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Consulting Engineers

Matthew D. Dunn
Craig A. Johnson
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March 22, 2021

Arkansas Department of Environmental Quality
Solid Waste Division
5301 Northshore Drive
North Little Rock, AR 72118-5317

Re: Hope Solid Waste Management Facility
Class 4 Landfill
Permit 226-S4-R1

Rec'd Digitally	
AFIN: 29-00034	
PMT#: 0226-S4-R1	
<div style="border: 1px solid black; padding: 2px; display: inline-block;"> RECEIVED <small>By Karen Blue at 12:58 pm, Mar 29, 2021</small> </div>	
DOC ID#: 79812	
TO: AC>FILE <KMB	
	S W M D

Attached is the Annual Engineering Inspection Report for the reporting period ending December 31, 2020 for the above referenced facility.

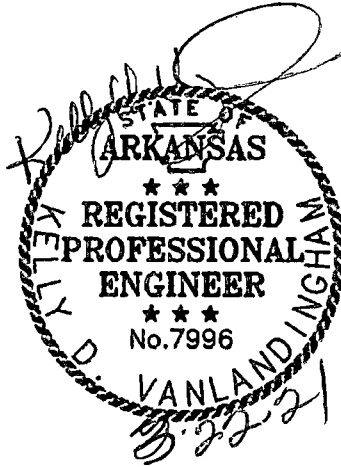
Best Regards,
Crist Engineers, Inc.

Kelly Vanlandingham, PE, PLS

cc: Catherine Cook
Mark Curtis

**ANNUAL ENGINEERING INSPECTION REPORT
FOR THE CLASS 4 LANDFILL AT THE
HOPE SOLID WASTE MANAGEMENT FACILITY
FOR THE REPORTING PERIOD ENDING
DECEMBER 31, 2020**

PERMIT 226-S4-R1
AFIN 29-00034



**Prepared for the
CITY OF HOPE, ARKANSAS**

March 2021

Crist Project No. 2100

CRIST ENGINEERS, INC.

CONSULTING ENGINEERS
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205 Executive Court
Little Rock, Arkansas 72205

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**ANNUAL ENGINEERING INSPECTION REPORT
FOR THE
CLASS 4 LANDFILL AT THE HOPE SOLID
WASTE MANAGEMENT FACILITY
FOR THE REPORTING PERIOD ENDING
DECEMBER 31, 2020**

This annual inspection report is prepared to comply with Section 22.619 Engineering Inspection Reports of Regulation 22 of the Arkansas Department of Environmental Quality (ADEQ). The report addresses the items in Section 22.619 (b) in the same numerical order as they are presented in Regulation 22. The inspection which forms the basis for this report was conducted on March 4, 2021.

- (1) The volumetric capacity remaining in the current landfill cell or area and the projected date for opening new cells or areas.**

According to Hope Solid Waste Management Facility data, the Class 4 landfill received about 9,844 cubic yards of uncompacted Class 4 waste from January 2020 - December 2020.

ADEQ issued Permit No. 0226-S4-R1 for a new Class 4 area on February 23, 2009. The total permitted waste volume for the new area is 1,875,517 cubic yards. Approximately 86,147 cubic yards of waste capacity has been used. The projected date for opening a new cell is 2021. The City plans to construct the approximate 2.95 acre Phase 2 Class 4 landfill in 2021.

- (2) The estimated remaining volumetric capacity of all permitted Class 4 landfill units, the landfill capacity (total air space) utilized during the past one-year period, and the estimated remaining site life (in years) based upon the utilization rate during the previous one (1) year period.**

The permitted total volume for the Class 4 area is 1,875,517 cubic yards. According to a survey conducted on March 4, 2021, about 86,147 cubic yards of waste capacity has been used.

- (3) Documentation of compliance of facility fill progression with the approved permit plans, specifications and operating plan and narrative.**

Facility fill progression complies with the plans, specifications and narrative.

- (4) Documentation of compliance with the operating requirements of this regulation, permit conditions, and the approved operating plan.**

The facility is in compliance both with the operating requirements of Regulation 22 and with the conditions of Permit 226-S4-R1.

Stormwater conveyance systems are in good operating condition. Access roads are in good operating condition and access to the site is controlled. All Class 4 waste is screened, and a record is maintained of the volume of waste received and disposed. The landfill operators have access to telephone, drinking water, and sanitary facilities. The operation of the Class 4 landfill is screened by vegetation and does not appear to be creating a public health or nuisance problem. A pump is available to remove water from the cell.

- (5) Updated contour map.**

See attachment at the back of this report. The survey was conducted on March 4, 2021, by Pat Bennett of Crist Engineers. The contour map indicates that a total capacity of 86,147 cubic yards has been utilized in the Phase 1 cell.

- (6) Quantity, location and characteristics of leachate collected, recirculated and disposed.**

No leachate was collected from the Class 4 landfill.

- (7) Maintenance of stormwater controls and other best management practices for erosion control.**

Stormwater conveyance systems are maintained and in good operating condition.

(8) Status of capping and closure of completed areas.

Several trenches have been capped with a minimum of 2 feet of final cover, but none of the capped trenches have been closed.

(9) Status of remedial or corrective actions taken.

The road to the Class 4 area is improved.

(10) Updated Financial Assurance documentation as required in Chapter 14 Financial Assurance Criteria of these regulations.

The City's financial assurance documentation is attached.

(11) Revised or updated facility Closure Plan and the Post-Closure Care Plan in accordance with the requirements contained in Chapter 13 Closure and Post-Closure Care of these regulations.

The 2020 closure cost estimate is $\$185,587 \times 1.016 = \$188,557$.

The 2020 post closure cost estimate is $\$9,767 \times 1.016 = \$9,831$.

These amounts were estimated by increasing the 2020 values by 1.016 in accordance with the values provided by ADEQ.

(12) Any other items that affect compliance at the landfill.

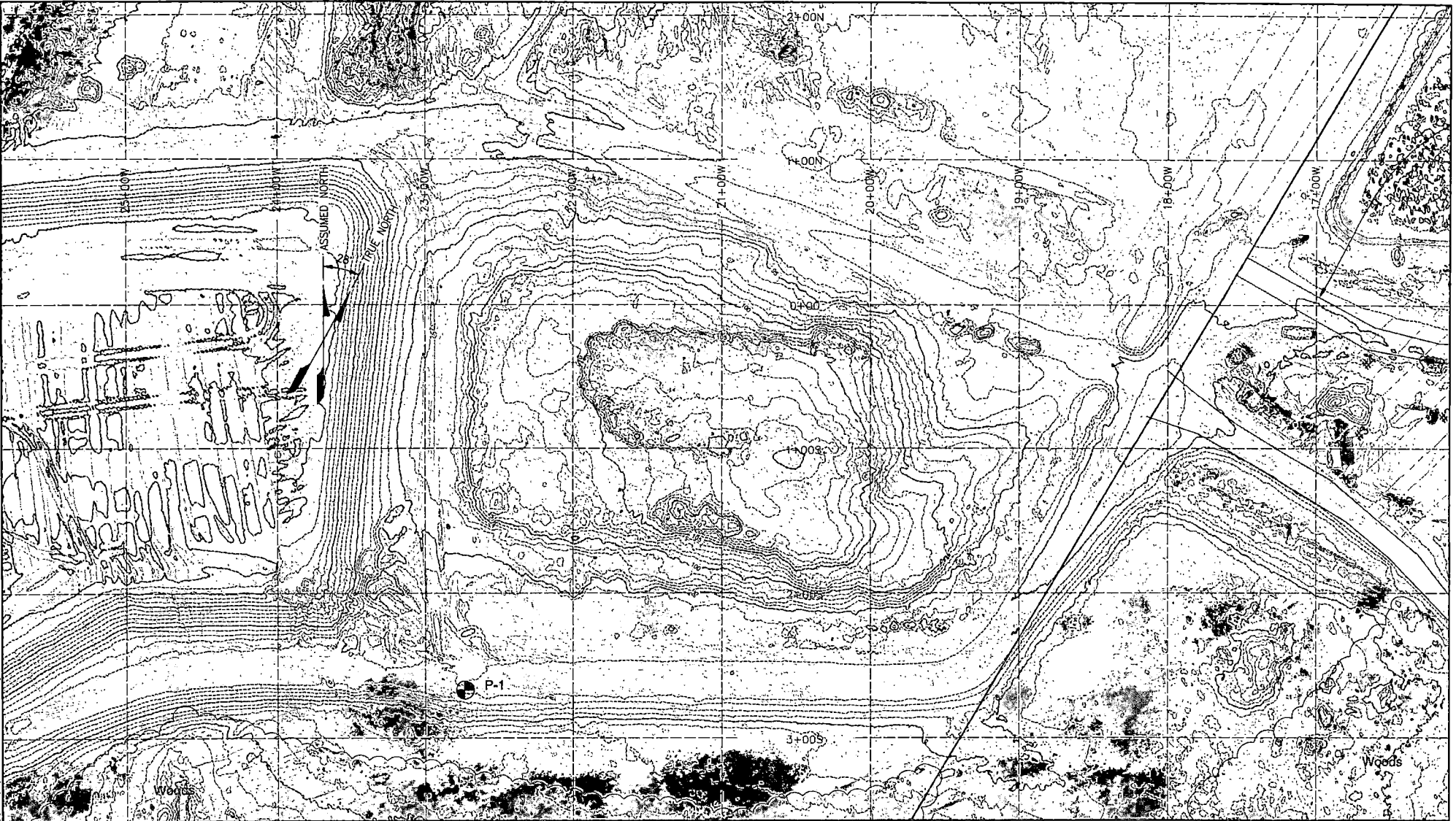
The landfill is in good operating condition and there are no apparent items that could impact permit compliance. The facility has five landfill operators.

A major permit modification for a new Class 4 landfill area was submitted to ADEQ in August 2007. The permit was approved February 23, 2009. The permit number is 226-S4-R1. ADEQ approved placement of waste in the new area on July 27, 2009, and the City initiated placement of waste in Phase 1 on September 10, 2009.

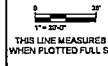
The landfill received about 70-3/8 inches of rainfall in 2020.

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P:\2021 Projects\02 - Hope Landfill\Asst\Reports\05 - CAD\02109 - Site Plan.dwg, 3/2/2021 8:21:50 AM



REV. NO.	DATE	DRWN	CHKD	REMARKS



DESIGNED: KDV
 DRAFTED: PMB
 CHECKED: KDV
 DATE: MAR 2021



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HOPE, ARKANSAS
HOPE CLASS 4 LANDFILL
 —
 —
 EXISTING CONTOURS
 2020 ENGINEERING INSPECTION REPORT

JOB NO.
 2100
 SHEET NO.
 —

ANNUAL ENGINEERING INSPECTION REPORT (AEIR) FORM

Reporting Year: 2020

Note: Check applicable landfill class. Class 1 (Reg 22.423(b)) _____, Class 3 (22.522(a)) _____, Class 4 (22.619(b)) X

Facility Name: Hope Solid Waste Management Facility AFIN: 29-00034 Permit #: 226-S4-R1 Landfill Class: 4

Report Submittal Date: March 2021 Date of Landfill Site Inspection by Certifying Engineer: March 4, 2021

***Complete the form as indicated
Instructions are bolded and italicized.***


COLUMN TO BE COMPLETED BY REPORTER

Item	Regulation Reference	Item Description	Report Information/Comments/Remarks	Attachment Reference
1	22.423(b)(1) 22.522(a)(1) 22.619(b)(1)	Remaining volume in current cell.	a) _____ cubic yards To be determined by operations	
		Projected date of opening new cell.	b) Date: <u>2021</u>	
2	22.423(b)(2) 22.522(a)(2) 22.619(b)(2)	Remaining volume of all permitted units.	a) <u>1,789,370</u> cubic yards	
		Total air space used during the reporting period.	b) <u>14,291</u> cubic yards	
		Estimated remaining site life (years) based on utilization rate during the reporting period. <i>Note: Itemize current permitted unit/cell information - use attachment if necessary.</i>	c) Landfill Unit/Cell remaining life: Landfill unit/cell <u>Phase 1</u> , <u>2</u> years. Landfill unit/cell _____, _____ years. Landfill unit/cell _____, _____ years. d) Entire permitted landfill: <u>146</u> years remaining life.	
3	22.423(b)(3) 22.522(a)(3) 22.619(b)(3)	Documentation of fill progression in compliance with permit plans, specs and operating plan and narrative. <i>Note: Provide narrative regarding fill progression during the reporting period. Be specific about landfill unit/cell designations (example: Cell 1, Phase A completely filled; Cell 2, Phase A, 50% full, being filled south to north as of December 31). Specifically note any overfill conditions.</i>	a) Progression narrative: <u>Fill is progressing in</u> <u>the Phase 1 area.</u> _____ _____ _____ _____	

4	22.423(b)(4) 22.522(a)(4) 22.619(b)(4)	Documentation of compliance with regulatory operating requirements, permit conditions, approved operating plan, and other applicable regulations. <i>Note: Review current operating plans, and permit conditions. Include photographs of engineer's inspection as Attachment A. Check for weekly/monthly operational logs, waste volume records in and out of landfill, unauthorized waste form sheets, waste cover maintenance, stormwater reports to ADEQ, and wet weather repair information.</i>	a) Weekly/monthly operational logs exist (Y/N)? <u>Y</u> b) Photos of AEIR inspection attached (Y/N)? <u>N</u> c) Waste volume in and out records exist (Y/N)? <u>Y</u> d) Unauthorized waste forms exist (Y/N)? <u>N</u> e) Daily/weekly cover adequate at time of inspection (Y/N)? <u>Y</u> f) Alternative Daily Cover (ADC) Plan located onsite (Y/N)? <u>N</u> Operations in compliance with ADC Plan (Y/N)? _____ g) Liquid Waste Management (LWM) Plan located onsite (Y/N)? <u>N</u> Operations in compliance with LWM Plan (Y/N)? _____ h) Liquids received to be bulked during reporting period: _____ gallons _____ tons i) Waste cover of inactive areas maintained adequately (Y/N)? <u>Y</u> j) Net amount of waste disposed in landfill during reporting period: _____ <u>12,323</u> cubic yards _____ tons k) Leachate head level less than 1' on liner at time of inspection (Y/N)? <u>Y</u>	A
5	22.423(b)(5) 22.522(a)(5) 22.619(b)(5)	Updated contour map that depicts: <i>Note: Provide updated drawing(s) and final cover permit drawing as Attachment B – discuss any discrepancies. Max. contour interval = 2 feet</i>	a) Updated contour drawing attached (Y/N)? <u>Y</u> b) Final cover permit drawing attached (Y/N)? <u>N</u> c) <i>List all discrepancies here:</i> _____ _____ _____ d) Is there an overfill condition (Y/N)? <u>N</u>	B
		(i) horizontal and vertical extent of active and inactive fill areas; (ii) status of all permitted units/cells; <i>(Note: Label all active (working face, bulking area, stockpiles), inactive, closed and interim cover areas).</i> (iii) survey grid (required by 22.426); <i>Note: Include benchmarks and horizontal controls</i> (iv) location of other visible surface features or improvements (e.g., roads, buildings, gas control systems, etc.); <i>Note: Include leachate risers, manholes, monitoring wells, gas wells, etc.</i>	a) Currently, does the facility have sufficient on-site quantities and types of soils for liner and cover construction of permitted units/cells (Y/N)? <u>Y</u> b) If not, where will deficiency shortfalls be obtained (be specific)? _____ _____ c) Is the current Design Narrative earthwork balance accurate (Y/N)? <u>Y</u>	

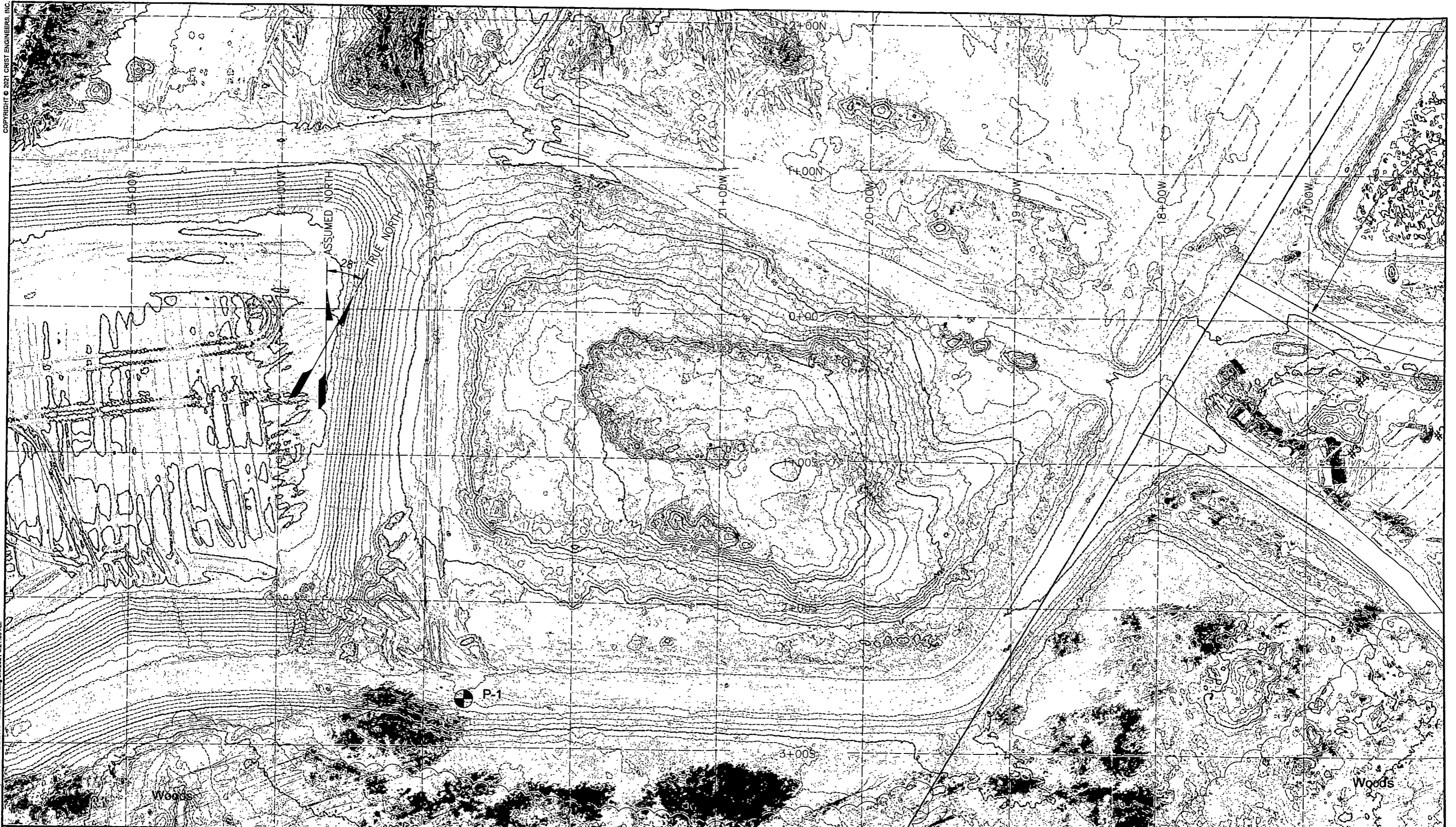
		(v) the person responsible for gathering the survey data and the date survey data was taken to prepare the map. <i>Reminder: Reporting period is calendar year. Survey data should be collected to reflect the AEIR reporting period.</i>	a) Name: <u>Pat Bennett</u> b) Name of person using the data to produce contour map: <u>Pat Bennett</u> c) Date survey data was collected: <u>March 4, 2021</u>	
6	22.423(b)(6) 22.522(a)(6) 22.619(b)(6)	Quantity, location, and characteristics of leachate collected, recirculated, and disposed. <i>Note: Provide analytical report as Attachment C. Provide brief narrative on this form in space provided about leachate sources, how leachate is collected, measured and disposed. Also, explain how the leachate head on the landfill liner is monitored and measured.</i>	a) Leachate Collected: <u>0</u> gallons b) Leachate Disposed: <u>0</u> gallons c) Leachate Recirculated: <u>0</u> gallons d) Leachate Recirculation Plan exists (Y/N)? <u>N</u> ADEQ approval Doc # _____ e) Leachate operating records exist (Y/N)? <u>Y</u> f) Leachate analytical report attached (Y/N)? <u>N</u> g) Leachate narrative (collection, measurements and disposal): _____ _____ _____ _____ h) Leachate narrative (verifying <1' head on liner system): <u>Visual</u> _____ _____	C
7	22.423(b)(7) 22.522(a)(7) 22.619(b)(7)	Maintenance of stormwater controls and best management practices for erosion control. <i>Note: List any upset conditions during the reporting period (i.e., washouts, etc...). Also, include narrative about vegetation maintenance and repair.</i>	a) <i>Briefly list maintenance activities and upset conditions here:</i> _____ _____ _____	
8	22.423(b)(8) 22.619(b)(8)	Status of capping and closure of completed areas. <i>Note: List areas with acreage that have received interim or final cover. Include total landfilled area acreage not yet under final certified closed cover. Note: "Certified closed" means the facility has received an approval letter from ADEQ accepting the engineer's closure certification report.</i>	a) Lndfl unit/cell <u>Phase 1</u> , <u>2.26</u> acres. Intrm or Final Cover (I/F): <u>I</u> b) Lndfl unit/cell _____, _____ acres. Intrm or Final Cover (I/F): _____ c) Lndfl unit/cell _____, _____ acres. Intrm or Final Cover (I/F): _____ d) Lndfl unit/cell _____, _____ acres. Intrm or Final Cover (I/F): _____ e) Acres of disposed waste not under final certified cover: _____ acres f) Acres of disposed waste area that have interim cover: _____ acres	
9	22.423(b)(9) 22.522(a)(8) 22.619(b)(9)	Status of remedial or corrective action activities. <i>Note: List corrective action events during reporting period (e.g., seeps and erosion correction, leachate spills, unauthorized waste handling and removal, etc...), and indicate whether action was taken in</i>	a) <i>Briefly list corrective actions events here:</i> <u>Maintain roads and landfill access road.</u> _____ _____ b) Were any of the corrective actions taken in response to an ADEQ	

		response to an ADEQ inspection.	inspection (Y/N)? <u>N</u> c) Current status of corrective actions: <u>Ongoing</u> d) Did corrective actions permanently solve the conditions (Y/N)? _____ <i>Explain briefly:</i> _____ 	
10	22.423(b)(10) 22.522(a)(9) 22.619(b)(10)	Updated Financial Assurance documentation as required by Chapter 14. <i>Note: Include copy of most recent financial assurance documentation as Attachment D. Also, include updated closure and post closure cost estimated as an attachment— recommend to use the Closure Costs and Post-closure Care Costs Worksheet located at <u>ADEQ - Solid Waste - Technical Branch Home Page</u> Specific links to the worksheets: http://www.adeg.state.ar.us/solwaste/branch_technical/pdfs/closure_costs_worksheet.xlsx and http://www.adeg.state.ar.us/solwaste/branch_technical/pdfs/post_closure_care_costs_worksheet.xlsx. Show detailed calculations of cost items in tabular format with specific item breakdowns. Also, show source of unit cost information and/or inflationary factor adjustments – use ADEQ factors where applicable. If updated unit cost information is used instead of inflationary factors, show the source of unit cost information. Confirm estimates are based on largest area ever requiring final cover.</i>	a) Size of the facility property under current permit? <u>22</u> acres b) Size of actual permitted disposal area? <u>2.26</u> acres c) What is the current total permitted disposal area that contains disposed waste but is not certified closed? <u>2.26</u> acres d) Updated closure cost estimate amount: \$ <u>188,557</u> e) Is the closure cost estimate based on the largest area ever requiring closure (Y/N)? <u>Y</u> f) Is the existing closure financial assurance adequate for acreage not yet certified closed (Y/N)? <u>Y</u> g) Updated post closure care cost estimate amount: \$ <u>9,831</u> h) Is the existing post closure care financial assurance adequate for all permitted areas (Y/N)? <u>Y</u> i) Is the financial assurance mechanism a trust fund (Y/N)? <u>N</u> j) Are the sources of information for updated unit cost line items shown on the cost estimate calculations (Y/N)? <u>Y</u> k) Do the unit cost items for soil cover material include actual third party cost of materials and labor (Y/N)? <u>Y</u>	D
11	22.423(b)(11) 22.522(a)(10) 22.619(b)(11)	Revised or updated facility Closure Plan in accordance with Chapter 13. <i>Note: Provide updated Closure Plan as Attachment E if facility obtained a permit modification during the reporting period that affects the closure and/or post closure care.</i>	a) Was an updated Closure Plan required during this reporting period (Y/N)? <u>N</u> b) Is an updated Closure Plan attached herein (Y/N)? <u>N</u>	E
12	22.423(b)(12) 22.522(a)(11) 22.619(b)(12)	Other items that affect compliance. <i>Note: Include an ADEQ enforcement activity summary (solid waste, water, air, hazardous waste related) and , status of operating and permit fees. Also, include brief narrative concerning groundwater monitoring reports, landfill gas, leachate</i>	a) Are there current ADEQ enforcement actions (Y/N)? <u>N</u> b) Summary of enforcement actions: c) Are operating and permit fees payments up-to-date (Y/N)? <u>Y</u>	

		<p><i>recirculation, alternate daily cover, etc...</i></p>	<p>If not explain: _____</p> <p>Additional Information:</p> <p>d) Does the facility monitor groundwater (Y/N)? <u>Y</u> If so, is it detection monitoring or assessment monitoring?: <u>Assessment</u></p> <p>e) What is the groundwater analytical sampling frequency? <u>6</u> months</p> <p>f) Does the facility collect landfill gas (Y/N)? <u>N</u></p> <p>g) Does the facility have a Gas Monitoring Plan (Y/N)? <u>Y</u></p> <p>h) Does the facility have gas monitoring probes (Y/N)? <u>Y</u></p> <p>i) Does the facility use an alternate daily cover (ADC)(Y/N)? <u>N</u> If so, what type of ADC is used: _____ If so, list document id# approving ADC: _____</p> <p>j) Does the facility have a Liquid Waste Management (LWM) Plan (Y/N)? <u>N</u> If so, list document id# approving the LWM Plan: _____</p> <p>k) Date and document id # of currently approved Operating Plan and Narrative: Date: _____ Doc#: <u>ADEQ</u></p> <p>l) Date and document id # for currently approved Closure/ Post Closure Plan: Date: _____ Doc#: <u>ADEQ</u></p> <p>m) Date and document id # of currently approved Permit Drawings: Date: _____ Doc#: <u>ADEQ</u></p> <p>n) Date and document id # of currently approved Design Narrative: Date: _____ Doc#: <u>ADEQ</u></p> <p>o) Are weigh scales utilized at the landfill (Y/N)? <u>N</u></p> <p>p) Does the final cap include a synthetic liner (Y/N)? <u>N</u></p> <p>q) Does the final cap include clay liner (Y/N)? <u>Y</u></p> <p>r) Total current permitted landfill volume: <u>1,875,517</u> cubic yards</p>	
13	22.423(b) 22.522(a) 22.619(b)	<p>Certification of AEIR Report: "I have inspected the landfill site and have prepared this report to reflect operational compliance with permit conditions, permit plans, specifications, narrative, and all applicable regulations"</p>	<p>a) Arkansas Licensed Engineer: Sign: <u>Kelly L. Vanlandingham</u> Date: <u>3.22.21</u> b) License Number: <u>7996</u> c) <i>Attach seal here:</i></p> 	

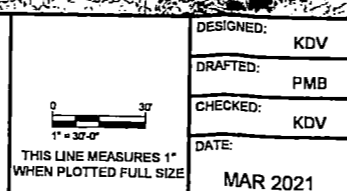
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REV. NO.	DATE	DRWN	CHKD	REMARKS

DESIGNED: KDV
 DRAFTED: PMB
 CHECKED: KDV
 DATE: MAR 2021



CRIST ENGINEERS, INC.
 CONSULTING ENGINEERS

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 FAX: (501) 664-4579
 WWW.CRISTENGINEERS.COM

HOPE, ARKANSAS
HOPE CLASS 4 LANDFILL

EXISTING CONTOURS
 2020 ENGINEERING INSPECTION REPORT

JOB NO.
 2100

SHEET NO.
 —



FINANCIALS

City of Hope

P. O. Box 667 • Hope, Arkansas 71802-0667 • (870) 777-6701 • Fax (870) 722-2579

November 23, 2020

Director
Arkansas Dept. of Environmental Quality
5301 Northshore Drive
North Little Rock AR 72118-5317

Dear Sir or Madam:

I am the chief financial officer of the City of Hope. This letter is in support of this government's use of the Local Government Financial Test to demonstrate financial assurance for closure and post-closure costs, as specified in Regulation 22, Chapter 14.

1. The City of Hope is the owner or operator of the following facilities in Arkansas for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Reg. 22.1405(f). The current closure and post-closure cost estimates covered by the test are shown for each facility.
 - a. Class 1
Hope Solid Waste Management Facility Permit 0226-S1-R2
AFIN - 29-00034
Physical Location – 3759 Hwy 67 W, Hope AR 71801
Closure & Post-Closure Cost Estimate - \$3,754,152
 - b. Class 4
Hope Solid Waste Management Facility Permit 0226-S4-R1
AFIN - 29-00034
Physical Location – 3759 Hwy 67 W, Hope AR 71801
Closure & Post-Closure Cost Estimate - \$195,354
2. The fiscal year of this local government ends on December 31.
3. The City of Hope has provided evidence and certifies that the City of Hope meets the conditions of the Financial Component.

FINANCIAL RATIO ALTERNATIVE

Does the owner or operator satisfy each of the following financial ratios based on the owner or operator's most recent audited annual financial statements:

➤ $\frac{\text{Cash + Marketable securities}}{\text{Total Expenditures}} \geq 0.05$ Yes

➤ $\frac{\text{Annual Debt Service}}{\text{Total Expenditures}} < 0.20$ Yes

4. The City of Hope has provided evidence and certifies that the City of Hope has prepared its financial statements in conformity with Generally Accepted Accounting Principles for governments and has had these financial statements audited by an independent certified accountant.
5. The City of Hope has provided evidence and certifies that the City of Hope meets the following conditions:
 - a. The City of Hope is not currently in default on any outstanding general obligation bonds;
 - b. The City of Hope does not have any outstanding general obligation bonds rated lower than Baa as issued by Moody's or BBB as issued by Standard and Poor's;
 - c. The City of Hope has not operated at a deficit equal to five percent (5%) or more of total annual revenue in each of the past two years;
 - d. The City of Hope has not received an adverse opinion, disclaimer of opinion, or other qualified opinion from the independent certified public accountant auditing its financial statement as required under Paragraph Reg.22.1405(f)(1)(ii).
6. The City of Hope has provided evidence and certifies that the City of Hope meets the conditions Reg.22.1405(f)(2).
7. The City of Hope has provided evidence and certifies that the City of Hope meets the following conditions Reg. 22.1405(f)(4):
 - a. If the City of Hope does not assure other environmental obligations through a financial test, it may assure closure, post-closure care, and corrective action costs that equal up to 43 percent of the local government's total annual revenue.
 - b. If the City of Hope assures other environmental obligations through a financial test, including those associated with UIC facilities under 40 CFR Part 280, PCB storage facilities under 40CFR Part 761, and hazardous waste treatment, storage, and disposal facilities under 40 CFR Parts 264 and 265, it must add those costs to the closure, post-closure care, and corrective action costs it seeks to assure under this paragraph. The total that may be assured must not exceed 43 percent of the local government's total annual revenue.
 - c. For those costs that exceed the limits set in Reg.22.1405(f)(4)(i) and (ii), the City of Hope certifies that they have obtained an alternate financial assurance mechanism.

I hereby certify that the wording of this letter is in compliance with wording specified in APC&EC Regulation 22.1405(f)(3)(i)(A)(a) and (b), as such regulations were constituted on the date shown immediately below.

Sincerely,

A handwritten signature in cursive script, appearing to read "Debra A. Hall".

Debra A. Hall, CPA
Finance Director
November 23, 2020

RCRA SUBTITLE D FINANCIAL ASSURANCE CHECKLIST
LOCAL GOVERNMENT FINANCIAL TEST

Facility Name: City of Hope Solid Waste Management Facility Permit No. 0226-51-R2
0226-54-R1

FINANCIAL TEST: An owner or operator with the financial assets to absorb the costs of closure, post-closure care, and corrective action may comply with financial assurance requirements by using the financial test.

TEST COVERS: Closure Post-Closure Care
 Corrective Action

Facility/Government Name: City of Hope
Address: PO Box 667, Hope AR 71802-0667
Contact Person/Title: Debbie Hall, Finance Director
Contact Phone No.: 870-722-2573

Government's Fiscal Year Ends: December 31

Closure Cost Estimate (Agency Approved): \$ 2,089,021

Source Document / Date: Annual Engineering Inspection Report
December 31, 2019

Post-Closure Cost Estimate (Agency Approved): \$ 1,860,485

Source Document / Date: Annual Engineering Inspection Report
December 31, 2019

Corrective Action (Agency Approved): _____

Source Document / Date: _____

Reviewed by: _____

Date: _____

FINANCIAL COMPONENT

Facility Name: City of Hazle Solid Waste Management Facility Permit No. 0226-51-R2
0226-54-R1

YES	NO	QUESTION										
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Does the local government owner or operator pass one of the financial tests outlined on below?</p> <p align="center">BOND RATING REQUIREMENT</p> <p>Is the current bond rating of the owner or operator adequate?</p> <p>Indicate the appropriate Bond Rating and the source:</p> <table border="0"> <tr> <td><input type="checkbox"/> <u>Standard and Poor's</u></td> <td><input type="checkbox"/> <u>Moody's</u></td> </tr> <tr> <td><input type="checkbox"/> AAA</td> <td><input type="checkbox"/> Aaa</td> </tr> <tr> <td><input type="checkbox"/> AA</td> <td><input type="checkbox"/> Aa</td> </tr> <tr> <td><input type="checkbox"/> A</td> <td><input type="checkbox"/> A</td> </tr> <tr> <td><input type="checkbox"/> BBB</td> <td><input type="checkbox"/> Baa</td> </tr> </table> <p>[Reg.22.1405 (f)(1)(i)(A)]</p>	<input type="checkbox"/> <u>Standard and Poor's</u>	<input type="checkbox"/> <u>Moody's</u>	<input type="checkbox"/> AAA	<input type="checkbox"/> Aaa	<input type="checkbox"/> AA	<input type="checkbox"/> Aa	<input type="checkbox"/> A	<input type="checkbox"/> A	<input type="checkbox"/> BBB	<input type="checkbox"/> Baa
<input type="checkbox"/> <u>Standard and Poor's</u>	<input type="checkbox"/> <u>Moody's</u>											
<input type="checkbox"/> AAA	<input type="checkbox"/> Aaa											
<input type="checkbox"/> AA	<input type="checkbox"/> Aa											
<input type="checkbox"/> A	<input type="checkbox"/> A											
<input type="checkbox"/> BBB	<input type="checkbox"/> Baa											
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>OR</p> <p align="center">FINANCIAL RATIO ALTERNATIVE</p> <p>Does the owner or operator satisfy each of the following financial ratios based on the owner or operator's most recent audited annual financial statements:</p> <p><input type="checkbox"/> <u>Cash + Marketable securities</u> > or = 0.05 Total Expenditures</p> <p><input type="checkbox"/> <u>Annual Debt Service</u> < 0.20 Total Expenditures</p> <p>[Reg.22.1405 (f)(1)(B) (a) and (b)]</p>										
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Has the local government owner or operator prepared its financial statements to conform with Generally Accepted Accounting Principles for governments and have its financial statements audited by an independent certified public accountant (or appropriate State Agency)?</p> <p>[Reg.22.1405 (f)(1)(ii)]</p>										
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Is the local government currently in default on any outstanding general obligation bond?</p> <p>[Reg.22.1405 (f)(1)(iii)(A)]</p>										
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Does the local government have any outstanding general obligation bonds rated lower than Baa as issued by Moodys or BBB as issued by Standard and Pooors? [Reg.22.1405 (f)(1)(iii)(B)]</p>										
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Has the local government operated at a deficit equal to five percent or more of total annual revenue in each of the past two fiscal years?</p> <p>[Reg.22.1405 (f)(1)(iii)(C)]</p>										
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Has the local government received an adverse opinion, disclaimer of opinion, or other qualified opinion from the independent certified public accountant (or appropriate State agency) auditing its financial statement as required under paragraph Reg.22.1405(f)(1)(ii).</p> <p>[Reg.22.1405(f)(1)(iii)(D)]</p>										

RECORDKEEPING AND REPORTING REQUIREMENTS

Facility Name: City of Hope Solid Waste Management Facility Permit No. 0226-S4-R2
0226-S4-R1

The local government owner or operator must place the following documentation in the facility's operating record and furnish the information to the Director for approval:

YES	NO	Documentation
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p><u>A letter signed by the local government's chief financial officer that:</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Lists all the current costs estimates covered by a financial test, as described in Reg.22.1405 (f)(4). <input type="checkbox"/> Provides evidence and certifies that the local government meets the conditions of the financial component, as described in Reg.22.1405 (f)(1)(ii), and Reg.22.1405 (f)(1)(iii); and <input type="checkbox"/> Certifies that the local government meets the conditions of the public service component and calculation of costs to be assured, as described in Reg.22.1405 (f)(2), and Reg.22.1405 (f)(4). <p>[Reg.22.1405 (f)(3)(i)(A) (a)(b) and (c)]</p> <p><i>An example letter containing requirements above is attached.</i></p>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>The local government's independently audited year-end financial statements for the latest fiscal year, including the unqualified opinion of the auditor who must be an independent, certified public accountant or an appropriate State agency that conducts equivalent comprehensive audits.</p> <p>[Reg.22.1405 (f)(3)(i)(B)]</p>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>A report to the local government from the local government's independent certified public accountant or the appropriate State agency based on performing an agreed upon procedures engagement relative to the financial ratios required by Reg.22.1405 (f)(1)(i)(B), if applicable, and the requirements of Reg.22.1405 (f)(1)(ii) and Reg.22.1405 (f)(1)(iii)(C) and (D). The CPA or State agency's report should state the procedures performed and the CPA or State agency's findings.</p> <p>[Reg.22.1405 (f)(3)(i)(C)]</p>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>A copy of the comprehensive annual financial report (CAFR) used to comply with Reg.22.1405(f)(2) or certification that the requirements of General Accounting Standards Board Statement 18 have been met.</p> <p>[Reg.22.1405 (f)(3)(i)(D)]</p>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Has the local government operated at a deficit equal to five percent or more of total annual revenue in each of the past two fiscal years?</p> <p>[Reg.22.1405 (f)(1)(iii)(C)]</p>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Has the local government received an adverse opinion, disclaimer of opinion, or other qualified opinion from the independent certified public accountant (or appropriate State agency) auditing its financial statement as required under paragraph Reg.22.1405(f)(1)(ii).</p> <p>[Reg.22.1405(f)(1)(iii)(D)]</p>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Has the local government owner or operator updated the information and placed the updated information in the operating record within 180 days following the close of the local government's fiscal year?</p> <p>Date the updated information received by the Department? <u>11-30-2020</u></p> <p>[Reg.22.1405 (f)(3)(iii)]</p>

PUBLIC NOTICE COMPONENT

<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Has the local government placed a reference to the closure and post-closure care costs assured through the financial test into its next comprehensive annual financial report (CAFR). Disclosure must include the following:</p> <ul style="list-style-type: none"><input type="checkbox"/> Nature and source of closure and post-closure care requirements;<input type="checkbox"/> Reported liability at the balance sheet date;<input type="checkbox"/> Estimated total closure and Post-closure care cost remaining to be recognized;<input type="checkbox"/> Percentage of landfill capacity used to date;<input type="checkbox"/> Estimated landfill life in years.<input type="checkbox"/> Reference to corrective action costs, if applicable; <p><i>(For closure and post-closure costs, conformance with Government Accounting Standards Board Statement 18 assures compliance with this public notice component)</i></p> <p>[Reg.22.1405(f)(2)]</p>
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Reviewed by: _____

Date: _____

Comments: _____

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

MEMBER AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

City of Hope, Arkansas
P. O. Box 667
Hope, AR 71802

We have performed the procedures enumerated below, which were agreed to by the City of Hope, Arkansas (the City) solely to assist you with respect to the financial assurances of the City for the year ended December 31, 2019, prepared in accordance with Arkansas Pollution Control and Ecology Commission Regulation No. 22 Solid Waste Management Rules {Reg.22.1405(f)(1)(i)(B), Reg.22.1405(f)(1)(ii), and Reg.22.1405(f)(1)(iii)(C-D)}. The City's management is responsible for the financial assurances. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of City of Hope, Arkansas. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described as Agreed-Upon Procedures and Findings.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the financial assurances. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Hope, Arkansas and is not intended to be and should not be used by anyone other than those specified parties.

William C. Miller, LLC
Hot Springs Village, Arkansas
December 28, 2020

City of Hope, Arkansas
Procedures and Findings

1. - APCEC Reg. No. 22 {Reg. 22.1405(f)(1)(i)(B)}

Procedures – Recalculate the financial ratios presented by the City of Hope, Arkansas, to satisfy this section of Regulation 22. The City calculated the financial ratios using the City’s audited financial statements for the year ended December 31, 2019. The regulation states that the City must have a ratio of cash and marketable securities to total expenditures greater than or equal to 5% and a ratio of annual debt service to total expenditures less than or equal to 20%.

Findings – The City’s financial ratios as calculated based on the City’s audited financial statements for the year ended December 31, 2019, falls within the parameters of a ratio of cash and marketable securities to expenditures greater than or equal to 5% and a ratio of annual debt service to total expenditures less than or equal to 20%.

2. - APCEC Reg. No. 22 {Reg.22.1405(f)(1)(ii)}

Procedures – Verify that the City prepared its financial statements for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America and that the City’s financial statements for the year ended December 31, 2019, were audited by an independent certified public accountant or appropriate State agency.

Findings – The City’s financial statements for the year ended December 31, 2019, were prepared in accordance with accounting principles generally accepted in the United States of America and the City’s financial statements for the year ended December 31, 2019, were audited by an independent certified public accountant 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.

3. - APCEC Reg. No. 22 {Reg.22.1405(f)(1)(iii)(C)}

Procedures - Verify that the City did not operate at a deficit equal to five percent or more of total annual revenue for the years ended December 31, 2018 and 2019.

Findings – Based on the City’s audited financial statements for the years ended December 31, 2018 and 2019, the City did not operate at a deficit equal to five percent or more of total revenues for the years then ended.

4. - APCEC Reg. No. 22 {Reg.22.1405(f)(1)(iii)(D)}

Procedures – Verify that the City did not receive an adverse opinion, disclaimer of opinion, or other qualified opinion from the independent certified public accountant that audited its financial statements for the year ended December 31, 2019.

Findings – The City’s audited financial statements for the year ended December 31, 2019, had an unqualified opinion.

INDEPENDENT AUDITOR'S REPORT

CITY OF HOPE, ARKANSAS

DECEMBER 31, 2019

CITY OF HOPE, ARKANSAS
December 31, 2019

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CITY OF HOPE, ARKANSAS
December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the City Manager and Board of Directors
City of Hope, Arkansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hope, Arkansas (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City'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 audit. We conducted our audit 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 audit 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 City'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 City'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hope, Arkansas, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hope, Arkansas's basic financial statements. The budgetary comparison schedules - proprietary fund and the schedule of operating transfers as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of expenditures of state awards are also presented for purposes of additional analysis and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of the City of Hope, Arkansas's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

November 12, 2020

William C Miller, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HOPE, ARKANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hope, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2019. The information contained in this analysis should be considered in conjunction with the basic financial statements, notes, and supplementary information to enhance one's understanding of the City's overall performance.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of 2019 by \$16,534,990, which is an increase of \$1,594,989 or 10.68% over last year.
- As of the close of the current year, the City's governmental funds reported an ending fund balance of \$5,045,390, of which \$2,097,212 is available for spending at the City's discretion (unrestricted and unassigned) and \$2,948,178 is restricted for use inside specified funds.
- At the end of 2019, unassigned, unrestricted fund balance for the General Fund was \$2,097,212, which is 43.51% of total general fund expenditures.
- The City's long-term debt increased by \$345,862 due to increased debt.
- The City's net capital assets increased \$1,659,182 largely due to the industrial rail improvement, Airport drainage improvement, hot mix overlay of streets, park improvements, police building improvements, and purchase of vehicles for the police and other departments.
- The City's component units, Hope Water & Light and Hope Tourist Promotion, have net position of \$40,687,993 and \$528,362, respectively, as of December 31, 2019.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Government-wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

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

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

Government-wide Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hope, assets and deferred outflows exceeded liabilities and deferred inflows by \$16,534,990 at the close of 2019.

By far, the City's largest portion of net position (94%) is its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. These capital assets are used to provide services to citizens and, therefore, are not available for future spending. The unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Current & Other Assets	\$ 5,377,421	\$ 5,322,873	\$ 2,308,217	\$ 3,307,321	\$ 7,685,638	\$ 8,630,194
Capital Assets	<u>16,334,901</u>	<u>14,803,591</u>	<u>13,411,215</u>	<u>13,283,341</u>	<u>29,746,116</u>	<u>28,086,932</u>
Total Assets	<u>21,712,322</u>	<u>20,126,464</u>	<u>15,719,432</u>	<u>16,590,662</u>	<u>37,431,754</u>	<u>36,717,126</u>
Deferred Outflows	<u>1,338,602</u>	<u>1,365,876</u>	<u>744,724</u>	<u>805,861</u>	<u>2,083,326</u>	<u>2,171,737</u>
Long-term Liabilities Outstanding	6,543,911	6,091,159	14,949,579	15,056,469	21,493,490	21,147,628
Other Liabilities	<u>415,635</u>	<u>1,161,461</u>	<u>651,440</u>	<u>980,310</u>	<u>1,067,075</u>	<u>2,141,771</u>
Total Liabilities	<u>6,959,546</u>	<u>7,252,620</u>	<u>15,601,019</u>	<u>16,036,779</u>	<u>22,560,565</u>	<u>23,289,399</u>
Deferred Inflows	<u>350,582</u>	<u>540,777</u>	<u>68,943</u>	<u>118,686</u>	<u>419,525</u>	<u>659,463</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	14,589,877	12,643,659	1,015,070	204,734	15,604,947	12,848,393
Restricted	2,948,178	2,024,047	885,069	1,869,413	3,833,247	3,893,460
Unrestricted	<u>(1,797,259)</u>	<u>(968,763)</u>	<u>(1,105,945)</u>	<u>(833,089)</u>	<u>(2,903,204)</u>	<u>(1,801,852)</u>
Total Net Position	<u>\$ 15,740,796</u>	<u>\$ 13,698,943</u>	<u>\$ 794,194</u>	<u>\$ 1,241,058</u>	<u>\$ 16,534,990</u>	<u>\$ 14,940,001</u>

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

Net Position (Continued)

During the current fiscal year, the net position of the city increased by \$1,594,989. The City's revenues are largely comprised of sales tax revenues as well as charges for services through sanitation and wastewater. The increase in net position was the result of revenues exceeding expenses by \$1,594,989.

	<u>2019</u>			<u>2018</u>		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Revenues						
Program Revenues						
Charges for Services	\$ 381,424	\$ 2,718,910	\$ 3,100,334	\$ 368,739	\$ 2,735,132	\$ 3,103,871
Operating Grants & Contributions	51,840		51,840	45,201		45,201
Capital Grants & Contributions	1,895,350		1,895,350	844,495		844,495
General Revenues						
Sales Tax	3,550,907		3,550,907	3,474,262		3,474,262
Property Tax	510,459		510,459	478,907		478,907
State Turnback	951,300		951,300	926,645		926,645
Franchise Fees	122,774		122,774	169,579		169,579
Interest Income	5,698	19,337	25,035	8,046	19,047	27,093
Other Income	700,433	25	700,458	720,082	24,500	744,582
Transfers	540,126	147,659	687,785	502,017	201,587	703,604
Total Revenues	\$ 8,710,311	\$ 2,885,931	\$11,596,242	\$ 7,537,973	\$ 2,980,266	\$10,518,239
Expenses						
Law Enforcement	\$ 2,632,590		\$ 2,632,590	\$ 2,547,722		\$ 2,547,722
Public Safety	1,147,406		1,147,406	1,098,671		1,098,671
Recreation & Culture	895,568		895,568	777,738		777,738
General Government	1,913,595		1,913,595	1,804,638		1,804,638
Interest on Long-term Debt	79,299		79,299	83,986		83,986
Sanitation		\$ 1,904,091	1,904,091		\$ 2,008,124	2,008,124
Wastewater		1,428,704	1,428,704		1,260,137	1,260,137
Total Expenses	\$ 6,668,458	\$ 3,332,795	\$10,001,253	\$ 6,312,755	\$ 3,268,261	\$ 9,581,016
Change In Net Position						
Net Position - Beginning Net Position	\$ 2,041,853	\$(446,864)	\$ 1,594,989	\$ 1,225,218	\$(287,995)	\$ 937,223
	<u>13,698,943</u>	<u>1,241,058</u>	<u>14,940,001</u>	<u>12,473,725</u>	<u>1,529,053</u>	<u>14,002,778</u>
Ending Net Position	\$ 15,740,796	\$ 794,194	\$16,534,990	\$ 13,698,943	\$ 1,241,058	\$14,940,001

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

Governmental Activities

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's net revenues available for spending for program purposes at the end of the fiscal year. As of the end of 2019, the City's governmental funds reported an ending fund balance of \$5,045,390, an increase of \$804,426 from 2018.

Business-type Activities

The sanitation fund reported a loss before operating transfers of \$553,476, compared to a loss before operating transfers of \$640,808 in 2018. Wastewater reported a loss before operating transfers of \$41,047, compared to income before operating transfers of \$151,226 in 2018. The decrease in income was due to a decrease in revenue of \$17,165 in Sanitation and \$23,532 in Wastewater and due to increased expenses of \$60,534, which includes land fill closure costs of \$179,716 and total depreciation of \$646,109.

General Fund Budgetary Highlights

The general fund relies heavily on sales taxes, which continue to be somewhat unpredictable and slow-growing. In response, the City is conservative in the area of budgeting sales tax revenues. Overall, revenues were over budget and expenses were under budget for the year, with net excess over budget of \$34,895.

Capital Assets

At the end of 2019, the City had \$29,746,116, net of accumulated depreciation, invested in capital assets including police and fire equipment, buildings, park facilities, roads, airport, and wastewater treatment plants. This represents an increase, net of accumulated depreciation, of \$1,659,182 from last year.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Building/Plant	\$ 7,539,142	\$ 7,375,244	\$ 18,539,054	\$ 17,590,107	\$ 26,078,196	\$ 24,965,351
Infrastructure	10,112,931	7,478,644			10,112,931	7,478,644
Land	1,963,341	1,962,591	1,168,808	1,168,808	3,132,149	3,131,399
Construction in Progress	159,021	1,036,652		314,482	159,021	1,351,134
Vehicles & Equipment	5,894,410	5,607,903	2,452,718	2,313,202	8,347,128	7,921,105
Accumulated Depreciation	(9,333,944)	(8,657,443)	(8,749,365)	(8,103,256)	(18,083,309)	(16,760,699)
Totals	<u>\$ 16,334,901</u>	<u>\$ 14,803,591</u>	<u>\$ 13,411,215</u>	<u>\$ 13,283,343</u>	<u>\$ 29,746,116</u>	<u>\$ 28,086,934</u>

This year's additions included the following:

Construction - Airport drainage improvement	\$ 232,597
Construction - industrial rail spur	721,612
Playground projects	202,570
Hot mix overlay of city street	247,313
Vehicles	64,620
Police building improvements	156,521
Downtown pavilion	73,074
Fire station venting system	83,256
Sanitation truck	139,516
Mower and gator equipment	22,207
Fiber project	15,164

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

Debt

At year-end, the City had \$22,141,819 in outstanding bonds, and other long-term debt compared to \$21,755,489 last year. That is an increase of \$386,330, which can largely be attributed to an increase in net pension liability and financing of a large vehicle which did not offset retirement of bond issues and other debt. Other-long term debt increased due to higher estimated closure/post closure costs.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue Bonds	\$ 1,694,193	\$ 1,747,628	\$12,810,892	\$13,290,879	\$14,505,085	\$15,038,507
Other long-term debt	346,947	390,890	1,640,294	1,332,918	1,987,241	1,723,808
Net pension liability	4,614,813	4,062,429	1,034,684	930,744	5,649,497	4,993,173
Totals	<u>\$ 6,655,953</u>	<u>\$ 6,200,947</u>	<u>\$15,485,870</u>	<u>\$15,554,541</u>	<u>\$22,141,823</u>	<u>\$21,755,488</u>

Economic Factors and Next Year's Budget and Rates

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF HOPE, ARKANSAS
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Hope Water and Light Commission</u>	<u>Hope Tourism Commission</u>
Assets and Deferred Outflows					
Cash	\$ 2,923,227	\$ 879,814	\$ 3,803,041	\$ 9,504,638	\$ 423,987
Investments	1,300,000	320,000	1,620,000	3,400,000	58,660
Receivables, net of allowance for doubtful accounts of \$14,709	826,857	4,807	831,664	2,780,495	45,715
Other current assets				123,448	
Due from other funds	163,443		163,443		
Due from component units		218,527	218,527		
Materials/supplies inventory	35,062		35,062	467,355	
Restricted assets:					
Cash	128,832	227,203	356,035	744,872	
Investments		657,866	657,866	3,775,000	
Accrued interest receivable				4,805	
Property plant and equipment, net	<u>16,334,901</u>	<u>13,411,215</u>	<u>29,746,116</u>	<u>35,970,319</u>	
Total Assets	<u>21,712,322</u>	<u>15,719,432</u>	<u>37,431,754</u>	<u>56,770,932</u>	<u>528,362</u>
Deferred Outflows Of Resources					
Deferred amounts on refunding		577,990	577,990		
Pension related deferred outflows	<u>1,338,602</u>	<u>166,734</u>	<u>1,505,336</u>	<u>594,786</u>	
Total Deferred Outflows Of Resources	<u>1,338,602</u>	<u>744,724</u>	<u>2,083,326</u>	<u>594,786</u>	
 Total Assets and Deferred Outflows Of Resources	 <u>\$ 23,050,924</u>	 <u>\$ 16,464,156</u>	 <u>\$ 39,515,080</u>	 <u>\$ 57,365,718</u>	 <u>\$ 528,362</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Hope Water and Light Commission</u>	<u>Hope Tourism Commission</u>
Liabilities and Deferred Inflows					
Current liabilities					
Accounts payable	\$ 194,427		\$ 194,427	\$ 2,317,834	
Due to other funds	44,489	\$ 67,986	112,475	218,527	
Accrued liabilities	63,373	47,163	110,536	288,263	
Customer deposits				863,916	
Contracts payable - current				15,736	
Notes payable - current	26,479	33,323	59,802		
Bonds payable - current	55,821	495,000	550,821	415,000	
Compensated absences - current	29,742	7,968	37,710	133,681	
Accrued interest payable	1,304		1,304		
Noncurrent Liabilities					
Notes payable	23,048	95,375	118,423		
Bonds payable	1,638,372	12,315,892	13,954,264	7,782,246	
Contracts payable				504,955	
Net pension liability	4,614,813	1,034,684	5,649,497	3,658,016	
Closure/post-closure payable		1,431,909	1,431,909		
Accrued compensated absences	<u>267,678</u>	<u>71,719</u>	<u>339,397</u>	<u>262,443</u>	
Total Liabilities	<u>6,959,546</u>	<u>15,601,019</u>	<u>22,560,565</u>	<u>\$ 16,460,617</u>	
Deferred Inflows Of Resources					
Pension related deferred inflows	<u>350,582</u>	<u>68,943</u>	<u>419,525</u>	<u>217,108</u>	
Total Liabilities and Deferred Inflows of Resources	<u>\$ 7,310,128</u>	<u>\$ 15,669,962</u>	<u>\$ 22,980,090</u>	<u>\$ 16,677,725</u>	
Net Position					
Net investment in capital assets	\$ 14,589,877	\$ 1,015,070	\$ 15,604,947	\$ 26,624,666	
Restricted for:					
Capital projects	2,550,231	514,938	3,065,169		
Debt service	128,832	370,131	498,963	4,044,939	
Other purposes					
Spendable	234,053		234,053		
Nonspendable	35,062		35,062		
Unrestricted	<u>(1,797,259)</u>	<u>(1,105,945)</u>	<u>(2,903,204)</u>	<u>10,018,388</u>	<u>\$ 528,362</u>
Total Net Position	<u>15,740,796</u>	<u>794,194</u>	<u>16,534,990</u>	<u>40,687,993</u>	<u>528,362</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 23,050,924</u>	<u>\$ 16,464,156</u>	<u>\$ 39,515,080</u>	<u>\$ 57,365,718</u>	<u>\$ 528,362</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
Law enforcement	\$ 2,632,590	\$ 381,424	\$ 51,840	
Public safety	1,147,406			\$ 79,093
Recreation and culture	895,568			227,020
General government	1,913,595			1,589,237
Interest on long-term debt	<u>79,299</u>			
Total governmental activities	<u>6,668,458</u>	<u>381,424</u>	<u>51,840</u>	<u>\$ 1,895,350</u>
Business-type activities:				
Sanitation	1,904,091	1,347,608		
Wastewater	<u>1,428,704</u>	<u>1,371,302</u>		
Total business-type activities	<u>3,332,795</u>	<u>2,718,910</u>		
Total primary government	<u>\$ 10,001,253</u>	<u>\$ 3,100,334</u>	<u>\$ 51,840</u>	<u>\$ 1,895,350</u>
Component units:				
Hope Tourism Commission	\$ 362,429	\$ 41,657		
Hope Water and Light Commission	<u>26,203,782</u>	<u>29,123,871</u>		\$ 15,301
Total component units	<u>\$ 26,566,211</u>	<u>\$ 29,165,528</u>		<u>\$ 15,301</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hope Water and Light Commission	Hope Tourism Commission
Primary Government					
Governmental activities:					
Law enforcement	\$(2,199,326)		\$(2,199,326)		
Public safety	(1,068,313)		(1,068,313)		
Recreation and culture	(668,548)		(668,548)		
General government	(324,358)		(324,358)		
Interest on long-term debt	(79,299)		(79,299)		
Total governmental activities	<u>(4,339,844)</u>		<u>(4,339,844)</u>		
Business-type activities:					
Sanitation		\$(556,483)	(556,483)		
Wastewater		(57,402)	(57,402)		
Total business-type activities		<u>(613,885)</u>	<u>(613,885)</u>		
Total primary government	<u>(4,339,844)</u>	<u>(613,885)</u>	<u>(4,953,729)</u>		
Component units:					
Hope Tourism Commission					\$(320,772)
Hope Water and Light Commission				\$ 2,935,390	
Total component units				<u>2,935,390</u>	<u>(320,772)</u>
General revenues:					
Sales tax	\$ 3,550,907		\$ 3,550,907		\$ 568,347
Property tax	510,459		510,459		
State turnback	951,300		951,300		
Franchise taxes	122,774		122,774		
Interest income	5,698	\$ 19,337	25,035	\$ 465,060	215
Other income	700,433	25	700,458	(94,137)	
Transfers	<u>540,126</u>	<u>147,659</u>	<u>687,785</u>	<u>(575,000)</u>	<u>(112,785)</u>
Total general revenues, special items and transfers	<u>6,381,697</u>	<u>167,021</u>	<u>6,548,718</u>	<u>(204,077)</u>	<u>455,777</u>
Changes in Net Position	2,041,853	(446,864)	1,594,989	2,731,313	135,005
Net Position - Beginning	<u>13,698,943</u>	<u>1,241,058</u>	<u>14,940,001</u>	<u>37,956,680</u>	<u>393,357</u>
Net Position - Ending	<u>\$ 15,740,796</u>	<u>\$ 794,194</u>	<u>\$ 16,534,990</u>	<u>\$ 40,687,993</u>	<u>\$ 528,362</u>

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

CITY OF HOPE, ARKANSAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>Special Revenue Funds</u>			Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Street Fund	Airport Fund	Capital Outlay Fund		
Assets						
Cash	\$ 1,094,128	\$ 878,663	\$ 806,693	\$ 143,743		\$ 2,923,227
Investments	600,000	700,000				1,300,000
Receivables, net of allowance for doubtful accounts of \$14,709	539,519	114,443	71,610	101,285		826,857
Inventories		13,671	21,391			35,062
Due from other funds	150,267		13,176			163,443
Restricted assets:						
Cash and investments					\$ 128,832	128,832
Total Assets	<u>\$ 2,383,914</u>	<u>\$ 1,706,777</u>	<u>\$ 912,870</u>	<u>\$ 245,028</u>	<u>\$ 128,832</u>	<u>\$ 5,377,421</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 190,128	\$ 4,299				\$ 194,427
Accrued compensated absences	27,748	1,994				29,742
Accrued liabilities	63,373					63,373
Due to other funds	5,453	28,061		10,975		44,489
Total Liabilities	<u>286,702</u>	<u>34,354</u>		<u>10,975</u>		<u>332,031</u>
Fund Balances						
Nonspendable						
Inventories		13,671	21,391			35,062
Restricted - expendable		1,658,752	891,479	234,053	\$ 128,832	2,913,116
Unassigned	2,097,212					2,097,212
Total Fund Balances	<u>2,097,212</u>	<u>1,672,423</u>	<u>912,870</u>	<u>234,053</u>	<u>128,832</u>	<u>5,045,390</u>
Total Liabilities and Fund Balances	<u>\$ 2,383,914</u>	<u>\$ 1,706,777</u>	<u>\$ 912,870</u>	<u>\$ 245,028</u>	<u>\$ 128,832</u>	<u>\$ 5,377,421</u>

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

CITY OF HOPE, ARKANSAS
 RECONCILIATION OF TOTAL
 GOVERNMENTAL FUND BALANCES TO NET POSITION
 OF GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2019

Total Governmental Fund Balance	\$ 5,045,390
Amounts reported for governmental activities in the Statement of Net Position are different because:	
The following assets and deferred outflows are not financial resources and therefore are not reported in governmental funds.	
Capital assets	16,334,901
Pension related deferred outflows	1,338,602
The following liabilities and deferred inflows, including long-term debt, are not due and payable in the current period and therefore are not reported in governmental funds.	
Note payable	49,527
Bonds payable	1,694,193
Net pension liabilities	4,614,813
Pension related deferred inflows	350,582
Accrued interest payable	1,304
Accrued compensated absences	267,678
Net Position of Governmental Activities	<u>\$ 15,740,796</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Street Fund</u>	<u>Airport Fund</u>	<u>Capital Outlay Fund</u>		
Revenues						
Sales tax	\$ 3,550,907					\$ 3,550,907
Property tax	459,762	\$ 50,697				510,459
State general turnback	218,074	733,226				951,300
Franchise taxes	122,774					122,774
Licenses and permits	13,080					13,080
Fines, forfeitures and fees	368,344					368,344
Grants/Contributions	50,243		\$ 1,589,237	\$ 307,710		1,947,190
Interest and dividend income	1,847	2,956	895			5,698
Other income	<u>334,855</u>	<u>5,162</u>	<u>248,120</u>	<u>112,296</u>		<u>700,433</u>
Total Revenues	<u>5,119,886</u>	<u>792,041</u>	<u>1,838,252</u>	<u>420,006</u>		<u>8,170,185</u>
Expenditures						
Current:						
Law enforcement	2,384,273			17,421		2,401,694
Public safety	991,002					991,002
Recreation and culture	709,595			1,250		710,845
Administration and finance				7,596		7,596
General government	734,721	516,120	127,564			1,378,405
Debt service:						
Principal		25,253		53,435		78,688
Interest		3,902		75,397		79,299
Capital outlay		<u>268,736</u>	<u>1,329,429</u>	<u>660,191</u>		<u>2,258,356</u>
Total Expenditures	<u>4,819,591</u>	<u>814,011</u>	<u>1,456,993</u>	<u>815,290</u>		<u>7,905,885</u>
Excess (Deficiency) of Revenues over Expenditures	<u>300,295</u>	<u>(21,970)</u>	<u>381,259</u>	<u>(395,284)</u>		<u>264,300</u>
Other Financing Sources						
Transfers in	605,000	586,600		551,185		1,742,785
Transfers out	<u>(1,025,000)</u>	<u>(147,659)</u>	<u>(30,000)</u>			<u>(1,202,659)</u>
Total Other Financing Sources (Uses)	<u>(420,000)</u>	<u>438,941</u>	<u>(30,000)</u>	<u>551,185</u>		<u>540,126</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(119,705)</u>	<u>416,971</u>	<u>351,259</u>	<u>155,901</u>		<u>804,426</u>
Fund Balance - Beginning	<u>2,216,917</u>	<u>1,255,452</u>	<u>561,611</u>	<u>78,152</u>	<u>128,832</u>	<u>4,240,964</u>
Fund Balance - Ending	<u>\$ 2,097,212</u>	<u>\$ 1,672,423</u>	<u>\$ 912,870</u>	<u>\$ 234,053</u>	<u>\$ 128,832</u>	<u>\$ 5,045,390</u>

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

CITY OF HOPE, ARKANSAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Governmental Funds	\$ 804,426
Amount reported for governmental activities are different because:	
Governmental funds report capital outflows as expenditures. For the statement of activities, the costs of those assets are allocated over their useful lives and reported as depreciation expense.	
Capital addition	2,258,356
Depreciation	(727,046)
Repayments of long-term liabilities are expenditures in governmental funds but reduces long-term liabilities in the statement of net position.	
	78,688
Expenses that do not require current financial resources are not reported as expenses in the governmental funds but are reported as expenses in the statement of activities:	
Change in accrued compensated absences	16,821
Change in accrued interest payable	71
Current year pension expenditures are reported on governmental statement of revenues, expenditures and changes in fund balances and are actuarially determined in the government wide statement of activities. Differences are reflected in deferred outflows and inflows of resources balances	
	(389,463)
Changes in Net Position Governmental Activities	<u>\$ 2,041,853</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Sanitation Fund	Wastewater Fund	Totals
Assets			
Current Assets			
Cash	\$ 577,428	\$ 302,386	\$ 879,814
Investments		320,000	320,000
Accounts receivable, net	4,272	535	4,807
Due from other funds	107,646	110,881	218,527
Total Current Assets	<u>689,346</u>	<u>733,802</u>	<u>1,423,148</u>
Restricted Assets			
Cash - debt service	106,818		106,818
Cash - capital projects	120,385		120,385
Investments - debt services	137,483	394,553	532,036
Investments - capital projects		125,830	125,830
Total Restricted Assets	<u>364,686</u>	<u>520,383</u>	<u>885,069</u>
Property, Plant and Equipment, Net	<u>4,600,292</u>	<u>8,810,923</u>	<u>13,411,215</u>
Deferred Outflows of Resources			
Pension related deferred outflows	105,523	61,211	166,734
Deferred amount on refunding		577,990	577,990
Total Deferred Outflows of Resources	<u>105,523</u>	<u>639,201</u>	<u>744,724</u>
 Total Assets and Deferred Outflows	 <u>\$ 5,759,847</u>	 <u>\$ 10,704,309</u>	 <u>\$ 16,464,156</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2019

	Sanitation Fund	Wastewater Fund	Totals
Liabilities and Net Position			
Current Liabilities			
Accrued liabilities	\$ 13,410	\$ 33,753	\$ 47,163
Other funds	62,205	5,781	67,986
Current maturities of long-term debt	<u>238,138</u>	<u>298,153</u>	<u>536,291</u>
Total Current Liabilities	<u>313,753</u>	<u>337,687</u>	<u>651,440</u>
Long-term Debt			
Note Payable	95,375		95,375
Compensated absences	43,337	28,382	71,719
Closure/post-closure care payable	1,431,909		1,431,909
Net pension liability	679,120	355,564	1,034,684
Bonds payable	<u>2,516,840</u>	<u>9,799,052</u>	<u>12,315,892</u>
Total Long-term Debt	<u>4,766,581</u>	<u>10,182,998</u>	<u>14,949,579</u>
Total Liabilities	<u>5,080,334</u>	<u>10,520,685</u>	<u>15,601,019</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>43,908</u>	<u>25,035</u>	<u>68,943</u>
Net Position			
Net investment in capital assets	1,749,161	(734,091)	1,015,070
Restricted for debt service	244,301	125,830	370,131
Restricted for capital projects	120,385	394,553	514,938
Unrestricted (deficit)	<u>(1,478,242)</u>	<u>372,297</u>	<u>(1,105,945)</u>
Total Net Position	<u>635,605</u>	<u>158,589</u>	<u>794,194</u>
 Total Liabilities, Deferred Inflows, and Net Position	 <u>\$ 5,759,847</u>	 <u>\$ 10,704,309</u>	 <u>\$ 16,464,156</u>

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

CITY OF HOPE, ARKANSAS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Sanitation Fund	Wastewater Fund	Totals
Revenues			
Service fees	\$ 1,347,608	\$ 1,371,302	\$ 2,718,910
Other		25	25
	<u>1,347,608</u>	<u>1,371,327</u>	<u>2,718,935</u>
Operating Expenses			
Landfill post closure cost	179,716		179,716
Operating and maintenance	1,365,061	658,080	2,023,141
Depreciation and amortization	284,307	361,802	646,109
Total Operating Expenses	<u>1,829,084</u>	<u>1,019,882</u>	<u>2,848,966</u>
Operating Income (Loss)	<u>(481,476)</u>	<u>351,445</u>	<u>(130,031)</u>
Nonoperating Revenue (Expense)			
Interest income	3,007	16,330	19,337
Interest expense	(73,936)	(403,322)	(477,258)
Fiduciary fees	(1,071)	(5,500)	(6,571)
Total Nonoperating Expense	<u>(72,000)</u>	<u>(392,492)</u>	<u>(464,492)</u>
Loss Before Operating Transfers	<u>(553,476)</u>	<u>(41,047)</u>	<u>(594,523)</u>
Operating Transfers in (out)	<u>295,318</u>	<u>(147,659)</u>	<u>147,659</u>
Change in Net Position	<u>(258,158)</u>	<u>(188,706)</u>	<u>(446,864)</u>
Net Position - Beginning	<u>893,763</u>	<u>347,295</u>	<u>1,241,058</u>
Net Position - Ending	<u>\$ 635,605</u>	<u>\$ 158,589</u>	<u>\$ 794,194</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Sanitation Fund	Wastewater Fund	Totals
Cash Flows From Operating Activities			
Cash received from customers	\$ 1,347,311	\$ 1,371,860	\$ 2,719,171
Cash paid for supplies and operating costs	(492,691)	(185,089)	(677,780)
Cash paid for employee and related costs	(820,775)	(436,256)	(1,257,031)
Net Cash Provided by Operating Activities	<u>33,845</u>	<u>750,515</u>	<u>784,360</u>
Cash Flows From Noncapital Financing Activities			
Operating transfers from (to) other funds	<u>293,861</u>	<u>(155,667)</u>	<u>138,194</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>293,861</u>	<u>(155,667)</u>	<u>138,194</u>
Cash Flows From Capital And Related Financing Activities			
Purchase of fixed assets	(139,516)	(995,436)	(1,134,952)
Fiduciary fees	(1,071)	(5,500)	(6,571)
Proceeds, long-term debt	139,516		139,516
Principal paid, long-term debt	(205,819)	(295,000)	(500,819)
Interest paid on long-term debt	(73,565)	(364,082)	(437,647)
Net Cash Used in Capital and Related Financing Activities	<u>(280,455)</u>	<u>(1,660,018)</u>	<u>(1,940,473)</u>
Cash Flows From Investing Activities			
Purchase of investments	(300)	(709,882)	(710,182)
Proceeds from sale of investments	215	1,700,226	1,700,441
Investment income received	<u>3,007</u>	<u>16,330</u>	<u>19,337</u>
Net Cash Provided by Investing Activities	<u>2,922</u>	<u>1,006,674</u>	<u>1,009,596</u>
Net Increase (Decrease) in Cash	50,173	(58,496)	(8,323)
Cash - Beginning of Year	<u>754,458</u>	<u>360,882</u>	<u>1,115,340</u>
Cash - End of Year	<u>\$ 804,631</u>	<u>\$ 302,386</u>	<u>\$ 1,107,017</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Sanitation Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating net income (loss)	\$(481,476)	\$ 351,445	\$(130,031)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	284,307	361,802	646,109
Pension expense other than contributions	56,309	29,907	86,216
Landfill closure/post closure care expense	179,716		179,716
(Increase) decrease in current assets:			
Receivables, net	(297)	533	236
Increase (decrease) in current liabilities:			
Accrued liabilities	1,648	1,503	3,151
Accrued compensated absences	(6,362)	5,325	(1,037)
Net Cash Provided by Operating Activities	<u>\$ 33,845</u>	<u>\$ 750,515</u>	<u>\$ 784,360</u>

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

CITY OF HOPE, ARKANSAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Fiduciary Fund</u>	<u>Agency Funds</u>		<u>Total</u>
	Firemen's Pension and Relief Fund	District Court Accounts	Bonds and Fines Accounts	
Assets				
Cash	\$ 257,845	\$ 35,410	\$ 38,245	\$ 331,500
Total Assets	<u>257,845</u>	<u>35,410</u>	<u>38,245</u>	<u>331,500</u>
Investments at Fair Value	<u>1,784,753</u>			<u>1,784,753</u>
Liabilities				
Due to other funds	50,968			50,968
Other accrued liabilities		35,410	38,245	73,655
Total Liabilities	<u>50,968</u>	<u>35,410</u>	<u>38,245</u>	<u>124,623</u>
Net Position				
Held in Trust for Pension Benefits	<u>\$ 1,991,630</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,991,630</u>

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

CITY OF HOPE, ARKANSAS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Firemen's Pension and Relief Fund</u>
Additions	
Contributions	
General property taxes	\$ 85,778
Future supplement	<u>20,340</u>
Total Contributions	<u>106,118</u>
Investment Income	
Dividends and interest	53,917
Net increase in fair value	<u>105,187</u>
Net Investment Income	<u>159,104</u>
Other Income	
Miscellaneous	<u>50</u>
Total Additions	<u>265,272</u>
Deductions	
Pension benefits	187,657
Other	<u>20,360</u>
Total Deductions	<u>208,017</u>
Net Increase in Net Position	57,255
Net Position Restricted for Pension Benefits	
Beginning of Year	<u>1,934,375</u>
Net Position Restricted for Pension Benefits	
End of Year	<u>\$ 1,991,630</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accounting and reporting practices of the City conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

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

Statement No. 83, *Certain Asset Retirement Obligations*, issued in November, 2016, will be effective for the City for the year ending December 31, 2020. An asset obligation is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The recognition should occur when the liability is both incurred and reasonable estimable.

Statement No. 84, *Fiduciary Activities*, issued in January, 2017, will be effective for the City 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.

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

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued in April 2018, will be effective for the City for the year ending December 31, 2020. This Statement will improve 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.

Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*, issued in June, 2018, will be effective for the City for the year ending December 31, 2021. 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.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB No. 14 and 61*, issued August, 2018, will be effective for the City 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.

Statement No. 91, *Conduct Debt Obligation*, issued May, 2019, is effective for the City for the year ending December 31, 2022. This statement provided 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.

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

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

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

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

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Government-wide and Fund Financial Statements

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

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

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

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Allowance for Uncollectible Receivables - The Hope Water and Light Commission provides billing and collection services provided for the Sanitation and Wastewater Funds and remits 100% of the related billings to the funds. Any bad debt expense is absorbed by Hope Water and Light Commission which recorded an allowance of \$143,574. Accordingly, the allowance for doubtful accounts for the proprietary funds as of December 31, 2019 was \$-0-. The City recorded an allowance of \$14,709 for various receivables in the City's governmental funds.

Investments - Investments are reported at fair value. Short-term investments are reported at cost (which approximates fair value) and are held by the City in various forms as allowed by the laws of the State of Arkansas. The City records all interest revenue earned from investment activities in the respective funds. As of December 31, 2019, the City considers investments to include certificates of deposit and money market mutual funds.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Capitalized Interest - Interest is capitalized in the City's primary government funds as part of the cost of construction projects when material. The City capitalized interest costs of \$-0- in 2019. The policy followed by the Hope Water and Light Commission is to capitalize interest on qualifying assets when the utility has outstanding debt. The utility capitalized interest costs of \$24,263.

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

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

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

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Property Taxes - The City levies property taxes applicable to the following year during the month of October. Property taxes assessed during the previous year are due and payable after February 1. Taxes are delinquent after the second week in October. Delinquent property taxes as of December 31, 2019, are not significant. The assessed value of taxable property upon which property taxes are levied is determined by the County Assessor. The Assessor estimates full market value of the property and applies a statutory rate of 20% to arrive at an assessed value. Hempstead County is the collecting agent for the levy and remits the collections to the City, net of a collection fee. Each unit of government receives its proportionate share of tax receipts from the County Treasurer, based on its individual mill levy, in the month following the collection. The City levied 5 mills of property taxes for general government operations and is subject to a statutory limitation of 5 mills established by the State of Arkansas. This operating tax levy limitation may not be increased except by amendment to the State Constitution. The City levied 1.0 mill for the Firemen's Pension and Relief Fund. The mill for the Pension fund is apart from the statutory limitation of 5 mills for operations.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 2: BUDGET REQUIREMENTS AND REPORTING

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

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

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

NOTE 3: DEPOSITS AND INVESTMENTS

At December 31, 2019, the City's deposits consisted of demand accounts and the City's investments consisted of certificates of deposit and United States Agency obligations held by bond funds. Additionally, the Firemen's Pension and Relief Fund ("FPRF"), a fiduciary fund, maintains an investment account at a brokerage firm with investments consisting of United States Treasury obligations and certificates of deposit. At December 31, 2019, the FPRF investments with a cost of \$1,704,867 had a fair market value of \$1,784,753.

Investments for the City at December 31, 2019 include the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Classified as Investments					
Unrestricted:					
Certificates of deposit	\$ 1,620,000	\$ 1,620,000			
Restricted:					
U.S. Treasury obligations	441,548	441,548			
Certificates of deposit	216,318	216,318			
Total	\$ 2,277,866	\$ 2,277,866			

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investment Valuation

U.S. Treasury obligations at December 31, 2019, are valued using quoted market prices, a Level 1 determination.

Type	Fair Value	Level 1	Level 2	Level 3
Classified as Investments				
Restricted:				
U.S. Treasury obligations	\$ 441,548	\$ 441,548		
	<u>\$ 441,548</u>	<u>\$ 441,548</u>		

Investments at December 31, 2019, for the Firemen's Pension and Relief Fund, all of which are Level 1 investments, include the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Classified as Investments					
Restricted:					
U.S. Treasury obligations	\$ 1,386,427		\$ 204,959	\$ 1,181,468	\$ -
Certificates of deposit	398,326	\$ 90,398	203,566	104,362	
Total	<u>\$ 1,784,753</u>	<u>\$ 90,398</u>	<u>\$ 408,525</u>	<u>\$ 1,285,830</u>	<u>\$ -</u>

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

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligation of the U.S. Treasury, U.S. agencies, or instrumentalities of the State of Arkansas. All securities pledged as collateral are held in the name of the City. At December 31, 2019, the City had no uninsured bank balances. Hope Water and Light Commission and Hope Tourism Commission had no uninsured bank balances.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

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

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. As of December 31, 2019, the City had \$425 in cash on hand and cash and certificates of deposits totaling \$5,994,969 book value as reconciled to financial institution balances totaling \$6,193,704. *Hope Water* and *Light Commission* had financial institution balances of \$17,505,583 and *Hope Tourism Commission* had financial institution balances of \$500,470.

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

Issuer	Investment Type	Fair Value	Percentage of Total
<i>Primary Government</i>			
BancorpSouth	Cash and certificates of deposit	\$ 1,259,686	20%
Bank of the Ozarks	Cash and certificates of deposit	1,220,988	20%
Farmer's Bank & Trust	Cash and certificates of deposit	3,513,187	57%
Diamond Bank	Certificates of deposit	120,000	2%
Citizens Bank	Certificates of deposit	79,843	1%
		<u>\$ 6,193,704</u>	<u>100%</u>
<i>Component Unit - Hope Water and Light Commission</i>			
Bank of the Ozarks	Cash and certificates of deposit	1,644,872	9%
Farmer's Bank & Trust	Certificates of deposit	10,068,709	58%
Diamond Bank	Certificates of deposit	3,900,000	22%
BancorpSouth	Cash	1,667,002	10%
First National - Tom Bean	Certificates of deposit	225,000	1%
		<u>\$ 17,505,583</u>	<u>100%</u>
<i>Component Unit - Hope Tourism Commission</i>			
Bancorp South		\$ 441,514	88%
Farmer's Bank & Trust	Certificates of deposit	58,956	12%
		<u>\$ 500,470</u>	<u>100%</u>

Foreign Currency Risk - foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City had no foreign investments at December 31, 2019.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 4: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables result from transactions between various funds within the City. Outstanding balances are generally a result of time lag between the clearing of liabilities between funds. The following schedule reports interfund balances at December 31, 2019:

<u>Funds with Payables:</u>		<u>Funds with Receivables</u>			
		<u>General Fund</u>	<u>Ariport Fund</u>	<u>Sanitation Fund</u>	<u>Wastewater Fund</u>
Sanitation Fund	\$ 62,205	\$ 62,205			
Wastewater Fund	5,781	5,781			
General Fund	5,453		5,453		
Street Fund	28,061	20,338	\$ 7,723		
Capitol Outlay Fund	10,975	10,975			
Fireman's Pension and Relief Fund	50,968	50,968			
Hope Water and Light Commission	<u>218,527</u>			<u>\$ 107,646</u>	<u>\$ 110,881</u>
	<u>\$ 381,970</u>	<u>\$ 150,267</u>	<u>\$ 13,176</u>	<u>\$ 107,646</u>	<u>\$ 110,881</u>

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

Transferred from Fund:	<u>Recipient Funds</u>				Total Transfers to Other Funds
	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Outlay Fund</u>	<u>Sanitation</u>	
General		\$ 575,000	\$ 450,000		\$ 1,025,000
Street				\$ 147,659	147,659
Airport	\$ 30,000				30,000
Wastewater				147,659	147,659
Component Unit:					
Hope Water & Light	575,000				575,000
Tourism		<u>11,600</u>	<u>101,185</u>		<u>112,785</u>
Total Received	<u>\$ 605,000</u>	<u>\$ 586,600</u>	<u>\$ 551,185</u>	<u>\$ 295,318</u>	<u>\$ 2,038,103</u>

NOTE 5: RESTRICTED ASSETS

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

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 6: CAPITAL ASSETS

Primary Government

The following table provides a summary of changes in capital assets of the governmental activities for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,962,591	\$ 750		\$ 1,963,341
Construction in progress	<u>1,036,652</u>	<u>156,521</u>	<u>\$ 1,034,152</u>	<u>159,021</u>
Total Capital Assets, Not Being Depreciated	<u>2,999,243</u>	<u>157,271</u>	<u>1,034,152</u>	<u>2,122,362</u>
Capital assets, being depreciated:				
Land improvements	659,871			659,871
Infrastructure	7,478,644	2,634,287		10,112,931
Buildings	6,715,373	163,898		6,879,271
Furniture and fixtures	213,587	13,464		227,051
Vehicles	1,455,756	64,620	50,545	1,469,831
Equipment	<u>3,938,560</u>	<u>258,968</u>		<u>4,197,528</u>
Total Capital Assets, Being Depreciated	20,461,791	3,135,237	50,545	23,546,483
Less: Accumulated Depreciation	<u>8,657,443</u>	<u>727,046</u>	<u>50,545</u>	<u>9,333,944</u>
Total Capital Assets, Being Depreciated, Net	<u>11,804,348</u>	<u>2,408,191</u>		<u>14,212,539</u>
<i>Governmental Activities:</i>				
Capital Assets, Net	<u>\$ 14,803,591</u>	<u>\$ 2,565,462</u>	<u>\$ 1,034,152</u>	<u>\$ 16,334,901</u>

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 6: CAPITAL ASSETS (CONTINUED)

Business Activities

The following table provides a summary of changes in capital assets of the business-type activities for the year ended December 31, 2019.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,168,808			\$ 1,168,808
Construction in progress	<u>314,482</u>		<u>\$ 314,482</u>	
Total Capital Assets, Not Being Depreciated	<u>1,483,290</u>		<u>314,482</u>	<u>1,168,808</u>
Capital assets, being depreciated:				
Land improvements	3,205,055			3,205,055
Plant and equipment	14,385,052	\$ 948,947		15,333,999
Vehicles	321,531			321,531
Machinery and equipment	<u>1,991,671</u>	<u>139,516</u>		<u>2,131,187</u>
Total Capital Assets, Being Depreciated	19,903,309	1,088,463		20,991,772
Less: Accumulated Depreciation	<u>8,103,256</u>	<u>646,109</u>		<u>8,749,365</u>
Total Capital Assets, Being Depreciated, Net	<u>11,800,053</u>	<u>442,354</u>		<u>12,242,407</u>
<i>Business-type Activities</i>				
Capital Assets, Net	<u>\$ 13,283,343</u>	<u>\$ 442,354</u>	<u>\$ 314,482</u>	<u>\$ 13,411,215</u>

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 6: CAPITAL ASSETS (CONTINUED)

Component Units

The following table provides a summary of changes in capital assets of the Component Units for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Units				
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:				
Plant and equipment	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	<u>65,833,688</u>	<u>2,345,146</u>	<u>127,786</u>	<u>68,051,048</u>
Less: 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>
<i>Component Units</i>				
Capital Assets, Net	<u>\$ 28,639,804</u>	<u>\$ 7,335,081</u>	<u>\$ 4,566</u>	<u>\$ 35,970,319</u>

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 6: CAPITAL ASSETS (CONTINUED)

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

Primary Government

Governmental Activities

Administration	\$ 120,669
Street	221,193
Parks and recreation	144,949
Police	98,520
Fire protection	25,087
Airport	<u>116,628</u>

Total depreciation expense 727,046

Business-type Activities

Wastewater	361,802
Sanitation	<u>284,307</u>

Total depreciation expense 646,109

Total depreciation expense, primary government \$ 1,373,155

NOTE 7: CAPITAL ASSETS IN BUSINESS-TYPE ACTIVITIES

	<i>Business-Type Activities</i>		Total
	<u>Sanitation</u>	<u>Wastewater</u>	
Land	\$ 1,073,516	\$ 95,292	\$ 1,168,808
Land improvements	3,205,055		3,205,055
Utility plant	863,043	14,470,956	15,333,999
Vehicles	228,668	92,863	321,531
Machinery and equipment	<u>1,814,937</u>	<u>316,250</u>	<u>2,131,187</u>
	7,185,219	14,975,361	22,160,580
Less: accumulated depreciation	<u>2,584,927</u>	<u>6,164,438</u>	<u>8,749,365</u>
Property, Plant and Equipment, Net	<u>\$ 4,600,292</u>	<u>\$ 8,810,923</u>	<u>\$ 13,411,215</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 8: COMMITMENTS

At December 31, 2019, the City had no construction contract commitments in place. Construction projects were completed by the end of the year.

Note Payable - Governmental Activities

In November, 2017, the City incurred a note payable in the amount of \$102,768 for the purchase of a Freightliner dump truck. Principal and interest at the rate of 4.75% totals \$2,355 monthly until October 13, 2021. The outstanding balance of \$49,527 is due for year ending December 31, 2019, as follows: \$26,479 in 2020, and \$23,048 in 2021.

NOTE 9: LONG-TERM DEBT

Revenue Bonds - Governmental Activities

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

Capital Improvement Bond, Series 2006

In 2007, the City issued \$220,000 Capital Improvement Bond, Series 2006, for the purpose of constructing a new animal control facility. The bond is secured by franchise fees and a real estate mortgage on the animal control facility which had a book value of \$104,427 at December 31, 2019. The revenues pledged for this bond represent approximately 10% of the City's annual franchise fee revenue over the life of the bond. The pledged revenues will not be available for other purposes until the bond is repaid; the bond matures in 2026. The City recognized franchise fees of \$122,774 and made principal and interest payments of \$16,536 on the bond in 2019. Outstanding principal on the bond as of December 31, 2019, totaled \$97,409.

Capital Improvement Bond, Series 2009

In 2009, the City issued \$2,041,800 Capital Improvement Bond, Series 2009, for the purpose of constructing a building for lease to the Southwest Arkansas Educational Cooperative. The bond is secured by lease income from the building and a real estate mortgage on the building which has a book value of \$2,188,280 at December 31, 2019. The revenues pledged for this bond represent 100% of the City's annual lease income from the building over the life of the bond. The pledged revenues will not be available for other purposes until the bond is repaid when the bond matures in 2042. The City recognized lease income of \$112,296 from the building and made principal and interest payments of \$112,296 in 2019. Outstanding principal on the bond as of December 31, 2019, totaled \$1,596,784.

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 9: LONG-TERM DEBT (CONTINUED)

Note Payable - Business-type Activities

In September, 2019, the City purchased a Freightliner in the amount of \$139,250 by incurring a note payable in the amount of \$139,516, including costs of \$266. Principal and interest at the rate of 3.95% totaled \$3,151 monthly. The note matures August, 2023. The outstanding balance of \$128,698 is due as follows: \$33,323 in 2020, \$34,663 in 2021, \$36,057 in 2022, and \$24,655 in 2023.

Revenue Bonds - Business-type Activities

Sewer Revenue Refunding Bonds, Series 2016

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

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

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

Waste Disposal Revenue Bonds, Series 2016

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

Sewer Revenue Capital Improvement and Refunding Bonds, Series 2017

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

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 9: LONG-TERM DEBT (CONTINUED)

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

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

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

Summary of Long-term Debt

Bonds payable at December 31, 2019, is comprised of the following individual issues:

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

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 9: LONG-TERM DEBT (CONTINUED)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Deductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Primary Government					
<i>Governmental Activities</i>					
Capital Improvement Bond, Series 2006	\$ 109,398		\$ 11,989	\$ 97,409	\$ 12,523
Capital Improvement Bond, Series 2009	1,638,230		41,446	1,596,784	43,298
Note payable	74,780		25,253	49,527	26,479
Net pension liability	4,062,429	\$ 552,384		4,614,813	
Compensated absences	316,110	12,921	31,611	297,420	29,742
Total Governmental Activities	<u>\$ 6,200,947</u>	<u>\$ 565,305</u>	<u>\$ 110,299</u>	<u>\$ 6,655,953</u>	<u>\$ 112,042</u>
<i>Business-type Activities</i>					
Revenue bonds	\$ 13,445,000		\$ 490,000	\$ 12,955,000	\$ 495,000
Bond discount	(154,121)		(10,013)	(144,108)	
Total bonds payable	13,290,879		479,987	12,810,892	495,000
Net pension liability	930,744	\$ 103,940		1,034,684	
Notes payable		139,516	10,818	128,698	33,323
Compensated absences	80,725	7,946	8,984	79,687	7,968
Closure/Post closure	1,252,193	179,716		1,431,909	
Total Business-type Activities	<u>\$ 15,554,541</u>	<u>\$ 431,118</u>	<u>\$ 499,789</u>	<u>\$ 15,485,870</u>	<u>\$ 536,291</u>
<i>Component Units</i>					
Revenue bonds	\$ 8,625,000		\$ 405,000	\$ 8,220,000	\$ 415,000
Bond discount	(24,230)		(1,476)	(22,754)	
Total bonds payable	8,600,770		403,524	8,197,246	415,000
Net pension liability	3,268,549	\$ 389,467		3,658,016	
Contracts payable	536,024		15,333	520,691	15,736
Compensated absences	413,267	217,262	234,405	396,124	133,681
Total Component Units	<u>\$ 12,818,610</u>	<u>\$ 606,729</u>	<u>\$ 653,262</u>	<u>\$ 12,772,077</u>	<u>\$ 564,417</u>

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 9: LONG-TERM DEBT (CONTINUED)

Debt Service Requirements to Maturity

The annual principal and interest requirements to amortize debt of outstanding bond issues as of December 31, 2019, are presented in the following schedule.

Year End December 31,	Governmental Activities		Business-type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 55,821	\$ 73,011	\$ 495,000	\$ 426,737	\$ 550,821	\$ 499,748
2021	58,313	70,519	510,000	416,962	568,313	487,481
2022	60,916	67,916	515,000	406,212	575,916	474,128
2023	63,635	65,197	525,000	395,231	588,635	460,428
2024	66,476	62,356	540,000	383,119	606,476	445,475
2025	69,443	59,389	550,000	369,997	619,443	429,386
2026 - 2030	320,975	254,142	3,010,000	1,603,633	3,330,975	1,857,775
2031 - 2035	382,669	178,811	2,410,000	1,143,144	2,792,669	1,321,955
2036 - 2040	476,050	85,430	2,585,000	695,994	3,061,050	781,424
2041 - 2043	<u>139,895</u>	<u>4,209</u>	<u>1,815,000</u>	<u>151,801</u>	<u>1,954,895</u>	<u>156,010</u>
	<u>\$ 1,694,193</u>	<u>\$ 920,980</u>	<u>\$ 12,955,000</u>	<u>\$ 5,992,830</u>	<u>\$14,649,193</u>	<u>\$6,913,810</u>

NOTE 10: CLOSURE AND POST-CLOSURE COST

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

Laws and regulations of both the federal and state governments require that the City provide for closure and post-closure care for landfills once they have reached capacity. Such care consists of (1) covering the site with an impermeable cap, (2) implementing additional groundwater monitoring, (3) providing a minimum of 30 years of post-closure care, and (4) demonstration of financial assurance for the closure and post-closure care. Although closure and post-closure care costs are expended near or after the date that the landfill cell discontinues accepting waste, the City reports a portion of these costs as annual operating expense during the service life of the landfill cell. The cumulative recognition of this liability totaling \$1,431,909, as of December 31, 2019 is based on the following:

	Class I	Class IV
Cubic yards of capacity used	701,939	71,856
Estimated total capacity	1,850,000	1,875,517
Percentage of total capacity used	37.94%	3.83%
Estimated additional liability to be recognized as remaining capacity is filled	\$ 3,754,152	\$ 195,354
Estimated remaining site life	36 Years	146 Years

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

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

The preceding information is based on engineering landfill capacity used to date and engineering estimates of the cost to perform all closure and post-closure care as of December 31, 2019, for the Class I and Class IV landfills. Actual costs may be higher or lower as a result of inflation or deflation, changes in technology, or regulatory changes to the landfill's closure plan.

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

NOTE 11: CONTINGENCIES

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibles of any related receivable at December 31, 2019, may be impaired. In the opinion of the City, there are no significant contingencies.

NOTE 12: RISK MANAGEMENT

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

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

NOTE 13: DEFERRED COMPENSATION PLAN

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

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 13: DEFERRED COMPENSATION PLAN (CONTINUED)

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

Because the City and the Commission have delegated administrative and investment responsibilities to a third party administrator, the plan assets no longer meet the requirements for inclusion in the City's combined financial statements and have been excluded from the 2019 basic financial statements.

NOTE 14: FIREMEN PENSIONS

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

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

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

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

Contributions - Contributions to the FPRF are set forth by Arkansas Code. The City's contribution to the FPRF consists of a one mill real and personal property tax collection and an insurance premium tax turn-back collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen's salaries. There were no active or deferred retirement option (DROP) plan members in 2019. Membership consisted of 15 retirees and beneficiaries receiving benefits at December 31, 2019. Participant contributions are returned without interest if the participant terminates covered employment. Contribution provisions applicable to the FPRF are established by Arkansas Code and may not be less than 6%.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 14: FIREMEN PENSIONS (CONTINUED)

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

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

Net increase or decrease in fair value of investments reflected in the accompanying statement of changes in fiduciary net position available for benefits represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. Net unrealized gains or losses on investments represent the change in the difference between the cost and market value of the investments at the beginning versus the end of the year. Increase in fair value totaled \$105,187 for the year ending December 31, 2019.

The FPRF administrative costs are financed through the plan assets as approved by the Board of Trustees. Total 2019 contributions to the FPRF were \$85,778 which were comprised of property taxes collected by the City. There were no active fire employees covered by the FPRF at December 31, 2019.

In addition, Act 1452 of 1999 and Act 1373 of 2003 authorized the distribution of supplement funds to local police and fire plans. Distributions to the FPRF for the year ended December 31, 2019, were \$20,340.

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

Funded Status and Funding Progress - At December 31, 2019, the FPRF was fully funded and had a negative net pension liability (net pension asset) of \$(72,926). The net pension liability asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. FPRF has no covered payroll as there are no active employees.

For the year ended December 31, 2019, the City recognized pension expense of \$53,418. At December 31, 2019 the City reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 69,595	\$ 12,360

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 14: FIREMEN PENSIONS (CONTINUED)

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

<u>Year ended December 31:</u>	<u>Deferred Outflow/(Inflow) Amounts</u>
2020	\$ 11,448
2021	23,808
2022	15,751
2023	6,228
	<u>\$ 57,235</u>

Actuarial assumptions: The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 14: FIREMEN PENSIONS (CONTINUED)

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

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

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
Total Pension Liability	\$ 2,148,790	\$ 1,969,672	\$ 1,815,917
Net Pension Liability (Asset)	\$ 106,192	\$(72,926)	\$(226,681)

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

Total Pension Liability	
Service cost	\$ -0-
Interest on total pension liability	93,712
Difference between actual and expected experience	95,549
Benefit changes	-0-
Benefit payments	(187,657)
Net Change in Total Pension Liability	\$ 1,604
Total Pension Liability - Beginning	1,968,068
Total Pension Liability - Ending	\$ 1,969,672
Plan Fiduciary Net Position	
Contributions - employer	\$ 85,778
Net investment income	159,154
Benefit payments	(187,657)
Administrative expense	-0-
Net Change in Plan Net Position	(57,275)
Plan Fiduciary Net Position - Beginning	1,985,323
Plan Fiduciary Net Position - Ending	\$ 2,042,598

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 14: FIREMEN PENSIONS (CONTINUED)

Net Pension Liability (Asset)	
Interest on total pension liability	\$ 93,712
Difference between actual and expected experience	95,549
Contributions - employer	(85,778)
Net investment income	(159,154)
Administrative expense	-0-
Benefit changes	-0-
Other	-0-
Net Change in Net Pension Liability (Asset)	(55,671)
Net Pension Liability (Asset) - Beginning	(17,255)
Net Pension Liability (Asset) - Ending	<u><u>\$(72,926)</u></u>
Percentage of Total Pension Liability	103.70%

The Local Police and Fire Retirement System ("LOPFI")

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

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

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

Contributions - The contribution requirements of employers and employees and the amendments of those requirements are based on the actuary's determination of the rate required to fund the plan. The current employee contribution rate is 8.5% of covered payroll for paid firemen. The City made contributions of \$154,737 to the plan for the year ended December 31, 2019. As of December 31, 2019, the City's required contribution was 23.29% of annual covered payroll.

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

At December 31, 2019, the City reported a liability of \$1,619,767 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the City's proportion was 0.22985%.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 14: FIREMEN PENSIONS (CONTINUED)

For the year ended December 31, 2019, the City recognized pension expense of \$331,028. At December 31, 2019, the City reported deferred inflows and outflows of resources related to LOPFI from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 84,620	\$ 284
Net difference between projected and actual investment earnings on pension plan investments	311,235	104,750
Changes of assumptions	220,561	
Changes in proportion and differences between employee contributions and share of contributions	25,358	38,918
City contributions subsequent to the measurement date	<u>154,737</u>	<u> </u>
Total	<u>\$ 796,511</u>	<u>\$ 143,952</u>

The amount of \$154,737 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

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

<u>Year ended December 31:</u>	<u>Deferred Outflow/Inflow Amounts</u>
2020	\$ 214,272
2021	147,171
2022	72,101
2023	<u>64,278</u>
	<u>\$ 497,822</u>

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

<i>Paid Service Assumptions</i>	
Wage inflation	3.75%
Price inflation	2.75%
Investment rate of return	7.75%
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market; 20% corridor
Salary increase	4.25% to 18.75%, including inflation

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 14: FIREMEN PENSIONS (CONTINUED)

Volunteer Service Assumptions

Inflation rate	2.75%
Investment rate of return	7.75%
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market; 20% corridor

The mortality table used to measure retired life mortality was the RP-2000 Combined Projected to 2017 Table, set forward two years for men.

Long-term Expected Return on Plan Assets - The long-term expected return on LOPFI investments was determined using a building block method in which expected future real rates of return are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in LOPFI's target asset allocation as of December 31, 2018, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Fixed Income	28%	.90%
Domestic Equity	42%	5.30%
Foreign Equity	20%	7.00%
Alternative investments	10%	6.20%

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

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net Pension Liability	<u>\$ 2,389,512</u>	<u>\$ 1,619,767</u>	<u>\$ 999,618</u>

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

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN

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

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

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

Contributions: Requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees based on an actuarial determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2019 and 15.32% from June 30, 2019 to December 31, 2019. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

The City's contributions to APERS for the year ended December 31, 2019, totaled \$497,295.

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

At December 31, 2019, the City reported a liability of \$4,102,656 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was 0.17005624%.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2019, the City recognized pension expense of \$838,536. On December 31, 2019, the City reported deferred inflows and outflows of resources related to APERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 222,681	\$ 157,713
Changes in proportion and differences between employer contributions and share of contributions	55,226	68,243
Differences between expected and actual experience	111,657	6,095
Net difference between projected and actual investment earnings on pension plan investments		31,162
City contributions subsequent to the measurement date	<u>249,666</u>	<u> </u>
Total	<u>\$ 639,230</u>	<u>\$ 263,213</u>

The amount of \$249,666, reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

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

<u>Year ended June 30:</u>	<u>Deferred Outflow/Inflow Amounts</u>
2020	\$ 442,120
2021	(126,606)
2022	2,098
2023	<u>58,405</u>
	<u>\$ 376,017</u>

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial assumptions: The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level of percent-of-payroll, closed
Remaining amortization	30 years closed
Asset valuation method	4 year smoothed market with 25% corridor
Investment rate of return	7.15%
Inflation rate	3.25% wage inflation, 2.50% price inflation
Salary increases	3.25% to 9.85%, including inflation
Retirement age	Experienced-based table of rates specific to type of eligibility condition
Mortality table	Based on RP-2000 Combined Healthy Mortality Table, projected to 2020 Projection Scale BB, set forward 2 years for males and 1 year for females
Average service life for all members	4.1431

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Domestic Fixed	18%	1.54%
Absolute Return	5%	3.56%
Real Assets	16%	3.32%
Total Real Rate of Return		4.80%
Plus: Price Inflation - Actuary Assumption		<u>2.50%</u>
Net Expected Return		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 this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

NOTE 15: CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
City's proportionate share of the net pension liability	<u>\$ 6,575,533</u>	<u>\$ 4,102,656</u>	<u>\$ 2,062,419</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report. Additional financial and actuarial information is available in APERS' annual financial report for the year ended June 30, 2019. This report can be found on Arkansas Legislative Audit's website at www.arklegaudit.gov. The actuarial valuation report is available from the APERS website, www.apers.org in the GASB 68 Overview section. The report may also be obtained by writing to APERS, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-501-682-7800.

NOTE 16: OTHER POST-EMPLOYMENT BENEFITS

Arkansas Code provides that any municipal City official or employee vested in one of the City's retirement plans with 20 years of service and who attains 55 years of age or at any age after 28 years of service may continue to participate in the City's healthcare plan after retirement. The state of Arkansas has the authority to establish and amend the requirements of the statute. Any employee remaining on the City's insurance is responsible for 100% of the premiums. The City had one former employee participating in the City's insurance during the year ended December 31, 2019.

NOTE 17: FUND BALANCES (GOVERNMENTAL FUNDS)

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

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

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

CITY OF HOPE, ARKANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2019

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

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

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

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

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

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

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes when both restricted and unrestricted fund balance is available. When an expenditure is incurred for purposes for which amounts in unrestricted fund balance classifications could be used, the City applies committed amounts, followed by assigned amounts, and finally unassigned amounts. As of December 31, 2019, the fund balances of the City's governmental funds were composed of the following:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Airport Fund</u>	<u>Capital Outlay Fund</u>	<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:						
Inventories		\$ 13,671	\$ 21,391			\$ 35,062
Restricted:						
Street		1,658,752				1,658,752
Airport			891,479			891,479
Capital Outlay				\$ 209,053		209,053
SW Coop maintenance				25,000		25,000
Animal Control					\$ 16,536	16,536
SW Coop Debt Service					112,296	112,296
Unassigned	<u>\$ 2,097,212</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2,097,212</u>
 Total Fund Balances	 <u>\$ 2,097,212</u>	 <u>\$ 1,672,423</u>	 <u>\$ 912,870</u>	 <u>\$ 234,053</u>	 <u>\$ 128,832</u>	 <u>\$ 5,045,390</u>

CITY OF HOPE, ARKANSAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 18: SUBSEQUENT EVENTS

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

During 2020, the City continues to investigate methods and projects to save City resources.

Subsequent events were evaluated through November 12, 2020, the date the financial statements were available to be issued. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SINGLE-EMPLOYER PENSION SCHEDULES (FPRF)

MULTI-EMPLOYER PENSION SCHEDULES (APERS and LOPFI)

BUDGETARY COMPARISON SCHEDULES

General Fund
Street Fund
Airport Fund
Capital Outlay Fund

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
 (FIREMEN'S PENSION AND RELIEF FUND)
 DECEMBER 31, 2019

Schedule of Funding Progress and Related Ratios - Ten Year Data

<u>Fiscal Year Ending</u>	<u>Discount Rate</u>	<u>Total Pension Liability (TPL)</u>	<u>Plan Net Position</u>	<u>Net Pension Liability (NPL)</u>	<u>Net Position as % of TPL</u>	<u>Covered Payroll</u>	<u>NPL as % of Payroll</u>
12/31/2010	5.00%	2,389,302	2,349,136	40,166	98.32%	46,554	86%
12/31/2011	5.00%	2,244,913	2,339,246	(94,333)	104.20%	-0-	N/A
12/31/2012	5.00%	2,253,469	2,350,364	(96,895)	104.30%	-0-	N/A
12/31/2013	5.00%	2,193,944	2,233,199	(39,255)	101.79%	-0-	N/A
12/31/2014	5.00%	2,148,310	2,211,986	(63,676)	102.96%	-0-	N/A
12/31/2015	5.00%	1,974,306	2,013,813	(39,507)	102.00%	-0-	N/A
12/31/2016	5.00%	2,077,373	2,079,471	(2,099)	100.10%	-0-	N/A
12/31/2017	5.00%	2,022,242	2,036,802	(14,560)	100.72%	-0-	N/A
12/31/2018	5.00%	1,968,068	1,985,323	(17,255)	100.88%	-0-	N/A
12/31/2019	5.00%	1,969,672	2,042,598	(72,926)	103.70%	-0-	N/A

Schedule of Contributions - Ten Year Data*

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as % of Payroll</u>
12/31/2010					
12/31/2011					
12/31/2012	\$(21,270)	\$ 76,721	\$(97,991)	-0-	N/A
12/31/2013	(21,847)	87,741	(109,588)	-0-	N/A
12/31/2014	(8,851)	80,504	(89,355)	-0-	N/A
12/31/2015	(14,357)	84,017	(98,374)	-0-	N/A
12/31/2016	-0-	82,557	(82,557)	-0-	N/A
12/31/2017	-0-	83,924	(83,924)	-0-	N/A
12/31/2018	-0-	84,631	(84,631)	-0-	N/A
12/31/2019	-0-	85,778	(85,778)	-0-	N/A

* Information for years prior to 2012 is not available

Key Assumptions:

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
 (FIREMEN'S PENSION AND RELIEF FUND)
 DECEMBER 31, 2019

<u>Schedule of Changes in Employer's Net Pension Liability and Related Ratios - 10 Year Data*</u>	
Fiscal Year ending December 31,	<u>2019</u>
Total Pension Liability	
Service cost	\$ -
Interest	93,712
Difference between actual & expected experience	95,549
Benefit change	-
Benefit payments	<u>(187,657)</u>
Net Change in Total Pension Liability	1,604
Total Pension Liability - Beginning	<u>1,968,068</u>
Total Pension Liability - Ending	<u>\$ 1,969,672</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 85,778
Contributions - other	-
Net investment income	159,154
Benefit payments	<u>(187,657)</u>
Supplements	-
Administrative expense	-
Other	-
Net Change in Plan Net Position	<u>57,275</u>
Plan Fiduciary Net Position - Beginning	<u>1,985,323</u>
Plan Fiduciary Net Position - Ending	<u>\$ 2,042,598</u>
Plan Fiduciary Net Position as % of Total Pension Liability	103.70%
Covered Employee Payroll	
Net Pension Liability as % of Covered Employee Payroll	N/A

* Information for years prior to 2013 is not available.

<u>Schedule of Investment Returns</u>	
<u>Fiscal Year Ending</u> <u>December 31</u>	<u>Annual Money-weighted</u> <u>Rate of Return</u>
2010	5.72%
2011	2.34%
2012	4.63%
2013	-1.26%
2014	3.39%
2015	-4.93%
2016	8.14%
2017	3.01%
2018	2.60%
2019	3.31%

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
 (FIREMEN'S PENSION AND RELIEF FUND)
 DECEMBER 31, 2019

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

* Information for years prior to 2013 is not available.

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - SINGLE-EMPLOYER PENSION PLAN
 (FIREMEN'S PENSION AND RELIEF FUND)
 DECEMBER 31, 2019

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
 DECEMBER 31, 2019

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

APERS	<u>2019</u>
City's proportion of the net pension liability	.17005624%
City's proportionate share of the net pension liability	\$ 4,102,656
City's covered-employee payroll	\$ 3,194,076
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.45%
Plan fiduciary net position as a percentage of the total pension liability	78.55%
APERS	<u>2018</u>
City's proportion of the net pension liability	.16794924%
City's proportionate share of the net pension liability	\$ 3,704,851
City's covered-employee payroll	\$ 3,148,992
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	117.65%
Plan fiduciary net position as a percentage of the total pension liability	79.59%
APERS	<u>2017</u>
City's proportion of the net pension liability	0.17435540%
City's proportionate share of the net pension liability	\$ 4,505,588
City's covered-employee payroll	\$ 3,209,646
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.38%
Plan fiduciary net position as a percentage of the total pension liability	75.65%

* Information for years prior to 2015 is not available.

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
 DECEMBER 31, 2019

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

APERS	2016
City's proportion of the net pension liability	0.17136554%
City's proportionate share of the net pension liability	\$ 4,097,947
City's covered-employee payroll	\$ 3,133,975
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.76%
Plan fiduciary net position as a percentage of the total pension liability	75.50%

APERS	2015
City's proportion of the net pension liability	0.16959341%
City's proportionate share of the net pension liability	\$ 3,123,458
City's covered-employee payroll	\$ 2,979,203
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	104.84%
Plan fiduciary net position as a percentage of the total pension liability	80.39%

* Information for years prior to 2015 is not available.

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
 DECEMBER 31, 2019

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

LOPFI	<u>2019</u>
City's proportion of the net pension liability	0.229850%
City's proportionate share of the net pension liability	\$ 1,169,767
City's covered-employee payroll	\$ 618,319
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.96%
Plan fiduciary net position as a percentage of the total pension liability	65.84%
LOPFI	<u>2018</u>
City's proportion of the net pension liability	0.222987%
City's proportionate share of the net pension liability	\$ 1,305,577
City's covered-employee payroll	\$ 608,914
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.41%
Plan fiduciary net position as a percentage of the total pension liability	71.17%
LOPFI	<u>2017</u>
City's proportion of the net pension liability	0.241980%
City's proportionate share of the net pension liability	\$ 1,094,996
City's covered-employee payroll	\$ 613,638
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.44%
Plan fiduciary net position as a percentage of the total pension liability	72.46%

* Information prior to 2015 is not available.

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS and LOPFI)
 DECEMBER 31, 2019

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

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

* Information prior to 2015 is not available.

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (APERS)
 DECEMBER 31, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required	\$ 497,295	\$ 476,085	\$ 460,745	\$ 453,405	\$ 456,411
Contributions in relation to the statutorily required	<u>497,295</u>	<u>476,085</u>	<u>460,745</u>	<u>453,405</u>	<u>456,411</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 3,246,055	\$ 3,168,554	\$ 3,145,852	\$ 3,127,009	\$ 3,108,605
Contributions as a percentage of covered-employee payroll	15.32%	15.03%	14.65%	14.50%	14.68%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required	\$ 441,436	\$ 417,608	\$ 390,477	\$ 339,981	\$ 307,028
Contributions in relation to the statutorily required	<u>441,436</u>	<u>417,608</u>	<u>390,477</u>	<u>339,981</u>	<u>307,028</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 2,979,203	\$ 2,867,511	\$ 2,822,687	\$ 2,617,953	\$ 2,624,153
Contributions as a percentage of covered-employee payroll	14.82%	14.56%	13.83%	12.99%	11.70%

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 PENSION INFORMATION - MULTI-EMPLOYER COST-SHARING PLANS (LOPFI)
 DECEMBER 31, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required	\$ 154,737	\$ 140,465	\$ 131,648	\$ 124,719	\$ 104,875
Contributions in relation to the statutorily required	<u>154,737</u>	<u>140,465</u>	<u>131,648</u>	<u>124,719</u>	<u>104,875</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 655,273	\$ 618,319	\$ 608,914	\$ 613,638	\$ 545,145
Contribution as a percentage of covered-employee payroll	23.61%	22.72%	21.62%	20.32%	19.24%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required	\$ 100,197	\$ 91,427	\$ 84,986	\$ 76,849	\$ 72,529
Contributions in relation to the statutorily required	<u>100,197</u>	<u>91,427</u>	<u>84,986</u>	<u>76,849</u>	<u>72,529</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
City's covered-employee payroll	\$ 551,859	\$ 530,924	\$ 522,631	\$ 524,757	\$ 521,496
Contribution as a percentage of Covered-employee payroll	18.16%	17.22%	16.26%	14.64%	13.91%

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

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax	\$ 3,607,000	\$ 3,607,000	\$ 3,550,907	\$(56,093)
Property tax	420,000	420,000	459,762	39,762
State general turnback	212,000	212,000	218,074	6,074
Franchise taxes	180,000	180,000	122,774	(57,226)
Licenses and permits	16,000	16,000	13,080	(2,920)
Fines, forfeitures, and fees	341,700	341,700	368,344	26,644
Grants/Contributions	47,816	47,816	50,243	2,427
Interest and dividend income	225	225	1,847	1,622
Other income	302,028	302,028	334,855	32,827
Total Revenues	<u>5,126,769</u>	<u>5,126,769</u>	<u>5,119,886</u>	<u>(6,883)</u>
Expenditures				
Law enforcement	2,478,222	2,478,222	2,384,273	93,949
Public safety	942,953	942,953	991,002	(48,049)
Recreation and culture	668,362	668,362	709,594	(41,232)
General government	730,232	730,232	734,721	(4,489)
Total Expenditures	<u>4,819,769</u>	<u>4,819,769</u>	<u>4,819,590</u>	<u>179</u>
Excess (Deficiency) of Revenues over Expenditures	<u>307,000</u>	<u>307,000</u>	<u>300,295</u>	<u>(6,705)</u>
Other Financing Sources (Uses)				
Transfers in	605,000	605,000	605,000	
Transfers (out)	(1,066,600)	(1,066,600)	(1,025,000)	41,600
Total Other Financing Sources (Uses)	<u>(461,600)</u>	<u>(461,600)</u>	<u>(420,000)</u>	<u>41,600</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(154,600)</u>	<u>(154,600)</u>	<u>(119,705)</u>	<u>34,895</u>
Fund Balance - Beginning	<u>2,216,917</u>	<u>2,216,917</u>	<u>2,216,917</u>	
Fund Balance - End of Year	<u>\$ 2,062,317</u>	<u>\$ 2,062,317</u>	<u>\$ 2,097,212</u>	<u>\$ 34,895</u>

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 STREET FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State street turnback	\$ 700,000	\$ 700,000	\$ 733,226	\$ 33,226
Property tax	50,000	50,000	50,697	697
Interest income	3,000	3,000	2,956	(44)
Other income	<u>1,000</u>	<u>1,000</u>	<u>5,162</u>	<u>4,162</u>
Total Revenues	<u>754,000</u>	<u>754,000</u>	<u>792,041</u>	<u>38,041</u>
Expenditures				
Operations and maintenance	617,191	617,191	516,120	101,071
Capital expenditures	535,000	535,000	268,736	266,264
Debt service:				
Principal	25,150	25,150	25,253	(103)
Interest	<u>4,000</u>	<u>4,000</u>	<u>3,902</u>	<u>98</u>
Total Expenditures	<u>1,181,341</u>	<u>1,181,341</u>	<u>814,011</u>	<u>367,330</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(427,341)</u>	<u>(427,341)</u>	<u>(21,970)</u>	<u>405,371</u>
Other Financing Sources (Uses)				
Transfers in	575,000	575,000	586,600	11,600
Transfers (out)	<u>(147,341)</u>	<u>(147,659)</u>	<u>(147,659)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>427,341</u>	<u>427,341</u>	<u>438,941</u>	<u>11,600</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses			416,971	416,971
Fund Balance - Beginning	<u>1,255,452</u>	<u>1,255,452</u>	<u>1,255,452</u>	<u></u>
Fund Balance - End of Year	<u>\$ 1,255,452</u>	<u>\$ 1,255,452</u>	<u>\$ 1,672,423</u>	<u>\$ 416,971</u>

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 AIRPORT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Lease revenue	\$ 54,000	\$ 54,000	\$ 57,961	\$ 3,961
Rail spur maintenance	269,425	269,425	143,880	(125,545)
Grants/contributions	1,835,000	1,835,000	1,589,237	(245,763)
Interest income	4,000	4,000	895	(3,105)
Other income	<u>41,000</u>	<u>41,000</u>	<u>46,279</u>	<u>5,279</u>
Total Revenues	<u>2,203,425</u>	<u>2,203,425</u>	<u>1,838,252</u>	<u>(365,173)</u>
Expenditures				
General government	226,425	226,425	127,564	98,861
Capital outlay	<u>1,984,000</u>	<u>1,984,000</u>	<u>1,329,429</u>	<u>654,571</u>
Total Expenditures	<u>2,210,425</u>	<u>2,210,425</u>	<u>1,456,993</u>	<u>753,432</u>
Excess (Deficiency) of Revenues over Expenditures	(7,000)	(7,000)	381,259	388,259
Other Financing Sources (Uses)				
Transfers (out)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>_____</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>_____</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(37,000)	(37,000)	351,259	388,259
Fund Balance - Beginning of Year	<u>561,611</u>	<u>561,611</u>	<u>561,611</u>	<u>_____</u>
Fund Balance - End of Year	<u>\$ 524,611</u>	<u>\$ 524,611</u>	<u>\$ 912,870</u>	<u>\$ 388,259</u>

CITY OF HOPE, ARKANSAS
 REQUIRED SUPPLEMENTARY INFORMATION
 CAPITAL OUTLAY FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants/contributions	\$ 113,069	\$ 113,069	\$ 307,710	\$ 194,641
Other income	<u>112,296</u>	<u>112,296</u>	<u>112,296</u>	<u> </u>
Total Revenues	<u>225,365</u>	<u>225,365</u>	<u>420,006</u>	<u>194,641</u>
Expenditures				
Current:				
Law enforcement			17,421	(17,421)
Public safety				
Recreation and culture			1,250	(1,250)
Administration and finance	83,506	83,506	7,596	75,910
Debt service:				
Principal	53,430	53,430	53,435	(5)
Interest	75,360	75,360	75,397	(37)
Capital outlay	<u>593,069</u>	<u>593,069</u>	<u>660,191</u>	<u>(67,122)</u>
Total Expenditures	<u>805,365</u>	<u>805,365</u>	<u>815,290</u>	<u>(9,925)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(580,000)</u>	<u>(580,000)</u>	<u>(395,284)</u>	<u>184,716</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>596,600</u>	<u>596,600</u>	<u>551,185</u>	<u>(45,415)</u>
Total Other Financing Sources and (Uses)	<u>596,600</u>	<u>596,600</u>	<u>551,185</u>	<u>(45,415)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	16,600	16,600	155,901	139,301
Fund Balance - Beginning of Year	<u>78,152</u>	<u>78,152</u>	<u>78,152</u>	<u> </u>
Fund Balance - End of Year	<u>\$ 94,752</u>	<u>\$ 94,752</u>	<u>\$ 234,053</u>	<u>\$ 139,301</u>

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES - PROPRIETARY FUNDS

OPERATING TRANSFER SCHEDULE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

CITY OF HOPE, ARKANSAS
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Sanitation fees	\$ 1,332,000	\$ 1,341,164	\$ 9,164
Other	<u>5,000</u>	<u>6,444</u>	<u>1,444</u>
Total Revenues	<u>1,337,000</u>	<u>1,347,608</u>	<u>10,608</u>
Operating Expenditures			
Landfill post closure costs		179,716	(179,716)
Operations and maintenance	1,370,068	1,365,061	5,007
Depreciation and amortization		<u>284,307</u>	<u>(284,307)</u>
Total Operating Expense	<u>1,370,068</u>	<u>1,829,084</u>	<u>(459,016)</u>
Net Income (Loss) from Operations	<u>(33,068)</u>	<u>(481,476)</u>	<u>(448,408)</u>
Nonoperating Revenues (Expense)			
Cost of issuance			
Interest income		3,007	3,007
Interest expense	(307,250)	(73,936)	233,314
Fiduciary fees		<u>(1,071)</u>	<u>(1,071)</u>
Total Nonoperating Revenue (Expense)	<u>(307,250)</u>	<u>(72,000)</u>	<u>235,250</u>
Income (Loss) Before Operating Transfers	<u>(340,318)</u>	<u>(553,476)</u>	<u>(213,158)</u>
Operating Transfers			
Transfers in	<u>295,318</u>	<u>295,318</u>	
Changes in Net Position	<u>(45,000)</u>	<u>(258,158)</u>	<u>(213,158)</u>
Net Position - Beginning	<u>893,763</u>	<u>893,763</u>	
Net Position - Ending	<u>\$ 848,763</u>	<u>\$ 635,605</u>	<u>\$(213,158)</u>

CITY OF HOPE, ARKANSAS
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues			
Wastewater fees	\$ 1,399,600	\$ 1,371,327	\$(28,273)
Operating Expenditures			
Operations and maintenance	595,009	658,080	(63,071)
Depreciation & amortization		361,802	(361,802)
Total Operating Expense	<u>595,009</u>	<u>1,019,882</u>	<u>(424,873)</u>
Net Income (Loss) from Operations	<u>804,591</u>	<u>351,445</u>	<u>(453,146)</u>
Nonoperating Revenues (Expense)			
Interest income	1,000	16,330	15,330
Interest expense	(657,932)	(403,322)	254,610
Fiduciary fees		(5,500)	(5,500)
Total Nonoperating Revenue (Expense)	<u>(656,932)</u>	<u>(392,492)</u>	<u>264,440</u>
Income (Loss) Before Operating Transfers	<u>147,659</u>	<u>(41,047)</u>	<u>(188,706)</u>
Operating Transfers			
Transfers out	(147,659)	(147,659)	
Changes in Net Position		(188,706)	(188,706)
Net Position - Beginning of Year	<u>347,295</u>	<u>347,295</u>	
Net Position - Ending	<u>\$ 347,295</u>	<u>\$ 158,589</u>	<u>\$(188,706)</u>

CITY OF HOPE, ARKANSAS
 SCHEDULE OF OPERATING TRANSFERS
 DECEMBER 31, 2019

Transferred from Fund:	Recipient Funds				Total Transfers to Other Funds
	General Fund	Street Fund	Capital Outlay Fund	Sanitation	
General		\$ 575,000	\$ 450,000		\$ 1,025,000
Street				\$ 147,659	147,659
Airport	\$ 30,000				30,000
Wastewater				147,659	147,659
Component Unit:					
Hope Water and Light	575,000				575,000
Tourism		11,600	101,185		112,785
Total Received	<u>\$ 605,000</u>	<u>\$ 586,600</u>	<u>\$ 551,185</u>	<u>\$ 295,318</u>	<u>\$ 2,038,103</u>

CITY OF HOPE, ARKANSAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

Federal grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Commerce:				
Economic Adjustment Assistance	11.307	-	-	\$ 715,857
Total U.S. Department of Commerce				<u>\$ 715,857</u>
U.S. Department of Transportation				
Federal Aviation Administration				
Airport Improvement Program				
03-05-0030-012-2018	20.106	-	-	\$ 222,397
National Highway Traffic Safety Administration				
State and Community Highway Safety	20.606			
		OP-2019-02-02-13		
		SE-2019-01-01-13		
		MSX-2019-06-06-13		
		DD-2019-02-02-13		
		OP-2020-02-02-12		
		SE-2020-01-01-12		
		MSX-2020-06-06-12		
		DD-2020-02-02-12		
Total U.S. Department of Transportation				<u>24,441</u> <u>\$ 246,838</u>
U.S. Department of Justice				
Office of Justice				
Bureau of Justice Assistance				
Bulletproof Vest Partnership Program	16.607	-	-	\$ 1,597
Stop Violence Against Women				
10/1/18 - 9/30/19	16.588	180431-18SL	-	17,112
10/1/19 - 9/30/20	16.588	190431-17SL	-	6,391
Total U.S. Department of Justice				<u>\$ 25,100</u>
U.S. Department of Housing and Urban Development				
Arkansas Economic Development Commission				
Arkansas Community and Development Program	14.228	790-09018-14	-	\$ 139,805
Total U.S. Department of Housing and Urban Development				<u>\$ 139,805</u>
U.S. Department of Homeland Security				
FEMA Assistance to Firefighters	97.044		-	\$ 79,093
Total U.S. Department of Homeland Security				<u>\$ 79,093</u>
Total Expenditures of Federal Awards				<u>\$ 1,206,693</u>

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF HOPE, ARKANSAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTE 1: GENERAL

The accompanying Schedules of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Hope, Arkansas, under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Hope, Arkansas, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hope, Arkansas.

NOTE 2: BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Hope, Arkansas, has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related financial requests for reimbursement except, if applicable, reimbursement has not yet been requested for retainage payable. These exceptions are reported in the financial statements as expenditures consistent with the accrual basis of accounting, but are not reported in the financial reports until actually paid.

NOTE 4: PASS-THROUGH ENTITIES

Pass-through entities identifying numbers presented are those provided by State agencies.

CITY OF HOPE, ARKANSAS
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2019

<u>State grantor/Pass-through Grantor/Program</u>	<u>Grant or Identifying Number</u>	<u>Total State Expenditures</u>
State of Arkansas		
Department of Aeronautics		
Airport Drainage Improvements	3820-19	\$ <u>57,226</u>
Total Department of Aeronautics		\$ <u>57,226</u>
Arkansas Department of Parks, Heritage and Tourism		
Improvements Northside and Fair Parks	A-10769-19-HE	\$ 101,285
Arkansas Department of Parks, Heritage and Tourism		
Downtown Park Pavilion	A-10738-18-HE	<u>125,735</u>
Total Arkansas Department of Parks, Heritage and Tourism		\$ <u>227,020</u>
Arkansas State Police		
MDT	19-416-17L	\$ 2,300
Total Arkansas State Police		\$ <u>2,300</u>
Total Schedule of Expenditures of State Awards		\$ <u>286,546</u>

CITY OF HOPE, ARKANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTE 1: GENERAL

The accompanying Schedules of Expenditures of State Awards (the Schedule) includes the award activity of City of Hope, Arkansas, under programs of Arkansas government for the year ended December 31, 2019. Because the Schedule presents only a selected portion of the operations of City of Hope, Arkansas, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hope, Arkansas.

NOTE 2: BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related Arkansas financial requests for reimbursement except, if applicable, reimbursement has not yet been requested for retainage payable. These exceptions are reported in the financial statements as expenditures consistent with the accrual basis of accounting, but are not reported in the Arkansas financial reports until actually paid.

NOTE 4: PASS-THROUGH ENTITIES

Identifying numbers presented are those provided by State agencies.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH CERTAIN STATE ACTS

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

To the City Manager and Board of Directors
City of Hope, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hope, Arkansas (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described as finding 2019-001 in the accompanying schedule of findings and questioned costs, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hope, Arkansas' 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 under *Government Auditing Standards*.

City of Hope, Arkansas
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* (Continued)

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 12, 2020

William C Miller, LLC

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INDEPENDENT AUDITOR'S REPORT
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Manager and Board of Directors
City of Hope, Arkansas

Report on Compliance for Major Federal Program

We have audited the compliance of the City of Hope, Arkansas (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the major federal programs of the City of Hope, Arkansas, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the compliance of the City of Hope, Arkansas.

Opinion on Each Major Federal Program

In our opinion, the City of Hope, Arkansas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, described as finding 2019-001 in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

November 12, 2020

William C Miller, LLC

CITY OF HOPE, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. The Auditors' report expresses an unmodified opinion on whether the financial statements of City of Hope, Arkansas were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
2. The independent auditors' report on internal control over financial reporting for the City of Hope, Arkansas disclosed a material weakness.
3. No instances of noncompliance considered material to the financial statements of the City of Hope, Arkansas, was disclosed by the audit.

Federal Awards

4. The independent auditors' report on internal control over compliance of major federal programs for the City of Hope, Arkansas disclosed a material weakness.
5. The opinion expressed in the independent auditors' report on compliance for major federal awards was unmodified.
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a) in this Schedules of Findings and Questioned Costs.
7. The Project's major programs were:

Cluster/Program	CFDA Number
U.S. Department of Commerce Economic Adjustment Assistance	11.307
U.S. Department of Transportation Airport Improvement Program	20.106

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The City did not qualify as a low-risk auditee.

CITY OF HOPE, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

The following findings are required to be reported by *Government Auditing Standards*:

Reference	Findings
2019-001	<p><i>Condition:</i> The City did not segregate financial accounting duties relating to initiating, receipting, depositing, disbursing and recording cash transactions to sufficiently reduce the risks of fraud or error. This was also a finding for fiscal year ended December 31, 2018.</p> <p><i>Criteria:</i> Proper segregation of controls should be in place to provide reasonable assurance that fraud or error does not occur.</p> <p><i>Cause:</i> The City has limited financial resources which prevents it from fully segregating financial accounting duties.</p> <p><i>Effect:</i> Without proper segregation of duties, opportunity for fraud or error exists.</p> <p><i>Recommendation:</i> The City should evaluate its internal controls and segregate financial duties to the extent possible with the current staffing levels. The City should consider additional oversight where segregation is not possible.</p> <p><i>View of Responsible Officials:</i> The City segregates financial duties to the extent possible with the current staffing levels, but lacks the financial resources to employ enough staff to fully segregate financial duties.</p>

CITY OF HOPE, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019

The following findings are required to be reported By the Uniform Guidance related to each major program:

Reference	Findings, No Questioned Costs
2019-001	<p><i>Condition:</i> The City did not segregate financial accounting duties relating to initiating, receipting, depositing, disbursing and recording cash transactions to sufficiently reduce the risks of fraud or error to each of its major programs.</p> <p><i>Criteria:</i> Proper segregation of controls should be in place to provide reasonable assurance that fraud or error does not occur.</p> <p><i>Cause:</i> The City has limited financial resources which prevent it from fully segregating financial accounting duties.</p> <p><i>Effect:</i> Without proper segregation of duties, opportunity for fraud or error exists.</p> <p><i>Recommendation:</i> The City should evaluate its internal controls and segregate financial duties to the extent possible with the current staffing levels. The City should consider additional oversight where segregation is not possible.</p> <p><i>View of Responsible Officials:</i> The City segregates financial duties over each of its federal programs to the extent possible with the current staffing levels, but lacks the financial resources to employ enough staff to fully segregate financial duties over each of its federal programs.</p>

CITY OF HOPE, ARKANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019

Reference Number	Finding	Status
2018-001	<p>Findings Related to Financial Statements</p> <p>Findings Related to Major Programs</p> <p>Department of Transportation, Federal Aviation Administration Airport Improvement Program, CFDA 20.106</p> <p>U.S. Department of Commerce Economic Adjustment Assistance CFDA 11.307</p> <p>The City did not segregate financial accounting duties related to initiating, receipting deposits, disbursements and recording cash transactions to sufficiently reduce the risk of fraud or error over its financial statements or compliance with each of its federal award programs.</p> <p>The City segregates financial duties over its financial statements and each of its federal award programs to the extent possible with its current staffing levels but did not have the financial resources to employ enough staff to fully segregate financial duties over its financial statements or its federal award programs.</p>	<p>Not Corrected</p> <p>Not Corrected</p>

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**Independent Accountant's Report on
Compliance with Certain State Acts**

To the City Manager and Board of Directors
City of Hope, Arkansas

We have examined management's assertions that the City of Hope, Arkansas, complied with the requirements of the *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2019.

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

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

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

In our opinion, management's assertion that the City of Hope, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2019, is fairly stated, in all material respects.

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

November 12, 2020

William C Miller, LLC