, *Fiduciary Activities*, issued in January 2017, was effective for the Utility for the year ending December 31, 2020. The objective of this Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement established 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. This statement had no impact on the financial statements of the Utility.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 11: GASB PRONOUNCEMENTS (CONTINUED)

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued in April 2018, was effective for the Utility for the year ending December 31, 2020. This Statement improved the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Utility is in compliance with the pronouncement.

Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*, issued in June, 2018, was elected by the Utility for the year ending December 31, 2020. This statement established accounting requirement 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. Construction period interest was recognized as an expense for the years ended December 31, 2021 and 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB No. 14 and 61*, issued August, 2018, was effective for the Utility for the year ending December 31, 2020. This Statement defines a majority interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interests meets the definition of an investment. This pronouncement had no impact on the financial statements of the Utility.

The Governmental Accounting Standards Board delayed the implementation date of recently issued statements not yet implemented by Hope Water and Light Commission. 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 year ending December 31, 2022. This Statement increases 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 Obligations*, issued May, 2019, is effective for the year ending December 31, 2022. This statement provides a single method for government issuers to report a conduit debt obligation and related commitments to enhance comparability and consistency of conduit debt obligations reporting and reporting of related transactions and other events by issuer.

GASB Statement No. 92, *Omnibus 2020*, issued February 5, 2020, is effective for the year ending December 31, 2022. This statement will 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*, issued March, 2020, is effective for the year ending December 31, 2022. This statement addresses accounting and financial reporting implications that result from the replacement of an IBOR, most noticeably LIBOR (London Interbank Offered Rate).

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 11: GASB PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March, 2020, is effective for the year ended December 31, 2023. 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*, issued May, 2020, is effective 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*, issued June, 2020, is effective for the year ending December 31, 2022. This statement increases consistency and comparability related to the reporting of defined contribution pension and other post employment plans while mitigating costs associated with reporting those plans.

NOTE 12: RECLASSIFICATIONS

Certain items from the financial statements for the year ended December 31, 2020, have been reclassified for presentation. These changes do not impact assets, liabilities, deferred outflows and inflows, or net position.

NOTE 13: SUBSEQUENT EVENTS

While the Covid-19 pandemic has caused disruption to the economy of the United States, management does not believe the Utility 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.

Hope Water and Light Commission continues to investigate methods and projects to benefit the Utility. The Commission has determined that the Utility should be expanded to include a fiber optic communications system, which will initially provide voice, broadband, and data services to the customers of the Utility. The project is ongoing in 2022.

In 2021, the Utility received a true up for charges in 2020 in the amount of \$1,169,472 and in 2022 for 2021 charges in the amount of \$489,802 from its wholesale electric supplier. The Commission voted on March 10, 2021 not to immediately refund the 2021 true up because of the subsequent event in 2021 of receiving a power bill from AEP/SWEPCO in the amount of \$6,356,509. This bill was almost five times the normal cost due to the winter storm in February 2021. Hope Water and Light Commission made a decision on March 10, 2021, to pay the entire bill from cash and certificates of deposits. It was determined that \$1,365,509 of the amount would be handled through the normal process, \$2,000,000 would be collected over a three year period through the Power Cost Adjustment (PCA) factor on the utility bills, and \$3,000,000 would be absorbed by the Utility. After reviewing cash on hand, the Commission voted on July 27, 2022, to apply the \$1,169,472 and the \$489,802 in three equal payments beginning in August, 2022, to the PCA.

Subsequent events were evaluated through September 2, 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

HOPE WATER AND LIGHT COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
TEN YEAR SUMMARY OF UTILITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF MULTI-EMPLOYER COST SHARING PLANS
(ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM)
2011 - 2021 (UNAUDITED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Utility's proportion of the net pension liability	.14794237%	.15256159%	.15162579%
Utility's proportionate share of the net pension liability	\$ 1,137,429	\$ 4,368,730	\$ 3,658,016
Utility's covered payroll	\$ 2,954,242	\$ 2,914,052	\$ 2,911,985
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	38.50%	149.92%	125.62%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Utility's proportion of the net pension liability	.14817068%	.15222638%	.15115119%
Utility's proportionate share of the net pension liability	\$ 3,268,549	\$ 3,933,744	\$ 3,614,551
Utility's covered payroll	\$ 2,829,694	\$ 2,743,581	\$ 2,738,940
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	115.51%	143.38%	131.97%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	75.65%	75.50%
	<u>2015</u>		
Utility's proportion of the net pension liability	.14501028%		
Utility's proportionate share of the net pension liability	\$ 2,670,703		
Utility's covered payroll	\$ 2,571,485		
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	103.86%		
Plan fiduciary net position as a percentage of the total pension liability	80.39%		

Pension schedules included in the required supplementary information section are intended to show information for ten years. The Utility began to report the information when it implemented GASB Statement No. 68 in 2015; therefore, additional information will be added as it becomes available.

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

HOPE WATER AND LIGHT COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
TEN YEAR SUMMARY OF UTILITY'S CONTRIBUTION TO
MULTI-EMPLOYER COST SHARING PLANS
(ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM)
2011 - 2021 (UNAUDITED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 452,589	\$ 455,476	\$ 449,793
Contributions in relation to the contractually required contribution	<u>452,589</u>	<u>455,476</u>	<u>449,793</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 2,957,383	\$ 2,973,208	\$ 2,935,989
Contribution as a percentage of covered payroll	15.30%	15.32%	15.32%

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 428,638	\$ 409,221	\$ 393,653
Contributions in relation to the contractually required contribution	<u>428,638</u>	<u>409,221</u>	<u>393,653</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 2,850,677	\$ 2,797,880	\$ 2,714,848
Contribution as a percentage of covered payroll	15.04%	14.63%	14.50%

	<u>2015</u>
Actuarially determined contribution	\$ 382,257
Contributions in relation to the contractually required contribution	<u>382,257</u>
Contribution deficiency (excess)	<u>\$ -</u>
Utility's covered payroll	\$ 2,614,141
Contribution as a percentage of covered payroll	14.62%

Pension schedules included in the required supplementary information section are intended to show information for ten years. The Utility began to report the information when it implemented GASB Statement No. 68 in 2015; therefore, additional information will be added as it becomes available.

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

SUPPLEMENTARY INFORMATION

HOPE WATER AND LIGHT COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND ELECTRIC
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Electric</u>	<u>Water</u>	<u>Broadband</u>	<u>Total</u>
Operating revenue				
Electric sales	\$ 28,311,016			\$ 28,311,016
Water sales		\$ 3,764,445		3,764,445
Broadband sales			\$ 51,859	51,859
Penalties and service charges	150,787	62,589		213,376
Other income	<u>178,118</u>	<u>19,541</u>		<u>197,659</u>
Total operating revenues	<u>28,639,921</u>	<u>3,846,575</u>	<u>51,859</u>	<u>32,538,355</u>
Operating expenses				
Costs of sales and service	24,810,468	1,017,975		25,828,443
Distribution	1,218,276	581,963		1,800,239
Customer accounts	586,356	404,797		991,153
Administration	754,635	397,769	45,916	1,198,320
Depreciation	<u>1,170,575</u>	<u>846,952</u>	<u>99</u>	<u>2,017,626</u>
Total operating expenses	<u>28,540,310</u>	<u>3,249,456</u>	<u>46,015</u>	<u>31,835,781</u>
Operating income	<u>99,611</u>	<u>597,119</u>	<u>5,844</u>	<u>702,574</u>
Nonoperating revenues (expenses)				
Interest revenue	158,200	25	615	158,840
Interest expense	(70,631)	(95,857)	(63,627)	(230,115)
Bond issuance, other costs	(20,755)	(25,888)	(119,789)	(166,432)
Gain (loss) on disposal of assets	<u>(77,709)</u>	<u>484</u>		<u>(77,225)</u>
Net nonoperating revenues (expenses)	<u>(10,895)</u>	<u>(121,236)</u>	<u>(182,801)</u>	<u>(314,932)</u>
Income(loss) before capital contributions and transfers	88,716	475,883	(176,957)	387,642
Capital contribution	100,685			100,685
Transfers City of Hope, Arkansas	<u>(635,000)</u>			<u>(635,000)</u>
Change in net position	<u>(445,599)</u>	<u>475,883</u>	<u>(176,957)</u>	<u>(146,673)</u>
Net position - beginning				<u>42,257,899</u>
Net position - ending				<u>\$ 42,111,226</u>

HOPE WATER AND LIGHT COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATING EXPENSES - WATER AND ELECTRIC
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Electric</u>	<u>Water</u>	<u>Broadband</u>	<u>Total</u>
Cost of sales and services				
Lights and power purchased	\$ 24,810,468			\$ 24,810,468
Total cost of power	<u>24,810,468</u>			<u>24,810,468</u>
Source of supply				
Operations		\$ 350,662		\$ 350,662
Maintenance		31,300		31,300
Water treatment plant				
Operations		559,491		559,491
Maintenance		<u>76,522</u>		<u>76,522</u>
Total cost of water		<u>1,017,975</u>		<u>1,017,975</u>
Total cost of sales and services	<u>24,810,468</u>	<u>1,017,975</u>		<u>25,828,443</u>
Distribution				
Salaries	480,638	356,025		836,663
Operations	257,351	69,655		327,006
Maintenance	<u>480,287</u>	<u>156,283</u>		<u>636,570</u>
Total distribution	<u>1,218,276</u>	<u>581,963</u>		<u>1,800,239</u>
Customer accounts				
Salaries	415,047	290,606		705,653
Supplies	7,310	16,219		23,529
Postage	27,106	18,095		45,201
Rent	77,923	51,948		129,871
Miscellaneous	<u>58,970</u>	<u>27,929</u>		<u>86,899</u>
Total customer accounts	<u>586,356</u>	<u>404,797</u>		<u>991,153</u>
Administration				
Contractual services	29,176	17,446		46,622
Insurance	70,314	48,801		119,115
Maintenance	46,342	30,906		77,248
Miscellaneous	146,082	26,153		172,235
Employee benefits	(375,294)	(265,423)		(640,717)
Regulatory commission	12,055			12,055
Salaries	603,768	527,241	27,261	1,158,270
Supplies	49,372	2,312	13,598	65,282
Taxes	111,155			111,155
Transportation	48,862	9,993	19	58,874
Rent	105		4,951	5,056
Postage			87	87
Uniforms	<u>12,698</u>	<u>340</u>		<u>13,038</u>
Total administration	<u>754,635</u>	<u>397,769</u>	<u>45,916</u>	<u>1,198,320</u>
Depreciation	<u>1,170,575</u>	<u>846,952</u>	<u>99</u>	<u>2,017,626</u>
Total operating expenses	<u>\$ 28,540,310</u>	<u>\$ 3,249,456</u>	<u>\$ 46,015</u>	<u>\$ 31,835,781</u>

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2021

The following is a schedule of free services rendered to the City of Hope, Arkansas for the year ended December 31, 2021.

VALUE OF FREE SERVICE

<i>Provided to City of Hope</i>	<u><i>Electric</i></u>	<u><i>Water</i></u>	<u><i>Total</i></u>
Street lights	\$ 174,634		\$ 174,634
Traffic lights	8,707		8,707
Administration	37,828	\$ 4,269	42,097
Waste water	205,812	23,686	229,498
Parks and recreation	45,314	47,202	92,516
Health	12,654	2,021	14,675
Fire	9,849	998	10,847
Cemeteries		1,206	1,206
City landfill		1,295	1,295
Total free services	<u>\$ 494,798</u>	<u>\$ 80,677</u>	<u>\$ 575,475</u>

HOPE WATER AND LIGHT COMMISSION
SUPPLEMENTARY INFORMATION - UNAUDITED
MISCELLANEOUS
DECEMBER 31, 2021

The following is a schedule of electric power purchased, consumed, and lost for the year ended December 31, 2021.

**SCHEDULE OF ELECTRIC POWER PURCHASED, CONSUMED, AND LOST
DECEMBER 31, 2021**

<u>Purchase Power</u>	<u>KWH</u>	<u>Cost</u>	<u>Purchased Cost Per KWH</u>
AEP-SWPP	234,895,871	\$ 25,981,211	0.110607
	<u>234,895,871</u>	<u>\$ 25,981,211</u>	<u>0.110607</u>
 <u>Energy Disposition</u>	 <u>KWH</u>	 <u>Cost</u>	 <u>Per KWH Sold</u>
Sales	219,111,381	\$ 25,188,195	0.114956124
Interdepartmental sales	3,582,083		
Free service	4,249,551		
Losses	<u>7,952,856</u>		
	<u>234,895,871</u>	<u>\$ 25,188,195</u>	

$$\% \text{ Loss: } \frac{7,952,856}{234,895,871} \times 100 = 3.3857\%$$

INTERDEPARTMENTAL SALES

Interdepartmental sales are included in the financial statements for the year ended December 31, 2021 in the following amounts:

Revenue:	
Electric Sales	\$ 412,250
Water Sales	1,798
Expenses:	
Cost of Sales & Service - Water	326,636
Distribution - Electric	14,716
Distribution - Water	22,447
Administration - Electric	48,450
Administration - Water	1,799

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
SUPPLEMENTARY INFORMATION - UNAUDITED
MISCELLANEOUS
DECEMBER 31, 2021

The following are schedules of electric rates effective for the year ending December 31, 2021.

SCHEDULE OF ELECTRIC RATES

	Customer Charge	Energy Charge	Demand Charge
SCHEDULE 1 RATE - Residential Service	\$ 5.80	8.91¢/KWH	
SCHEDULE 2 RATE - Small General Service	6.95	11.52¢/KWH	
SCHEDULE 3 RATE - Large General Service	23.15	6.04¢/KWH	\$ 10.75/kW
SCHEDULE 4A RATE - Small Light & Power:	34.75		
May - September		7.28¢/KWH	
October - April		5.24¢/KWH	
Primary Service:			
May - September			7.45/kW
October - April			6.10/kW
SCHEDULE 4B RATE - Large Light & Power:	86.85		
May - September		7.26¢/KWH	
October - April		5.22¢/KWH	
Primary Service:			
May - September			6.95/kW
October - April			5.55/kW
Secondary Service:			
May - September			7.45/kW
October - April			6.10/kW
SCHEDULE 5 RATE - Large Power:	578.80		
May - September		7.22¢/KWH	
October - April		5.19¢/KWH	
Primary Service:			
May - September			6.70/kW
October - April			5.40/kW
Secondary Service:			
May - September			7.35/kW
October - April			5.95/kW

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2021

	Customer Charge	Energy Charge	Demand Charge
SCHEDULE 6 RATE - Large Industrial Power	1000		
May - September		4.31¢/KWH	
October - April		2.24¢/KWH	
Primary Service:			
May - September			\$14.70/kW
October - April			\$13.40/kW
Secondary Service:			
May - September			\$14.99/kW
October - April			\$13.67/kW
SCHEDULE 7 RATE - Night Lights			
Size of Lamp - Mercury Vapor:			
175 Watt		\$ 7.33	
400 Watt		12.40	
1,000 Watt		28.90	
Size of Lamp - High Pressure Sodium:			
150 Watt		7.33	
250 Watt		12.29	
400 Watt		16.15	
1,000 Watt		30.59	
Size of Lamp - Metal Halide:			
400 Watt		15.49	
1,000 Watt		29.38	

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2021

The following are schedules of water rates effective for the year ending December 31, 2021.

SCHEDULE OF WATER RATES

SCHEDULE 1 RATE - Residential Service:

	City	Rural
<i>Base Monthly Rate:</i>		
5/8" Meter	\$ 8.85	\$ 13.40
1" Meter	16.80	25.25
1 ½" Meter	22.25	33.40
 <i>Commodity Charge (Per 1,000 Gallons)</i>		
0 - 10,000 Gallons	4.63	6.94
Over 10,000 Gallons	4.18	6.27

SCHEDULE 2 RATE - Commercial Service:

<i>Base Monthly Rate:</i>		
5/8" & 3/4" Meter	17.85	26.70
1" Meter	28.70	43.10
1 ½" Meter	43.85	65.75
2" Meter	71.25	106.85
3" Meter	132.75	199.25
4" Meter	221.85	332.80
6" Meter	445.15	667.75
 <i>Commodity Charge (Per 1,000 Gallons)</i>		
0 - 10,000 Gallons	3.64	5.46
10,000 - 50,000 Gallons	3.29	4.93
Over 50,000 Gallons	2.40	3.60

SCHEDULE 3 - Large User Service:

<i>Base Monthly Rate:</i>	
4" Meter	221.85
6" Meter	444.15
 <i>Commodity Charge (Per 1,000 Gallons)</i>	
All Consumption	2.37
Minimum bill equals fixed meter charge plus \$11,850	
(5,000,000 gallons X \$2.37/1,000)	

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
SUPPLEMENTARY INFORMATION - UNAUDITED
MISCELLANEOUS
DECEMBER 31, 2021

SCHEDULE 4 - Wholesale Service: City of Bodcaw, Arkansas

City

Minimum Monthly Usage: (gallons per month)

Year 1	500,000
Year 2 & 3	1,000,000
Year 4 & 5	1,500,000
Year 6+	2,000,000

Fixed Meter Monthly Charge Rate:

4" Meter

Commodity Charge (Per 1,000 Gallons): \$ 221.85

All Consumption 2.76

Minimum bill equals fixed meter charge plus (\$2.76/1,000 gallons

X Minimum Monthly Usage from Schedule)

SCHEDULE 5 - Wholesale Service: Southwest Arkansas Water System, Inc.

Minimum Monthly Usage: (gallons per month)

Year 1	500,000
Year 2 & 3	1,000,000
Year 4 & 5	1,500,000
Year 6+	2,000,000

Fixed Meter Monthly Charge Rate:

6" Meter

\$ 445.15

Commodity Charge (Per 1,000 Gallons):

All Consumption 2.76

Minimum bill equals fixed meter charge plus (\$2.76/1,000 gallons

X Minimum Monthly Usage from Schedule)

SCHEDULE 6 -Wholesale Service: SAWS - Spring Hill District

Minimum Monthly Usage: (gallons per month)

Fixed Meter Monthly Charge Rate:

4" Meter

\$ 221.85

Commodity Charge (Per 1,000 Gallons)

All Consumption 3.02

Minimum bill equals fixed meter charge

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2021

SCHEDULE 7 - Wholesale Service: Ozan Creek

City

Waterworks Facilities Board of Hempstead County, Arkansas

Minimum Monthly Usage: (gallons per month)

Year 1	500,000
Year 2 & 3	1,000,000
Year 4 - 10	1,500,000
Year 11+	2,000,000

Fixed Meter Monthly Charge Rate:

4" Meter	\$	221.85
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Commodity Charge (Per 1,000 Gallons)

All Consumption	3.02
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Minimum bill equals fixed meter charge plus (\$3.02/1,000 gallons

X Minimum Monthly Usage from schedule beginning 1/1/2010)

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2021

MISCELLANEOUS:	City	Rural
<i>Water Connection Fees:</i>		
5/8" Meter	\$ 280.00	\$ 420.00
1" Meter	520.00	780.00
1 ½" Meter	760.00	1,140.00
2" Meter	1,015.00	1,525.00
Greater than 2"	Cost	Cost x 1.5
<i>Private Monthly Fire Protection</i>		
6" or less	\$ 16.85	\$ 25.27
8"	30.13	45.20
10"	45.47	68.21
12"	67.52	101.28
Fire Hydrant	16.85	25.27

For the year ended December 31, 2021, the total gross volume of water sold was 976,735,573 gallons.

INTERNAL CONTROL AND COMPLIANCE SECTION

WILLIAM C. MILLER, LLC

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P.O. Box 8403
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Member, American Institute
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members
Hope Water and Light Commission
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 Hope Water and Light Commission, a component unit of the City of Hope, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Hope Water and Light Commission's basic financial statements, and have issued our report thereon dated September 2, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hope Water and Light Commission'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hope Water and Light Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Hope Water and Light Commission's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hope Water and Light Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 according to *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hope Water and Light Commission'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 Hope Water and Light Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 2, 2022

William C Miller, LLC