

**NEW ISSUE
BOOK-ENTRY ONLY**

RATING: (BAM Insured) S&P: AA/Stable

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2025 Bonds. In the opinion of Bond Counsel, interest on the Series 2025 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. Also in the opinion of Bond Counsel, the interest on the Series 2025 Bonds is exempt from State of Arkansas income tax and the Series 2025 Bonds are exempt from property taxation in the State of Arkansas. See **TAX EXEMPTION**.*

**\$9,975,000
CITY OF HOPE, ARKANSAS
PUBLIC UTILITY SYSTEM REVENUE BONDS
SERIES 2025**

Dated: Date of Delivery

Due: April 1, as shown on the inside front cover hereof

The Series 2025 Bonds will not be general obligations of the City of Hope, Arkansas (the "City") but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's water, electric and fiber optic communications system. The pledge of revenues derived from the fiber optic communications system ("Fiber Optic Communications Revenues") in favor of the Series 2025 Bonds is on a parity with the pledge of Fiber Optic Communications Revenues in favor of the City's Public Utility Revenue Bonds, Series 2021 (the "Parity Bonds"). The pledge of revenues derived from the water system and the electric system ("Water and Electric Revenues") in favor of the Series 2025 Bonds is (a) subordinate to the pledge of Water and Electric Revenues in favor of the City's Water and Electric Refunding Revenue Bonds, Series 2020 and (b) on a parity with the pledge of Water and Electric Revenues in favor of the Parity Bonds. See **SECURITY FOR THE BONDS**.

Interest on the Series 2025 Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2026, and the Series 2025 Bonds mature (on April 1 of each year), bear interest and are priced to yield as shown on the inside front cover hereof.

The Series 2025 Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Series 2025 Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2025 Bonds will not receive physical delivery of Series 2025 Bonds. Payments of principal of and interest on the Series 2025 Bonds will be made by Bank OZK, Little Rock, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2025 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2025 Bonds, all as further described herein.

The scheduled payment of principal of and interest on the Series 2025 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2025 Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Series 2025 Bonds are offered when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to satisfaction of certain other conditions.

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

Stephens Inc.

Dated: November 25, 2025

\$9,975,000
CITY OF HOPE, ARKANSAS
PUBLIC UTILITY SYSTEM REVENUE BONDS
SERIES 2025

MATURITY SCHEDULE

\$6,515,000 Serial Bonds

<u>YEAR</u>	<u>AMOUNT</u>	<u>RATE(%)</u>	<u>YIELD(%)</u>	<u>YEAR</u>	<u>AMOUNT</u>	<u>RATE(%)</u>	<u>YIELD(%)</u>
2027	\$200,000	5.000	2.950	2035	\$455,000	5.000	3.330*
2028	320,000	5.000	3.000	2036	475,000	5.000	3.450*
2029	335,000	5.000	3.050	2037	500,000	5.000	3.580*
2030	355,000	5.000	3.050	2038	525,000	5.000	3.690*
2031	370,000	5.000	3.070	2039	555,000	5.000	3.810*
2032	390,000	5.000	3.120*	2040	585,000	5.000	3.930*
2033	410,000	5.000	3.220*	2041	610,000	4.000	4.200
2034	430,000	5.000	3.240*				

\$3,460,000 4.250% Term Bonds Due April 1, 2046 to Yield 4.450%

* Priced to first optional redemption date, April 1, 2031.

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2025 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Series 2025 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

Build America Mutual Assurance Company (the "Insurer") makes no representation regarding the Series 2025 Bonds or the advisability of investing in the Series 2025 Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer and presented under BOND INSURANCE and Exhibit E - Specimen Municipal Bond Insurance Policy.

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OFFICIAL STATEMENT
\$9,975,000
CITY OF HOPE, ARKANSAS
PUBLIC UTILITY SYSTEM REVENUE BONDS
SERIES 2025

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2025 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibits hereto. A full review should be made of the entire Official Statement, as well as the Indenture described herein.

This Official Statement, including the cover page and the exhibit hereto, of the City of Hope, Arkansas (the "City"), sets forth information concerning the City, the City's \$9,975,000 Public Utility System Revenue Bonds, Series 2025 (the "Series 2025 Bonds"), and the water, electric and fiber optic communications system (the "System") owned by the City and operated by the Hope Water and Light Commission (the "Commission"). Other series of bonds ranking on a parity with the Series 2025 Bonds may be issued. The Series 2025 Bonds and Additional Bonds issued pursuant to the Indenture are herein collectively referred to as the "Bonds." Capitalized terms in this Official Statement, unless otherwise defined herein, will have the same meaning assigned to such terms in this Official Statement under **THE INDENTURE**.

The Series 2025 Bonds will be issued pursuant to Arkansas Code of 1987 Annotated, Title 14, Chapter 164, Subchapter 4 (the "Act") and a Trust Indenture, dated as of December 30, 2025 (the "Indenture") between the City and Bank OZK in Little Rock, Arkansas, as trustee (the "Trustee"). The Trustee will be registrar and paying agent for the Series 2025 Bonds.

There follows in this Official Statement a brief description of the Series 2025 Bonds, the City, the System and the Indenture. All descriptions of documents herein are only summaries and are qualified in their entirety by reference to each such document. During the period of the offering, copies of certain of such documents may be obtained from the Underwriter.

Tyson Foods is a major user of the System. See **WATER, ELECTRIC AND FIBER OPTIC COMMUNICATIONS SYSTEM**, Major Users of the System.

The scheduled payment of the principal of and interest on the Series 2025 Bonds when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Exhibit E. It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P"), will assign a rating of "AA/Stable" to the Series 2025 Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Series 2025 Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **RATING**.

It is expected that the Series 2025 Bonds will be available for delivery on or about December 30, 2025 through the facilities of The Depository Trust Company in New York, New York.

This Official Statement speaks only as of its date and the information herein is subject to change. See **ADDITIONAL INFORMATION**.

SECURITY FOR THE BONDS

Pledge Under Indenture. The Bonds are special obligations of the City payable solely from Pledged Revenues and secured solely by a pledge of (i) the Pledged Revenues and (ii) the Bond Fund and Debt Service Reserve Fund (as applicable to each Series of Bonds) established by the Indenture, including the investments thereof, if any, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Pursuant to the provisions of the Indenture, the City is obligated to make payments of Operation and Maintenance Expenses prior to any payments on the Bonds. "Pledged Revenues" means and includes all moneys derived from operation of the System, including, without limiting the generality of the foregoing, (i) all income, fees, charges, receipts, profits and other moneys derived from the sale, furnishing or supplying of the services, facilities and commodities of the System; and (ii) the income from the investment of any moneys derived from the ownership or operation of the System, after paying Operation and Maintenance Expenses. See **THE INDENTURE**.

The pledge of Pledged Revenues derived from the fiber optic communications system ("Fiber Optic Communications Revenues") in favor of the Series 2025 Bonds is on a parity with the pledge of Fiber Optic Communications Revenues in favor of the City's Public Utility Revenue Bonds, Series 2021 (the "Parity Bonds"). The pledge of Pledged Revenues derived from the water system and the electric system ("Water and Electric Revenues") in favor of the Series 2025 Bonds is (a) subordinate to the pledge of Water and Electric Revenues in favor of the City's Water and Electric Refunding Revenue Bonds, Series 2020 (the "Senior Bonds") and (b) on a parity with the pledge of Water and Electric Revenues in favor of the Parity Bonds.

The Bonds are not general obligations of the City and do not constitute an indebtedness of the City within any constitutional or statutory limitation, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Bonds. All Bonds issued under the Indenture will be on a parity as to the security under the Indenture, including the Series 2025 Bonds and any Additional Bonds hereafter issued.

The City may, in addition to Additional Bonds under the Indenture, issue other bonds ranking on a parity of security with the Bonds (the "Other Parity Bonds"), upon compliance with the requirements for the issuance of Additional Bonds. The Other Parity Bonds will not be issued under the Indenture. The City reserves the right to issue obligations, secured otherwise than under the Indenture and by liens and pledges subordinate to the pledge securing the Bonds.

Debt Service Reserve Fund. There is no Debt Service Reserve Fund securing the Series 2025 Bonds. A Debt Service Reserve Fund may be created to secure Additional Parity Bonds or Other Parity Bonds.

Additional Bonds and Subordinate Obligations. The term "Bonds" herein includes the Series 2025 Bonds and any Additional Bonds hereafter issued.

Additional Bonds may be issued on a parity of lien and pledge with the pledge securing the Series 2025 Bonds. In addition, the City may issue Other Parity Bonds and obligations which are secured by a lien and pledge which is subordinate to the pledge securing the Series 2025 Bonds. See Additional Bonds, Other Parity Bonds and Subordinate Obligations under **THE INDENTURE**.

PURPOSE

The Series 2025 Bonds are being issued to finance all or a portion of the costs of acquiring, constructing and equipping betterments and improvements to the water facilities of the System, including particularly, without limitation, a new pump station building, new pumps with variable frequency drives, a new liquid chlorination feed system, a new pressure regulating valve, a new precast concrete 150,000 gallon tank, a backup generator, and related piping and appurtenances (collectively, the "Project"), paying the premium for the Insurance Policy and paying the costs of issuing the Series 2025 Bonds. The Project is expected to be completed by April 30, 2027.

SOURCES AND USES OF FUNDS

The sources and uses of the funds are estimated by the City as follows:

SOURCES:

Principal Amount of Series 2025 Bonds	\$9,975,000
Net Original Issue Premium	<u>299,674</u>
Total Sources of Funds	\$10,274,674

USES:

Project Costs	\$10,000,000
Costs of Issuance and Insurance Policy Premium	147,493
Underwriter's Discount	<u>127,181</u>
Total Uses of Funds	\$10,274,674

THE SERIES 2025 BONDS

Generally. The Series 2025 Bonds shall be dated, mature and bear interest, and interest is payable on the Series 2025 Bonds as set forth on the inside front cover page hereof. The Series 2025 Bonds are issuable in the form of registered Series 2025 Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Series 2025 Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2025 Bond in accordance with the provisions therefor in the Indenture.

Each Series 2025 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2025 Bond or Series 2025 Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Series 2025 Bond for the privilege of registration, but any owner of any Series 2025 Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Series 2025 Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Series 2025 Bonds selected for redemption in whole or in part.

The person in whose name any Series 2025 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Series 2025 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2025 Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Series 2025 Bonds or the date fixed for redemption of any Series 2025 Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2025 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

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

Purchases of Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2025 Bonds, except in the event that use of the book-entry system for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2025 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2025 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2025 Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2025 Bonds will be printed and delivered.

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

So long as the Series 2025 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2025 Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Series 2025 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2025 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Series 2025 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2025 Bonds.

Redemption. The Series 2025 Bonds are subject to extraordinary, optional and mandatory sinking fund redemption as follows:

(1) Extraordinary Redemption. The Series 2025 Bonds must be redeemed from proceeds of the Series 2025 Bonds not needed for the purposes intended, on any interest payment date, in whole or in part, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine).

(2) Optional Redemption. The Series 2025 Bonds are subject to redemption at the option of the City from funds from any source on and after April 1, 2031 in whole or in part at any time at a redemption price equal to the principal amount being redeemed plus accrued interest to the

redemption date. If fewer than all of the Series 2025 Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Series 2025 Bonds of any one maturity shall be called for redemption, the particular Series 2025 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2025 Bonds maturing on April 1, 2046 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on April 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Series 2025 Bonds Maturing April 1, 2046

<u>Year</u>	<u>Principal Amounts</u>
2042	\$635,000
2043	660,000
2044	690,000
2045	720,000
2046 (maturity)	755,000

The Trustee shall mail or send via other standard means, including electronic or facsimile communication, a copy of the notice of redemption not less than thirty (30), nor more than sixty (60), days prior to the date fixed for redemption, to the registered owner of any Series 2025 Bond called for redemption. Failure to send such notice to one or more registered owners of Series 2025 Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Series 2025 Bonds as to which notice of redemption is duly given. After the date specified in such call, the Series 2025 Bond or Series 2025 Bonds so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

THE CITY AND THE COUNTY

Location. The City is located on Interstate Highway No. 30 in Hempstead County (the "County") in southwest Arkansas, approximately 30 miles from the Arkansas-Texas border and approximately 112 miles southwest of Little Rock, Arkansas.

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

<u>Year</u>	<u>City</u>	<u>County</u>
1980	10,290	23,635
1990	9,643	21,621
2000	10,616	23,587
2010	10,095	22,609
2020	8,952	20,065
2024*	8,465	19,105

* Estimate as of July 1.

Transportation. The City is served by U.S. Highway No. 67 and Interstate Highway No. 30.

A municipal airport with two 5,500-foot, paved runways (one of which is lighted) serves public aircrafts. Charter service is available. The nearest commercial airport (Texarkana Regional Airport) is 33 miles away in Texarkana, Arkansas.

Several motor freight carriers make daily shipments from the City to major cities across the United States. Rail service is provided by the Union Pacific Railroad and Genesee & Wyoming Railroad.

Government. The City has the City Manager form of government under which the City is governed by a Board of Directors consisting of seven elected directors. The Board of Directors appoints the City Manager. The current City Manager is J.R. Wilson who has served in that capacity since 2023. Prior to this, he was the Assistant City Manager for approximately five years.

Members of the Board of Directors of the City, their principal occupations and their term expiration dates are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Term Expiration</u>
Linda Clark	Hope Public Schools - Social Worker	December 31, 2026
Steve Montgomery	Retired	December 31, 2026
Trevor Coffee	Dentist	December 31, 2028
Kiffinea Talley, Vice Mayor	Hope Public Schools - Accounts Payable Clerk	December 31, 2028
Don Still, Mayor	Retired	December 31, 2026
Reginald Easter	Retired	December 31, 2028
Mark Ross	Self-Employed	December 31, 2026

Medical Facilities. The City is served by Southwest Arkansas Regional Medical Center which has approximately 48 beds. Approximately seven doctors and eight family nurse practitioners have offices in the City.

Financial Institutions. The City is served by branches of Farmers Bank & Trust Company, Bank OZK, Diamond Bank, Cadence Bank, Red River Credit Union and First National Bank of Tom Bean.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system which is fully accredited by the North Central Association of Secondary Schools and Colleges. The University of Arkansas Hope-Texarkana ("UAH-T") is located in the City. Texas A&M University-Texarkana, located in Texarkana, Texas, and Southern Arkansas University, located in Magnolia, Arkansas, are both within 40 miles of the City. Henderson State University and Ouachita Baptist University are both located in Arkadelphia, Arkansas, approximately 48 miles from the City.

Economy. Set forth below are the characteristics of the major employers in the City:

<u>Company</u>	<u>Product/Services</u>	<u>Number of Employees</u>
Tyson Foods	Poultry Processing	1,495
Rainbow of Challenges	Education (Special Academics)	379
New Millennium Building Systems	Building Systems	319
Hope School District	Education	311
Hope Baking	Bread Products	293
Pafford	Medical Services	233
Walmart	Retail	232
UAH-T	Education	215
Heather Manor	Nursing Home	125
Brentwood	Plastics	114
SW AR Reg. Med. Center	Medical Services	90
Amerities	Rail Ties	68
Klipsch	Audio Speakers	56
Dansons USA	Wood Pallet Mill	54
Dana Transport	Trucking	40
Martins	Retail Clothing	28
Hexion	Resin	27
Old Castle	Mulch	20
JMS	Metal Fabrication	17
Funder	Particle Board	15
Foster Farms	Poultry	12

Litigation. There is no litigation or administrative proceeding pending or threatened against the City that would materially impact the financial condition of the City.

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

<u>Year</u>	<u>Per Capita Personal Income</u>
2019	\$33,456
2020	35,542
2021	40,914
2022	44,087
2023	42,015

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

<u>Year</u>	<u>Total Personal Income</u>
2019	\$681,806,000
2020	710,451,000
2021	804,650,000
2022	858,856,000
2023	812,704,000

Set forth below are the annual average unemployment rates for the County and the State since 2020, according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
2020	5.8	6.1
2021	3.8	4.0
2022	3.2	3.2
2023	3.4	3.1
2024	3.7	3.5
2025*	4.6	4.1

* Preliminary as of August 2025

WATER, ELECTRIC AND FIBER OPTIC COMMUNICATIONS SYSTEM

The System is made up of a water system which produces and distributes water, an electric system which purchases and distributes electric power and a fiber optic communications system which provides voice, broadband and data services. These services are provided within the City and portions of the surrounding area. The System employs approximately 43 persons. The information set forth below has been provided by the Commission.

Commission. The System is operated by the Commission. Set forth below are the members of the Commission and their occupations.

<u>Name</u>	<u>Occupation</u>	<u>Term Expiration Date</u>
Jerrold Pruden, CPA	Retired	December 31, 2025
Dr. Lester Sitzes, III	Dentist	December 31, 2027
Dr. LaDell Douglas	Physician	December 31, 2029
Dennis Ramsey	Retired (Banker, Mayor)	December 31, 2028
Judy Davis	Retired (Economic Development)	December 31, 2026

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

Management. Charlotte Bradley is the General Manager of Administrative Services and has served in that capacity since July 2019. Ms. Bradley has over nine years of experience as Assistant General Manager of Administrative Services, nine years of experience as Director of Human Resources and three years of experience as Customer and Employee Relations Manager. Ms. Bradley has a Bachelor's Degree in Biology, a Master's Degree in Business and a Master's Degree in Accounting. Ms. Bradley has two Professional Human Resources Certifications and has been employed by the System for over 37 years.

Russell W. Cornelius is the General Manager of Operations and has served in that capacity since July 2019. Mr. Cornelius has over nine years of experience as Assistant General Manager of Operations, nine years of experience as Director of Water Production for the System and five years of experience as a Water Production Superintendent. Mr. Cornelius has a Bachelor's Degree in Chemistry and a Master of Business Administration Degree. He holds a Class IV Water Treatment license, a Class IV Water Distribution license and a Class I Wastewater License. Mr. Cornelius has been employed by the System for over 33 years.

Electric System. The System is an all requirements wholesale customer of Southwestern Electric Power Company, which is now AEP/SWEPCO. The power supply agreement with AEP/SWEPCO will terminate on December 31, 2032.

The electric service territory established by the Arkansas Public Service Commission is approximately 100 square miles and includes the City and the adjacent rural area in the County. The Commission owns and operates five distribution substations that have a total transformer capacity of 190 MVA, approximately 28 miles of 115kV transmission line and a 115kV switch station which is located under the AEP/SWEPCO transmission line, approximately seven miles west of the City. The System is served by AEP/SWEPCO through one radial transmission line and maintains a delivery point with EAI for back-up energy service and reliability purposes.

The current system peak summer demand is approximately 50 MW and the annual kWh usage is approximately 227.6 GWH. Energy sales to residential customers are approximately 28% of the total energy sales with commercial sales equal to 52% and industrial sales equal to 20%.

Set forth below is a table reflecting the average number of electric customers for the preceding five years.

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Other (Area Lighting)</u>	<u>Total</u>
2020	5,822	1,041	2,635	9,498
2021	5,786	1,054	2,647	9,487
2022	5,827	1,081	2,657	9,565
2023	5,814	1,087	2,705	9,606
2024	5,782	1,100	2,733	9,615

Electric Rates. Charges for electric service consist of a fixed monthly charge (the "Customer Charge") for all classes, a demand charge for all classes except residential and small general service (the "Demand Charge"), and charges for actual usage (the "Energy Charge"). The Customer Charge, the Demand Charge and the Energy Charge are set forth in Exhibit A.

Water System. The System's water sources are the Little River, pursuant to a contract with The Southwest Arkansas Water District, and nine wells. Surface water from the Little River is treated at a surface water treatment plant near Fulton, Arkansas. Six wells are located in the Oakhaven area north of the City and pump water from the Tokio Aquifer. The remaining three wells are located within the City limits and pump water from the Nacatoch Aquifer to a ground storage tank. The surface water treatment plant can treat 6 million gallons per day (mgd). The wells in the Oakhaven area can provide about 2.6 mgd. The Oakhaven wells pump directly into the distribution system with only chlorine being added at each location. The wells in the City can provide about 0.6 mgd to the ground storage

tank, and the chlorinated water is then pumped from the ground storage tank into the distribution system. This makes a total production capacity of about 9.2 mgd.

The maximum daily usage is approximately 4.5 mgd. The water system storage capacity is 4,250,000 gallons from four (4) elevated tanks and two (2) ground storage clearwells at the surface water treatment plant with back-up generators. With back-up generators the clearwell storage is considered useable storage. The System also has the 500,000 gallon ground storage tank that the three (3) wells in the City pump into without back-up generators.

Back-up generators are installed at the raw intake, surface water treatment plant, and all booster stations. Therefore, a total of 6.0 mgd can be treated and supplied to the System's customers during a total power outage.

The System sells water wholesale to the City of Bodcaw, Arkansas ("Bodcaw"), the Southwest Arkansas Water Facilities Board of Hempstead County ("Southwest") and the Ozan Creek Waterworks Facilities Board of Hempstead County, Arkansas ("Ozan"). All wholesale customers are governmental entities. Bodcaw, Southwest and Ozan accounted for 0.08%, 0.13% and 0.041%, respectively, of System revenues in 2024 and accounted for 5.3%, 9.7% and 2.7%, respectively, of water purchased in 2024.

The following table shows the average number of water customers of the System during the preceding five years:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Wholesale*</u>	<u>Industrial</u>	<u>Total</u>
2020	3,739	605	4	2	4,350
2021	3,729	617	4	2	4,352
2022	3,743	618	4	2	4,367
2023	3,710	618	4	2	4,334
2024	3,678	625	4	2	4,309

The following table sets forth the average daily water use, the maximum daily water use and the total water use for the last five years:

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use in Gallons</u>
2020	2,578,424	3,843,000	941,124,654
2021	2,677,249	5,947,000	977,206,830
2022	2,604,178	4,805,000	950,525,144
2023	2,491,771	4,327,000	909,496,442
2024	2,713,084	5,487,000	990,275,617

Water Rates. The water rates of the System are set forth in Exhibit B.

Fiber Optic Communications System. The Commission has been actively installing fiber optic cable since 1996 to provide network access to existing Supervisory Control and Data Acquisition (SCADA) systems and for Smart Grid applications.

In August 2011, the Commission entered into a dark fiber swap agreement with Southwest Arkansas Telephone Cooperative (SWATCO) to secure connectivity from the Oakhaven Industrial Park to the Graves Foster Water Treatment Plant facility, and back to the West Booster Station in Hope. This fiber optic connection created a dual feed fiber ring which enabled a reliability loop to ensure greater efficiency and promoted a high degree of uptime communication to the System's critical infrastructure.

* The City has two separate water purchase contracts with Southwest, and Southwest is counted by the City as two wholesale customers.

This fiber ring also provided a high speed connectivity network to facilitate much needed upgrades to the Graves Foster Water Treatment Plant SCADA Control System.

In July 2018, the Commission began discussions with SWATCO to explore the possibilities and methods that could be developed to deploy a pilot project to serve a portion of its customers with internet service. A budget was developed and approved by the Commission in December 2018. The internet pilot project was completed in December 2019 and served a total of 69 subscribers.

In March 2020, the Commission requested a feasibility study to ascertain predictive take rates and cost estimates for full-scale deployment of a system-wide fiber optic network to provide internet and voice services to all customers.

After numerous delays created by the COVID-19 pandemic, construction of full-scale deployment for the fiber optic communications system began in May 2022. The first internet subscriber was installed in June 2023. Phone service offerings were added in 2025.

The following table sets forth the number of fiber optic communications customers since 2022:

Fiber Optic Communications Customers

<u>Year</u>	<u>Total</u>
2022	77
2023	635
2024	1,144

Fiber Optic Communications System Rates. The rates for use of the fiber optic communications system are set forth in Exhibit C.

Major Users of the System. The following table reflects the largest users of the System in 2024:

- | | |
|----------------------|-------------------------|
| 1. Tyson Foods, Inc. | 6. Amerities |
| 2. Hexion | 7. Brentwood |
| 3. Dansons | 8. Wal-Mart |
| 4. Hope Baking | 9. Brookshire |
| 5. New Millenium | 10. Hope Public Schools |

The only customer that accounted for more than 5% of System revenues was Tyson Foods, Inc., which accounted for 20.19% of total System revenues in 2024.

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

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FINANCIAL INFORMATION

Set forth in Exhibit D to this Official Statement are the audited financial statements of the System for the fiscal years ended December 31, 2024 and 2023. These financial statements were prepared in accordance with accounting principles generally accepted in the United States and were audited in accordance with auditing standards generally accepted in the United States. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

The following table has been developed from the Commission's financial statements for the fiscal years ended December 31, 2020 through 2024.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$30,846,304	\$29,269,339	\$32,458,894	\$32,538,355	\$24,842,618
Operating Expenses	(27,917,009)	(26,980,407)	(30,277,694)	(31,835,781)	(22,695,992)
Plus Depreciation	<u>1,919,179</u>	<u>1,997,085</u>	<u>2,137,627</u>	<u>2,017,626</u>	<u>2,049,303</u>
Pledged Revenues Available for Debt Service	\$4,848,474	\$4,286,017	\$4,318,827	\$2,720,200	\$4,195,929

In March 2021, the System received a power bill from its wholesale electric supplier (AEP/SWEPCO) which was almost five times the normal cost due to the winter storm in February 2021. The actual bill was \$6,365,509.73 compared to around \$1,100,000.00 in the previous months. The excessive charge was not expected or normal. The Commission made a decision on March 10, 2021 to pay the entire bill from cash and certificates of deposits. It was determined that \$1,365,509.73 of the amount would be handled through the normal process, \$2,000,000 would be collected over a three year period through the Power Cost Adjustment (PCA) factor of the rate payers' utility bill and \$3,000,000 would be absorbed by the System from reserves.

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DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Series 2025 Bonds for each year ending December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	--	\$351,321.39	\$351,321.39
2027	\$200,000	461,700.00	661,700.00
2028	320,000	448,700.00	768,700.00
2029	335,000	432,325.00	767,325.00
2030	355,000	415,075.00	770,075.00
2031	370,000	396,950.00	766,950.00
2032	390,000	377,950.00	767,950.00
2033	410,000	357,950.00	767,950.00
2034	430,000	336,950.00	766,950.00
2035	455,000	314,825.00	769,825.00
2036	475,000	291,575.00	766,575.00
2037	500,000	267,200.00	767,200.00
2038	525,000	241,575.00	766,575.00
2039	555,000	214,575.00	769,575.00
2040	585,000	186,075.00	771,075.00
2041	610,000	159,250.00	769,250.00
2042	635,000	133,556.25	768,556.25
2043	660,000	106,037.50	766,037.50
2044	690,000	77,350.00	767,350.00
2045	720,000	47,387.50	767,387.50
2046	755,000	16,043.75	771,043.75
TOTALS	\$9,975,000	\$5,634,371.39	\$15,609,371.39

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Set forth below are the debt service requirements for the Senior Bonds, the Parity Bonds, and the Series 2025 Bonds for each year ending December 31:

<u>Year</u>	<u>Series 2025 Bonds</u>	<u>Parity Bonds</u>	<u>Senior Bonds</u>	<u>Total</u>
2026	\$351,321.39	\$624,763.76	\$580,700.00	\$1,556,785.15
2027	661,700.00	627,363.76	581,000.00	1,870,063.76
2028	768,700.00	626,632.51	581,100.00	1,976,432.51
2029	767,325.00	625,416.26	581,000.00	1,973,741.26
2030	770,075.00	628,606.26	580,700.00	1,979,381.26
2031	766,950.00	625,878.13	580,200.00	1,973,028.13
2032	767,950.00	627,268.75	584,450.00	1,979,668.75
2033	767,950.00	623,212.50	583,450.00	1,974,612.50
2034	766,950.00	623,362.50	582,250.00	1,972,562.50
2035	769,825.00	622,662.50	585,800.00	1,978,287.50
2036	766,575.00	621,762.50	--	1,388,337.50
2037	767,200.00	624,906.25	--	1,392,106.25
2038	766,575.00	622,081.25	--	1,388,656.25
2039	769,575.00	623,975.00	--	1,393,550.00
2040	771,075.00	620,587.50	--	1,391,662.50
2041	769,250.00	621,918.75	--	1,391,168.75
2042	768,556.25	--	--	768,556.25
2043	766,037.50	--	--	766,037.50
2044	767,350.00	--	--	767,350.00
2045	767,387.50	--	--	767,387.50
2046	771,043.75	--	--	771,043.75
TOTALS	\$15,609,371.39	\$9,990,398.18	\$5,820,650.00	\$31,420,419.57

DEBT SERVICE COVERAGE

The following table shows the Pledged Revenues available for debt service, the amount of maximum annual debt service, and the extent to which debt service is covered by such funds:

Pledged Revenues Available for Debt Service (A) ^{(1) (2)}	\$4,848,474
Maximum Annual Debt Service Requirements on the Senior Bonds, the Parity Bonds, and the Series 2025 Bonds(B) ^{(3) (4) (5)}	1,979,669
Debt Service Coverage (A/B)	2.44x

⁽¹⁾ Based on audited financial statements of the System for the fiscal year ended December 31, 2024.

⁽²⁾ Tyson Foods is a major user of the System. See **WATER, ELECTRIC AND FIBER OPTIC COMMUNICATIONS SYSTEM, Major Users of the System**.

⁽³⁾ Using a year ending December 31.

⁽⁴⁾ Does not include contracts payable with respect to the reservation of water storage space from Millwood Reservoir. These contracts are not secured by revenues of the System. See Note 5 in the audited financial statements of the System for the fiscal years ended December 31, 2024 and 2023, attached hereto as Exhibit D.

⁽⁵⁾ The pledge of the Fiber Optic Communications Revenues in favor of the Series 2025 Bonds is on a parity with the pledge of Fiber Optic Communications Revenues in favor of the Parity Bonds. The pledge of Water and Electric Revenues in favor of the Series 2025 Bonds is (a) subordinate to the pledge of Water and Electric Revenues in favor of the Senior Bonds and (b) on a parity with the pledge of Water and Electric Revenues in favor of the Parity Bonds.

BOND INSURANCE

Bond Insurance Policy. Concurrently with the issuance of the Series 2025 Bonds, BAM will issue the Insurance Policy. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Series 2025 Bonds when due as set forth in the form of the Insurance Policy included as an exhibit to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company. BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P. An explanation of the significance of the rating and current reports may be obtained from S&P at www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2025 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2025 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the City on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market price or liquidity of the Series 2025 Bonds, nor does it guarantee that the rating on the Series 2025 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2025 Bonds or the advisability of investing in the Series 2025 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the City or the Underwriter, and the City and the Underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2025 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2025 Bonds, whether at the initial offering or otherwise.

THE INDENTURE

In addition to the information earlier given under the headings **SECURITY FOR THE BONDS** and **THE SERIES 2025 BONDS**, there follows a brief summary of certain provisions of the Indenture, which is qualified by reference to, and is subject to the complete terms of, the Indenture.

"Additional Bonds" -- Bonds in addition to the Series 2025 Bonds which are issued on a parity with the Series 2025 Bonds under the provisions of the Indenture.

"Annual Debt Service" -- With respect to all or any particular amount of Senior Bonds, Parity Bonds, Bonds, Other Parity Bonds or Subordinate Obligations, as the case may be, the Debt Service for any particular Fiscal Year required to be paid or set aside during such year, less the amount for which such payment is provided from the proceeds of sale of Senior Bonds, Bonds, Other Parity Bonds or Subordinate Obligations or from sources other than Pledged Revenues.

"Costs of Construction" -- All costs paid or incurred by the City or the Commission in connection with the acquiring, constructing, and equipping of Facilities and placing of the same in operation or the reconstruction and re-equipping of damaged Facilities and replacing them in operation.

"Debt Service" -- With respect to all or any particular amount of Senior Bonds, Parity Bonds, Bonds, Other Parity Bonds or Subordinate Obligations, as the case may be, the total as of any particular date of computation and for any particular period of the scheduled amount of interest and amortization of principal payable on such Senior Bonds, Bonds, Other Parity Bonds and Subordinate Obligations, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository" -- A national or state banking corporation or association (which may include the Trustee and any Paying Agent) which holds membership in the Federal Deposit Insurance Corporation ("FDIC").

"Electric Revenues" -- All income, tolls, rents, fees, charges, returns and other moneys received from the operation and ownership of the Electric System, including, without limitation, (i) all income, tolls, rents, fees, charges, returns and other moneys received from the sale, furnishing or supplying of the services, facilities, commodities and electric energy, power and steam of the Electric System, and (ii) the income from the investment of any moneys derived from the ownership or operation of the Electric System.

"Electric System" -- The electric utility system, including all generating, storage, transmission and distribution facilities and equipment, owned and operated by the City or the Commission, as the same may be augmented or improved from time to time.

"Facilities" -- Land, buildings, structures, machinery, equipment and all related or necessary property, tangible or intangible, constituting the Water System, the Electric System or the Fiber Optic Communications System including, but not limited to, fuel and other consumables, rights, easements, franchises and common facilities (being facilities used in common by the City in the furnishing of water, electric energy and communications services) which are used or useful in the collection, storage, distribution, sale or use of water or the generation, storage, transmission or distribution of electric power or in the provision or sale of communications services, and to which the City or the Commission has right, title or ownership, in whole or undivided part, and, if in undivided part, then to the extent of the City's or the Commission's right, title or ownership therein.

"Fiber Optic Communications Revenues" -- All income, tolls, rents, fees, charges, returns and other moneys received from the operation and ownership of the Fiber Optic Communications System, including, without limitation, (i) all income, tolls, rents, fees, charges, returns and other moneys received from the sale, furnishing or supplying of the services, facilities, commodities and services of the Fiber Optic Communications System, and (ii) the income from the investment of any moneys derived from the ownership or operation of the Fiber Optic Communications System.

"Fiber Optic Communications System" -- The fiber optic communications system, including all facilities and apparatus, owned and operated by the City or the Commission, as the same may be augmented or improved from time to time.

"Government Securities" -- Direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America).

"Holder" or "Bondholder" or "owner of the Bonds" -- The registered owner of any Bond; or any other Person that the Trustee may, in its absolute and unrestricted discretion, recognize as a beneficial owner of any of the Bonds.

"Investment Securities" -- Any of the following obligations or securities: (i) Government Securities, (ii) direct obligations of any agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds, or (iv) money market funds comprised exclusively of investments described in (i) or (ii) above.

"Operation and Maintenance Expenses" -- All reasonable and necessary costs and expenses incurred in the operation and maintenance of the System which are properly accounted for such purposes under generally accepted accounting principles. Such term includes the cost of purchased water, electricity and broadband or other internet capacity, but does not include depreciation, interest and amortization of deferred bond discount expenses.

"Other Parity Bonds" -- Bonds issued by the City ranking on a parity of security with the Bonds and which are not issued under the Indenture.

"Paying Agent" -- Any bank or trust company named by the City as the place at which the principal of and premium, if any, and interest on the Bonds are payable, with the original Paying Agent for the Series 2025 Bonds being the Trustee.

"Permitted Encumbrances" -- (i) Any mortgage lien for the security of the Bonds; (ii) liens for taxes, assessments, and other governmental charges not then delinquent or which can be paid without penalty, (iii) unfiled, inchoate mechanics and materialmen's liens, (iv) workmen's, repairmen's, warehousemen's, and carriers' liens and other similar liens, if any, arising in the ordinary course of business, and (v) any easements, restrictions, mineral, oil, gas and mining rights and reservations, zoning laws and defects in title or other encumbrances to which Facilities may be subject because of their acquisition, construction and installation as part of the System.

"Pledged Revenues" -- Water Revenues, Electric Revenues and Fiber Optic Communications Revenues, with respect to any period, together with income and gains from investments of any funds by the City or the Commission or the Trustee pursuant to the Indenture, after paying Operation and Maintenance Expenses.

"Qualified Accountant" -- An independent certified public accountant or firm of independent certified public accountants not in the regular employ of the City or the Commission.

"Qualified Engineer" -- An independent consulting engineer or firm of independent consulting engineers not in the regular employ of the City or the Commission.

"Subordinate Obligations" -- Debt obligations of the City secured by a pledge of Pledged Revenues that is subordinate to the lien thereon securing the payment of the Bonds, permitted by the provisions of the Indenture.

"System" -- The Electric System, the Water System and the Fiber Optic Communications System.

"Trust Estate" -- The property described in the granting clauses of the Indenture.

"Water Revenues" -- All income, tolls, rents, fees, charges, returns and other moneys received from the operation and ownership of the Water System, including, without limitation, (i) all income, tolls, rents, fees, charges, returns and other moneys received from the sale, furnishing or supplying of the services, facilities, commodities and water of the Water System, and (ii) the income from the investment of any other moneys derived from the ownership or operation of the Water System.

"Water System" -- The water system, including all storage, transmission and distribution facilities and equipment, owned and operated by the City or the Commission, as the same may be augmented or improved from time to time.

Rights of Insurer. Various rights of the City and owners of the Series 2025 Bonds are subject to rights and powers granted to the Insurer pursuant to the Indenture.

Additional Bonds. The City may issue from time to time one or more series of Additional Bonds for the purpose of (i) financing Costs of Construction in connection with the acquisition, construction and equipping of Facilities ("Construction Bonds"); (ii) refunding any Senior Bonds, Bonds, Parity Bonds, Other Parity Bonds or Subordinate Obligations, in whole or in part ("Refunding Bonds"); or (iii) any combination thereof. Additional Bonds shall be secured equally and ratably with (i) the Series 2025 Bonds and any other Additional Bonds theretofore issued and then outstanding, except insofar as any terms or conditions of redemption or purchase established under the Indenture may afford additional benefit or security for the Bonds of any particular series and (ii) Parity Bonds and Other Parity Bonds theretofore issued and then outstanding. Before any Additional Bonds are authenticated, there shall be delivered to the Trustee a statement by a Qualified Accountant reciting the opinion, based upon necessary investigation:

(a) In the case of Construction Bonds, that the Pledged Revenues for the Fiscal Year immediately preceding the Fiscal Year in which such Additional Bonds are to be issued were not less than 120% of the average Annual Debt Service on all then outstanding Senior Bonds, Bonds, Parity Bonds, and Other Parity Bonds, plus the Additional Bonds then proposed to be issued; or

(b) In the case of Refunding Bonds, either (i) that the Pledged Revenues for the Fiscal Year immediately preceding the Fiscal Year in which such Additional Bonds are to be issued were not less than the amount required for the issuance of Construction Bonds as set forth in paragraph (a) above, or (ii) that the Annual Debt Service on all then outstanding Senior Bonds, Bonds, Parity Bonds, and Other Parity Bonds in each Fiscal Year will not be increased as a result of the issuance of such Additional Bonds, without regard to the length of maturities of the Additional Bonds.

In making the computation set forth above, the City, and the Qualified Accountant on behalf of the City, may, based upon the opinion or report of a Qualified Engineer, (a) treat any increase in rates for the Water System, the Electric System or the Fiber Optic Communications System enacted subsequent to the first day of the immediately preceding Fiscal Year as having been in effect throughout such Fiscal Year and may include in Pledged Revenues for such Fiscal Year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such Fiscal Year, (b) treat any net increase in number of customers of the Water System, the Electric System or the Fiber Optic Communications System since the beginning of the immediately preceding Fiscal Year as having been customers of the Water System, the Electric System or the Fiber Optic Communications System, as the case may be, throughout such Fiscal Year and may include in Pledged Revenues for such Fiscal Year the amount that would have been received, based on such opinion or report, had the increase been in effect throughout such Fiscal Year, and (c) include any increase in Pledged Revenues, attributable to new customers to be served by the Facilities proposed to be acquired, constructed and equipped with the proceeds of the Additional Bonds, as having been received in such Fiscal Year.

Notwithstanding anything to the contrary, no Additional Bonds shall be issued if there is a default at the time of issuance.

Other Parity Bonds. The City may issue Other Parity Bonds upon compliance with the conditions for the issuance of Additional Bonds.

Subordinate Obligations. Nothing shall prevent the City from authorizing and issuing bonds, notes, bond anticipation notes, warrants, certificates or other obligations or evidences of indebtedness the payment of the principal of and premium, if any, and interest on which shall be made from Pledged Revenues or from a special fund to be established and maintained from Pledged Revenues, provided

payments from Pledged Revenues or from Pledged Revenues into such special fund, and the lien and charge on such Pledged Revenues, shall be made junior and subordinate to the lien, pledge and charge created for the security and payment of the Bonds and payment under the Indenture.

Notwithstanding anything to the contrary, no Subordinate Obligations shall be issued if there is a default at the time of issuance.

Rate Covenant. The City covenants that it will fix, charge and collect rates and charges for Water System, Electric System and Fiber Optic Communications System services which shall be sufficient to produce revenues of the System in each Fiscal Year, at least equal to the sum of the following disbursements for that Fiscal Year:

- (a) An amount sufficient to pay Operation and Maintenance Expenses;
- (b) An amount equal to 120% of the Annual Debt Service on all outstanding Senior Bonds, Parity Bonds, Bonds and Other Parity Bonds and 100% of Annual Debt Service on all outstanding Subordinate Obligations;
- (c) The amount, if any, required to be deposited into the Debt Service Reserve Fund; and
- (d) The amount, if any, required to be deposited into the Depreciation Fund.

Creation of Funds. Revenue Fund. (a) There has heretofore been established by the City, a special fund, in the name of the City, designated "Water, Electric and Communications System Revenue Fund"(the "Revenue Fund").

(b) All revenues of the System shall, as and when received, be deposited into the Revenue Fund. All moneys at any time in the Revenue Fund shall be applied to the payment of the Operation and Maintenance Expenses of the System, the payment of the Annual Debt Service, the maintenance of any required debt service reserve funds and the providing of the Depreciation Fund.

Operation and Maintenance Fund. (a) There has heretofore been established by the City, a special fund, in the name of the City, designated "Water, Electric and Communications System Operation and Maintenance Fund" (the "Operation and Maintenance Fund").

(b) There shall be paid from the Revenue Fund into the Operation and Maintenance Fund, on the first business day of each month while any of the Bonds shall be outstanding, an amount sufficient to pay the Operation and Maintenance Expenses for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and 1/12 of the amount thereof may be paid into the Operation and Maintenance Fund each month.

(c) If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid into the Operation and Maintenance Fund in the next succeeding month. If in any Fiscal Year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the Operation and Maintenance Expenses during the then next succeeding twelve months, such surplus shall be transferred and deposited into the Revenue Fund.

Bond Fund. (a) There is created and ordered established with the Trustee a special fund, in the name of the City, to be designated "2025 Indenture Water, Electric and Communications System Revenue Bond Fund" (the "Bond Fund").

(b) After making the required deposit into the Operation and Maintenance Fund and after making the payment into the bond fund for the Senior Bonds (the "Senior Bond Fund"), there shall be paid from the Revenue Fund into the Bond Fund, simultaneously with the deposit into the bond fund for the Parity Bonds (the "Parity Bond Fund") and any deposit made to pay debt service on Other Parity Bonds, beginning on the first business day of the month immediately following the month in which the Series 2025 Bonds are delivered, and continuing on the first business day of each month thereafter until all outstanding Bonds with interest thereon have been paid in full, or provision made for such payment, a sum equal to (i) 1/6 of the installment of interest coming due on the Bonds during the then next six months, and (ii) 1/12 of the installment of principal coming due on the Bonds (whether at maturity, upon mandatory redemption, or otherwise) during the then next twelve months, plus Trustee's and Paying Agent's fees for the Bonds. The monthly deposits of principal and interest under this paragraph shall be adjusted if necessary, for the months after delivery of any series of Bonds and before the first payments of principal and interest are due so that the deposits made will be sufficient to cover the principal and interest installments due on such dates. All moneys in the Bond Fund shall be used solely for the purpose of paying Annual Debt Service on the Bonds or any redemption of the Bonds, plus Trustee's and Paying Agent's fees, except as herein specifically provided. The Trustee shall withdraw from the Bond Fund, on the date of any principal or interest payment an amount equal to the amount of such payment for the sole purpose of paying the same.

(c) If the Pledged Revenues are insufficient to make the required payment into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the then next month. If a surplus shall exist in the Bond Fund over and above the amount required for making all Annual Debt Service payments during the then next twelve months on all outstanding Bonds, such surplus shall be deposited into the Revenue Fund.

(d) When the moneys held in the Bond Fund and the Debt Service Reserve Fund shall be and remain sufficient to pay in full the principal of and premium, if any, and interest on all Bonds then outstanding, together with Trustee's and Paying Agent's fees, there shall be no obligation to make further payments into the Bond Fund.

Debt Service Reserve Fund. There is no Debt Service Reserve Fund securing the Series 2025 Bonds. If required for the issuance of Additional Parity Bonds, there will be created and established with the Trustee a special fund, in the name of the City, designated "2025 Indenture Water, Electric and Communications System Revenue Bond Debt Service Reserve Fund" (the "Debt Service Reserve Fund"). The Debt Service Reserve Fund shall be comprised of accounts, each of which shall be identified by the Trustee and shall be dedicated to the security of no more than one issue of Bonds. The required level of the Debt Service Reserve Fund account shall be established and fixed for each issue of Bonds; however, a Debt Service Reserve Fund account is not required to be established for each issue of Bonds.

Depreciation Fund. (a) There has heretofore been established by the City, a special fund, in the name of the City, designated "Water, Electric and Communications System Depreciation Fund" (the "Depreciation Fund").

(b) After making the required payments into the Operation and Maintenance Fund, the Senior Bond Fund, the Parity Bond Fund, and the Bond Fund, there shall be paid from the Revenue Fund into the Depreciation Fund on the first business day of each month while any of the Bonds are outstanding, an amount equal to 2% of the gross revenues of the System for the preceding month. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements made necessary by the depreciation of the Facilities.

(c) If in any Fiscal Year a surplus shall be accumulated in the Depreciation Fund over and above the amount necessary to defray the cost of the probable replacements during the then current Fiscal Year, and the next ensuing Fiscal Year, such surplus may be transferred and paid into the Revenue Fund.

Parity Bonds and Other Parity Bond Payments. If there are insufficient moneys in the Revenue Fund to make the monthly payments into the Bond Fund and to make monthly installments with respect to outstanding Parity Bonds and Other Parity Bonds (and any debt service reserves therefor), the City shall make payments from the Revenue Fund with respect to the Bonds and outstanding Parity Bonds and Other Parity Bonds pro rata based upon the outstanding principal amount of the Bonds and outstanding Parity Bonds and Other Parity Bonds.

Surplus. Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above shall be used as follows: (a) a monthly amount equal to the greater of (i) 1/12 of an amount determined by the City not to exceed 3.25% of gross revenues of the System for the preceding Fiscal Year and (ii) \$47,916.67 shall be transferred to the City's general fund; and (b) the balance, if any, may be used, at the option of the Commission, on behalf of the City (i) for the redemption of Bonds prior to maturity in accordance with their respective redemption provisions, (ii) for acquiring, constructing and equipping extensions, betterments and improvements to the System, or (iii) for any lawful municipal purpose authorized by the Commission.

Construction Fund. (a) There is created and ordered established with the Trustee a special fund, in the name of the City, to be designated "2025 Indenture Water, Electric and Communications System Construction Fund" (the "Construction Fund").

(b) Moneys in the Construction Fund shall be disbursed by the Trustee to pay Costs of Construction on the basis of requisitions signed by two persons designated by the Commission. Each requisition shall specify: (a) the name of the person, firm, or corporation to whom payment is to be made; (b) the amount of the payment; (c) the purpose of the payment; (d) that the payment is for a proper Cost of Construction, with a copy of invoice, statement or other evidence attached as appropriate; (e) that the disbursement shall not render inaccurate any of the representations or covenants with respect thereto contained in the Indenture; and (f) that the requisition has not been the basis of any previous disbursement from the Construction Fund.

(c) The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom and shall file an annual accounting thereof with the City.

Investment of Funds. Moneys held for the credit of any fund or account shall be invested and reinvested, by the Trustee upon direction of the City in the case of funds and accounts held by the Trustee and by the City in the case of funds and accounts not held by the Trustee, in Investment Securities. All such investments shall mature, or be subject to redemption by the holder thereof at the option of the holder, not later than the date or dates on which the money held for credit of the particular fund shall be required for the purposes intended or, in the case of investments of moneys held for the credit of the Debt Service Reserve Fund, not later than five years.

Subject to the provisions described above with regard to the Debt Service Reserve Fund, Investment Securities purchased with moneys held in or attributable to any fund or account held by the City or the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account unless otherwise provided pursuant to the Indenture.

In determining the value of any fund or account held by the Trustee, the Trustee shall credit Investment Securities at the fair market value thereof, as determined by the Trustee by any method selected by the Trustee in its discretion. No less frequently than annually, and in any event within thirty days prior to the end of each Fiscal Year, the Trustee shall determine the value of each fund and account held under the provisions of the Indenture and shall report such determination to the City and each holder of the Bonds who shall have made written request therefor. To the extent that any loss or reduction in value reduces the value of any fund to a level lower than 90% of the level required under the Indenture such loss or reduction shall be made up as set forth in the Indenture.

The Trustee shall sell or present for redemption any Investment Securities as necessary in or to provide money for the purpose of making any payment required hereunder, and the Trustee shall not be liable for any loss resulting from any such sale.

Insurance. The City covenants that it will keep the Facilities insured against loss or damage, in amounts and against such risks as are usually insured against in connection with similar facilities and undertakings as the System, and will maintain public liability and property damage insurance against claims for bodily injury or death and damage to property occurring upon, in, or about the Facilities, as and to the extent required by law. The City further covenants that it will maintain adequate fidelity insurance or bonds on all officers or employees responsible for handling funds of the System. All required insurance shall be effected with reputable insurance companies selected by the City, which usually insure risks similar in nature and monetary exposure. Policies of insurance provided for shall name the Trustee as a beneficiary to the extent of its interest under the Indenture. Copies of certificates of the insurance provided for herein, or summaries thereof, shall be placed on file with the Trustee.

Events of Default and Remedies. Each of the following events shall constitute and is referred to as an "Event of Default":

- (a) Default in the due and punctual payment of any interest on any Bond;
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration;
- (c) Default in the payment of any other amount required to be paid under the Indenture or the performance or observance of any other of the covenants, agreements or conditions contained in the Indenture, or in the Bonds or in any document securing the Senior Bonds, the Parity Bonds, or Other Parity Bonds or in the Senior Bonds, the Parity Bonds, or Other Parity Bonds and continuance thereof for a period of sixty days after written notice specifying such failure and requesting that it be remedied, shall have been given to the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of Bondholders of not less than 10% in aggregate principal amount of the Bonds then outstanding, unless the Trustee, or the Trustee and holders of an aggregate principal amount of Bonds not less than the aggregate principal amount of Bonds the holders of which requested such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within such period and is being diligently pursued; and
- (d) The filing of a petition in bankruptcy by or against the City under the United States Bankruptcy Code or the commencement of a proceeding by or against the City under any other law concerning insolvency, reorganization, or bankruptcy.

The term "default" as used in clauses (a), (b) and (c) above shall mean default by the City in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, or in the Bonds outstanding, exclusive of any period of grace required to constitute a default an "Event of Default" as above described.

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under the Indenture. No Event of Default may be waived without the Insurer's written consent.

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the holders of 50% in aggregate principal amount of Bonds outstanding shall, by notice in writing delivered to the City, declare the principal of all Bonds

then outstanding, together with any premium and the interest accrued thereon immediately due and payable and such principal and interest shall thereupon become and be immediately due and payable.

Upon the occurrence of an Event of Default, the Trustee may, as an alternative, pursue any available remedy by suit at law or in equity, including, without limitation, mandamus, to enforce the payment of the principal of and premium, if any, and interest on the Bonds then outstanding.

If an Event of Default shall have occurred, and if it shall have been requested so to do by the holders of 25% in aggregate principal amount of Bonds outstanding and shall have been indemnified as described below, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

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

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

Trustee and Paying Agents. The Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the City to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

Before taking such action, the Trustee may require that it be furnished an indemnity bond satisfactory to it for the reimbursement to it of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the negligence or willful default of the Trustee, by reason of any action so taken by the Trustee.

The Trustee and any Paying Agent shall be entitled to payment and/or reimbursement for reasonable fees for services rendered and all advances, counsel fees and other expenses reasonably and necessarily made or incurred in and about the execution of the trusts created by the Indenture. In this regard, it is understood that the City pledges no funds or revenues other than the Pledged Revenues to the payment of any obligation of the City set forth in the Indenture, but nothing shall be construed as prohibiting the City from using any other funds and revenues for the payment of any of its obligations under the Indenture. Upon an Event of Default by the City, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal or interest of any Bond upon the Trust Estate for such reasonable and necessary fees, charges and expenses incurred by the Trustee.

The Trustee and any successor trustee may at any time resign by giving written notice to the City, the Insurer and the Bondholders, and such resignation shall take effect upon the appointment of a successor trustee by the City.

The Trustee may be removed at any time (i) by the City; provided, however, that the City may not remove the Trustee so long as an Event of Default shall have occurred which has not been cured, (ii) by an instrument or concurrent instruments in writing delivered to the Trustee and to the City, and

signed by the holders of a majority in aggregate principal amount of Bonds outstanding or (iii) by the Insurer.

In case the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by the court, a successor shall be appointed by the City, upon written notice to the holders of the Bonds, by an instrument executed by the Mayor. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee, acceptable to the Insurer, shall have been appointed.

The Trustee and any other banks or trust companies designated as Paying Agent or Paying Agents in any supplemental indenture or in an instrument appointing a successor Trustee shall be the Paying Agent or Paying Agents for the Bonds.

Any bank or trust company with which or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of the Indenture. If the position of Paying Agent shall become vacant for any reason, the City shall, within thirty days thereafter, appoint such bank or trust company as shall be specified by the City as such Paying Agent to fill such vacancy; provided, however, that, if the City shall fail to appoint such Paying Agent within said period, the Trustee shall make such appointment.

Supplemental Indentures. The City and the Trustee may, from time to time and at any time, without the consent of or notice to the Bondholders, enter into supplemental indentures as follows:

- (a) to cure any formal defect, omission, inconsistency, or ambiguity in the Indenture;
- (b) to grant to or confer or impose upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent;
- (c) to add to the covenants and agreements of, and limitations and restrictions upon, the City in the Indenture other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (d) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Indenture, of the Trust Estate or of any other moneys, securities or funds;
- (e) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;
- (f) to authorize the issuance and sale of one or more series of Additional Bonds;
- (g) to make such additions, deletions or modifications as may be necessary to assure compliance with Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") relating to required rebate to the United States or otherwise as may be necessary to assure exemption from federal income taxation of interest on the Bonds;
- (h) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondholders and which does not involve a change described in clause (a), (b), (c), (d), (e) or (f) of the following paragraph and which, in the judgment of the Trustee, is not to the prejudice of the Trustee; or

- (i) to amend clause (a) under **THE INDENTURE**, Surplus.

Subject to the terms and provisions of the Indenture, and not otherwise, the Insurer and the holders of not less than 2/3 in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the execution by the City and the Trustee of such supplemental indenture as shall be deemed necessary and desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing shall permit or be construed as permitting (a) an extension of the maturity (or mandatory redemption date) of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of or redemption premium or rate of interest on any Bond, or (c) the creation of any lien on the Trust Estate or any part thereof, except as expressly permitted, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (f) deprive the holder of any Bond then outstanding of the lien created on the Trust Estate.

Discharge of Indenture; Defeasance. If the City shall pay or cause to be paid to the owners of the Bonds the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein, and if the City shall keep, perform and observe all and singular the covenants and promises to be kept, performed and observed by it on its part, then the estate and rights granted shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to the City such instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to the City the estate conveyed, and assign and deliver to the City any property at the time subject to the lien of the Indenture which may then be in its possession, except moneys or Government Securities held by it for the payment of the principal of and premium, if any, and interest on the Bonds.

Any Bond shall be deemed to be paid when payment of the principal of and premium, if any, and interest on such Bond (whether at maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys fully insured by the FDIC and/or fully collateralized with Government Securities sufficient to make such payment or (2) Government Securities (provided that such deposit will not affect the tax-exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148(a) of the Code), maturing as to principal and interest in such amount and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee and any Paying Agent pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee and any said Paying Agent.

Unclaimed Moneys. Any moneys held by the Trustee or any Paying Agent for the payment of principal, premium, if any, or interest on Bonds for a period of two and one-half years after the date such Bonds have become due, whether by stated maturity or call for redemption, shall, at the written request of the City, be repaid to the City, free from the pledge and lien of the Indenture.

LITIGATION

No litigation is pending or, to the knowledge of the City or the Commission, is threatened in any court to restrain or enjoin the issuance or delivery of the Series 2025 Bonds or the collection, payment or receipt of the Pledged Revenues; or in any way contesting or affecting the validity of the Series 2025 Bonds, the Indenture, the various agreements described herein, or the power to collect, pay or receive the Pledged Revenues with which to pay the Series 2025 Bonds, or the organization or the powers of the City or the Commission.

UNDERWRITING

Stephens Inc. (the "Underwriter") has agreed, subject to certain conditions precedent, to purchase the Series 2025 Bonds from the City at a purchase price of \$10,147,493 (principal amount of the Series 2025 Bonds plus net original issue premium of \$299,674.25 less Underwriter's discount of \$127,181.25). The Underwriter is committed to purchase all of the Series 2025 Bonds if any are purchased.

The Series 2025 Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Series 2025 Bonds to certain dealers (including dealers depositing Series 2025 Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance, sale and delivery of the Series 2025 Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

TAX EXEMPTION

In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law, the interest on the Series 2025 Bonds is exempt from State income tax, and the Series 2025 Bonds are exempt from property taxation in the State.

Also, in the opinion of Bond Counsel, interest on the Series 2025 Bonds under existing law is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2025 Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2025 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2025 Bonds. The City has covenanted to comply with all such requirements.

Prospective purchasers of the Series 2025 Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2025 Bonds, (ii) interest on the Series 2025 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2025 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2025 Bonds.

Prospective purchasers of the Series 2025 Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2025 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2025 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

As shown on the inside front cover of this Official Statement, certain of the Series 2025 Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the inside front cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excludable from gross income for federal income tax purposes, as described above.

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

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

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

As shown on the inside front cover of this Official Statement, certain of the Series 2025 Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2025 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2025 Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any other legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Series 2025 Bonds. Prospective purchasers of the Series 2025 Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2025 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

CONTINUING DISCLOSURE AGREEMENT

Past Compliance. In the past five years, the City has been a party to certain continuing disclosure agreements in connection with its outstanding bonds. The City has been obligated to file certain information with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The City has reviewed its past compliance with such agreements. While the City has not made a determination as to materiality, the following constitutes a non-exhaustive summary of the City's review of compliance with continuing disclosure obligations over the past five years.

Three continuing disclosure agreements obligated the City to file on EMMA the audited financial statements of the City. The audited financial statements for the years ended December 31, 2020, 2021, and 2023 have been filed; however, such continuing disclosure agreements did not specify the date by which the audited financial statements of the City were required to be filed. The audited financial statements of the City for the years ended December 31, 2020 and 2023 were not filed to all applicable CUSIPs. The audited financial statements of the City for the year ended December 31, 2022 were not filed. The audited financial statements of the City for the year ended December 31, 2024 are not yet available.

Three continuing disclosure agreements obligated the City to file on EMMA the audited financial statements of the System. The audited financial statements of the System for the years ended December 31, 2020, 2021, 2022, 2023, and 2024 have been timely filed.

Two continuing disclosure agreements obligated the City to file on EMMA certain statistical information related to the City's sewer system. The annual reports for the years ended December 31, 2020, 2021, 2022, 2023, and 2024 were timely filed; however, such annual reports did not contain all of the statistical information required by the continuing disclosure agreements.

Three of the continuing disclosure agreements require the City to disclose certain statistical information related to the System in annual reports that are filed on EMMA. The annual reports for the years ended December 31, 2020, 2021, 2022, 2023, and 2024 were timely filed and included all of the statistical information required by the continuing disclosure agreements.

One continuing disclosure agreement obligated the City to disclose certain statistical information related to the operation of its solid waste management system. The annual reports for the years ended December 31, 2020, 2021, 2022, 2023, and 2024 were timely filed; however, such annual reports did not contain all of the statistical information required by the continuing disclosure agreement.

The City entered into a continuing disclosure agreement on May 13, 2025 in connection with its Sales and Use Tax Bonds, Series 2025, which agreement obligates the City to disclose statistical information related to its sales and use tax collections and the annual financial statements of the City's general fund. The annual reports and financial statements for this bond issue will not be due until June 2026.

The City's continuing disclosure agreement also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). All required notices of such events were timely filed in the past five years.

Notices concerning the City's failure to comply with its continuing disclosure obligations as summarized above were not filed on EMMA.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of the provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Series 2025 Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" of a Series 2025 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2025 Bonds (including persons holding Series 2025 Bonds through nominees, depositories or other intermediaries).

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

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

"Financial Obligation" shall mean a

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

Provision of Annual Report. (a) The City shall, or shall cause the Dissemination Agent to, not later than one hundred eighty days (180) after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2025 fiscal year, provide to the Insurer and the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual

Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City.

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

(c) If the Trustee is unable to verify that an Annual Report (containing the information in (1) under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB and the Insurer.

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

(1) Information of the type set forth in this Official Statement under the caption "**WATER, ELECTRIC AND FIBER OPTIC COMMUNICATIONS SYSTEM**" with respect to (i) the number of water, electric and fiber optic communications customers by category, as applicable, for the fiscal year then ended and the four previous fiscal years; and (ii) the top ten (10) users of the System for the previous fiscal year and a statement as to which users, if any, accounted for 5% or more of the revenues of the System for the preceding fiscal year.

(2) The annual financial statements of the System prepared in accordance with accounting principles generally accepted in the United States and audited in accordance with auditing standards accepted in the United States and applicable state law.

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

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Series 2025 Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.

10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2025 Bonds.

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

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

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report, or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2025 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2025 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2025 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Series 2025 Bonds.

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

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

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City, the Insurer or any Beneficial Owner may (and the Trustee, at the request of the Underwriter, the Insurer or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2025 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City, the Dissemination Agent or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

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

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

RATING

S&P is expected to assign a credit rating of "AA/Stable" to the Series 2025 Bonds with the understanding that the scheduled payment of principal of and interest on the Series 2025 Bonds will be guaranteed under the Insurance Policy to be issued by the Insurer.

Any explanation of such rating may only be obtained from S&P. Generally, rating agencies base their rating upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such rating, once assigned, will remain for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change or withdrawal of the rating assigned to the Series 2025 Bonds by S&P may have an adverse effect on the market price of the Series 2025 Bonds. The Underwriter and the City have undertaken no responsibility after issuance of the Series 2025 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

ADDITIONAL INFORMATION

The foregoing summaries and descriptions of the provisions of the Series 2025 Bonds and the Indenture and all other references to other material not purported to be quoted in full are to be viewed only as summaries or outlines of certain of the provisions of such documents and do not constitute complete statements thereof. Reference is hereby made to the complete documents relating to such matters.

Rights of the registered owners of the Series 2025 Bonds and the enforceability of the remedies available under the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

The information contained in this Official Statement is subject to change without notice and no implication is to be derived therefrom or from the sale of any Series 2025 Bonds that there has been no change in the affairs of the City, the Commission or the System subsequent to the date hereof and thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2025 Bonds.

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

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

CITY OF HOPE, ARKANSAS

By /s/ Don Still
Mayor

Dated as of the cover page hereof.

EXHIBIT A

Electric Rates

JANUARY 1, 2025 – DECEMBER 31, 2025

Customer Charge

Residential	\$ 15.80 per month
Small General Service	20.95 per month
Large General Service	103.15 per month
Small Light & Power	74.75 per month
Large Light & Power-Secondary	286.85 per month
Large Light & Power-Primary	486.85 per month
Large Power	728.80 per month
Large Industrial Power	1,020.00 per month

Demand Charge

Large Industrial Power Secondary	\$15.29 per kW (minimum of \$137,610) (May through September Billing Cycle) \$13.94 per kW (minimum of \$125,460) (October through April Billing Cycle)
Large Industrial Power Primary	\$14.95 per kW (minimum of \$134,550) (May through September Billing Cycle) \$13.64 per kW (minimum of \$122,760) (October through April Billing Cycle)
Large General Service	\$11.25 per kW
Small Light & Power	\$8.50 per kW (minimum of \$850) (May through September Billing Cycle) \$7.10 per kW (minimum of \$710) (October through April Billing Cycle)
Large Light & Power - Secondary Service	\$8.50 per kW (minimum of \$4,250) (May through September Billing Cycle) \$7.10 per kW (minimum of \$3,550) (October through April Billing Cycle)
Large Light & Power - Primary Service	\$8.00 per kW (minimum of \$4,000) (May through September Billing Cycle) \$6.50 per kW (minimum of \$3,250) (October through April Billing Cycle)
Large Power - Secondary Service	\$8.45 per kW (minimum of \$42,250) (May through September Billing Cycle) \$6.40 per kW (minimum of \$32,000) (October through April Billing Cycle)
Large Power - Primary Service	\$7.70 per kW (minimum of \$38,500) (May through September Billing Cycle) \$6.40 per kW (minimum of \$32,000) (October through April Billing Cycle)

Energy Charge

Large Industrial Power	4.40¢ per KWH (May through September Billing Cycle) 2.29¢ per KWH (October through April Billing Cycle)
Residential	8.18¢ per KWH
Small General Service	11.10¢ per KWH
Large General Service	5.44¢ per KWH
Small Light & Power	7.01¢ per KWH (May through September Billing Cycle) 5.04¢ per KWH (October through April Billing Cycle)
Large Light & Power - Secondary Service	7.05¢ per KWH (May through September Billing Cycle) 5.07¢ per KWH (October through April Billing Cycle)
Large Light & Power - Primary Service	7.13¢ per KWH (May through September Billing Cycle) 5.13¢ per KWH (October through April Billing Cycle)
Large Power	7.17¢ per KWH (May through September Billing Cycle) 5.15¢ per KWH (October through April Billing Cycle)

JANUARY 1, 2026 – DECEMBER 31, 2026

Customer Charge

Residential	\$ 20.80 per month
Small General Service	27.95 per month
Large General Service	143.15 per month
Small Light & Power	94.75 per month
Large Light & Power-Secondary	386.85 per month
Large Light & Power-Primary	686.85 per month
Large Power	803.80 per month
Large Industrial Power	1,030.00 per month

Demand Charge

Large Industrial Power Secondary	\$15.44 per kW (minimum of \$137,610) (May through September Billing Cycle) \$14.08 per kW(minimum of \$125,460) (October through April Billing Cycle)
Large Industrial Power Primary	\$15.10 per kW (minimum of \$134,550) (May through September Billing Cycle) \$13.77 per kW(minimum of \$122,760) (October through April Billing Cycle)
Large General Service	\$11.50 per kW
Small Light & Power	\$9.00 per kW (minimum of \$850) (May through September Billing Cycle) \$7.60 per kW (minimum of \$710) (October through April Billing Cycle)

Large Light & Power - Secondary Service	\$9.00 per kW (minimum of \$4,250) (May through September Billing Cycle) \$7.60 per kW (minimum of \$3,550) (October through April Billing Cycle)
Large Light & Power - Primary Service	\$8.50 per kW (minimum of \$4,000) (May through September Billing Cycle) \$7.00 per kW (minimum of \$3,250) (October through April Billing Cycle)
Large Power - Secondary Service	\$9.00 per kW (minimum of \$42,250) (May through September Billing Cycle) \$6.90 per kW (minimum of \$32,000) (October through April Billing Cycle)
Large Power - Primary Service	\$8.20 per kW (minimum of \$38,500) (May through September Billing Cycle) \$6.90 per kW (minimum of \$32,000) (October through April Billing Cycle)
<u>Energy Charge</u>	
Large Industrial Power	4.44¢ per KWH (May through September Billing Cycle) 2.31¢ per KWH (October through April Billing Cycle)
Residential	7.81¢ per KWH
Small General Service	10.89¢ per KWH
Large General Service	5.14¢ per KWH
Small Light & Power	6.88¢ per KWH (May through September Billing Cycle) 4.95¢ per KWH (October through April Billing Cycle)
Large Light & Power - Secondary Service	6.96¢ per KWH (May through September Billing Cycle) 5.00¢ per KWH (October through April Billing Cycle)
Large Light & Power - Primary Service	7.07¢ per KWH (May through September Billing Cycle) 5.08¢ per KWH (October through April Billing Cycle)
Large Power	7.14¢ per KWH (May through September Billing Cycle) 5.13¢ per KWH (October through April Billing Cycle)

JANUARY 1, 2027 – DECEMBER 31, 2027

Customer Charge

Residential	\$ 25.80 per month
Small General Service	34.95 per month
Large General Service	183.15 per month
Small Light & Power	114.75 per month
Large Light & Power-Secondary	486.85 per month
Large Light & Power-Primary	886.85 per month
Large Power	878.80 per month
Large Industrial Power	1,040.00 per month

Demand Charge

Large Industrial Power Secondary	\$15.60 per kW (minimum of \$137,610) (May through September Billing Cycle) \$14.23 per kW (minimum of \$125,460) (October through April Billing Cycle)
Large Industrial Power Primary	\$15.26 per kW (minimum of \$134,550) (May through September Billing Cycle) \$13.91 per kW (minimum of \$122,760) (October through April Billing Cycle)
Large General Service	\$11.75 per kW
Small Light & Power	\$9.50 per kW (minimum of \$850) (May through September Billing Cycle) \$8.10 per kW (minimum of \$710) (October through April Billing Cycle)
Large Light & Power - Secondary Service	\$9.50 per kW (minimum of \$4,250) (May through September Billing Cycle) \$8.10 per kW (minimum of \$3,550) (October through April Billing Cycle)
Large Light & Power - Primary Service	\$9.00 per kW (minimum of \$4,000) (May through September Billing Cycle) \$7.50 per kW (minimum of \$3,250) (October through April Billing Cycle)
Large Power - Secondary Service	\$9.54 per kW (minimum of \$42,250) (May through September Billing Cycle) \$7.40 per kW (minimum of \$32,000) (October through April Billing Cycle)
Large Power - Primary Service	\$8.70 per kW (minimum of \$38,500) (May through September Billing Cycle) \$7.40 per kW (minimum of \$32,000) (October through April Billing Cycle)

Energy Charge

Large Industrial Power	4.49¢ per KWH (May through September Billing Cycle) 2.33¢ per KWH (October through April Billing Cycle)
Residential	7.45¢ per KWH
Small General Service	10.69¢ per KWH
Large General Service	4.85¢ per KWH
Small Light & Power	6.75¢ per KWH (May through September Billing Cycle) 4.86¢ per KWH (October through April Billing Cycle)
Large Light & Power - Secondary Service	6.86¢ per KWH (May through September Billing Cycle) 4.93¢ per KWH (October through April Billing Cycle)
Large Light & Power - Primary Service	7.00¢ per KWH (May through September Billing Cycle) 5.04¢ per KWH (October through April Billing Cycle)
Large Power	7.12¢ per KWH (May through September Billing Cycle) 5.12¢ per KWH (October through April Billing Cycle)

JANUARY 1, 2028 AND THEREAFTER

Customer Charge

Residential	\$ 27.00 per month
Small General Service	38.00 per month
Large General Service	200.00 per month
Small Light & Power	120.00 per month
Large Light & Power-Secondary	490.00 per month
Large Light & Power-Primary	890.00 per month
Large Power	890.00 per month
Large Industrial Power	1,050.00 per month

Demand Charge

Large Industrial Power Secondary	\$15.75 per kW (minimum of \$137,610) (May through September Billing Cycle) \$14.37 per kW (minimum of \$125,460) (October through April Billing Cycle)
Large Industrial Power Primary	\$15.41 per kW (minimum of \$134,550) (May through September Billing Cycle) \$14.05 per kW (minimum of \$122,760) (October through April Billing Cycle)
Large General Service	\$12.00 per kW
Small Light & Power	\$10.00 per kW (minimum of \$850) (May through September Billing Cycle) \$8.60 per kW (minimum of \$710) (October through April Billing Cycle)

Large Light & Power - Secondary Service	\$10.00 per kW (minimum of \$4,250) (May through September Billing Cycle) \$8.60 per kW (minimum of \$3,550) (October through April Billing Cycle)
Large Light & Power - Primary Service	\$9.50 per kW (minimum of \$4,000) (May through September Billing Cycle) \$8.00 per kW (minimum of \$3,250) (October through April Billing Cycle)
Large Power - Secondary Service	\$10.09 per kW (minimum of \$42,250) (May through September Billing Cycle) \$7.90 per kW (minimum of \$32,000) (October through April Billing Cycle)
Large Power - Primary Service	\$9.20 per kW (minimum of \$38,500) (May through September Billing Cycle) \$7.90 per kW (minimum of \$32,000) (October through April Billing Cycle)
<u>Energy Charge</u>	
Large Industrial Power	4.53¢ per KWH (May through September Billing Cycle) 2.35¢ per KWH (October through April Billing Cycle)
Residential	7.49¢ per KWH
Small General Service	10.71¢ per KWH
Large General Service	4.78¢ per KWH
Small Light & Power	6.67¢ per KWH (May through September Billing Cycle) 4.80¢ per KWH (October through April Billing Cycle)
Large Light & Power - Secondary Service	6.81¢ per KWH (May through September Billing Cycle) 4.90¢ per KWH (October through April Billing Cycle)
Large Light & Power - Primary Service	6.98¢ per KWH (May through September Billing Cycle) 5.02¢ per KWH (October through April Billing Cycle)
Large Power	7.10¢ per KWH (May through September Billing Cycle) 5.10¢ per KWH (October through April Billing Cycle)

EXHIBIT B

Water Rates

JANUARY 1, 2025 – DECEMBER 31, 2025

Residential

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 10.68 per month	\$16.02 per month
1 inch	19.82 per month	29.73 per month
1 1/2 inch	26.59 per month	39.88 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$5.31 per 1,000 gallons	\$7.97 per 1,000 gallons
Over 10,000 gallons	5.10 per 1,000 gallons	7.65 per 1,000 gallons

Commercial

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 20.53 per month	\$ 30.79 per month
1 inch	33.01 per month	49.51 per month
1 1/2 inch	50.43 per month	75.64 per month
2 inch	81.94 per month	122.91 per month
3 inch	152.66 per month	228.99 per month
4 inch	255.13 per month	382.69 per month
6 inch	511.92 per month	767.88 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$4.37 per 1,000 gallons	\$6.55 per 1,000 gallons
10,000-50,000 gallons	4.15 per 1,000 gallons	6.22 per 1,000 gallons
Over 50,000 gallons	3.00 per 1,000 gallons	4.50 per 1,000 gallons

Large User Service

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$264.06 per month
6 inch	529.84 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$2.82 per 1,000 gallons

Bodcaw

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$264.06 per month
6 inch	529.84 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.29 per 1,000 gallons

Ozan

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$264.06 per month
6 inch	529.84 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.60 per 1,000 gallons

Southwest

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$264.06 per month
6 inch	529.84 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.29 per 1,000 gallons

Southwest (Spring Hill)

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$264.06 per month
6 inch	529.84 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.60 per 1,000 gallons

JANUARY 1, 2026 – DECEMBER 31, 2026

Residential

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 11.18 per month	\$16.77 per month
1 inch	20.32 per month	30.48 per month
1 1/2 inch	27.59 per month	41.38 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$5.42 per 1,000 gallons	\$8.13 per 1,000 gallons
Over 10,000 gallons	5.30 per 1,000 gallons	7.95 per 1,000 gallons

Commercial

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 21.50 per month	\$ 32.25 per month
1 inch	35.00 per month	52.50 per month
1 1/2 inch	53.00 per month	79.50 per month
2 inch	85.00 per month	127.50 per month
3 inch	160.00 per month	240.00 per month
4 inch	260.00 per month	390.00 per month
6 inch	520.00 per month	780.00per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$4.48 per 1,000 gallons	\$6.71 per 1,000 gallons
10,000-50,000 gallons	4.25 per 1,000 gallons	6.38 per 1,000 gallons
Over 50,000 gallons	3.15 per 1,000 gallons	4.73 per 1,000 gallons

Large User Service

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$273.30 per month
6 inch	548.38 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$2.92 per 1,000 gallons

Bodcaw

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$273.30 per month
6 inch	548.38 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.40 per 1,000 gallons

Ozan

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$273.30 per month
6 inch	548.38 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.72 per 1,000 gallons

Southwest

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$273.30 per month
6 inch	548.38 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.40 per 1,000 gallons

Southwest (Spring Hill)

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$273.30 per month
6 inch	548.38 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.72 per 1,000 gallons

JANUARY 1, 2027 – DECEMBER 31, 2027

Residential

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 11.68 per month	\$17.52 per month
1 inch	20.82 per month	31.23 per month
1 1/2 inch	28.59 per month	42.88 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$5.53 per 1,000 gallons	\$8.29 per 1,000 gallons
Over 10,000 gallons	5.53 per 1,000 gallons	8.29 per 1,000 gallons

Commercial

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 21.50 per month	\$ 32.25 per month
1 inch	35.00 per month	52.50 per month
1 1/2 inch	53.00 per month	79.50 per month
2 inch	85.00 per month	127.50 per month
3 inch	160.00 per month	240.00 per month
4 inch	260.00 per month	390.00 per month
6 inch	520.00 per month	780.00 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$4.67 per 1,000 gallons	\$7.00 per 1,000 gallons
10,000-50,000 gallons	4.43 per 1,000 gallons	6.65 per 1,000 gallons
Over 50,000 gallons	3.37 per 1,000 gallons	5.06 per 1,000 gallons

Large User Service

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$282.86 per month
6 inch	567.58 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.02 per 1,000 gallons

Bodcaw

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$282.86 per month
6 inch	567.58 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.52 per 1,000 gallons

Ozan

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$282.86 per month
6 inch	567.58 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.85 per 1,000 gallons

Southwest

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$280.86 per month
6 inch	567.58 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.52 per 1,000 gallons

Southwest (Spring Hill)

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$282.86 per month
6 inch	567.58 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.85 per 1,000 gallons

JANUARY 1, 2028 AND THEREAFTER

Residential

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 12.18 per month	\$18.27 per month
1 inch	21.32 per month	31.98 per month
1 1/2 inch	29.59 per month	44.38 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$5.66 per 1,000 gallons	\$8.49 per 1,000 gallons
Over 10,000 gallons	5.66 per 1,000 gallons	8.49 per 1,000 gallons

Commercial

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch and 3/4 inch	\$ 21.50 per month	\$ 32.25 per month
1 inch	35.00 per month	52.50 per month
1 1/2 inch	53.00 per month	79.50 per month
2 inch	85.00 per month	127.50 per month
3 inch	160.00 per month	240.00 per month
4 inch	260.00 per month	390.00 per month
6 inch	520.00 per month	780.00 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$4.86 per 1,000 gallons	\$7.29 per 1,000 gallons
10,000-50,000 gallons	4.61 per 1,000 gallons	6.92 per 1,000 gallons
Over 50,000 gallons	3.59 per 1,000 gallons	5.39 per 1,000 gallons

Large User Service

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$292.76 per month
6 inch	587.44 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.13 per 1,000 gallons

Bodcaw

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$292.76 per month
6 inch	587.44 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.64 per 1,000 gallons

Ozan

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$292.76 per month
6 inch	587.44 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.99 per 1,000 gallons

Southwest

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$292.76 per month
6 inch	587.44 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.64 per 1,000 gallons

Southwest (Spring Hill)

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$292.76 per month
6 inch	587.44 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$3.99 per 1,000 gallons

EXHIBIT C

Fiber Optic Communications System Rates

Internet Plans

Residential

Speed	Cost
100Mbps	\$54.95
250Mbps	69.95
500Mbps	84.95
1.0Gbps	99.95

Commercial

Speed	Cost
100Mbps	\$74.95
250Mbps	94.95
500Mbps	134.95
1.0Gbps	174.95

Phone Plans

<u>Residential</u>	Cost
Phone Plan	\$24.95
Add Line	19.395

<u>Commercial</u>	Cost
Phone Plan	\$29.95
Add Line	19.95

<u>Hosted 1</u>	Cost
Main Phone	\$34.95
Add Phone	19.95

<u>Hosted 2</u>	Cost
Main Phone	\$34.95
Wireless Phone	39.95
Add Line	19.95

<u>Hosted 3</u>	Cost
Main Phone	\$24.95
Wireless Phone	39.95
Ad Line	19.95

EXHIBIT D

Audited Financial Statements of the System
for the Fiscal Years Ended December 31, 2024 and 2023

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

WILLIAM C. MILLER, LLC
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 8403
HOT SPRINGS VILLAGE, AR 71910

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

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HOT SPRINGS VILLAGE, AR 71910

Member, American Institute
of Certified Public Accountants

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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 proprietary 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><u>\$ 48,894,904</u></u>	<u><u>\$ 45,693,997</u></u>	<u><u>\$ 43,830,629</u></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><u>224,684</u></u>	<u><u>221,972</u></u>	<u><u>227,491</u></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><u>983,092</u></u>	<u><u>899,827</u></u>	<u><u>936,058</u></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)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
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	<u>326,831</u>	<u>10,279,752</u>	<u>6,620,629</u>
Total capital assets	<u><u>\$ 48,193,753</u></u>	<u><u>\$ 45,980,350</u></u>	<u><u>\$ 42,159,190</u></u>

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

BASIC FINANCIAL STATEMENTS

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

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
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>
Non-current assets:		
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>
Total Assets	<u>72,244,292</u>	<u>70,122,948</u>
Deferred Outflows Of Resources		
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>
Total	<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>
Liabilities		
Current liabilities:		
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>
Non-current liabilities:		
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>
Total Liabilities	<u>24,026,044</u>	<u>25,620,705</u>
Deferred Inflows Of Resources		
Deferred lease inflows		3,136
Deferred pension inflows	<u>218,873</u>	<u>155,813</u>
	<u>218,873</u>	<u>158,949</u>
Net Position		
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>
Total Net Position	<u>48,894,904</u>	<u>45,693,997</u>
Total	<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>
Operating revenue		
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>
Operating expenses		
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>
Nonoperating revenues (expenses)		
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>
Cash flows from operating activities		
Receipts from customers	\$ 30,724,330	\$ 30,553,495
Payments to suppliers	(21,204,790)	(19,399,718)
Payments to employees	(4,806,064)	(4,373,449)
Net cash provided by operating activities	<u>4,713,476</u>	<u>6,780,328</u>
Cash flows from noncapital financing activities		
Transfers to City	(575,000)	(575,000)
Net cash used for noncapital financing activities	<u>(575,000)</u>	<u>(575,000)</u>
Cash flows from capital and related financing activities		
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	(29,592)	(15,501)
Net cash used for capital and related financing activities	<u>(5,453,847)</u>	<u>(7,244,903)</u>
Cash flows from investing activities		
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><u>\$ 12,814,896</u></u>	<u><u>\$ 13,111,556</u></u>
Reconciliation to cash and cash equivalents		
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><u>\$ 12,814,896</u></u>	<u><u>\$ 13,111,556</u></u>

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

HOPE WATER AND LIGHT COMMISSION
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 2,929,295	\$ 2,288,932
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
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>
Supplemental Disclosure of Noncash Transactions		
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 st 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 APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions - Hope Water and Light Commission reported a liability of \$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	<u>\$ 791,634</u>	<u>\$(218,873)</u>	<u>\$ 1,236,672</u>	<u>\$(155,813)</u>

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:

	2024		2023	
<i>Asset Class</i>	<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.

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

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7% 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 6%	Discount Rate 7%	1% Higher 8%
June 30, 2024	\$ 6,382,368	\$ 3,740,340	\$ 1,562,182
	1% Lower 6%	Discount Rate 7%	1% Higher 8%
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>
Operating revenue				
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>
Operating expenses				
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>
Nonoperating revenues (expenses)				
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>
Cost of sales and services				
Lights and power purchased	\$ 18,309,584			\$ 18,309,584
Total cost of power	<u>18,309,584</u>			<u>18,309,584</u>
Source of supply				
Operations		\$ 357,334		357,334
Maintenance		37,251		37,251
Water treatment plant				
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>
Distribution				
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>
Customer accounts				
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>
Administration				
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>
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>

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><i>Electric</i></u>	<u><i>Water</i></u>	<u><i>Total</i></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>	

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

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
SCHEDULE 1 RATE - Residential Service	\$ 10.80	8.54¢/KWH	
SCHEDULE 2 RATE - Small General Service	13.95	11.31¢/KWH	
SCHEDULE 3 RATE - Large General Service	63.15	5.74¢/KWH	\$ 11.00/kW
SCHEDULE 4A RATE - Small Light & Power:	54.75		
May - September		7.14¢/KWH	
October - April		5.14¢/KWH	
<i>Primary Service:</i>			
May - September			8.00/kW
October - April			6.60/kW
SCHEDULE 4B RATE - Large Light & Power:	286.85		
May - September		7.20¢/KWH	
October - April		5.18¢/KWH	
<i>Primary Service:</i>			
May - September			7.50/kW
October - April			6.00/kW
<i>Secondary Service:</i>	186.85		
May - September		7.15¢KWH	8.00/kW
October - April		5.14¢KWH	6.60/kW
SCHEDULE 5 RATE - Large Power:	653.80		
May - September		7.19¢/KWH	
October - April		5.17¢/KWH	
<i>Primary Service:</i>			
May - September			7.20/kW
October - April			5.90/kW
<i>Secondary Service:</i>			
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
SCHEDULE 6 RATE - Large Industrial Power	\$ 1,010.00		
May - September		4.35¢/KWH	
October - April		2.26¢/KWH	
Primary Service:			
May - September			\$14.81/kW
October - April			13.50/kW
Secondary Service:			
May - September			15.14/kW
October - April			13.81/kW
SCHEDULE 7 RATE - Night Lights			
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	
Size of LED:			
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

SCHEDULE 4 - Wholesale Service: City of Bodcaw, Arkansas

City

Minimum Monthly Usage: (gallons per month)

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

Fixed Meter Monthly Charge Rate:

4" Meter \$ 255.13

Commodity Charge (Per 1,000 Gallons):

All Consumption 3.18

Minimum bill equals fixed meter charge plus (\$3.18/1,000 gallons

X Minimum Monthly Usage from Schedule)

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

Minimum Monthly Usage: (gallons per month)

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

Fixed Meter Monthly Charge Rate:

6" Meter \$ 551.92

Commodity Charge (Per 1,000 Gallons):

All Consumption 3.18

Minimum bill equals fixed meter charge plus (\$3.18/1,000 gallons

X Minimum Monthly Usage from Schedule)

SCHEDULE 6 -Wholesale Service: SAWS - Spring Hill District

Minimum Monthly Usage: (gallons per month)

Fixed Meter Monthly Charge Rate:

4" Meter \$ 225.13

Commodity Charge (Per 1,000 Gallons)

All Consumption 3.47

Minimum bill equals fixed meter charge

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

SCHEDULE 7 - Wholesale Service: Ozan Creek

City

Waterworks Facilities Board of Hempstead County, Arkansas

Minimum Monthly Usage: (gallons per month)

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

Fixed Meter Monthly Charge Rate:

4" Meter	\$	255.13
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Commodity Charge (Per 1,000 Gallons)

All Consumption	3.47
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Minimum bill equals fixed meter charge plus (\$3.47/1,000 gallons

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

MISCELLANEOUS:

City

Rural

Water Connection Fees:

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

Private Monthly Fire Protection

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
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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

Certified Public Accountants

P.O. Box 8403

HOT SPRINGS VILLAGE, AR 71910

Member, American Institute
of Certified Public Accountants

Telephone: (501) 773-2092
william@wcmillercpa.com

**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

EXHIBIT E

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN