

NEW ISSUE**BOOK-ENTRY ONLY**

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2021 Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2021 Bonds (and the interest on the Series 2021 Bonds is exempt from State of Arkansas income taxes, the Series 2021 Bonds are exempt from property taxation in the State of Arkansas and the Series 2021 Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code). See **TAX EXEMPTION**.*

\$9,995,000
CITY OF HOPE, ARKANSAS
PUBLIC UTILITY REVENUE BONDS
SERIES 2021

Dated: Date of Delivery**Due: April 1, as shown below**

The Series 2021 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 in favor of the Series 2021 Bonds is a first and prior pledge. The pledge of revenues derived from the water system and the electric system in favor of the Series 2021 Bonds is subordinate to the pledge in favor of the City's Water and Electric Refunding Revenue Bonds, Series 2020. See **SECURITY FOR THE BONDS**.

Interest on the Series 2021 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2022, and the Series 2021 Bonds mature (on April 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

\$5,430,000 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>
2022	\$110,000	2.000	0.400	2028	\$485,000	1.250	1.300
2023	445,000	2.000	0.550	2029	490,000	1.300	1.400
2024	450,000	2.000	0.700	2030	500,000	1.450	1.550
2025	460,000	2.000	0.850	2031	505,000	1.625	1.650
2026	470,000	2.000	1.000	2032	515,000	1.750	1.750
2027	480,000	1.125	1.200	2033	520,000	1.750	1.850

\$1,620,000 2.000% Term Bonds Due April 1, 2036 to Yield 2.100%

\$2,945,000 2.250% Term Bonds Due April 1, 2041 to Yield 2.300%

The Series 2021 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 2021 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 2021 Bonds will not receive physical delivery of Series 2021 Bonds. Payments of principal of and interest on the Series 2021 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 2021 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2021 Bonds, all as further described herein.

The Series 2021 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: July 27, 2021

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 2021 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 2021 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.

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OFFICIAL STATEMENT

\$9,995,000
CITY OF HOPE, ARKANSAS
PUBLIC UTILITY REVENUE BONDS
SERIES 2021

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2021 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibit 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 \$9,995,000 Public Utility Revenue Bonds, Series 2021 (the "Series 2021 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 2021 Bonds may be issued. The Series 2021 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 2021 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 August 31, 2021 (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 2021 Bonds.

There follows in this Official Statement a brief description of the Series 2021 Bonds, the City, the System and the Indenture. The audited financial statements of the System for the fiscal years ended December 31, 2020 and 2019 are also attached hereto as Exhibit A. 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.**

It is expected that the Series 2021 Bonds will be available for delivery on or about August 31, 2021 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 in favor of the Series 2021 Bonds is a first and prior pledge. The pledge of Pledged Revenues derived from the water system and the electric system in favor of the Series 2021 Bonds is subordinate to the pledge in favor of the City's Water and Electric Refunding Revenue Bonds, Series 2020 (the "Senior 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 2021 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 2021 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 2021 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 2021 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 2021 Bonds. See Additional Bonds, Other Parity Bonds and Subordinate Obligations under **THE INDENTURE**.

COVID-19 DISCLOSURE

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. To date, the COVID-19 pandemic has not negatively impacted the financial condition of the System.

PURPOSE

The Series 2021 Bonds are being issued to finance a portion of the costs of acquiring, constructing and equipping facilities and apparatus for a fiber optic communications system that will initially provide voice, broadband and data services to customers of the System (the "Project"). The estimated total costs of the Project are \$16,500,000, which will be financed by the Series 2021 Bonds, Additional Bonds (also secured by Pledged Revenues) to be issued in 2022 and from available funds of the Commission. The Project is expected to be fully completed in May 2023.

SOURCES AND USES OF FUNDS

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

SOURCES:

Principal Amount of Series 2021 Bonds	\$9,995,000
Net Original Issue Premium	<u>4,799</u>
 Total Sources of Funds	 \$9,999,799

USES:

Project Costs	\$9,833,779
Costs of Issuance	56,075
Underwriter's Discount	<u>109,945</u>
 Total Uses of Funds	 \$9,999,799

THE SERIES 2021 BONDS

Generally. The Series 2021 Bonds shall be dated, mature and bear interest, and interest is payable on the Series 2021 Bonds as set forth on the cover page hereof. The Series 2021 Bonds are issuable in the form of registered Series 2021 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 2021 Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2021 Bond in accordance with the provisions therefor in the Indenture.

Each Series 2021 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 2021 Bond or Series 2021 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 2021 Bond for the privilege of registration, but any owner of any Series 2021 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 2021 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 2021 Bonds selected for redemption in whole or in part.

The person in whose name any Series 2021 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 2021 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 2021 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 2021 Bonds or the date fixed for redemption of any Series 2021 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 2021 Bonds. The Series 2021 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 2021 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 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 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 2021 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 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 2021 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 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2021 Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Series 2021 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 2021 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 2021 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2021 Bonds.

Redemption. The Series 2021 Bonds are subject to extraordinary, optional and mandatory sinking fund redemption as follows:

(1) Extraordinary Redemption. The Series 2021 Bonds must be redeemed from proceeds of the Series 2021 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 2021 Bonds are subject to redemption at the option of the City from funds from any source on and after October 1, 2026 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 2021 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 2021 Bonds of any one maturity shall be called for redemption, the particular Series 2021 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 2021 Bonds maturing on April 1, 2036 and April 1, 2041 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 2021 Bonds Maturing April 1, 2036

<u>Year</u>	<u>Principal Amounts</u>
2034	\$530,000
2035	540,000
2036 (maturity)	550,000

Series 2021 Bonds Maturing April 1, 2041

<u>Year</u>	<u>Principal Amounts</u>
2037	\$565,000
2038	575,000
2039	590,000
2040	600,000
2041 (maturity)	615,000

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 2021 Bond called for redemption. Failure to send such notice to one or more registered owners of Series 2021 Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Series 2021 Bonds as to which notice of redemption is duly given. After the date specified in such call, the Series 2021 Bond or Series 2021 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.

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

<u>Year</u>	<u>City</u>	<u>County</u>
1970	8,830	19,308
1980	10,290	23,635
1990	9,643	21,621
2000	10,616	23,587
2010	10,095	22,609
2019*	9,599	21,532

* 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.

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 Catherine Cook who has served in that capacity since 1996.

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 2022
Steve Montgomery	Self-Employed	December 2022
Trevor Coffee	Dentist	December 2024
Kiffinea Talley	Accounts Payable Clerk	December 2024
Don Still, Mayor	Self-Employed	December 2022
Reginald Easter	Lowboy Truck Driver	December 2024
Mark Ross	Self-Employed	December 2022

Medical Facilities. The City is served by Wadley Regional Medical Center at Hope which has approximately 48 beds. Approximately six doctors have offices in the City.

Financial Institutions. The City is served by branches of Farmers Bank & Trust Company, BancorpSouth Bank, Bank OZK, Diamond Bank 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	1,400
Rainbow of Challenges	Education (special academics)	429
Hope School District	Education	311
New Millennium Building Systems	Building Systems	281
Southern Bakeries, LLC	Bread products	250
UAH-T	Education	232
Walmart	Retail	232
Pafford	Medical Services	183
Wadley Regional Medical Center	Medical Services	160
Heather Manor	Nursing Home	125

*In February 2021, Dansons USA announced plans to open a barbeque wood pellet mill and distribution center in the City. Dansons is expected to create approximately 50-100 new jobs over the next 3 years.

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>
2015	\$29,060
2016	29,097
2017	30,947
2018	32,057
2019	32,238

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

<u>Year</u>	<u>Total Personal Income</u>
2015	\$641,790,000
2016	641,073,000
2017	677,000,000
2018	695,165,000
2019	694,148,000

Set forth below are the annual average unemployment rates for the County and the State since 2016, according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>	
	<u>County</u>	<u>State</u>
2016	3.8	4.0
2017	3.5	3.7
2018	3.5	3.7
2019	3.8	3.5
2020	5.2	6.1
2021*	3.7	4.4

*Preliminary as of May 2021

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

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, upon completion of the Project, a fiber optic communications system which provides voice, broadband and data services. These services are, and will be, provided within the City and portions of the surrounding area. The System employs approximately 42 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 2025
Dr. Lester Sitzes, III	Dentist	December 2022
Dr. LaDell Douglas	Physician	December 2024
Dennis Ramsey	Retired (Banker, Mayor)	December 2023
Judy Davis	Retired (Economic Development)	December 2021

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 32 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's Degree in Business Administration. 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 28 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 (5) distribution substations that have a total transformer capacity of 190 MVA, approximately 18 miles of 115kV transmission line and a 115kV switch station which is located under the AEP/SWEPCO transmission line, approximately seven (7) miles west of the City. The System is served by AEP/SWEPCO through one (1) radial transmission line and maintains a delivery point with EAI for back-up transmission service and reliability purposes.

The current system peak summer demand is approximately 50 MVA and the annual kWh usage is approximately 281.6 GWH. Energy sales to residential customers are approximately 31.7% of the total energy sales with commercial sales equal to 53.3% and industrial sales equal to 15%.

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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>
2016	5,728	1,038	2,534	9,300
2017	5,778	1,035	2,550	9,363
2018	5,804	1,042	2,503	9,349
2019	5,784	1,042	2,566	9,392
2020	5,822	1,041	2,635	9,498

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 as follows:

Customer Charge

Residential	\$ 5.80 per month
Small General Service	6.95 per month
Large General Service	23.15 per month
Small Light & Power	34.75 per month
Large Light & Power	86.85 per month
Large Power	578.80 per month
Large Industrial Power	1,000.00 per month

Demand Charge

Large Industrial Power Secondary	\$14.99 per kW (minimum of \$94,437) (May through September Billing Cycle) \$13.67 per kW (minimum of \$86,121) (October through April Billing Cycle)
Large Industrial Power Primary	\$14.70 per kW (minimum of \$92,610) (May through September Billing Cycle) \$13.40 per kW (minimum of \$84,420) (October through April Billing Cycle)
Large General Service	\$10.75 per kW
Small Light & Power	\$7.45 per kW (minimum of \$745) (May through September Billing Cycle) \$6.10 per kW (minimum of \$610) (October through April Billing Cycle)
Large Light & Power - Secondary Service	\$7.45 per kW (minimum of \$3,725) (May through September Billing Cycle) \$6.10 per kW (minimum of \$3,050) (October through April Billing Cycle)
Large Light & Power - Primary Service	\$6.95 per kW (minimum of \$3,475) (May through September Billing Cycle) \$5.55 per kW (minimum of \$2,775) (October through April Billing Cycle)

Large Power - Secondary Service	\$7.35 per kW (minimum of \$25,725) (May through September Billing Cycle) \$5.95 per kW (minimum of \$20,825) (October through April Billing Cycle)
Large Power - Primary Service	\$6.70 per kW (minimum of \$23,450) (May through September Billing Cycle) \$5.40 per kW (minimum of \$18,900) (October through April Billing Cycle)
<u>Energy Charge</u>	
Large Industrial Power	4.31¢ per KWH (May through September Billing Cycle) 2.24¢ per KWH (October through April Billing Cycle)
Residential	8.91¢ per KWH
Small General Service	11.52¢ per KWH
Large General Service	6.04¢ per KWH
Small Light & Power	7.28¢ per KWH (May through September Billing Cycle) 5.24¢ per KWH (October through April Billing Cycle)
Large Light & Power	7.26¢ per KWH (May through September Billing Cycle) 5.22¢ per KWH (October through April Billing Cycle)
Large Power	7.22¢ per KWH (May through September Billing Cycle) 5.19¢ per KWH (October through April Billing Cycle)

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 six (6) wells in the Oakhaven area can provide about 2.7 mgd. The Oakhaven wells pump directly into the distribution system with only chlorine being added at each location. The three (3) wells in the City can provide about 0.7 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 9.4 mgd.

The maximum daily usage is about 4.3 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 0.44%, 1.03% and 0.29%,

respectively, of System revenues in 2020 and accounted for 4.1%, 8.9% and 2.9%, respectively, of water purchased in 2020.

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>
2016	3,706	615	4	2	4,327
2017	3,729	595	4	2	4,330
2018	3,734	610	4	2	4,350
2019	3,692	631	4	2	4,329
2020	3,739	605	4	2	4,350

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>
2016	2,927,282	4,320,000	1,068,458,000
2017	2,785,060	4,465,000	1,016,547,000
2018	2,930,956	4,973,000	1,069,799,000
2019	2,766,978	4,344,000	1,009,947,000
2020	2,787,542	4,731,000	1,017,453,000

Set forth below are the current water rates.

Residential

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch	\$ 8.85 per month	\$13.40 per month
1 inch	16.80 per month	25.25 per month
1 1/2 inch	22.25 per month	33.40 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$4.63 per 1,000 gallons	\$6.94 per 1,000 gallons
Over 10,000 gallons	4.18 per 1,000 gallons	6.27 per 1,000 gallons

Commercial

BASE RATE:

<u>Meter Size</u>	<u>City</u>	<u>Rural</u>
5/8 inch	\$ 17.85 per month	\$ 26.70 per month
1 inch	28.70 per month	43.10 per month
1 1/2 inch	43.85 per month	65.75 per month
2 inch	71.25 per month	106.85 per month
3 inch	132.75 per month	199.25 per month
4 inch	221.85 per month	332.80 per month
6 inch	445.15 per month	667.75 per month

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

COMMODITY CHARGE:

<u>Consumption</u>	<u>City</u>	<u>Rural</u>
0-10,000 gallons	\$3.64 per 1,000 gallons	\$5.46 per 1,000 gallons
10,000-50,000 gallons	3.29 per 1,000 gallons	4.93 per 1,000 gallons
Over 50,000 gallons	2.40 per 1,000 gallons	3.60 per 1,000 gallons

Large User Service

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$221.85 per month
6 inch	445.15 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$2.37 per 1,000 gallons

Bodcaw

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$221.85 per month
6 inch	445.15 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$2.76 per 1,000 gallons

Ozan Creek

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$221.85 per month
6 inch	445.15 per month

COMMODITY CHARGE:

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

Southwest

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$221.85 per month
6 inch	445.15 per month

COMMODITY CHARGE:

<u>Consumption</u>	<u>Rate</u>
All	\$2.76 per 1,000 gallons

Southwest (Spring Hill)

FIXED METER CHARGE:

<u>Meter Size</u>	<u>Rate</u>
4 inch	\$221.85 per month
6 inch	445.15 per month

COMMODITY CHARGE:

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

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. Over the years the Commission has connected the majority of its SCADA critical infrastructure equipment to the fiber optic network. In August 2011, the Commission entered into a dark fiber swap agreement with Southwest Arkansas Telephone Cooperative (SWATCO) to secure connectivity to the Graves Foster Water Treatment Plant facility. In addition, this agreement enabled a fiber ring for the Commission's fiber network that provided connectivity from the Oakhaven Industrial Park, to the Graves Foster Water Treatment Plant, the Raw Water Intake Pumping Station, the AEP/SWEPCO transmission tie point, and the West Booster station. This fiber ring enabled a reliability loop to ensure greater efficiency and promoted a high degree of uptime communication to the System's critical infrastructure. 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.

The System's fiber network that has been being continually installed since 1996 has grown to a point that it covers a portion of the System's service territory inside the City limits and in the industrial park. The Commission sees an opportunity to deploy a portion of the excess capacity of its existing core fiber network as a launching point to build out a fiber network to cover its entire service territory and serve its residents and businesses.

In July 2018, under the direction of the then General Manager, 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 a Fiber to the Premise (FTTP) network. SWATCO provided guidance and offered three low cost, low risk options that would enable the Commission to deploy a Pilot Project. The Commission selected the option that offered the highest value and options to transition out of the Pilot Phase into a full Scale Deployment Phase. A budget was developed and presented to the Commission for approval in December 2018.

After Commission approval and with instructions to perform a survey of customers across the service territory, the Commission hired the consulting firm Artemis Evolved to develop and conduct the survey. The survey was conducted from January 11, 2019 to February 11, 2019 with a total of 889 respondents from a potential customer list of 6500. The survey responses were captured with SurveyMonkey and yielded a confidence score of 95% with error of margin of 7.5%. Based on the positive results from the survey, the Commission approved the installation of a Pilot project. The Commission elected to have two neighborhoods participate in the Pilot, one inside the City limits and one in the rural portion of the System's service territory. The Pilot project was completed in December 2019 and currently serves 69 subscribers.

In March 2020 the Commission requested a feasibility study to ascertain predictive take rates and cost estimates for Full-Scale deployment of the FTTP system. The Commission hired CCG Consulting, a well-known firm with a proven track record of working with small telecommunication carriers to perform the feasibility study. During the development of the study, CCG recommended an additional survey be taken in support of obtaining the predictive take rates. The survey predicted a potential take rate of 66%. The feasibility study was performed with a view of take rate percentages from the City/rural territory perspective. At a minimum, the study predicts a breakeven take rate of 36% City and 56% rural or a composite of 46%. Using the survey studies and the feasibility study results predicting a 66% take rate, the Commission believes it is in an excellent position to expand its Fiber Optic Network to serve the entire serviced territory with broadband, data and voice services while leveraging this infrastructure for future smart grid applications and economic development.

Prior to the completion date of the Project, rates for use of the fiber optic communications system will be set. The Project is expected to be fully completed in May 2023.

On July 12, 2021, Hope-Prescott Cable TV announced plans to invest over \$1,000,000 to upgrade its network and distribution systems (the "Cable TV Upgrade"). Hope-Prescott Cable TV currently provides up to 250 Megabits per second and, when the Cable TV Upgrade is complete, will offer 1,000 Megabits per second of service. Hope-Prescott Cable TV and its parent company, WEHCO Media, have not yet released prices for the upgraded service. The Cable TV Upgrade is expected to begin in mid-2022 with an expected completion date of early 2023. At this time, the City and the Commission cannot predict whether the Cable TV Upgrade will impact the number of customers that will utilize the Project.

Major Users of System. The following table reflects the largest users of the System in 2020:

- | | |
|------------------------------------|---|
| 1. Tyson Foods | 6. Wadley Regional Medical Center |
| 2. Hexion | 7. Walmart |
| 3. New Millennium Building Systems | 8. Hope School District |
| 4. Southern Bakeries | 9. Brentwood Industries |
| 5. Amerities | 10. University of Arkansas Hope-Texarkana |

The only users that accounted for 5% or more of System revenues in 2020 were Tyson Foods and Hexion, which accounted for 17% and 5%, respectively, of total System revenues in 2020.

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

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FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements of the System for the fiscal years ended December 31, 2020 and 2019. 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, 2016 through 2020.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues	\$24,842,618	\$29,123,871	\$31,084,620	\$30,557,580	\$31,987,448
Operating Expenses	(22,695,992)	(25,941,914)	(27,094,022)	(27,601,755)	(28,627,932)
Plus Depreciation	<u>2,049,303</u>	<u>2,040,247</u>	<u>1,889,991</u>	<u>1,946,770</u>	<u>1,886,133</u>
Pledged Revenues Available for Debt Service	\$4,195,929	\$5,222,204	\$5,880,589	\$4,902,595	\$5,245,649

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. The Commission anticipates being able to build reserves back because of the completion of the improvements to the Graves Foster Water Treatment Plant. This project cost over \$12,844,262.29, of which \$8,457,272.79 came from cash and certificates of deposits.

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DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Series 2021 Bonds for each year ending December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 110,000	\$ 203,918.41	\$ 313,918.41
2023	445,000	182,113.76	627,113.76
2024	450,000	173,163.76	623,163.76
2025	460,000	164,063.76	624,063.76
2026	470,000	154,763.76	624,763.76
2027	480,000	147,363.76	627,363.76
2028	485,000	141,632.51	626,632.51
2029	490,000	135,416.26	625,416.26
2030	500,000	128,606.26	628,606.26
2031	505,000	120,878.13	625,878.13
2032	515,000	112,268.75	627,268.75
2033	520,000	103,212.50	623,212.50
2034	530,000	93,362.50	623,362.50
2035	540,000	82,662.50	622,662.50
2036	550,000	71,762.50	621,762.50
2037	565,000	59,906.25	624,906.25
2038	575,000	47,081.25	622,081.25
2039	590,000	33,975.00	623,975.00
2040	600,000	20,587.50	620,587.50
2041	615,000	6,918.75	621,918.75
TOTALS	\$9,995,000	\$2,183,657.87	\$12,178,657.87

Set forth below and to debt service requirements for the Senior Bonds and the Series 2021 Bonds for each year ending December 31:

<u>Year</u>	<u>Series 2021 Bonds</u>	<u>Senior Bonds</u>	<u>Total</u>
2022	\$ 313,918.41	\$ 577,600.00	\$ 891,518.41
2023	627,113.76	583,650.00	1,210,763.76
2024	623,163.76	579,500.00	1,202,663.76
2025	624,063.76	580,200.00	1,204,263.76
2026	624,763.76	580,700.00	1,205,463.76
2027	627,363.76	581,000.00	1,208,363.76
2028	626,632.51	581,100.00	1,207,732.51
2029	625,416.26	581,000.00	1,206,416.26
2030	628,606.26	580,700.00	1,209,306.26
2031	625,878.13	580,200.00	1,206,078.13
2032	627,268.75	584,450.00	1,211,718.75
2033	623,212.50	583,450.00	1,206,662.50
2034	623,362.50	582,250.00	1,205,612.50
2035	622,662.50	585,800.00	1,208,462.50
2036	621,762.50	--	621,762.50
2037	624,906.25	--	624,906.25
2038	622,081.25	--	622,081.25
2039	623,975.00	--	623,975.00
2040	620,587.50	--	620,587.50
2041	621,918.75	--	621,918.75
TOTALS	\$12,178,657.87	\$8,141,600.00	\$20,320,257.87

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)}	\$4,195,929
Maximum Annual Debt Service Requirements on the Senior Bonds and the Series 2021 Bonds ^{(B)(3)(4)(5)}	1,211,719
Debt Service Coverage ^(A/B)	3.46x

⁽¹⁾Based on audited financial statements of the System for the fiscal year ended December 31, 2020. Includes revenues from the water system and electric system but does not include revenues from the fiber optic communications system. The Project is expected to be fully completed in May 2023. See **WATER, ELECTRIC AND FIBER OPTIC COMMUNICATIONS SYSTEM, Fiber Optic Communications System.**

⁽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, 2020 and 2019, attached hereto as Exhibit A.

⁽⁵⁾ The pledge of revenues derived from the fiber optic communications system in favor of the Series 2021 Bonds is a first and prior pledge. The pledge of revenues derived from the water system and the electric system in favor of the Series 2021 Bonds is subordinate to the pledge in favor of the Senior Bonds.

THE INDENTURE

In addition to the information earlier given under the headings **SECURITY FOR THE BONDS** and **THE SERIES 2021 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 2021 Bonds which are issued on a parity with the Series 2021 Bonds under the provisions of the Indenture.

"Annual Debt Service" -- With respect to all or any particular amount of Senior 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, 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. The Fiber Optic Communications System will be financed in part by the Series 2021 Bonds.

"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 2021 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.

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, 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 2021 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) 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 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 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, 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 and Electric System Revenue Fund" which will be renamed as the "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 and Electric System Operation and Maintenance Fund" which will be renamed as the "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 "2021 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 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 2021 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. 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 2021 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 "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 and Electric System Depreciation Fund" which will be renamed as the 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 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.

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 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 Other Parity Bonds

pro rata based upon the outstanding principal amount of the Bonds and outstanding 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 "Water, Electric and Communication 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 or Other Parity Bonds or in the Senior 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.

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of 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 and the Bondholders, and such resignation shall take effect upon the appointment of a successor trustee by the City. Such notice may be served personally or sent by registered mail.

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, or (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.

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.

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 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 2021 Bonds or the collection, payment or receipt of the Pledged Revenues; or in any way contesting or affecting the validity of the Series 2021 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 2021 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 2021 Bonds from the City at a purchase price of \$9,889,854.05 (principal amount of the Series 2021 Bonds plus net original issue premium of \$4,779.05 less Underwriter's discount of \$109,945). The Underwriter is committed to purchase all of the Series 2021 Bonds if any are purchased.

The Series 2021 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 2021 Bonds to certain dealers (including dealers depositing Series 2021 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 2021 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, interest on the Series 2021 Bonds under existing law (a) is excludable from gross income for federal income tax purposes and (b) is not an item tax preference for purposes of the federal alternative minimum tax. The opinion set forth in clause (a) above is 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 2021 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 2021 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2021 Bonds. The City has covenanted to comply with all such requirements.

Prospective purchasers of the Series 2021 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 2021 Bonds, (ii) interest on the Series 2021 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 2021 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 2021 Bonds.

Prospective purchasers of the Series 2021 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 2021 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2021 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

An exception allows a deduction of certain interest expense allocable to "qualified tax-exempt obligations." The City has designated the Series 2021 Bonds as "qualified tax-exempt obligations." Under the Code, such term includes any obligation which (1) is not a "private activity bond" within the meaning of the Code (excluding from that term "qualified 501(c)(3) bonds"), (2) is issued by an issuer (and subordinate entities) which reasonably anticipates to issue not more

than \$10,000,000 of tax-exempt obligations (other than private activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during the calendar year, and (3) is so designated by the issuer. The City has (1) covenanted not to use the System in a manner which would cause the Series 2021 Bonds to be "private activity bonds," and (2) represented that the City and its subordinate entities have not and will not issue more than \$10,000,000 of such tax-exempt obligations during calendar year 2021.

Prospective purchasers of the Series 2021 Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8, 1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

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

As shown on the front cover of this Official Statement, certain of the Series 2021 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 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 front cover of this Official Statement, certain of the Series 2021 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 2021 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2021 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 2021 Bonds. Prospective purchasers of the Series 2021 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 2021 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 (the "MSRB") 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.

Four of the continuing disclosure agreements obligate the City to file the audited financial statements of the City. The audited financial statements of the City for the years ended December 31, 2016 and 2017 have been filed for all required bond issues; however, the 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 fiscal year ended December 31, 2018 were not timely filed. The audited financial statements of the City for the fiscal year ended December 31, 2019 were not timely filed. The audited financial statements of the City for the fiscal year ended December 31, 2020 are not yet available.

Two continuing disclosure agreements require the City to file the audited financial statements of the System. The audited financial statements of the System for the years ended December 31, 2016, 2017, 2018, 2019 and 2020 have been timely filed.

Three of the continuing disclosure agreements require the City to disclose certain statistical information related to the City's sewer system in annual reports that are filed with the MSRB. The annual reports for the fiscal years ended December 31, 2017, 2018 and 2020 were timely filed. The annual report for the fiscal year ended December 31, 2016 was not filed, and the annual report for the fiscal year ended December 31, 2019 was filed one day late. The annual reports for one of the City's bond issues secured by sewer revenues contained the required statistical information,

but the annual reports for two of the City's bond issues secured by sewer revenues did not contain all of the required statistical information as set forth in the continuing disclosure agreements.

Two of the continuing disclosure agreements require the City to disclose certain statistical information related to the System in annual reports that are filed with the MSRB. The annual reports for the fiscal years ended December 31, 2016, 2017, 2018, 2019 and 2020 were timely filed and included all of the required statistical information related to the System.

One of the continuing disclosure agreements require the City to disclose certain statistical information related to the operation of its solid waste management system. The annual reports for the fiscal years ended December 31, 2016, 2017 and 2020 were timely filed. The annual report for the fiscal year ended December 31, 2018 was not filed, and the annual report for the fiscal year ended December 31, 2019 was filed two days late.

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.

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 2021 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 2021 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2021 Bonds (including persons holding Series 2021 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 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 2021 fiscal year, provide to 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.

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 water and electric customers by category for the fiscal year then ended and the four previous fiscal years (with a table to be added for fiber optic communications customers beginning with the report after the 2022 fiscal year); 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 Significant 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. Modification to rights of security holders, if material.
8. Series 2021 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 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 and (ii) 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 2021 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 2021 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 2021 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 2021 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 2021 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 or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2021 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 and the Beneficial Owners and shall create no rights in any other person or entity.

ADDITIONAL INFORMATION

The foregoing summaries and descriptions of the provisions of the Series 2021 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 2021 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 2021 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 2021 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

Audited Financial Statements of the System
for the Fiscal Years Ended December 31, 2020 and 2019

Hope Water and Light Commission
Component Unit of City of Hope, Arkansas
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020 and DECEMBER 31, 2019

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, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members
Hope Water and Light Commission
Hope, Arkansas

We have audited the accompanying financial statements of the business-type activities of Hope Water and Light Commission, a component unit of the City of Hope, Arkansas, as of and for the year ended December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hope Water and Light Commission as of December 31, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension trend information on page 4 through 7 and 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 statements of revenues, expenses and changes in net position - water and electric and the schedule of operating expenses - water and electric are presented for additional analysis and are not a required part of the basic financial statements.

The statements of revenues, expenses and changes in net position - water and electric and the schedule of operating expenses - water and electric are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2021, on our consideration of Hope Water and Light Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope Water and Light Commission's internal control over financial reporting and compliance.

June 9, 2021

William C Miller, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOPE WATER AND LIGHT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019. We encourage readers to consider the information presented herein.

To insure 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, 2020, exceeded liabilities by \$41,350,335. Of this amount, \$9,462,579 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 \$3,716,145 is restricted to meet the Utility's water and electric debt service requirements.
- Total net position increased by \$1,569,906 during this period.
- Total operating revenues for the water and electric systems for 2020 were \$24,805,513, a decrease from 2019 revenues by \$4,316,624. Broadband operating revenues totaled \$37,105, an increase of \$35,371.
- Total operating expenses for the water and electric systems for 2020 were \$22,687,220, a decrease from 2019 expenses by \$3,254,694. Operating expenses for Broadband totaled \$8,772.

Overview of the Basic Financial Statements

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

The Financial Statements

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

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

HOPE WATER AND LIGHT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2020 AND 2019

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 14 through 30 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 \$41,350,335 as of December 31, 2020.

The net investment in capital assets (i.e., land, utility plant, building, and other improvements, machinery and equipment, water rights, and construction in progress), less any outstanding debt used to acquire those assets, is 68.81% \$29,079,175 of net position. The Utility uses these capital assets to provide service to customers; consequently these assets are not available for future spending. Although the Utility's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be liquidated to satisfy outstanding debt obligations.

Net Position	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 16,003,131	\$ 16,275,325	\$ 20,131,069
Non-current assets:			
Restricted assets	3,983,417	4,524,677	6,031,499
Capital assets:			
Net of depreciation	<u>37,713,455</u>	<u>35,970,319</u>	<u>28,639,804</u>
Total assets	<u>57,700,003</u>	<u>56,770,321</u>	<u>54,802,372</u>
Deferred outflows or resources	<u>1,008,079</u>	<u>594,786</u>	<u>689,696</u>
Current liabilities	3,909,109	4,252,346	4,866,595
Non-current liabilities	<u>12,440,559</u>	<u>12,207,660</u>	<u>12,272,047</u>
Total liabilities	<u>16,349,668</u>	<u>16,460,006</u>	<u>17,138,642</u>
Deferred inflow of resources	<u>100,515</u>	<u>217,108</u>	<u>396,746</u>
Net invested in capital assets	29,079,175	26,624,666	21,024,563
Restricted	3,716,145	4,044,939	4,036,454
Unrestricted	<u>9,462,579</u>	<u>10,018,388</u>	<u>12,895,663</u>
	<u>\$ 42,257,899</u>	<u>\$ 40,687,993</u>	<u>\$ 37,956,680</u>

Approximately twenty two percent (\$9,462,579) of net position represents unrestricted net position that may be used to meet ongoing obligations to customers and creditors. An additional nine percent (\$3,716,145) represents restricted assets to meet water and electric debt service.

As of December 31, 2020, 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, 2020 AND 2019

ANALYSIS OF THE UTILITY'S OPERATIONS

The following table provides a summary of operations for the years ended December 31, 2020, 2019, and 2018. Net position increased by \$1,569,906 compared to the fiscal year ending 2019. Both revenues and expenses were less in the current year.

CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenue	\$ 24,842,618	\$ 29,123,871	\$ 31,084,620
Operating expenses	<u>22,695,992</u>	<u>25,941,914</u>	<u>27,094,022</u>
Operating income	2,146,626	3,181,957	3,990,598
Nonoperating revenue (expenses)	(15,105)	109,055	73,086
Capital contributions	13,385	15,301	308,570
Transfers out (City of Hope)	<u>(575,000)</u>	<u>(575,000)</u>	<u>(575,000)</u>
Change in net position	1,569,906	2,731,313	3,797,254
Net position - beginning of year	<u>40,687,993</u>	<u>37,956,680</u>	<u>34,159,426</u>
Net position - end of year	<u>\$ 42,257,899</u>	<u>\$ 40,687,993</u>	<u>\$ 37,956,680</u>

KILOWATT-HOURS BILLED
(000s omitted)

<u>Type of Customer</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Residential	63,315	68,068	71,653
Small commercial	17,888	19,497	19,883
Large commercial	13,242	14,533	15,194
Light and power	70,193	73,006	77,314
Industrial	40,961	78,462	98,193
Interdepartmental	3,452	3,343	3,687
Area lighting	<u>3,407</u>	<u>3,470</u>	<u>3,562</u>
	<u>212,458</u>	<u>260,379</u>	<u>289,486</u>

GALLONS BILLED
(000s omitted)

<u>Type of Customer</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Residential	216,682	216,129	219,246
Commercial	219,243	231,078	239,259
Industrial	356,080	359,426	353,692
Wholesale	143,709	137,215	122,938
Interdepartmental	<u>267</u>	<u>455</u>	<u>455</u>
Total	<u>935,981</u>	<u>944,303</u>	<u>935,590</u>

HOPE WATER AND LIGHT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2020 AND 2019

CAPITAL ASSETS

The Utility's capital assets as of December 31, 2020, totals \$37,713,455 (net of accumulated depreciation). Capital assets include land, utility plant, buildings and other improvements, machinery and equipment, and construction in progress. In addition to the increase in construction in progress totaling \$2,559,580, other major capital asset events during the current fiscal year included the following:

*	Pole Trailer	\$ 15,000
*	Power Edge	15,943
*	Smart Switch	18,375
*	Power Optic Scada Network	26,604
*	Painting HWL Building	35,982
*	2020 Dodge Ram 3500 Crew	40,332
*	Well II Rehab	47,043
*	Well 6 Rehab	57,459
*	Fiber Projects	302,593

**CAPITAL ASSETS
(Net of Depreciation)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 825,406	\$ 844,954	\$ 844,954
Utility plant	18,635,491	19,378,868	19,793,634
Building & other improvements	1,014,915	1,108,983	1,217,548
Machinery & equipment	3,568,319	3,527,770	2,886,329
Water rights	662,422	662,422	662,422
Construction in progress	<u>13,006,902</u>	<u>10,447,322</u>	<u>3,234,917</u>
Total capital assets	<u>\$ 37,713,455</u>	<u>\$ 35,970,319</u>	<u>\$ 28,639,804</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash	\$ 8,984,112	\$ 9,504,638
Investments	3,700,561	3,400,000
Receivables (net of allowance for uncollectible):		
Accounts	2,722,464	2,779,884
Accrued interest	614	2,749
Inventories	443,321	467,355
Prepaid expenses	<u>152,059</u>	<u>120,699</u>
Total current assets	<u>16,003,131</u>	<u>16,275,325</u>
Non-current assets:		
Restricted assets:		
Cash	206,494	744,872
Investments	3,775,587	3,775,000
Accrued interest receivable	<u>1,336</u>	<u>4,805</u>
Total restricted assets	<u>3,983,417</u>	<u>4,524,677</u>
Capital assets (net of accumulated depreciation)		
Land	825,406	844,954
Utility plant	18,635,491	19,378,868
Building and other improvements	1,014,915	1,108,983
Machinery and equipment	3,568,319	3,527,770
Water rights	662,422	662,422
Construction in progress	<u>13,006,902</u>	<u>10,447,322</u>
Total non-current assets	<u>37,713,455</u>	<u>35,970,319</u>
Total Assets	<u>57,700,003</u>	<u>56,770,321</u>
Deferred Outflows Of Resources		
Deferred amounts on refunding	144,439	
Deferred pension outflows	<u>863,640</u>	<u>594,786</u>
Total deferred outflows	<u>1,008,079</u>	<u>594,786</u>
Total	<u>\$ 58,708,082</u>	<u>\$ 57,365,107</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Liabilities		
Current liabilities:		
Account payable	\$ 2,173,984	\$ 2,317,834
Due to other government agencies	215,468	218,527
Accrued liabilities	250,868	222,334
Accrued interest	38,901	65,318
Customer deposits	845,689	863,916
Contracts payable - current	16,150	15,736
Accrued compensated absences - current	178,049	133,681
Revenue bonds - current	<u>190,000</u>	<u>415,000</u>
Total current liabilities	<u>3,909,109</u>	<u>4,252,346</u>
Non-current liabilities:		
Accrued compensated absences	364,539	262,443
Net pension liability	4,368,730	3,658,016
Revenue bond	7,218,485	7,782,246
Contracts payable	<u>488,805</u>	<u>504,955</u>
Total non-current liabilities	<u>12,440,559</u>	<u>12,207,660</u>
Total Liabilities	<u>16,349,668</u>	<u>16,460,006</u>
Deferred Inflows Of Resources		
Deferred pension inflows	<u>100,515</u>	<u>217,108</u>
Net Position		
Net invested in capital assets	29,079,175	26,624,666
Restricted for electric debt	1,635,104	1,779,773
Restricted for water debt	2,081,041	2,265,166
Unrestricted	<u>9,462,579</u>	<u>10,018,388</u>
Total Net Position	<u>42,257,899</u>	<u>40,687,993</u>
Total	<u>\$ 58,708,082</u>	<u>\$ 57,365,107</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenue		
Electric sales	\$ 20,684,307	\$ 25,066,684
Water sales	3,654,036	3,694,572
Broadband sales	37,105	1,734
Penalties and service charges	216,578	253,740
Other income	<u>250,592</u>	<u>107,141</u>
Total operating revenues	<u>24,842,618</u>	<u>29,123,871</u>
Operating expenses		
Cost of sales and services	15,544,932	18,807,863
Distribution	1,843,807	1,836,947
Customer accounts	978,736	968,857
Administration	2,279,214	2,288,000
Depreciation	<u>2,049,303</u>	<u>2,040,247</u>
Total operating expenses	<u>22,695,992</u>	<u>25,941,914</u>
Operating income	<u>2,146,626</u>	<u>3,181,957</u>
Nonoperating revenues (expenses)		
Interest revenue	303,680	465,060
Interest expenses	(124,159)	(256,168)
Bond issuance, other costs	(92,310)	(5,700)
Disposal of assets	<u>(102,316)</u>	<u>(94,137)</u>
Net nonoperating revenues (expenses)	<u>(15,105)</u>	<u>109,055</u>
Income before capital contributions and transfers	2,131,521	3,291,012
Capital contributions	13,385	15,301
Transfers out: City of Hope, Arkansas - General Fund	<u>(575,000)</u>	<u>(575,000)</u>
Change in net position	1,569,906	2,731,313
Net position - beginning	<u>40,687,993</u>	<u>37,956,680</u>
Net position - ending	<u>\$ 42,257,899</u>	<u>\$ 40,687,993</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts from customers	\$ 24,900,038	\$ 29,683,256
Payments to suppliers	(16,364,668)	(20,331,965)
Payments to employees	(4,003,015)	(4,002,547)
Net cash provided by operating activities	<u>4,532,355</u>	<u>5,348,744</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		
Contribution in aid of construction	13,385	15,301
Acquisition and construction of capital assets	(3,922,599)	(9,259,044)
Principal payment on revenue bonds	(415,000)	(405,000)
Interest payments - bonds	(129,476)	(263,003)
Issuance of revenue bonds	7,410,564	
Bonds issuance, other costs	(101,082)	(5,700)
Deposit current refunding escrow	(7,930,326)	
Proceeds from (Cost of) disposal of assets	84,868	(89,571)
Principal payments - leases, contracts, and other liabilities	(15,736)	(15,333)
Interest payments - leases, contracts, and other liabilities	(18,993)	(17,920)
Net cash used for capital and related financing activities	<u>(5,024,395)</u>	<u>(10,040,270)</u>
Cash flows from investing activities		
Purchase of investments	(7,476,148)	(7,175,000)
Proceeds from sale of investments	7,175,000	11,470,000
Interest on investments	309,284	472,403
Net cash provided for investing activities	<u>8,136</u>	<u>4,767,403</u>
Net increase (decrease) in cash	(1,058,904)	(499,123)
Cash at beginning of year	<u>10,249,510</u>	<u>10,748,633</u>
Cash at end of year	<u>\$ 9,190,606</u>	<u>\$ 10,249,510</u>
Reconciliations to cash and cash equivalents		
Current assets		
Unrestricted cash	\$ 8,984,112	\$ 9,504,638
Noncurrent assets		
Restricted cash	<u>206,494</u>	<u>744,872</u>
	<u>\$ 9,190,606</u>	<u>\$ 10,249,510</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, 2020 AND 2019

	2020	2019
Reconciliation of Operating Income to Net Cash		
 Provided by Operating Activities		
Operating income	\$ 2,146,626	\$ 3,181,957
Adjustments to Reconcile Operating Income to Net Cash		
 Provided by Operating Activities		
Depreciation	2,049,303	2,040,247
Other depreciation included in operating expenses	213,344	182,223
(Increase) decrease in assets:		
Receivables	57,420	559,385
Inventories	24,034	(22,795)
Prepaid expenses	(31,360)	23,899
Deferred outflows	(413,293)	94,910
Increase (decrease) in liabilities:		
Accounts payable	(261,552)	(207,196)
Due to other governmental agencies	(3,059)	(288)
Accrued compensated absences	146,464	(17,143)
Accrued liabilities	28,534	(728,933)
Customer deposits	(18,227)	32,649
Net pension liabilities	710,714	389,467
Deferred inflows	(116,593)	(179,638)
Net cash provided by operating activities	\$ 4,532,355	\$ 5,348,744
Supplemental Disclosure of Noncash Transactions		
Disposal of capital assets		\$ 4,566
Capitalized interest on capital assets		24,263
Capital asset acquisitions in accounts payable	\$ 745,418	627,717
Amortization	1,562	1,476

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, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

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

The Utility is accounted for as an Enterprises 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 enterprises fund's ongoing operations. The principal operating revenues of the Utility are charges to customers for water and electric sales and services. Operating expenses for the Utility include the cost of water and electric sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

Cash includes amounts in demand and time deposit 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, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Accounts receivable are shown net of allowance for uncollectible receivables in the amount of \$81,607 and \$143,574 for December 31, 2020 and December 31, 2019, respectively. Also, unbilled water and electricity receivables are included in accounts receivable recorded at year end.

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. 16, *Accounting for Compensated Absences*, amounts for vacation accrue along with the employer's share of payroll taxes, as the liability is incurred. It is the Utility's policy to permit employees to accumulate earned but unused vacation benefits to a maximum 320 hours and sick benefits to a maximum of 1,040 hours. Sick pay vests for retiring employees at a range from 15% to a maximum of 45%, based on the number of days' notice of retirement given to the Utility. Employees leaving prior to retirement do not receive accumulated sick pay. Since employees will only receive 15-45% of their accumulated sick pay, the Utility accrued 20% of the total sick pay for all employees. The current portion of accrued compensated absences is the amount expected to be paid out in the next year upon termination. A historical average of actual payments upon termination was used to estimate the expected amount to be paid in the next year.

HOPE WATER AND LIGHT COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

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.

Classification of Net Position

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

Allocation of Administrative Expenses and Transfers

Substantially all indirect administrative expenses not directly attributable to water or electricity are allocated approximately based on the number of water and electric meters. For the years ended December 31, 2020 and 2019, the results are the following allocation:

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

Interest Capitalization

GASB Statement No. 89 was adopted January 1, 2020. This statement establishes accounting requirements that interest costs incurred before the end of the construction period be recognized as an expense in which the costs are incurred for financial statements prepared using the economic resources measurement focus. Construction period interest was, therefore, not recognized for the year ending December 31, 2020. Construction period interest for the year ended December 31, 2019, totaled \$24,263.

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.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

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

Pensions

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

NOTE 2: DEPOSITS AND INVESTMENTS

Interest Rate Risk

As of December 31, 2020 and 2019, 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 bank balance of \$16,733,293 at December 31, 2020 and \$17,505,583 at December 31, 2019, there were no deposits which were uninsured and uncollateralized.

HOPE WATER AND LIGHT COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Concentrations of credit risk by issuer at December 31, 2020 and 2019 are as follows:

Issuer	Investment Type	Fair Value		Percentage	
		2020	2019	2020	2019
Bank of the Ozark	CD's	\$ 500,000	\$ 900,000	3%	5%
Bank of the Ozark	Cash	206,494	744,872	1%	4%
Farmer's Bank & Trust	Cash	7,370,060	7,918,709	44%	45%
Farmer's Bank & Trust	CD's	4,276,710	2,150,000	26%	13%
Diamond Bank	CD's	2,700,000	3,900,000	16%	22%
Bancorp South	Cash	1,680,029	1,667,002	10%	10%
First National - Tom Bean	CD's	-0-	225,000	-	1%
		<u>\$ 16,733,293</u>	<u>\$ 17,505,583</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, 2020 and 2019, the Utility had no foreign investments.

NOTE 3: CAPITAL ASSETS

A summary of changes in capital assets for 2020 follows:

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

HOPE WATER AND LIGHT COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 3: CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for 2019 follows:

	Balance January 1, 2019	Additions Transfers	Disposals Transfers	Balance December 31, 2019
Capital assets, not being depreciated:				
Land	\$ 844,954			\$ 844,954
Construction in progress	3,234,917	\$ 7,212,405		10,447,322
Water rights	<u>662,422</u>			<u>662,422</u>
Total capital assets, not being depreciated:	<u>4,742,293</u>	<u>7,212,405</u>		<u>11,954,698</u>
Capital assets, being depreciated:				
Utility plant	56,882,716	1,310,371	(116,649)	58,076,438
Building and other improvements	3,166,694	15,143		3,181,837
Machinery and equipment	<u>5,784,278</u>	<u>1,019,632</u>	<u>(11,137)</u>	<u>6,792,773</u>
Total capital assets, being depreciated, net	<u>65,833,688</u>	<u>2,345,146</u>	<u>(127,786)</u>	<u>68,051,048</u>
Less accumulated depreciation for:				
Utility plant	(37,089,082)	(1,725,137)	116,649	(38,697,570)
Buildings and other improvements	(1,949,146)	(123,708)		(2,072,854)
Machinery and equipment	<u>(2,897,949)</u>	<u>(373,625)</u>	<u>6,571</u>	<u>(3,265,003)</u>
Total accumulated depreciation	<u>(41,936,177)</u>	<u>(2,222,470)</u>	<u>123,220</u>	<u>(44,035,427)</u>
Total capital assets, being depreciated, net	<u>23,897,511</u>	<u>122,676</u>	<u>(4,566)</u>	<u>24,015,621</u>
Total capital assets, net	<u>\$ 28,639,804</u>	<u>\$ 7,335,081</u>	<u>\$(4,566)</u>	<u>\$ 35,970,319</u>

NOTE 4: OPERATING LEASES

The Utility has entered into the following lease agreements:

An operating lease of postage meter in which the lease agreement states the Utility agrees to pay the lessor \$111 per month in quarterly installments. The term of the lease is June 12, 2020 to June 12, 2025. A total of \$736.44 was paid during 2020 under this lease.

An operating lease of postage meter in which the lease agreement states the Utility agrees to pay the lessor \$125 per month in quarterly installments. The term of the lease was August 22, 2014 through August 30, 2019. The lease was extended on a month-to-month basis through June 11, 2020. A total of \$824 and \$1,723 was paid during 2020 and 2019, respectively, under this lease.

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

An operating lease of printers in which the lease agreement states the Utility agrees to pay the lessor \$383 per month. The term of the lease was February 24, 2015 through June 2018. The lease was extended on a month-to-month basis through August 2020. A total of \$4,578 and \$5,898 was paid during 2020 and 2019, respectively, under this lease.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 4: OPERATING LEASES (CONTINUED)

An operating lease was entered into for computer support and hosting. The fixed portion of the lease was \$3,038 each month and the variable portion was \$6,316 each month for a total payment of \$9,354 each month. The variable portion is reviewed on a quarterly basis to determine the per customer charge. The term of the lease was April 24, 2017 through April 24, 2018. The lease was extended until April 24, 2019, with automatic renewal thereafter. A total of \$114,769 and \$114,579 was paid during 2020 and 2019, respectively, under the lease. Future minimum lease payments for the years ending December 31, 2021, and each of the succeeding four years total \$113,763 each year.

NOTE 5: CONTRACTS PAYABLE

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

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

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

The Utility has contracts payable of \$504,955 and \$520,691 due at December 31, 2020 and 2019, respectively. The contracts are due in monthly installments of \$2,453 which includes interest at 2.632%. A total of \$29,441 was paid during 2020 and 2019, respectively, on these contracts.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 5: CONTRACTS PAYABLE (CONTINUED)

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

Year	December 31, 2020			December 31, 2019		
	Principal	Interest	Total	Principal	Interest	Total
2020				\$ 15,736	\$ 13,705	\$ 29,441
2021	\$ 16,150	\$ 13,290	\$ 29,440	16,150	13,290	29,440
2022	16,575	12,865	29,440	16,575	12,865	29,440
2023	17,012	12,429	29,441	17,012	12,429	29,441
2024	17,459	11,981	29,440	17,459	11,981	29,440
2025	17,919	11,522	29,441	17,919	11,522	29,441
2026	18,391	11,051	29,442	18,391	11,051	29,442
2027-2031	99,473	47,730	147,203	99,473	47,730	147,203
2032-2036	95,688	34,387	130,075	95,688	34,387	130,075
2037-2041	96,454	22,202	118,656	96,454	22,202	118,656
2042-2046	109,834	8,823	118,657	109,834	8,823	118,657
Total	<u>\$ 504,955</u>	<u>\$ 186,280</u>	<u>\$ 691,235</u>	<u>\$ 520,691</u>	<u>\$ 199,985</u>	<u>\$ 720,676</u>

NOTE 6: LONG-TERM OBLIGATIONS

Long-term debt payable at December 31, 2020 and 2019 is comprised of the following issue:

Description	Interest Rate	Original Issue	Balance 12/31/2020	Balance 12/31/2019
Water and Electric Refunding Revenue 2020, net of Bond premium of \$120,564 due in varying amounts through April 1, 2035.	0.750% to 2.050%	<u>\$ 7,290,000</u>	<u>\$ 7,290,000</u>	<u>\$ -0-</u>
Water and Electric Revenue Bonds, Series 2015 for water and electric system improvements, net of Bond discount of \$25,706 - due in varying amounts through April 1, 2035.	1.00% to 3.88%	<u>\$ 9,800,000</u>	<u>\$ -0-</u>	<u>\$ 8,197,246</u>

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, 2020 AND 2019

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

The annual principal and interest requirements to amortize outstanding debt are presented in the following schedule. Compensated absences are not included in the schedule because the annual requirements to amortize this debt are indeterminable.

Year Ended December 31	December 31, 2020			December 31, 2019		
	Principal	Interest	Total	Principal	Interest	Total
2020				\$ 413,524	\$ 254,803	\$ 668,327
2021	\$ 190,000	\$ 76,545	\$ 266,545	423,524	246,083	669,607
2022	440,000	142,000	582,000	428,524	236,462	664,986
2023	455,000	133,200	588,200	443,524	225,848	669,372
2024	460,000	124,100	584,100	453,524	214,313	667,837
2025	470,000	114,900	584,900	463,524	202,064	665,588
2026	480,000	105,500	585,500	478,524	188,946	667,470
2027	490,000	95,900	585,900	493,524	174,805	668,329
2028-2032	2,605,000	328,500	2,933,500	2,712,620	620,733	3,333,353
2033-2035	1,700,000	68,500	1,768,500	1,886,434	111,794	1,998,228
Total	<u>\$ 7,290,000</u>	<u>\$ 1,189,145</u>	<u>\$ 8,479,145</u>	<u>\$ 8,197,246</u>	<u>\$ 2,475,851</u>	<u>\$10,673,097</u>

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

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

The following is a summary of the changes in long-term debt for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Retirements/ Deductions	Balance Dec. 31, 2019	Due Within One Year	Long Term Balance
Revenue bonds payable	\$ 8,625,000		\$(405,000)	\$ 8,220,000	\$ 415,000	\$ 7,805,000
Discount	(24,230)		1,476	(22,754)		(22,754)
Total bonds payable	8,600,770		(403,524)	8,197,246	415,000	7,782,246
Net pension liability	3,268,549	\$ 389,467		3,658,016		3,658,016
Contracts payable	536,024		(15,333)	520,691	15,736	504,955
Accrued compensated absences	413,267	217,262	(234,405)	396,124	133,681	262,443
	<u>\$ 12,818,610</u>	<u>\$ 606,729</u>	<u>\$(653,262)</u>	<u>\$ 12,772,077</u>	<u>\$ 564,417</u>	<u>\$ 12,207,660</u>

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

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: PENSION PLAN

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

HOPE WATER AND LIGHT COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 8: PENSION PLAN (CONTINUED)

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

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

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

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

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

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

Contributions - Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2020. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

HOPE WATER AND LIGHT COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 8: PENSION PLAN (CONTINUED)

The Utility's contributions to APERS for the years ended December 31, 2020 and 2019, were \$455,476 and \$449,793, respectively, and were equal to the required contribution.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions - Hope Water and Light Commission reported a liability of \$4,368,730 and \$3,658,016 for the years ended December 31, 2020 and 2019, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 .15256159% and .15162579% as of June 30, 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, the Utility recognized pension expense of \$790,366 and \$753,105, respectively.

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

	December 31, 2020		December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,996	\$ 2,893	\$ 99,556	\$ 5,435
Changes of assumptions	54,737	74,852	198,547	140,620
Contributions made after measurement date and before year end	232,146		223,084	
Changes in proportion and differences between employer contributions and proportionate share of contribution	56,494	22,770	73,599	43,269
Net difference between projected and actual earnings on pension plan investments	462,267			27,784
Total	<u>\$ 863,640</u>	<u>\$ 100,515</u>	<u>\$ 594,786</u>	<u>\$ 217,108</u>

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

Year Ended	Net of Deferred Outflows Minus Deferred Inflows
2021	\$ 275,475
2022	153,972
2023	196,537
2024	137,141
	<u>\$ 763,125</u>

HOPE WATER AND LIGHT COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 8: PENSION PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	26 year (7.6 years for District Judges (New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.5% price inflation
Salary Increases	3.25% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.0486

HOPE WATER AND LIGHT COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 8: PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2020 and 2019, are summarized in the table below:

<u>Asset Class</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%	37%	6.20%
International Equity	24%	6.69%	24%	6.33%
Real Assets	16%	4.81%	16%	3.32%
Absolute Return	5%	3.05%	5%	3.56%
Domestic Fixed	<u>18%</u>	.57%	<u>18%</u>	1.54%
Total	<u>100%</u>		<u>100%</u>	
Total Real Rate of Return		4.93%		4.80%
Plus: Price Inflation - Actuary Assumption		<u>2.50%</u>		<u>2.50%</u>
Net Expected Return		7.43%		7.30%

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
 The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.15% at December 31, 2020 and 2019, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate at December 31, 2020 and 2019.

	<u>1% Lower 6.15%</u>	<u>Discount Rate 7.15%</u>	<u>1% Higher 8.15%</u>
December 31, 2020	\$ 6,653,899	\$ 4,368,730	\$ 2,482,948
December 31, 2019	\$ 5,862,886	\$ 3,658,016	\$ 1,838,897

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 9: DEFERRED COMPENSATION PLAN

The Utility offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Utility employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Utility's plan was amended effective January 1, 1997, to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The plan was amended October 31, 2007, to include the administration of a payroll deduction IRA program. The assets of the plan are held in trust, with the Commission serving as trustee, for the exclusive benefit of Plan participants and their beneficiaries.

The Utility has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the Utility's financial statements as December 31, 2020 and 2019.

NOTE 10: TRANSFERS

The revenue generated by the rates, fees, and charges for electricity and water charged and collected by the Utility are established to provide revenues sufficient to pay all costs of and charges and expenses in connection with the proper operation and maintenance of the water and electric system, all necessary repairs, and replacements or renewals to the systems. The revenue is also used to pay the principal and interest on all bonds payable and to create and maintain reserves as may be required to secure operations of the systems by resolution or trust indenture authorizing or securing bonds and notes and to pay any and all amounts which the Commission may be obligated to pay from such revenue by law or contract. Any surplus funds remaining after the satisfaction of those expenses may be available for other purposes of the City in accordance with Arkansas Code Annotated 14-201-121 and Article V, Section 506 of the Trust Indenture for the Series 2015 City of Hope Water and Electric Revenue Bonds. For the years ended December 31, 2020 and 2019, \$575, 000 was transferred to the City of Hope, Arkansas.

NOTE 11: GASB PRONOUNCEMENTS

The following pronouncements of the Governmental Accounting Standards were effective for Hope Water and Light Commission for the year ended December 31, 2020.

Statement No. 83, *Certain Asset Retirement Obligations*, issued in November 2016, was effective for the Utility for the year ending December 31, 2020. An asset retirement obligation is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets recognizes a liability based on the guidance in this Statement. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The recognition occurs when the liability is both incurred and reasonable estimable. As of December 31, 2020, the Utility does not have a legally enforceable liability associated with the retirement of a tangible capital asset.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 11: GASB PRONOUNCEMENTS (CONTINUED)

Statement No. 84, *Fiduciary Activities*, issued in January 2017, was effective for the Utility for the year ending December 31, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. This statement had no impact on the financial statements of the Utility.

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

Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*, issued in June, 2018, was elected by the Utility for the year ending December 31, 2020. This statement establishes accounting requirement for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Construction period interest was recognized as an expense for the year ended December 31, 2020.

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

The Governmental Accounting Standards Board delayed the implementation date of recently issued statements not yet implemented by Hope Water and Light Commission. Management has not yet determined the impact of these Standards on the financial statements when adopted.

Statement No. 87, *Leases*, issued in June 2017, will be effective for the Utility for the year ending December 31, 2021. This Statement will increase the usefulness of government financial statements by requiring recognition of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangement.

Statement No. 91, *Conduct Debt Obligation*, issued May, 2019, is effective for the Utility for the year ending December 31, 2022. This statement provides a single method for government issuers to report a conduct debt obligations and related commitments to enhance comparability and consistency of conduct debt obligation reporting and reporting of related transactions and other events by issuer.

HOPE WATER AND LIGHT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 12: RECLASSIFICATIONS

Certain items from the financial statements for the year ended December 31, 2019, have been reclassified for presentation. These changes do not impact net assets or liabilities.

NOTE 13: SUBSEQUENT EVENTS

While the Covid-19 pandemic of 2020 has caused disruption to the economy of the United States, management does not believe the Utility has experienced any material financial problems due to the virus. Management implemented CDC guidelines to protect the health of employees and believes operations have been maintained in such a manner as to avoid negative impact from the virus.

During 2021, Hope Water and Light Commission continues to investigate methods and projects to benefit the Utility. The Commission has determined that the Utility should be expanded to include a fiber optic communications system, which will initially provide voice, broadband, and data services to the customers of the Utility. In order to do so, the Commission is reviewing bonds to be issued in one or more series, in the maximum aggregate principal amount of \$16,400,000 in 2021. Currently bonds will not be issued in an amount to exceed the bank qualified limits. As of June 9, 2021, the date the financial statements were available, bonds had not been issued.

In March 2021, Hope Water and Light received a power bill from our 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 Hope Water and Light Commission made a decision on March 10, 2021 to pay the entire bill from cash and certificates of deposits. It was determined that \$1,365,509.73 of the amount mentioned above would be handled through the normal process, \$2,000,000 would be collected over a three year period through the Power Cost Adjustment (PCA) factor on the rate payers utility bill and \$3,000,000 would be absorbed by the utility from reserves. Hope Water and Light anticipates being able to build reserves back because of the completion of the Fulton-Graves Foster Water Treatment Plant Improvements. This project cost over \$12,844,262.29 which of that amount \$8,457,272.79 came from cash and certificates of deposits.

Subsequent events were evaluated through June 9, 2021, the date the financial statements were available to be issued. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HOPE WATER AND LIGHT COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 TEN YEAR SUMMARY OF UTILITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 OF MULTI-EMPLOYER COST SHARING PLANS
 (ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM)
 2009 - 2020 (UNAUDITED)

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

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

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

HOPE WATER AND LIGHT COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 TEN YEAR SUMMARY OF UTILITY'S CONTRIBUTION TO
 MULTI-EMPLOYER COST SHARING PLANS
 (ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM)
 2009 - 2020 (UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 455,476	\$ 449,793	\$ 428,638
Contributions in relation to the contractually required contribution	<u>455,476</u>	<u>449,793</u>	<u>428,638</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 2,973,208	\$ 2,935,989	\$ 2,850,677
Contribution as a percentage of covered payroll	15.32%	15.32%	15.04%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 409,221	\$ 393,653	\$ 382,257
Contributions in relation to the contractually required contribution	<u>409,221</u>	<u>393,653</u>	<u>382,257</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 2,797,880	\$ 2,714,848	\$ 2,614,141
Contribution as a percentage of covered payroll	14.63%	14.50%	14.62%

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

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

SUPPLEMENTARY INFORMATION

HOPE WATER AND LIGHT COMMISSION
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND ELECTRIC
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Broadband</u>	<u>Total</u>
Operating revenue				
Electric sales	\$ 20,684,307			\$ 20,684,307
Water sales		\$ 3,654,036		3,654,036
Broadband sales			\$ 37,105	37,105
Penalties and service charges	149,701	66,877		216,578
Other income	<u>225,303</u>	<u>25,289</u>		<u>250,592</u>
Total operating revenues	<u>21,059,311</u>	<u>3,746,202</u>	<u>37,105</u>	<u>24,842,618</u>
Operating expenses				
Costs of sales and service	14,687,043	857,889		15,544,932
Distribution	1,254,509	589,298		1,843,807
Customer accounts	566,695	412,041		978,736
Administration	1,431,917	838,525	8,772	2,279,214
Depreciation	<u>1,212,392</u>	<u>836,911</u>		<u>2,049,303</u>
Total operating expenses	<u>19,152,556</u>	<u>3,534,664</u>	<u>8,772</u>	<u>22,695,992</u>
Operating income	<u>1,906,755</u>	<u>211,538</u>	<u>28,333</u>	<u>2,146,626</u>
Nonoperating revenues (expenses)				
Interest revenue	301,907	1,773		303,680
Interest expense	(51,457)	(72,702)		(124,159)
Bond issuance, other costs	(40,936)	(51,374)		(92,310)
Gain (loss) on disposal of assets	<u>(102,316)</u>			<u>(102,316)</u>
Net nonoperating revenues (expenses)	<u>107,198</u>	<u>(122,303)</u>		<u>(15,105)</u>
Income before capital contributions and transfers	2,013,953	89,235	28,333	2,131,521
Capital contribution	13,385			13,385
Transfers City of Hope, Arkansas	<u>(575,000)</u>			<u>(575,000)</u>
Change in net position	<u>\$ 1,452,338</u>	<u>\$ 89,235</u>	<u>\$ 28,333</u>	1,569,906
Net position - beginning				<u>40,687,993</u>
Net position - ending				<u>\$ 42,257,899</u>

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF OPERATING EXPENSES - WATER AND ELECTRIC
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Electric</u>	<u>Water</u>	<u>Broadband</u>	<u>Total</u>
Cost of sales and services				
Cost of power				
Lights and power purchased	\$ 14,686,260			\$ 14,686,260
Special circuits	<u>783</u>			<u>783</u>
Total cost of power	<u>14,687,043</u>			<u>14,687,043</u>
Cost of water				
Source of supply				
Operations		\$ 289,089		289,089
Maintenance		20,679		20,679
Water treatment plant				
Operations		482,527		482,527
Maintenance		<u>65,594</u>		<u>65,594</u>
Total cost of water		<u>857,889</u>		<u>857,889</u>
Total cost of sales and services	<u>14,687,043</u>	<u>857,889</u>		<u>15,544,932</u>
Distribution				
Salaries	547,035	405,310		952,345
Operations	203,054	56,966		260,020
Maintenance	<u>504,420</u>	<u>127,022</u>		<u>631,442</u>
Total distribution	<u>1,254,509</u>	<u>589,298</u>		<u>1,843,807</u>
Customer accounts				
Salaries	409,402	267,797		677,199
Supplies	7,461	39,684		47,145
Postage	26,251	16,042		42,293
Rent	79,486	52,991		132,477
Miscellaneous	<u>44,095</u>	<u>35,527</u>		<u>79,622</u>
Total customer accounts	<u>566,695</u>	<u>412,041</u>		<u>978,736</u>
Administration				
Contractual services	48,274	18,297		66,571
Insurance	54,241	39,243		93,484
Maintenance	44,231	29,755		73,986
Miscellaneous	140,377	18,470		158,847
Employee benefits	311,432	187,090		498,522
Regulatory commission	10,338			10,338
Salaries	599,882	532,858		1,132,740
Supplies	40,921	2,483	8,772	52,176
Taxes	112,841			112,841
Transportation	40,492	9,897		50,389
Uniforms	<u>28,888</u>	<u>432</u>		<u>29,320</u>
Total administration	<u>1,431,917</u>	<u>838,525</u>	<u>8,772</u>	<u>2,279,214</u>
Depreciation	<u>1,212,392</u>	<u>836,911</u>		<u>2,049,303</u>
 Total operating expenses	 <u>\$ 19,152,556</u>	 <u>\$ 3,534,664</u>	 <u>\$ 8,772</u>	 <u>\$ 22,695,992</u>

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

The following is a schedule of free services rendered to the City of Hope, Arkansas for the year ended December 31, 2020.

VALUE OF FREE SERVICE

<u>Provided to City of Hope</u>	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Street lights	\$ 150,878		\$ 150,878
Traffic lights	8,752		8,752
Administration	31,257	\$ 3,453	34,710
Waste water	195,967	16,652	212,619
Parks and recreation	30,213	16,922	47,135
Health	12,771	2,390	15,161
Fire	8,117	1,077	9,194
Cemeteries		784	784
City landfill		1,455	1,455
Total free services	<u>\$ 437,955</u>	<u>\$ 42,733</u>	<u>\$ 480,688</u>

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

The following is a schedule of electric power purchased, consumed, and lost for the year ended December 31, 2020.

**SCHEDULE OF ELECTRIC POWER PURCHASED, CONSUMED, AND LOST
 DECEMBER 31, 2020**

<i>Purchased Power</i>	<u>KWH</u>	<u>Cost</u>	<u>Purchased Cost Per KWH</u>
AEP-SWPP	<u>225,904,029</u>	<u>\$ 16,301,909</u>	\$ 0.072163
<i>Energy Disposition</i>	<u>KWH</u>	<u>Cost</u>	<u>Per KWH Sold</u>
Sales	209,006,046	\$ 20,368,242	\$ 0.097452884
Interdepartmental sales	3,452,487		
Free service	4,432,049		
Losses	<u>9,013,447</u>		
	<u>225,904,029</u>	<u>\$ 20,368,242</u>	

$$\% \text{ Loss: } \frac{9,013,447}{225,904,029} \times 100 = 3.9899\%$$

INTERDEPARTMENTAL SALES

Interdepartmental sales are included in the financial statements for the year ended December 31, 2020 in the following amounts:

Revenue:	
Electric Sales	\$ 338,492
Water Sales	1,518
Expenses:	
Cost of Sales & Service - Water	\$ 271,178
Distribution - Electric	11,119
Distribution - Water	14,942
Administration - Electric	41,253
Administration - Water	1,518

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

The following are schedules of electric rates effective for the year ending December 31, 2020.

SCHEDULE OF ELECTRIC RATES

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

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

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

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

The following are schedules of water rates effective for the year ending December 31, 2020.

SCHEDULE OF WATER RATES

SCHEDULE 1 RATE - Residential Service:

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

SCHEDULE 2 RATE - Commercial Service:

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

SCHEDULE 3 - Large User Service:

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

Unaudited - see accompanying auditor's report.

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

SCHEDULE 4 - Wholesale Service: City of Bodcaw, Arkansas

City

Minimum Monthly Usage: (gallons per month)

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

Fixed Meter Monthly Charge Rate:

4" Meter

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

All Consumption 2.76

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

X Minimum Monthly Usage from Schedule)

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

Minimum Monthly Usage: (gallons per month)

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

Fixed Meter Monthly Charge Rate:

6" Meter

Commodity Charge (Per 1,000 Gallons): \$ 445.15

All Consumption 2.76

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

X Minimum Monthly Usage from Schedule)

SCHEDULE 6 - Wholesale Service: SAWS - Spring Hill District

Minimum Monthly Usage: (gallons per month)

Fixed Meter Monthly Charge Rate:

4" Meter

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

All Consumption 3.02

Minimum bill equals fixed meter charge

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

SCHEDULE 7 - Wholesale Service: Ozan Creek

City

Waterworks Facilities Board of Hempstead County, Arkansas

Minimum Monthly Usage: (gallons per month)

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

Fixed Meter Monthly Charge Rate:

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

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

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

HOPE WATER AND LIGHT COMMISSION
 SUPPLEMENTARY INFORMATION - UNAUDITED
 MISCELLANEOUS
 DECEMBER 31, 2020

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

For the year ended December 31, 2020, the total gross volume of water sold was 940,986,899 gallons.

INTERNAL CONTROLS AND COMPLIANCE SECTION

WILLIAM C. MILLER, LLC

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P.O. Box 8403
HOT SPRINGS VILLAGE, AR 71910

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members
Hope Water and Light Commission
Hope, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hope Water and Light Commission, a component unit of the City of Hope, Arkansas, as of and for the year ended December 31, 2020, 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 June 9, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 9, 2021

William C Miller, LLC