

**Hope Water and Light Commission**  
**Component Unit of City of Hope, Arkansas**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 and DECEMBER 31, 2023**

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**HOPE WATER AND LIGHT COMMISSION**  
**Component Unit of the City of Hope, Arkansas**  
December 31, 2024 and 2023

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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 Hope Water and Light Commission, a component unit of the City of Hope, Arkansas, as of and for the year ended December 31, 2024 and 2023, 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 Hope Water and Light Commission as of December 31, 2024 and 2023, 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 about 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 about 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 on pages 5 through 8 and pension trend information on pages 34 through 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, electric, and broadband and the schedule of operating expenses - water, electric, and broadband 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, electric, and broadband and the schedule of operating expenses - water, electric, and broadband are the responsibility of management and were derived from and relate 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.

**Other Supplementary Information**

The other supplementary information - miscellaneous is presented for purposes of additional analysis and is not a required part of the basic financial statements. Management is responsible for this other supplementary information. The other supplementary information - 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.

In connection with our audit of the basic financial statements, our responsibility is to read the other supplementary information and consider whether a material inconsistency exists between the other supplementary information and the basic financial statements, or the other supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2025, 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, 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.

May 28, 2025

*William C Miller, LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

HOPE WATER AND LIGHT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2024 AND 2023

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, 2024 and 2023. 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, 2024, exceeded liabilities by \$48,218,248. Of this amount, \$11,676,811 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 \$4,693,404 is restricted to meet the Utility's debt service requirements.

In 2024, net position increased by \$3,200,907 compared to an increase of \$1,863,368 in 2023. Operating revenues increased by \$1,576,965 and operating expenses increased by \$936,602 from 2023.

Total operating revenues for the water, electric, and broadband systems for 2024 were \$30,846,304, an increase from 2023 revenues by \$1,576,965.

Total operating expenses for the water, electric, and broadband systems for 2024 were \$27,917,009, an increase from 2023 expenses by \$936,602.

### **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, electric, and broadband 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 the Utility's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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.

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 information for the water, electric, and broadband operations.

HOPE WATER AND LIGHT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

**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 32 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 \$48,218,248 as of December 31, 2024.

The net investment in capital assets (i.e., land, utility plant, building, and other improvements, machinery and equipment, intangible assets, and construction in progress), less any outstanding debt used to acquire those assets, is approximately sixty-six percent (\$32,524,689) 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.

**Summarized Statement of Net Position**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current Assets	\$ 18,356,244	\$ 17,951,487	\$ 16,658,785
Non-current assets:			
Restricted assets	5,694,295	6,191,111	8,989,294
Capital assets:			
Net of depreciation/amortization	<u>48,193,753</u>	<u>45,980,350</u>	<u>42,159,190</u>
Total assets	<u>72,244,292</u>	<u>70,122,948</u>	<u>67,807,269</u>
Deferred outflows or resources	<u>895,529</u>	<u>1,350,703</u>	<u>1,367,260</u>
Current liabilities	5,562,280	5,864,414	4,677,913
Non-current liabilities	<u>18,463,764</u>	<u>19,756,291</u>	<u>20,544,349</u>
Total liabilities	<u>24,026,044</u>	<u>25,620,705</u>	<u>25,222,262</u>
Deferred inflow of resources	<u>218,873</u>	<u>158,949</u>	<u>121,638</u>
Net invested in capital assets	32,524,689	29,387,910	24,831,681
Restricted	4,693,404	5,205,670	8,009,353
Unrestricted	<u>11,676,811</u>	<u>11,100,417</u>	<u>10,989,595</u>
	<u>\$ 48,894,904</u>	<u>\$ 45,693,997</u>	<u>\$ 43,830,629</u>

Approximately twenty-four percent (\$11,676,811) of net position represents unrestricted net position that may be used to meet ongoing obligations to customers and creditors. Approximately ten percent (\$4,693,404) represents restricted assets to meet water and electric debt service.

As of December 31, 2024, 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, 2024 AND 2023

**ANALYSIS OF THE UTILITY'S OPERATIONS**

The following table provides a summary of operations for the years ended December 31, 2024 and 2023. Net position increased by \$3,200,907 compared to the fiscal year ending 2023. Revenues and expenses were more in 2024 than 2023.

**CHANGES IN NET POSITION**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenue	\$ 30,846,304	\$ 29,269,339	\$ 32,458,894
Operating expenses	<u>27,917,009</u>	<u>26,980,407</u>	<u>30,277,694</u>
Operating income	2,929,295	2,288,932	2,181,200
Nonoperating revenue (expenses)	639,469	149,436	( 299,492)
Capital contributions	207,143		214,972
Transfers out (City of Hope)	<u>( 575,000)</u>	<u>( 575,000)</u>	<u>( 377,277)</u>
Change in net position	3,200,907	1,863,368	1,719,403
Net position - beginning of year	<u>45,693,997</u>	<u>43,830,629</u>	<u>42,111,226</u>
Net position - end of year	<u>\$ 48,894,904</u>	<u>\$ 45,693,997</u>	<u>\$ 43,830,629</u>

**KILOWATT-HOURS BILLED**  
(000s omitted)

<u>Type of Customer</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Residential	63,051	63,289	65,991
Small commercial	18,943	18,732	18,816
Large commercial	13,800	13,040	13,452
Light and power	77,637	76,771	78,483
Industrial	44,822	43,546	44,050
Interdepartmental	4,031	3,819	3,732
Area lighting	<u>2,400</u>	<u>2,775</u>	<u>2,967</u>
	<u>224,684</u>	<u>221,972</u>	<u>227,491</u>

**GALLONS BILLED**  
(000s omitted)

<u>Type of Customer</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Residential	204,473	202,174	205,774
Commercial	218,044	208,369	219,409
Industrial	381,606	341,684	369,029
Wholesale	178,440	147,108	141,308
Interdepartmental	<u>529</u>	<u>492</u>	<u>538</u>
Total	<u>983,092</u>	<u>899,827</u>	<u>936,058</u>

HOPE WATER AND LIGHT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

**CAPITAL ASSETS**

The Utility's capital assets as of December 31, 2024, totals \$48,193,753 (net of accumulated depreciation and amortization). Capital assets include land, utility plant, buildings and other improvements, machinery and equipment, construction in progress, and intangible assets. Construction in progress was \$326,831 as of December 31, 2024. During 2024, major capital asset events, including construction in progress, included the following:

*	Emmet/Hope North 115kV Trans line	\$ 1,240,547
*	Fiber Project	497,879
*	Transformers	488,913
*	Poles, towers, fixtures	315,022
*	Bucket truck	254,430
*	Raw water intake improvements	186,689
*	Vactron	117,628
*	Well #8 refurbish	83,334
*	Ram 2500	50,868

**CAPITAL ASSETS  
(Net of Depreciation)**

	2024	2023	2022
Land	\$ 799,312	\$ 813,126	\$ 813,126
Utility plant	42,379,680	30,466,453	30,023,135
Building & other improvements	866,039	960,127	890,105
Machinery & equipment	3,159,469	2,798,142	3,140,353
Water rights	662,422	662,422	662,422
Right to use		328	9,420
Construction in progress	326,831	10,279,752	6,620,629
Total capital assets	\$ 48,193,753	\$ 45,980,350	\$ 42,159,190

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](mailto:CustomerService@hope-wl.com).

## BASIC FINANCIAL STATEMENTS

HOPE WATER AND LIGHT COMMISSION  
STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 11,705,439	\$ 11,513,897
Investments	2,650,000	2,650,000
Receivables (net of allowance for uncollectible):		
Accounts	3,099,986	2,978,014
Accrued interest	9,347	6,993
Inventories	632,601	578,171
Prepaid expenses	258,871	224,412
Total current assets	<u>18,356,244</u>	<u>17,951,487</u>
<b>Non-current assets:</b>		
Restricted assets:		
Cash	1,109,457	1,597,659
Investments	4,575,000	4,583,678
Accrued interest receivable	9,838	9,774
Total restricted assets	<u>5,694,295</u>	<u>6,191,111</u>
Capital assets (net of accumulated depreciation/amortization)		
Land	799,312	813,126
Utility plant	42,379,680	30,466,453
Building and other improvements	866,039	960,127
Machinery and equipment	3,159,469	2,798,142
Water rights	662,422	662,422
Right to use		328
Construction in progress	326,831	10,279,752
Total Capital Assets	<u>48,193,753</u>	<u>45,980,350</u>
Total Non-current assets	<u>53,888,048</u>	<u>52,171,461</u>
<b>Total Assets</b>	<u>72,244,292</u>	<u>70,122,948</u>
<b>Deferred Outflows Of Resources</b>		
Deferred amounts on refunding	103,895	114,031
Deferred pension outflows	791,634	1,236,672
Total deferred outflows	<u>895,529</u>	<u>1,350,703</u>
<b>Total</b>	<u>\$ 73,139,821</u>	<u>\$ 71,473,651</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 2,378,639	\$ 2,406,566
Due to other government agencies	306,789	274,447
Accrued liabilities	762,346	1,106,306
Accrued interest	71,380	75,818
Customer deposits	1,025,695	912,308
Contracts payable - current	17,919	17,459
Accrued compensated absences - current	69,512	161,510
Revenue bonds - current	<u>930,000</u>	<u>910,000</u>
Total current liabilities	<u>5,562,280</u>	<u>5,864,414</u>
<b>Non-current liabilities:</b>		
Accrued compensated absences	409,341	294,373
Net pension liability	3,740,340	4,191,354
Revenue bond	13,894,243	14,832,805
Contracts payable	<u>419,840</u>	<u>437,759</u>
Total non-current liabilities	<u>18,463,764</u>	<u>19,756,291</u>
<b>Total Liabilities</b>	<u>24,026,044</u>	<u>25,620,705</u>
<b>Deferred Inflows Of Resources</b>		
Deferred lease inflows		3,136
Deferred pension inflows	<u>218,873</u>	<u>155,813</u>
	<u>218,873</u>	<u>158,949</u>
<b>Net Position</b>		
Net invested in capital assets	32,524,689	29,387,910
Restricted for electric debt	1,981,842	1,979,852
Restricted for water debt	2,522,344	2,519,812
Restricted for broadband debt	189,218	706,006
Unrestricted	<u>11,676,811</u>	<u>11,100,417</u>
<b>Total Net Position</b>	<u>48,894,904</u>	<u>45,693,997</u>
<b>Total</b>	<u>\$ 73,139,821</u>	<u>\$ 71,473,651</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Operating revenue</b>		
Electric sales	\$ 25,102,128	\$ 24,733,337
Water sales	4,392,315	3,622,986
Broadband sales	790,429	264,709
Penalties and service charges	249,054	260,640
Other income	<u>312,378</u>	<u>387,667</u>
Total operating revenues	<u>30,846,304</u>	<u>29,269,339</u>
<b>Operating expenses</b>		
Cost of sales and services	19,585,113	19,089,440
Distribution	2,516,298	2,221,350
Customer accounts	1,311,742	1,212,579
Administration	2,584,677	2,459,953
Depreciation/Amortization	<u>1,919,179</u>	<u>1,997,085</u>
Total operating expenses	<u>27,917,009</u>	<u>26,980,407</u>
Operating income	<u>2,929,295</u>	<u>2,288,932</u>
<b>Nonoperating revenues (expenses)</b>		
Interest revenue	1,012,451	623,806
Interest expenses	( 317,707)	( 328,958)
Bond issuance, other costs	( 6,975)	( 7,302)
Gain (loss) disposal of assets	<u>( 48,300)</u>	<u>( 138,110)</u>
Net nonoperating revenues (expenses)	<u>639,469</u>	<u>149,436</u>
Income before capital contributions and transfers	3,568,764	2,438,368
Capital contributions	207,143	
Transfers out: City of Hope, Arkansas - General Fund	<u>( 575,000)</u>	<u>( 575,000)</u>
Change in net position	3,200,907	1,863,368
Net position - beginning	<u>45,693,997</u>	<u>43,830,629</u>
Net position - ending	<u>\$ 48,894,904</u>	<u>\$ 45,693,997</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 30,724,330	\$ 30,553,495
Payments to suppliers	( 21,204,790)	( 19,399,718)
Payments to employees	<u>( 4,806,064)</u>	<u>( 4,373,449)</u>
Net cash provided by operating activities	<u>4,713,476</u>	<u>6,780,328</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers to City	<u>( 575,000)</u>	<u>( 575,000)</u>
Net cash used for noncapital financing activities	<u>( 575,000)</u>	<u>( 575,000)</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	( 4,301,253)	( 5,985,016)
Principal payment on revenue bonds	( 910,000)	( 900,000)
Interest payments - bonds	( 292,664)	( 310,764)
Bonds issuance, other costs	( 6,975)	( 7,302)
Proceeds from (Cost of) disposal of assets	104,095	
Principal payments - leases, contracts, and other liabilities	( 17,458)	( 26,320)
Interest payments - leases, contracts, and other liabilities	<u>( 29,592)</u>	<u>( 15,501)</u>
Net cash used for capital and related financing activities	<u>( 5,453,847)</u>	<u>( 7,244,903)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	( 7,225,000)	( 7,233,678)
Proceeds from sale of investments	7,233,678	6,183,107
Interest on investments	<u>1,010,033</u>	<u>612,972</u>
Net cash provided by (used for) investing activities	<u>1,018,711</u>	<u>( 437,599)</u>
Net (decrease) in cash	( 296,660)	( 1,477,174)
Cash at beginning of year	<u>13,111,556</u>	<u>14,588,730</u>
Cash at end of year	<u>\$ 12,814,896</u>	<u>\$ 13,111,556</u>
<b>Reconciliation to cash and cash equivalents</b>		
Current assets		
Unrestricted cash	\$ 11,705,439	\$ 11,513,897
Noncurrent assets		
Restricted cash	<u>1,109,457</u>	<u>1,597,659</u>
	<u>\$ 12,814,896</u>	<u>\$ 13,111,556</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 2,929,295	\$ 2,288,932
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>		
Amortization	1,574	9,091
Depreciation	1,917,605	1,987,994
Other depreciation included in operating expenses	217,477	202,411
(Increase) decrease in assets:		
Receivables	( 121,974)	1,284,156
Inventories	( 54,430)	( 170,176)
Prepaid expenses	( 34,459)	( 24,264)
Deferred outflows	455,174	16,557
Increase (decrease) in liabilities:		
Accounts payable	( 30,434)	87,563
Due to other governmental agencies	32,342	20,084
Accrued compensated absences	22,970	28,510
Accrued liabilities	( 343,961)	846,257
Customer deposits	113,387	35,950
Net pension liabilities	( 451,014)	129,952
Deferred inflows	59,924	37,311
Net cash provided by operating activities	<u>\$ 4,713,476</u>	<u>\$ 6,780,328</u>
<b>Supplemental Disclosure of Noncash Transactions</b>		
Capital asset acquisitions in accounts payable	\$ 510,958	\$ 508,451
Amortization	1,574	10,136
Capital contributions	207,143	

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, 2024 AND 2023

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 enterprise funds of 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 sales and services. Operating expenses for the Utility include the cost of 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, 2024 AND 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables/Payables

Accounts receivable are shown net of allowance for uncollectible receivables in the amount of \$63,025 and \$79,698 for December 31, 2024, and December 31, 2023, respectively. Also, unbilled water and electricity receivables are included in accounts receivable at year end.

Accounts payable are the obligations incurred by the Utility during its operations that remain due at year end which are to be paid with current resources.

Retainage Payable

Included in accounts payable is a retainage payable of \$380,339 related to a construction contract. The project is complete but retainage has not been billed by the contractor as of December 31, 2024.

Power Cost Adjustment

Included in accrued liabilities is a power cost adjustment (PCA) in the amount of \$400,336 which is a change from the payable of \$880,608 as of December 31, 2023. In February 2021, Hope Water and Light received a power bill from the wholesale electric supplier AEP/SWEPCO in the amount of \$6,356,509. As explained in the 2020 audit report, Hope Water and Light absorbed \$3,000,000 of that cost, \$1,365,509 was viewed as normal Power Cost Adjustment (PCA) and \$2,000,000 was placed in the PA calculations which appears as a line item on the utility bills. That amount was broken into 24 months which was \$83,333 per month. The charge was passed through to the customers. The 24-month period for the \$2,000,000 from winter storm 2021 that was passed on to customers expired in 2023, so the amount to be collected from customers decreased.

In 2022 the Commission voted to apply annual true up amounts from AEP/SWEPCO of \$1,659,545 (\$489,802 from 2022 and \$1,169,743 from 2021) to the PCA, helping to lower the total amount due from customers. Again, as the PCA calculation is a 12-month rolling average, this amount applied to the PCA in 2022 was still ongoing (due to customers) in 2023. In 2024 and 2023, Hope Water and Light received true up amounts of \$711,973 and \$183,612, respectively, from AEP/SWEPCO, and the Commission voted to apply these to customer accounts.

The U.S. retail price for regular grade gasoline averaged \$3.30 per gallon (gal) in 2024, \$0.21/gal less than in 2023. Lower crude oil prices and narrower refinery margins in 2024 than in 2023 contributed to the decrease in U.S. retail gasoline prices, according to data from our *Gasoline and Diesel Fuel Update*. From the first week of 2024 through the last week, national average weekly gasoline prices decreased \$0.08/gal. The retail gasoline price was highest in 2024 during late April when it reached \$3.67/gal, below last year's high price of \$3.88/gal in September 2023. Retail gasoline prices decreased to an annual low of \$3.01/gal in early December and remained at a similar level throughout the rest of 2024. The price range in 2024 was narrower than in 2023, reflecting relatively flat crude oil prices.

The above factors caused the PCA payable to decrease from \$880,608 as of December 31, 2023 to \$400,336 as of December 31, 2024. The amount of the PCA fluctuates based on the price of fuel and is a rolling average, adjusted each month according to a calculation involving many variables.

HOPE WATER AND LIGHT COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2024 AND 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Compensated Absences

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, amounts for services already rendered but not yet paid along with the employer's share of payroll taxes, is accrued 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. Since employees leaving prior to retirement do not receive accumulated sick pay, they normally utilize a portion of sick leave before retirement. 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. A historical average of actual payments upon termination was used to estimate the expected amount to be paid in the next year.

The Utility presents the change in compensated absences in Note 6.

HOPE WATER AND LIGHT COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2024 AND 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Deferred lease inflows consist of lease receivables plus any payments made at or prior to commencement of the lease.

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 as follows for the years ending December 31, 2024 and 2023.

<u>Water</u>	<u>Electricity</u>	<u>Broadband</u>
36%	56%	8%

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.

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024 and 2023, 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*.

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 in financial institutions totaling \$20,136,246 at December 31, 2024 and \$20,316,917 at December 31, 2023, none were uninsured and uncollateralized.

Cash on hand and not deposited totaled \$2,834 and \$2,650 at December 31, 2024 and 2023, respectively.

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Concentrations of credit risk by issuer at December 31, 2024 and 2023, are as follows:

Issuer	Investment Type	Fair Value		Percentage	
		2024	2023	2024	2023
1 <sup>st</sup> National Tom Bean	CD's	\$ 500,000	\$ 1,808,678	2%	9%
Bank OZK	CD's	1,350,000	500,000	7%	2%
Bank OZK	Cash	1,109,457	1,597,659	6%	8%
Farmer's Bank & Trust	Cash	11,801,789	11,485,580	59%	57%
Farmer's Bank & Trust	CD's	1,650,000	1,150,000	8%	6%
Diamond Bank	CD's	3,725,000	3,775,000	18%	18%
		<u>\$20,136,246</u>	<u>\$ 20,316,917</u>	<u>100%</u>	<u>100%</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. At December 31, 2024 and 2023, the Utility had no foreign investments.

NOTE 3: CAPITAL ASSETS

A summary of changes in capital assets for 2024 follows:

	Balance January 1, 2024	Additions Transfers	Disposals Transfers	Balance December 31, 2024
Capital assets, not being depreciated/amortized:				
Land	\$ 813,126	\$ 1,000	\$ ( 14,814)	\$ 799,312
Construction in progress	10,279,752	1,750,163	(11,703,084)	326,831
Water rights	662,422			662,422
Total	<u>11,755,300</u>	<u>1,751,163</u>	<u>(11,717,898)</u>	<u>1,788,565</u>
Capital assets, being depreciated/amortized:				
Right to use asset	18,183		( 18,183)	-0-
Utility plant	75,336,378	13,535,562	( 129,125)	88,742,815
Buildings and other improvements	3,392,668	5,202		3,397,870
Machinery and equipment	7,374,517	786,282	( 138,413)	8,022,386
Total	<u>86,121,746</u>	<u>14,327,046</u>	<u>( 285,721)</u>	<u>100,163,071</u>
Less accumulated depreciation/amortization:				
Right to use asset	( 17,855)	( 328)	18,183	-0-
Utility plant	( 44,869,925)	( 1,614,142)	120,932	( 46,363,135)
Buildings and other improvements	( 2,432,541)	( 99,290)		( 2,531,831)
Machinery and equipment	( 4,576,375)	( 421,322)	134,780	( 4,862,917)
Total	<u>( 51,896,696)</u>	<u>( 2,135,082)</u>	<u>273,895</u>	<u>( 53,757,883)</u>
Total capital assets, being depreciated/amortized, net	<u>34,225,050</u>	<u>12,191,964</u>	<u>( 11,826)</u>	<u>46,405,188</u>
Total capital assets, net	<u>\$ 45,980,350</u>	<u>\$ 13,943,127</u>	<u>\$(11,729,724)</u>	<u>\$ 48,193,753</u>

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 3: CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for 2023 follows:

	Balance January 1, 2023	Additions Transfers	Disposals Transfers	Balance December 31, 2023
Capital assets, not being depreciated/amortized:				
Land	\$ 813,126			\$ 813,126
Construction in progress	6,620,629	\$ 3,788,628	\$( 129,505)	10,279,752
Water rights	662,422			662,422
Total	<u>8,096,177</u>	<u>3,788,628</u>	<u>( 129,505)</u>	<u>11,755,300</u>
Capital assets, being depreciated/amortized:				
Right to use asset	18,183			18,183
Utility plant	73,426,595	2,114,157	( 204,374)	75,336,378
Building and other improvements	3,245,099	162,184	( 14,615)	3,392,668
Machinery and equipment	7,286,944	96,238	( 8,665)	7,374,517
Total	<u>83,976,821</u>	<u>2,372,579</u>	<u>( 227,654)</u>	<u>86,121,746</u>
Less accumulated depreciation/amortization:				
Right to use asset	( 8,763)	( 9,092)		( 17,855)
Utility plant	( 43,403,460)	( 1,660,990)	194,525	( 44,869,925)
Building and other improvements	( 2,354,994)	( 90,965)	13,418	( 2,432,541)
Machinery and equipment	( 4,146,591)	( 438,449)	8,665	( 4,576,375)
Total	<u>( 49,913,808)</u>	<u>( 2,199,496)</u>	<u>216,608</u>	<u>( 51,896,696)</u>
Total capital assets, being depreciated/amortized, net	<u>34,063,013</u>	<u>173,083</u>	<u>( 11,046)</u>	<u>34,225,050</u>
Total capital assets, net	<u>\$ 42,159,190</u>	<u>\$ 3,961,711</u>	<u>\$( 140,551)</u>	<u>\$ 45,980,350</u>

NOTE 4: LEASES

The Utility implemented GASB No. 87, *Leases*, on January 1, 2022. Implementation of the standard had no significant impact on the Utility's financial statements.

Leases Receivable

The Utility (as Lessor) entered into lease agreements that conveyed the rights to use land. These lease agreements qualified as leases subject to GASB No. 87, *Leases*, for accounting purposes. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is equal to the lease receivable less any prepayments received from the lessee or lease incentives paid to the lessee.

On January 1, 2022, the Utility recorded a lease receivable for a land lease in the amount of \$4,987. The lessee was required to make payments totaling \$2,563 annually. On January 1, 2022, the Utility recorded a lease receivable for a land lease in the amount of \$17,684. The lessee was required to make payments totaling \$9,089 annually.

Both leases expired in 2024 and were not renewed under the same terms and are no longer subject to GASB No. 87. Value of the lease receivable totaled \$-0- for the years ending December 31, 2024 and 2023, respectively. Amortization related to the leases totaled \$-0- and \$3,136 for the years ending December 31, 2024 and 2023, respectively.

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 4: LEASES (CONTINUED)

Leases Payable

The Utility (as Lessee) entered into a lease agreement that conveyed the right to use a building that did not automatically transfer the underlying asset to the Utility at the end of the lease. This agreement qualified as a lease subject to GASB No. 87, *Leases*, for accounting purposes and was recorded at the present value of the future minimum lease payments as of the inception date. The lease expired in January, 2023.

As of January 1, 2022, the Utility recorded a lease payable in the amount of \$18,183. The Utility was required to make payments totaling \$9,600 annually. As of December 31, 2024 and 2023, the value of the lease payable is \$-0-. As of December 31, 2024 and 2023, the value of the right to use asset is \$-0- and \$328, respectively.

Other Leases Payable

The Utility implemented GASB 96 *Subscription - Based Information Technology Arrangements* (SBITA) in January, 2023.

GASB 96, *Subscription - Based Information Technology Arrangements* (SBITA) covers software used by Hope Water and Light. The Utility's subscription based IT arrangements have been excluded due to their short term nature. The largest SBITA that Hope Water and Light has is with NISC for accounting software, customer billing software and broadband. However, this arrangement has been scoped out due to its short term nature. Upon commencement of the agreement with NISC, the initial term of the contract was one year from the go-live date and was subject to cancellation by either party. The approximate monthly amount of SBITA for accounting/customer service/broadband software is \$13,000 and \$11,000 and for years ending December 31, 2024 and 2023, respectively.

All SBITA arrangements, have a contract for services that may be cancelled at any time and are month-to-month.

Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term. For example, a rolling month-to-month SBITA, or a SBITA that continues into a holdover period until a new SBITA contract is entered into, would not be enforceable if both the government and the SBITA vendor have an option to terminate and, therefore, either could cancel the SBITA at any time.

A short-term SBITA is a SBITA that, at the commencement of the subscription term, has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and should be excluded from the maximum possible term. For a SBITA that has cancellable periods, such as a rolling month-to-month SBITA or a year-to-year SBITA, the maximum possible term of that SBITA is the non-cancellable period, including any notice periods.

All subscription based information technology arrangements of the Utility meet the definition of a short-term SBITA.

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

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 years 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.

The Utility has contracts payable of \$437,759 and \$455,218 due at December 31, 2024 and 2023, 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 2024 and 2023, respectively, on these contracts.

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

Year	December 31, 2024			December 31, 2023		
	Principal	Interest	Total	Principal	Interest	Total
2024				\$ 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	18,875	10,566	29,441	18,875	10,566	29,441
2028	19,371	10,069	29,440	19,371	10,069	29,440
2029	19,881	9,559	29,440	19,881	9,559	29,440
2030-2031	41,346	17,536	58,882	41,346	17,536	58,882
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>\$ 437,759</u>	<u>\$ 135,715</u>	<u>\$ 573,474</u>	<u>\$ 455,218</u>	<u>\$ 147,696</u>	<u>\$ 602,914</u>

HOPE WATER AND LIGHT COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2024 AND 2023

NOTE 6: LONG-TERM OBLIGATIONS

Long-term debt payable at December 31, 2024 and 2023, is comprised of the following issue:

Description	Interest Rate	Original Issue	Balance 12/31/2024	Balance 12/31/2023
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%	\$ 9,995,000	\$ 8,990,000	\$ 9,440,000
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%	\$ 7,290,000	\$ 5,745,000	\$ 6,205,000

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.

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.

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

The annual principal and interest requirements to amortize outstanding bonds as of December 31, 2024 and 2023, are presented in the following schedules.

Outstanding Bonds, December 31, 2024.

December 31	2021 Revenue Bonds			2020 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2025	460,000	164,064	624,064	470,000	110,200	580,200
2026	470,000	154,764	624,764	480,000	100,700	580,700
2027	480,000	147,364	627,364	490,000	91,000	581,000
2028	485,000	144,664	629,664	500,000	86,100	586,100
2029	490,000	138,601	628,601	510,000	76,100	586,100
2030	500,000	132,231	632,231	520,000	65,900	585,900
2031-2032	1,020,000	223,306	1,243,306	1,075,000	74,350	1,149,350
2033-2035	1,590,000	279,237	1,869,237	1,700,000	51,500	1,751,500
2036-2041	3,495,000	240,231	3,735,231			
Total	<u>\$ 8,990,000</u>	<u>\$ 1,624,462</u>	<u>\$10,614,462</u>	<u>\$ 5,745,000</u>	<u>\$ 655,850</u>	<u>\$ 6,400,850</u>

Outstanding Bonds, December 31, 2023.

December 31	2021 Revenue Bonds			2020 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2024	450,000	173,164	623,164	460,000	119,500	579,500
2025	460,000	164,064	624,064	470,000	110,200	580,200
2026	470,000	154,764	624,764	480,000	100,700	580,700
2027	480,000	147,364	627,364	490,000	91,000	581,000
2028	485,000	144,664	629,664	500,000	86,100	586,100
2029-2032	2,010,000	494,138	2,504,138	2,105,000	216,350	2,321,350
2033-2035	1,590,000	279,237	1,869,237	1,700,000	51,500	1,751,500
2036-2041	3,495,000	240,231	3,735,231			
Total	<u>\$ 9,440,000</u>	<u>\$ 1,797,626</u>	<u>\$11,237,626</u>	<u>\$ 6,205,000</u>	<u>\$ 775,350</u>	<u>\$ 6,980,350</u>

The following is a summary of the changes in long-term debt for the year ended December 31, 2024.

	Balance January 1, 2024	Additions	Retirements/ Deductions	Balance Dec. 31, 2024	Due Within One Year	Long Term Balance
Revenue bonds payable	\$ 15,645,000		\$ 910,000	\$ 14,735,000	\$ 930,000	\$ 13,805,000
Premium	97,805		8,562	89,243		89,243
Total bonds payable	15,742,805		918,562	14,824,243	930,000	13,894,243
Net pension liability	4,191,354		451,014	3,740,340		3,740,340
Contracts payable	455,218		17,459	437,759	17,919	419,840
Accrued compensated absences	455,883	\$ 184,480	161,510	478,853	69,512	409,341
	<u>\$ 20,845,260</u>	<u>\$ 184,480</u>	<u>\$ 1,548,545</u>	<u>\$ 19,481,195</u>	<u>\$ 1,017,431</u>	<u>\$ 18,463,764</u>

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of the changes in long-term debt for the year ended December 31, 2023.

	Balance January 1, 2023	Additions	Retirements/ Deductions	Balance Dec. 31, 2023	Due Within One Year	Long Term Balance
Revenue bonds payable	\$ 16,545,000		\$ 900,000	\$ 15,645,000	\$ 910,000	\$ 14,735,000
(Discount) Premium	106,366		8,561	97,805		97,805
Total bonds payable	16,651,366		908,561	15,742,805	910,000	14,832,805
Net pension liability	4,061,402	\$ 129,952		4,191,354		4,191,354
Contracts payable	472,230		17,012	455,218	17,459	437,759
Accrued compensated absences	427,373	179,520	151,010	455,883	161,510	294,373
	<u>\$ 21,612,371</u>	<u>\$ 309,472</u>	<u>\$ 1,076,583</u>	<u>\$ 20,845,260</u>	<u>\$ 1,088,969</u>	<u>\$ 19,756,291</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.

NOTE 8: COMMITMENTS

The Utility has commitments totaling \$-0- and \$1,351,661 as of December 31, 2024 and 2023, respectively, for construction contracts. Construction contracts were completed in 2024 and placed in service.

HOPE WATER AND LIGHT COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2024 AND 2023

NOTE 9: 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-officio trustees, including the Auditor of the State, the Treasurer of the State, and the Director of the Department of Finance and Administration. Four additional Board positions were added in Act 686 of the 2021 State of Arkansas legislature session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other by the Senate.

**Benefits Provided** - Benefit provisions are set 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.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the average final average compensation for the retirement benefit to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 9: PENSION PLAN (CONTINUED)

**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. Act 365 of the 2021 regular legislation session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022, and continuing each year to a maximum of 7%. 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, 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

The Utility's contributions to APERS for the years ended December 31, 2024 and 2023, were \$523,178 and \$488,368, respectively, and were equal to the required contribution.

**APERS Fiduciary Net Position** - Detailed information about APER'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 \$3,740,340 and \$4,191,354 for the years ended December 31, 2024 and 2023, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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 .15032783% and .14382587% as of June 30, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, the Utility recognized pension expense of \$615,280 and \$689,061, respectively.

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

	December 31, 2024		December 31, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 145,155	\$( 152,925)	\$ 236,593	\$( 23,026)
Changes of assumptions	130,349		197,045	
Contributions made after measurement date and before year end	288,745		253,728	
Changes in proportion and differences between employer contributions and proportionate share of contribution	118,879	( 65,948)	27,633	( 132,787)
Net difference between projected and actual earnings on pension plan investments	108,506		521,673	
Total	\$ 791,634	\$( 218,873)	\$ 1,236,672	\$( 155,813)

HOPE WATER AND LIGHT COMMISSION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2024 AND 2023

NOTE 9: PENSION PLAN (CONTINUED)

The amount of \$288,745, reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2025.

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

<u>Year Ended</u>	<u>Net of Deferred Outflows Minus Deferred Inflows</u>
2025	\$( 18,349)
2026	529,239
2027	( 137,359)
2028	( 89,515)
	<u>\$ 284,016</u>

**Actuarial Assumptions** - The total pension liability in the June 30, 2024, 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	16 years (5.6 years for District Judges (New Plan/Paid Off Old Plan and 15 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%
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-2006 Combined Healthy annuitant benefit weighted generational mortality table, for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017
Average Service Life of All Members	3.6281

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 9: 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, 2024 and 2023, are summarized in the table below:

<i>Asset Class</i>	2024		2023	
	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Broad Domestic Equity	39%	5.03%	37%	6.19%
International Equity	17%	6.34%	24%	6.77%
Real Estate	16%	4.51%	16%	3.34%
Absolute Return			5%	3.36%
Domestic Fixed	21%	3.38%	18%	1.79%
Private Equity	5%	9.00%		
Hedge Funds	2%	3.63%		
Total	<u>100%</u>		<u>100%</u>	
Total Real Rate of Return		5.00%		4.94%
Plus: Price Inflation - Actuary Assumption		<u>2.50%</u>		<u>2.50%</u>
Net Expected Return		7.50%		7.44%

**Discount Rate** - A single discount rate of 7% was used to measure the total pension liability for the years ending June 30, 2024 and 2023, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 7% for the years ending June 30, 2024 and 2023, respectively. 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.

**Sensitively 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% June 30, 2024 and 2023, respectively as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30, 2024 and 2023.

	1% Lower <u>6%</u>	Discount Rate <u>7%</u>	1% Higher <u>8%</u>
June 30, 2024	\$ 6,382,368	\$ 3,740,340	\$ 1,562,182
	1% Lower <u>6%</u>	Discount Rate <u>7%</u>	1% Higher <u>8%</u>
June 30, 2023	\$ 6,680,641	\$ 4,191,354	\$ 2,140,417

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 10: 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, Mission Square, and as such, the plan assets do not meet the requirements for inclusion in the Utility's financial statements as December 31, 2024 and 2023.

NOTE 11: 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. For the years ended December 31, 2024 and 2023, \$575,000 was transferred to the City of Hope, Arkansas.

NOTE 12: GASB PRONOUNCEMENTS

The following pronouncements of the Governmental Accounting Standards were effective for Hope Water and Light Commission for the year ended December 31, 2024.

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). The statement had no impact on the financial statements of the Utility.

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. As detailed in note 4 this statement had no significant impact on the financial statements of the Utility.

GASB Statement No. 101, *Compensated Absences*, issued June, 2022, is effective for the year ending December 31, 2024. The statement is to improve financial reporting that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. The statement had no significant impact on the financial statements of the Utility.

HOPE WATER AND LIGHT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023

NOTE 12: GASB PRONOUNCEMENTS (CONTINUED)

The following pronouncements of the Governmental Accounting Standards Board has not yet been implemented by Hope Water and Light Commission. Management has not yet determined the impact of this Standard on the financial statements when adopted.

GASB Statement No. 102, *Certain Risk Disclosures*, is effective for the Utility for the year ending December 31, 2025. The statement establishes financial reporting requirements for risk related to vulnerabilities due to certain concentrations or constraints. The impact of this statement on the financial statements has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is effective for the year ending December 31, 2025. The statement is to improve financial reporting. The statement is not expected to have significant impact on the financial statements of the Utility.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, is effective for the Utility for the year ending December 31, 2026. The statement will improve reporting requirements by providing essential information about certain types of capital assets. The impact of this statement on the financial statements has not yet been determined.

NOTE 13: SUBSEQUENT EVENTS

The Commission previously approved the expansion of a fiber optic communication system, which includes broadband and data services to the customers. In 2024, the broadband (internet) services are operational and customers are being added to the system in 2025.

The intervention by Hope Water and Light and other utilities of the November 2023 FERC filing by AEP/SWEPCO to change the depreciation of certain retired assets is nearing completion as a preliminary settlement offer is expected sometime in 2025. The original estimate by AEP/SWEPCO was that the FERC filing would cost Hope Water and Light customers an additional \$660,000 per year but due to the settlement negotiations it is estimated that Hope Water and Light will be able to reduce the cost approximately \$294,000 over the remaining life of Hope Water and Light's contract with AEP/SWEPCO which expires in December 2032.

Subsequent events were evaluated through May 28, 2025, the date the financial statements were made 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)  
 2015 - 2024 (UNAUDITED)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Utility's proportion of the net pension liability	.15032783%	.14382587%	.15062404%
Utility's proportionate share of the net pension liability	\$ 3,740,340	\$ 4,191,354	\$ 4,061,402
Utility's covered payroll	\$ 3,414,000	\$ 3,188,607	\$ 3,148,470
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	110.26%	131.45%	129.00%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	77.94%	78.31%
	<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	\$ 3,933,7844	\$ 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%

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.

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 PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 OF MULTI-EMPLOYER COST SHARING PLANS  
 (ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM)(CONTINUED)  
 2015 - 2024 (UNAUDITED)

Utility's proportion of the net pension liability	<u>2015</u> .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.

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)  
 2015 - 2024 (UNAUDITED)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contribution		\$ 488,368	\$ 482,346
Contributions in relation to the contractually required contribution	\$ 523,178	488,368	482,346
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 3,643,579	\$ 3,272,479	\$ 3,201,493
Contribution as a percentage of covered payroll	14.36%	14.92%	15.07%
	<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	452,589	455,476	449,793
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	428,638	409,221	393,653
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%

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.

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

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)(CONTINUED)  
 2015 - 2024 (UNAUDITED)

Actuarially determined contribution	<u>2015</u> \$ 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.

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, ELECTRIC, AND BROADBAND  
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Electric</u>	<u>Water</u>	<u>Broadband</u>	<u>Total</u>
<b>Operating revenue</b>				
Electric sales	\$ 25,102,128			\$ 25,102,128
Water sales		\$ 4,392,315		4,392,315
Broadband sales			\$ 790,429	790,429
Penalties and service charges	167,109	81,945		249,054
Other income	<u>280,964</u>	<u>31,414</u>		<u>312,378</u>
Total operating revenues	<u>25,550,201</u>	<u>4,505,674</u>	<u>790,429</u>	<u>30,846,304</u>
<b>Operating expenses</b>				
Costs of sales and service	18,309,584	1,275,529		19,585,113
Distribution	1,457,270	765,939	293,089	2,516,298
Customer accounts	718,836	471,033	121,873	1,311,742
Administration	1,466,870	538,210	579,597	2,584,677
Depreciation/Amortization	<u>1,084,911</u>	<u>790,407</u>	<u>43,861</u>	<u>1,919,179</u>
Total operating expenses	<u>23,037,471</u>	<u>3,841,118</u>	<u>1,038,420</u>	<u>27,917,009</u>
Operating income (loss)	<u>2,512,730</u>	<u>664,556</u>	<u>( 247,991)</u>	<u>2,929,295</u>
<b>Nonoperating revenues (expenses)</b>				
Interest revenue	867,258	103,379	41,814	1,012,451
Interest expense	( 68,115)	( 78,679)	( 170,913)	( 317,707)
Other costs	( 1,635)		( 5,340)	( 6,975)
Gain (loss) on disposal of assets	<u>( 48,535)</u>	<u>235</u>		<u>( 48,300)</u>
Net nonoperating revenues (expenses)	<u>748,973</u>	<u>24,935</u>	<u>( 134,439)</u>	<u>639,469</u>
Income(loss) before capital contributions and transfers	3,261,703	689,491	( 382,430)	3,568,764
Capital contributions	207,143			207,143
Transfers City of Hope, Arkansas	<u>( 575,000)</u>			<u>( 575,000)</u>
Change in net position	<u>2,893,846</u>	<u>689,491</u>	<u>( 382,430)</u>	3,200,907
Net position - beginning				<u>45,693,997</u>
Net position - ending				<u>\$ 48,894,904</u>

HOPE WATER AND LIGHT COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPERATING EXPENSES - WATER, ELECTRIC, AND BROADBAND  
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Electric</u>	<u>Water</u>	<u>Broadband</u>	<u>Total</u>
<b>Cost of sales and services</b>				
Lights and power purchased	\$ 18,309,584			\$ 18,309,584
Total cost of power	<u>18,309,584</u>			<u>18,309,584</u>
<b>Source of supply</b>				
Operations		\$ 357,334		357,334
Maintenance		37,251		37,251
<b>Water treatment plant</b>				
Operations		814,646		814,646
Maintenance		<u>66,298</u>		<u>66,298</u>
Total cost of water		<u>1,275,529</u>		<u>1,275,529</u>
Total cost of sales and services	<u>18,309,584</u>	<u>1,275,529</u>		<u>19,585,113</u>
<b>Distribution</b>				
Salaries	943,559	408,106		1,351,665
Operations	119,790	93,045	\$ 153,373	366,208
Maintenance	<u>393,921</u>	<u>264,788</u>	<u>139,716</u>	<u>798,425</u>
Total distribution	<u>1,457,270</u>	<u>765,939</u>	<u>293,089</u>	<u>2,516,298</u>
<b>Customer accounts</b>				
Salaries	492,652	309,233	70,458	872,343
Supplies	8,605	42,986	21,967	73,558
Postage	33,562	22,292	186	56,040
Software/Rental	104,574	67,226	14,939	186,739
Miscellaneous	<u>79,443</u>	<u>29,296</u>	<u>14,323</u>	<u>123,062</u>
Total customer accounts	<u>718,836</u>	<u>471,033</u>	<u>121,873</u>	<u>1,311,742</u>
<b>Administration</b>				
Contractual services	129,037	21,691	63,344	214,072
Insurance	100,188	64,940	14,334	179,462
Maintenance	70,424	45,340	11,047	126,811
Miscellaneous	144,850	26,564	7,737	179,151
Employee benefits	112,398	46,428	12,473	171,299
Regulatory commission	10,717			10,717
Salaries	624,172	321,787	337,858	1,283,817
Supplies	52,454	2,423	100,979	155,856
Taxes	131,562			131,562
Transportation	71,867	8,786	29,315	109,968
Uniforms	<u>19,201</u>	<u>251</u>	<u>2,510</u>	<u>21,962</u>
Total administration	<u>1,466,870</u>	<u>538,210</u>	<u>579,597</u>	<u>2,584,677</u>
<b>Depreciation/Amortization</b>	<u>1,084,911</u>	<u>790,407</u>	<u>43,861</u>	<u>1,919,179</u>
Total operating expenses	<u>\$ 23,037,471</u>	<u>\$ 3,841,118</u>	<u>\$ 1,038,420</u>	<u>\$ 27,917,009</u>

HOPE WATER AND LIGHT COMMISSION  
 SUPPLEMENTARY INFORMATION - UNAUDITED  
 MISCELLANEOUS  
 DECEMBER 31, 2024

The following is a schedule of free services rendered to the City of Hope, Arkansas for the year ended December 31, 2024.

**VALUE OF FREE SERVICE**

<i>Provided to City of Hope</i>	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Street lights	\$ 155,995		\$ 155,995
Traffic lights	9,891		9,891
Administration	34,535	\$ 5,907	40,442
Waste water	201,283	18,034	219,317
Parks and recreation	45,666	31,427	77,093
Health	12,452	3,935	16,387
Fire	9,248	1,324	10,572
Cemeteries	89	537	626
Total free services	<u>\$ 469,159</u>	<u>\$ 61,164</u>	<u>\$ 530,323</u>

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION  
 SUPPLEMENTARY INFORMATION - UNAUDITED  
 MISCELLANEOUS  
 DECEMBER 31, 2024

The following is a schedule of electric power purchased, consumed, and lost for the year ended December 31, 2024.

**SCHEDULE OF ELECTRIC POWER PURCHASED, CONSUMED, AND LOST  
 DECEMBER 31, 2024**

<u>Purchase Power</u>	<u>KWH</u>	<u>Cost</u>	<u>Purchased Cost Per KWH</u>
AEP-SWPP	233,835,531	\$ 18,907,173	0.080857
	<u>233,835,531</u>	<u>\$ 18,907,173</u>	<u>0.080857</u>
<u>Energy Disposition</u>	<u>KWH</u>	<u>Cost</u>	<u>Per KWH Sold</u>
Sales	220,654,295	\$ 24,511,679	0.111086344
Interdepartmental sales	4,030,864		
Free service	2,906,930		
Losses	6,243,442		
	<u>233,835,531</u>	<u>\$ 24,511,679</u>	

% Loss:  $\frac{6,243,442}{233,835,531} \times 100 = 2.6700\%$

**INTERDEPARTMENTAL SALES**

Interdepartmental sales are included in the financial statements for the year ended December 31, 2024, in the following amounts:

**Revenue:**

Electric Sales	\$ 428,009
Water Sales	<u>3,036</u>
	<u>\$ 431,045</u>

**Expenses:**

Cost of Sales & Service - Water	\$ 330,544
Distribution - Electric	12,431
Distribution - Water	29,993
Administration - Electric	55,041
Administration - Water	<u>3,036</u>
	<u>\$ 431,045</u>

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION  
 SUPPLEMENTARY INFORMATION - UNAUDITED  
 MISCELLANEOUS  
 DECEMBER 31, 2024

The following are schedules of electric rates effective for the year ending December 31, 2024.

**SCHEDULE OF ELECTRIC RATES**

	Customer Charge	Energy Charge	Demand Charge
<b>SCHEDULE 1 RATE - Residential Service</b>	\$ 10.80	8.54¢/KWH	
<b>SCHEDULE 2 RATE - Small General Service</b>	13.95	11.31¢/KWH	
<b>SCHEDULE 3 RATE - Large General Service</b>	63.15	5.74¢/KWH	\$ 11.00/kW
<b>SCHEDULE 4A RATE - Small Light &amp; Power:</b>	54.75		
May - September		7.14¢/KWH	
October - April		5.14¢/KWH	
<b>Primary Service:</b>			
May - September			8.00/kW
October - April			6.60/kW
<b>SCHEDULE 4B RATE - Large Light &amp; Power:</b>	286.85		
May - September		7.20¢/KWH	
October - April		5.18¢/KWH	
<b>Primary Service:</b>			
May - September			7.50/kW
October - April			6.00/kW
<b>Secondary Service:</b>	186.85		
May - September		7.15¢KWH	8.00/kW
October - April		5.14¢KWH	6.60/kW
<b>SCHEDULE 5 RATE - Large Power:</b>	653.80		
May - September		7.19¢/KWH	
October - April		5.17¢/KWH	
<b>Primary Service:</b>			
May - September			7.20/kW
October - April			5.90/kW
<b>Secondary Service:</b>			
May - September			7.90/kW
October - April			5.90/kW

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION  
 SUPPLEMENTARY INFORMATION - UNAUDITED  
 MISCELLANEOUS  
 DECEMBER 31, 2024

	Customer Charge	Energy Charge	Demand Charge
<b>SCHEDULE 6 RATE - Large Industrial Power</b>	\$ 1,010.00		
May - September		4.35¢/KWH	
October - April		2.26¢/KWH	
<b>Primary Service:</b>			
May - September			\$14.81/kW
October - April			13.50/kW
<b>Secondary Service:</b>			
May - September			15.14/kW
October - April			13.81/kW
 <b>SCHEDULE 7 RATE - Night Lights</b>			
Size of Lamp - Mercury Vapor:			
175 Watt		\$ 7.48	
400 Watt		12.65	
1,000 Watt		29.48	
Size of Lamp - High Pressure Sodium:			
150 Watt		7.48	
250 Watt		12.54	
400 Watt		16.47	
1,000 Watt		31.20	
Size of Lamp - Metal Halide:			
400 Watt		15.80	
1,000 Watt		29.97	
 <b>Size of LED:</b>			
70 Watt		7.48	
200 Watt		15.80	
300 Watt		29.92	

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION  
 SUPPLEMENTARY INFORMATION - UNAUDITED  
 MISCELLANEOUS  
 DECEMBER 31, 2024

The following are schedules of water rates effective for the year ending December 31, 2024.

**SCHEDULE OF WATER RATES**

**SCHEDULE 1 RATE - Residential Service:**

	City	Rural
<i>Base Monthly Rate:</i>		
5/8" Meter	\$ 10.18	\$ 15.27
1" Meter	19.32	28.98
1 ½" Meter	25.59	38.38
 <i>Commodity Charge (Per 1,000 Gallons)</i>		
0 - 10,000 Gallons	5.22	7.83
Over 10,000 Gallons	4.91	7.36

**SCHEDULE 2 RATE - Commercial Service:**

<i>Base Monthly Rate:</i>		
5/8" & 3/4" Meter	20.53	30.79
1" Meter	33.01	49.51
1 ½" Meter	50.43	75.64
2" Meter	81.94	122.91
3" Meter	152.66	228.99
4" Meter	255.13	382.69
6" Meter	511.92	767.88
 <i>Commodity Charge (Per 1,000 Gallons)</i>		
0 - 10,000 Gallons	4.18	6.27
10,000 - 50,000 Gallons	3.97	5.96
Over 50,000 Gallons	2.80	4.20

**SCHEDULE 3 - Large User Service:**

<i>Base Monthly Rate:</i>	
4" Meter	255.13
6" Meter	511.92
 <i>Commodity Charge (Per 1,000 Gallons)</i>	
All Consumption	2.73
Minimum bill equals fixed meter charge plus \$13,650 (5,000,000 gallons X \$2.73/1,000)	

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION  
 SUPPLEMENTARY INFORMATION - UNAUDITED  
 MISCELLANEOUS  
 DECEMBER 31, 2024

<b>SCHEDULE 4 - Wholesale Service: City of Bodcaw, Arkansas</b>	City
<i>Minimum Monthly Usage: (gallons per month)</i>	
Year 1	500,000
Year 2 & 3	1,000,000
Year 4 & 5	1,500,000
Year 6+	2,000,000
 <i>Fixed Meter Monthly Charge Rate:</i>	
4" Meter	\$ 255.13
<i>Commodity Charge (Per 1,000 Gallons):</i>	
All Consumption	3.18
Minimum bill equals fixed meter charge plus (\$3.18/1,000 gallons X Minimum Monthly Usage from Schedule)	
 <b>SCHEDULE 5 - Wholesale Service: Southwest Arkansas Water System, Inc.</b>	
<i>Minimum Monthly Usage: (gallons per month)</i>	
Year 1	500,000
Year 2 & 3	1,000,000
Year 4 & 5	1,500,000
Year 6+	2,000,000
 <i>Fixed Meter Monthly Charge Rate:</i>	
6" Meter	\$ 551.92
<i>Commodity Charge (Per 1,000 Gallons):</i>	
All Consumption	3.18
Minimum bill equals fixed meter charge plus (\$3.18/1,000 gallons X Minimum Monthly Usage from Schedule)	
 <b>SCHEDULE 6 -Wholesale Service: SAWS - Spring Hill District</b>	
<i>Minimum Monthly Usage: (gallons per month)</i>	
 <i>Fixed Meter Monthly Charge Rate:</i>	
4" Meter	\$ 225.13
<i>Commodity Charge (Per 1,000 Gallons)</i>	
All Consumption	3.47
Minimum bill equals fixed meter charge	

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION  
 SUPPLEMENTARY INFORMATION - UNAUDITED  
 MISCELLANEOUS  
 DECEMBER 31, 2024

<b>SCHEDULE 7 - Wholesale Service: Ozan Creek</b>	City
<b>Waterworks Facilities Board of Hempstead County, Arkansas</b>	
<i>Minimum Monthly Usage: (gallons per month)</i>	
Year 1	500,000
Year 2 & 3	1,000,000
Year 4 - 10	1,500,000
Year 11+	2,000,000
 <i>Fixed Meter Monthly Charge Rate:</i>	
4" Meter	\$ 255.13
<i>Commodity Charge (Per 1,000 Gallons)</i>	
All Consumption	3.47
Minimum bill equals fixed meter charge plus (\$3.47/1,000 gallons X Minimum Monthly Usage from schedule beginning 1/1/2010)	

<b>MISCELLANEOUS:</b>	City	Rural
<i>Water Connection Fees:</i>		
5/8" Meter	\$ 280.00	\$ 420.00
1" Meter	520.00	780.00
1 1/2" 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	\$ 19.38	\$ 29.07
8"	34.65	51.97
10"	52.28	78.43
12"	77.64	116.46
 Fire Hydrant	 19.38	 29.07

For the year ended December 31, 2024, the total gross volume of water sold was 989,830,296 gallons.

Unaudited - see accompanying auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**WILLIAM C. MILLER, LLC**

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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, 2024, 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 May 28, 2025.

**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.

May 28, 2025

*William C Miller, LLC*