



HOT
SPRINGS

NATIONAL PARK
ARKANSAS

The logo for Hot Springs National Park Arkansas is a diamond-shaped emblem. The top half is a dark blue triangle containing the words "HOT SPRINGS" in white, serif, all-caps font. The bottom half is a teal triangle containing the words "NATIONAL PARK ARKANSAS" in white, serif, all-caps font. A white wavy line separates the two triangles. A registered trademark symbol (®) is located in the top right corner of the teal section.

CITY OF HOT SPRINGS, ARKANSAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2022

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CITY OF HOT SPRINGS, ARKANSAS

Annual Comprehensive Financial Report

For the Year Ended December 31, 2022

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City of Hot Springs, Arkansas
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended December 31, 2022

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INTRODUCTORY SECTION

WELCOME TO HOT SPRINGS, ARKANSAS



City of Hot Springs
Finance Department



Post Office Box 6300
Hot Springs National Park

August 30, 2023

To the Honorable Mayor Pat McCabe, Members of the Board of Directors
and Citizens of the City of Hot Springs, Arkansas

State law requires that all cities of the first class publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by licensed, certified public accountants. Pursuant to the fulfillment of that requirement, we hereby issue the annual comprehensive financial report for the City of Hot Springs, Arkansas, for the year ended December 31, 2022.

This report consists of management's representations concerning the finances of the City of Hot Springs (City). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report based on a comprehensive internal control framework that is designed for that purpose. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatement.

FORVIS, LLC, certified public accountants, issued unmodified opinions on the City of Hot Springs' financial statements for the year ended December 31, 2022. The independent auditor's report is at the beginning of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City of Hot Springs

The City of Hot Springs was incorporated in 1876 as a political subdivision of the State of Arkansas. Hot Springs is in west central Arkansas about 50 miles southwest of Little Rock, and is world renowned for its scenic beauty and thermal waters. The City has a total land area of 37.57 square miles and a population of 37,930. Hot Springs is the only City that is nearly surrounded by a national park and is the oldest federal reservation in the United States.

The City has operated under the City Manager form of government since June 1986. Policy making and legislative authority are vested in a Board of Directors consisting of the Mayor and six other board members. The Board of Directors is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The Board is elected on a nonpartisan basis. The Mayor is a voting member of the Board without veto power, serves as the ceremonial representative of the City, and presides over Board meetings. Board members serve four-year, staggered terms with three or four members elected every two years. The Mayor is elected at large, and the other Board members are elected by district.

The City provides a full range of services, including police and fire protection, planning and community development, parks and recreation, construction and maintenance of City streets and traffic signals, public transit, water and wastewater services, stormwater management, solid waste, municipal airport, animal control, and parking facilities. The Advertising and Promotion Commission (A&P) is included in the annual comprehensive financial report as a discretely presented component unit and is reported in a separate column to emphasize that the unit is legally separate from the City. The Commission administers advertising and promotion functions and operations of the convention center and tourist attractions. The City Board holds two seats (non-majority) on the Commission and ratifies the remaining appointments. The Commission is fiscally dependent on the City as the Board of Directors approves the Commission's tax levy and incurrence of debt.

The annual budget serves as the foundation for the City's financial planning and control and is the major policy document of the Board of Directors. Budget preparation begins in September, with each department developing a budget to achieve operational goals and objectives pursuant to the City's strategic plan. Meetings are held with the City Manager, Finance Director, and Human Resources Director and a proposed budget for the entire City is developed. The City Manager presents the proposed budget to the Board of Directors. Work sessions are held, and a final budget is presented and adopted in a formal board meeting.

The appropriated budget is prepared by fund, department, and major classification, which is the legal level of control. The Finance Director may make transfers between individual line items in a major classification (i.e., supplies to supplies) in the same department and fund. Transfers from one major classification to another and transfers from one department to another within the same fund must be approved by the City Manager. Transfers between funds require the approval of the Board of Directors; however, the City Manager may make transfers from the General Fund into the Police Fund, Fire Fund, and Street Fund, provided the transfers are in compliance with local, state and federal regulations. The budget is monitored by category (personnel, services, supplies, capital) and the City Manager can approve expenditures over appropriation by major category when necessary. Approval of budget amendments are required by the Board when the total departmental expenditures exceed the total departmental appropriation. Budget-to-actual reports are provided in this report for each major individual governmental fund for which an appropriate annual budget has been adopted and are presented in the required supplementary

information section of this report. These funds are the General Fund, Police Fund, Fire Fund, and Street Fund. Budget-to-actual reports for all other budgeted funds are located in the combining and individual statements and schedules section.

Economic Conditions and Outlook

Economic conditions and outlook continues to be unsteady and influenced by events on the macro-level that filter down throughout the economy. Both 2020 and 2021 provided deep downturns globally and quickly followed by a strong consumer led rebound in 2022. The economic shocks from the Russian invasion of Ukraine, supply chain issues coupled with labor shortages on top of the continued presence of COVID-19 waves all suppressed an otherwise strong economy into modest growth. At the state and local levels, Arkansas and Hot Springs fared much better than its peers at the nationwide levels by posting record revenue growth. Arkansas Department of Finance and Administration revenue report from January 2023 showed a 4.7% increase above forecast or \$194.8 million in available net revenues. Looking at the City of Hot Springs sales tax returns shows a 3.6% increase for November 2022 and a 7.58% increase year-to-date, compared to 2021. Common themes that contributed to the strong economic outlook at the local level has been conservative approach to spending, quality of life offerings, scenic beauty and a national profile as a visitor destination.

Hot Springs, Arkansas is a growing, vibrant community with an exciting future. Its main industry is tourism and it is one of the South's most popular vacation and convention destinations. It hosts around 8 million visitors annually. Across the state, the tourism industry continues to be an important economic engine, often referred to as Arkansas' second largest industry, with agriculture being the largest. Hot Springs has always prided itself on the scenic beauty of forested mountains and pristine lakes all found alongside outstanding dining options and numerous attractions. Situated in the Ouachita Mountains, we offer nature lovers, history buffs, foodies, and more a wide array of amenities that have earned us nationwide attention and for good reason.

Hot Springs is the smallest and oldest of the parks in the National Park System, dating back to 1832, when Congress established – 32 years ahead of Yellowstone – the first federally protected reservation in the nation's history. It features amazing 143° thermal water, rich history and beautiful architecture. Downtown Hot Springs National Park includes classic hotels, Victorian architecture, world-class art studios, restaurants, nightlife, and the famed Bathhouse Row. Bathhouse Row will transport one back to a different time when Hot Springs literally “Bathed the World.” The federal government, through the National Park Service, supervises the use of the 800,000 gallons of hot water that flows uninterrupted from the earth each day. One of the old bathhouses has been converted to a brewery and restaurant and another is a nine-room boutique hotel with two public dining areas (<https://www.nps.gov/hosp/index.htm>)

Hot Springs National Park might be small in land area, but it more than makes up for it with its economic impact. A 2021 National Park Service report showed 2.1 million visitors to Hot Springs National Park spending \$154 million in the local community. The associated visitor spending supports 2,200 jobs with a positive benefit of \$208 million to the local economy.

Hot Springs is surrounded by an abundance of natural resources and is located in the scenic Ouachita Mountains. Nearby lakes include Lake Ouachita, Lake Catherine, and Lake Hamilton, which offer a wide variety of water sports, fishing, and entertainment opportunities. Local parks provide venues for outdoor enthusiasts who enjoy hiking, canoeing, rock mining, rock climbing and mountain biking.

Hot Springs has established itself as a premier mountain bike destination. 31.5+ miles of world class mountain bike trails are just 5 minutes from downtown Hot Springs. The Northwoods system includes Green, Blue and Black single track, multi-track, flow trails, jump lines and the Lucky 13 expert section. Northwoods is home to the annual Gudrun MTB Festival each November. Bikers, hikers and trail

runners are all welcome. Opening in spring 2023, Velocity Park, a bicycle skills park will feature an asphalt pumptrack and a natural surface skills loop around the perimeter of the 3 acre area. Velocity Park will further enhance and compliment Hot Springs' stamp as a place to go for outdoor recreation.

The Hot Springs Greenway Trail opened in 1998. It originates downtown and runs south alongside Hot Springs Creek and will eventually connect to Lake Hamilton. The trail has been largely funded by Transportation Alternative Grant funds. As of year-end 2022, 2.7 miles of trail have been completed with construction currently going on to add another mile of trail and a trailhead at Television Hill Road, named the Jean W. Wallace Wetlands Trailhead. This will be the first time Central Avenue and south Hot Springs residences will have direct access to the trail. The trail features many neighborhood connections, offering access to the trail within walking distance from their homes. The trail is in a beautiful setting and features many art elements, and outdoor workout equipment along the way.

Hot Springs is also a thriving arts community. The Hot Springs Area Cultural Alliance (www.hotspringsarts.org) is a nonprofit organization whose mission is to celebrate, advocate, and promote the arts in Hot Springs. There are numerous art galleries as well as several events including the Hot Springs Music Festival, Hot Springs Documentary Film Festival, Hot Springs Blues and Jazz Fest, Valley of the Vapors Independent Music Festival, Arts and the Park and the monthly Gallery Walk on Friday night.

The City also hosts various fishing tournaments, motorcycle rallies, and parades. The City also hosts the World's Shortest St. Patrick's Day Parade annually, (cancelled in 2020 due to the pandemic) which draws a large number of visitors and participants (www.shortteststpats.com).

Hot Springs has an active growing night life. Over the past years, several new premium restaurants have been added to augment the other long standing restaurants. Microbreweries have become more popular across the United States and Hot Springs is no exception, with two located downtown, as well as a wine bar and distillery. Visitors can enjoy live music seven nights a week at one or more locations in the City.

In addition to being a tourist destination, Hot Springs is a popular retirement community. Due to this, the health care industry has a significant economic presence in Hot Springs with two major hospitals and many other healthcare facilities. Both of these hospitals are two of the top ten employers in the City.

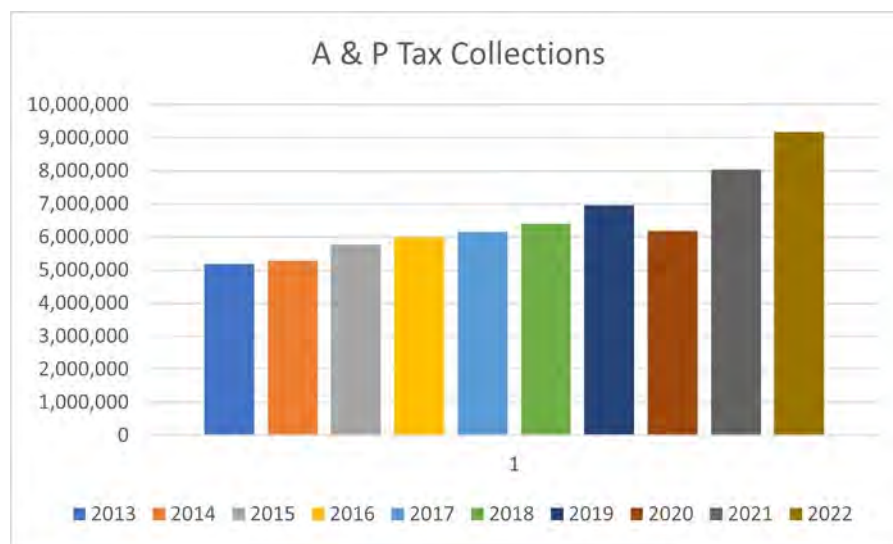
There are several school districts in the community. Arkansas School of Mathematics, Sciences, and the Arts (ASMSA), a two-year, public residential high school is located in Hot Springs. National Park College was established in 1973 and is located in Hot Springs, Arkansas. The College enrolls over 7,500 credit and non-credit students per year. NPC is a comprehensive two-year institution offering associate degrees and certificates as well as continuing education, community services and workforce training. NPC partnered with Southern Arkansas University to offer three bachelor's degrees on campus (www.np.edu).

Approximately 37,930 residents live within the city limits according to the 2020 Census. Hot Springs is the county seat for Garland County, which has a total population of over 100,180. Many county residents travel to Hot Springs to work, play, shop, and dine. Economic growth in the City has a positive effect on the county and vice versa, and should be viewed as a regional endeavor and not just what happens in the city limits. The unemployment rate for the state of Arkansas dipped to a low of 3.1% in March 2022 and reached a high of 3.7% in November 2022. The Hot Springs Metropolitan

Statistical Area (MSA, which includes Garland County) fluctuated from a high of 4.9% in July 2022 to a low 3.5% unemployment rate in December 2022.

The promotion of Hot Springs is accomplished thru an advertising and promotion commission (A&P). It is funded by a 3% tax on restaurants, motels, and hotels. Its responsibilities include promoting Hot Springs and managing the Convention Center and Mid-America Science Museum (www.hotsprings.org). This tax provides an excellent barometer of the economic impact of visitors on the community.

As shown in the chart below, this tax has steadily increased over the past few years. The tax revenues have shown strong year over year growth. There was a dip in 2020 due to the pandemic, but 2021 showed a significant increase of 30% over 2020, and 15% over 2019. The total collections for 2022 outpaced 2021 by \$1.13 million or 14.05% bringing in \$9,154,623.



The biggest driver of the Hot Springs economy is Oaklawn Racing Casino Resort (hereinafter referred to as Oaklawn), a premier thoroughbred horse racing track and casino. Oaklawn officially opened in 1904. In 2006, voters of Arkansas voted to legalize electronic games of skill at Oaklawn and a dog racing track in east Arkansas. A portion of the tax revenue from these operations has been coming to the City and the county since this time. In 2018, Arkansas voters passed a statewide initiative to open up gaming to allow casino-type betting and sports betting and in November, 2018 Oaklawn announced a \$100+ million expansion consisting of a new 200-room hotel, an event center, and an expanded casino area. The new casino area opened in January, 2020 and the hotel and the event center opened in early 2021. The expanded casino, new hotel, and new event center added around 400 new permanent jobs.

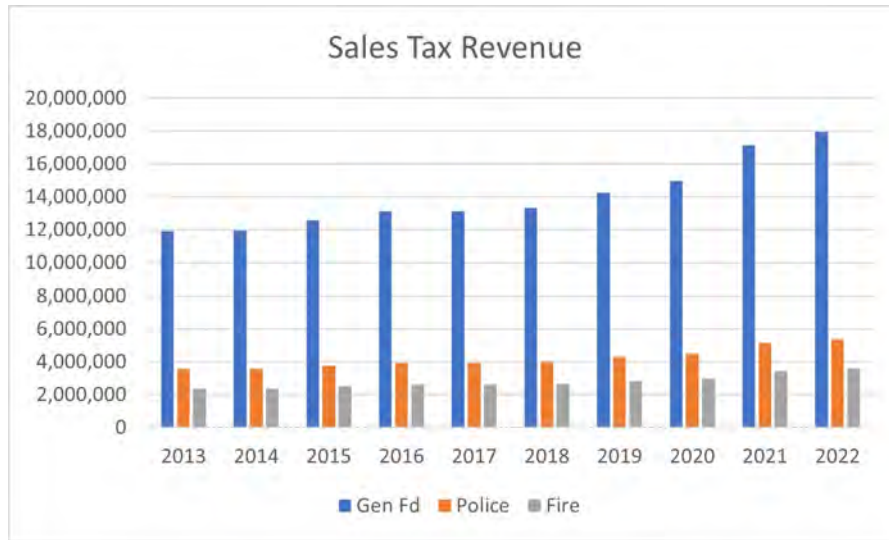
As a result of legislation passed in 2018 regarding casinos, the distribution of tax revenues changed, providing a much larger distribution to the municipality and the county where the casino is located. This became effective in July, 2019 and as a result, Hot Springs revenue from Oaklawn has increased significantly. During the first six months of 2019, our revenue was \$1.2 million. During the last six months of 2019, our revenue grew to \$1.9 million, an increase of around 54%. This growth was interrupted in 2020 by the pandemic and revenue declined by 12.1% compared to 2019. With the rebound in 2021, revenue increased 34% over 2020. With a full year of hotel and event center

operations, 2022 revenues were up 10.78% over 2021. The following graph provides historical information on Oaklawn casino revenue.



Currently 60% of the funding for the City of Hot Springs' general government operating activities (administration, police, fire, streets, parks) comes from a sales tax. A 1% sales tax levy is for general government activities and a 0.5% sales tax levy is restricted to police and fire activities. In 2022, the City collected approximately \$27.6 million from this combined tax. The tax increased 1.47% in 2018, 7% in 2019, 4.91% in 2020, 14.62% in 2021, and in 2022 7.58% (with December estimated). A conservative 4% increase has been projected for 2023 due to the uncertainty at the time of forecast. Because of tourism, the tax burden has been borne by sales tax and the City does not levy a property tax. While this is a positive for residents, it makes this major income source more volatile and sensitive to economic shifts. Tourism spending is discretionary spending. However, sometimes economic downturns mean that tourists choose to go to smaller places and not travel as much, and this can result in a positive, or neutral impact on the local economy. For the last 22 years, sales tax increased every year, except for 2009 (the end of the Great Recession) when it declined by 2.4%. It is interesting to note that sales tax increased in 2007 and 2008, the first two years of the Great Recession.

The 2018 United States Supreme Court ruling in *South Dakota V. Wayfair* paved the way for states to enforce collection of sales tax on the majority of online transactions. Arkansas legislators passed Act 822 which went into effect in July, 2019, and this has had a very positive effect on both state and local taxes. It is the common theory that this change was what enabled us to post a positive growth during 2020. The large growth in 2021 and 2022 is due to increased economic activity in the City. This will be discussed in more detail later in this overview. The following chart demonstrates the growth in sales tax over the past ten years.



In 2016, Arkansas voters voted to legalize medical marijuana. One of the first dispensaries in the State open in Hot Springs in May, 2019. Since medical marijuana is taxable, it has had a very positive impact on our sales tax.

For the past few years, there has been major investment in downtown Hot Springs by both the private sector and public sector in an effort to revitalize it. The effect of the pandemic is evident in these numbers. The following table shows the investment over the last five years:

	2018	2019	2020	2021	2022
New Business Opened	21	30	10	24	17
Commercial Properties Sold in Downtown	16	15	8	21	19
Value of Commercial Properties Sold	\$8M	\$12M	\$3M	\$8.3M	\$12.9M
Downtown Investment	\$12M	\$14.5M	\$3.85M	\$20.8M	\$14.6M

In addition to downtown development, there is major development in other areas of the City. The residential real estate market shows a 3.7% increase year over year for median home sales prices to \$222,000. Homes sold has slowed down from the fast pace seen early in the pandemic as well. A combination of low supply and higher interest rates and borrowing costs are likely the cause. The following is a comparison of 2020, 2021, and 2022 commercial construction permits:

	2020		2021		2022	
	# of Permits	Valuation	# of Permits	Valuation	# of Permits	Valuation
New Commercial	30	\$ 56,621,656	37	\$ 36,303,955	30	\$ 26,999,128
Existing Commercial	178	\$ 11,573,452	178	\$ 36,188,884	178	\$ 45,721,639
Total		\$ 68,195,108		\$ 72,492,839		\$ 72,720,767

Economic development outreach for the City and Garland County is outsourced through the Hot Springs Metro Partnership (HSMP), a division of the Chamber of Commerce. In 2022, there were 28

active economic development projects. The Metro Partnership is also very active in retention and growth efforts of our existing industries and were instrumental in adding a total of 21 new jobs to local companies plus around \$4.5 million in new investment during 2022.

Here are the growth highlights that they provided for 2022:

Origami Sake- Efforts have been underway since 2016 to locate this sake production facility. They purchased an industrial warehouse at 2360 East Grand in December of 2021 and in 2022 the property was renovated and outfitted with millions of dollars in sake brewing equipment and a staff of six was hired from all over the world. With the expertise of key members, Origami Sake expects to be the largest craft sake brewer in the USA when they open. Planning for a May, 2023 Grand Opening.

Aitoh is an art supply wholesaler we recruited to Hot Springs from Fort Worth, TX. They purchased the building at 2720 Mountain Pine Rd. in March 2022 for their warehouse and distribution facility. They brought several good paying jobs and hired a handful of staff for warehousing, and distributing. Aitoh supplies retailers like Hobby Lobby, Michaels and similar stores all over the US.

Outbound View is a Nashville, TN-based tech company that specializes in generating new sales leads for businesses. In 2022 they decided to open their first physical office location. In the spring they moved into the commercial building at 835 Central Ave. and hired about a dozen employees.

The Chamber's ACTI/Save the Army Navy Hospital Committee continued working towards a solution. In 2022 we worked to secure full-time security to the site and help expedite the Phase II Environmental Study.

Broadband Expansion - Resort Cable announced in 2021 and just completed a \$5.8 million upgrade to their network to provide up to 1Gig download speeds to every customer they service- 50,295 homes in Garland County.

HSMP sought and was awarded a contract from the City to be able to market the Majestic Site in 2023. With the help of several notable Hot Springs business leaders who are on our HSMP Executive Committee, we intend to attract a world-class development to the site.

The HSMP purchased 26 acres of relatively flat land for a future industrial development project off of Highway 270E.

Along with other leaders, Gary Troutman testified before the Arkansas Higher Education Board's Coordinating Committee on behalf of National Park College who sought the approval to offer BSN degrees for the local nursing workforce shortage. This issue is ongoing.

We began the process for Hot Springs to become an ACT Work Ready Community, having been chosen over Little Rock at the annual ACT Conference in New Orleans.

Economic Drivers

There are several exciting things happening in Hot Springs that will drive even more economic growth. A discussion of each follows:

Water Supply: For many years the City has been focused on securing an adequate water supply for its future. Two separate sources were secured in the past few years and in 2018 work began on the required infrastructure to support drawing water out of Lake Ouachita. In 2020, the City issued

approximately \$100 million in bonds to finance the water intake, raw and finished water lines, and a new water plant. Significant progress was made in 2021 and the entire project should be completed by late 2024. As a result of this progress, the City agreed to allow new water connections in all of its service areas. Previously, most water connections outside the City limits had been suspended due to concern about the water supply. Under a memorandum of understanding with Garland County, the County has agreed to share a portion of the anticipated increase in sales tax due to these new connections. This is expected to provide a significant economic impact for the City and the County, as it clears the path for development of both housing and new business. The City has a water supply to meet projected water demands through the year 2060 and it puts the City in a very advantageous position for future growth of residents, tourism, and other industries.

New housing/commercial development: A new planned development, the Richardson Hot Springs Subdivision, was approved in 2021. It consists of approximately 108 acres. The development is a mixed use, providing both housing and commercial business opportunities. A large apartment complex to be known as "The Hamilton" will be three stories in height and located on 63.48 acres of this land. Phase I of "The Hamilton" is currently under construction and will have 252 units. It is estimated to be completed in January, 2024. Other phases are planned for the future. This development will provide much needed housing for the City.

Red Oak Ridge – Gardens Gate Neighborhood – Phase II: The preliminary plat and development plans for Phase II of the Gardens Gate Neighborhood, located within Red Oak Ridge Subdivision, was approved by planning commission on June 9, 2022. This subdivision phase consists of thirty new single-family residential lots all located on Gardens Gate Circle. Construction of subdivision infrastructure is ongoing.

Bypass completion: The state is currently working to complete an extension to the Martin Luther King Bypass. This extension will provide a much better connector between Hot Springs and Hot Springs Village, a retirement community a few miles north of the City. This bypass will also provide some relief to the main downtown artery, Central Avenue, by diverting some of the larger transport trucks to the bypass. This is expected to be completed in July, 2023. By providing a better connector to the Village, we anticipate more of its residents coming to Hot Springs to shop and eat and make a positive economic impact.

Majestic Ballpark: In late 2021, the City's Advertising and Promotion Commission completed Majestic Ballpark (www.majesticpark.org), a state of the art baseball complex that will host local leagues, travel leagues, collegiate play, and other special tournaments. Located at Carson and Belding Streets in the center of Hot Springs, the field has a rich and colorful history. It is built on the same site where from 1908 through 1918, the Detroit Tigers, Boston Red Sox, Cincinnati Reds, and St. Louis Cardinals played spring training games. Throughout the years, many other historical baseball events occurred there as well. The new ballpark has five fields. They are fenced, lighted, have turf infields with stationary mounds, covered dugouts, covered grandstand seating, public address system, scoreboards, and foul ball netting. There are also restrooms, a concessions building, and a public playground. It continues to provide a significant economic impact as players and their families come to Hot Springs, stay in our hotels and eat at our restaurants. It also provides a valuable quality of life asset as a great facility for our local youth to enjoy.

Oaklawn Racing Casino Resort: Oaklawn Racing Casino Resort, Hot Springs' major economic engine, has made many changes over the past few years. Once just a thoroughbred horseracing venue, it has

expanded to become a casino, hotel, event center, and home to several restaurants. In 2021, the hotel, an event center, and several new restaurants were opened. Several of the existing restaurants in the casino and race track were remodeled. In 2022 Oaklawn also opened a second high end restaurant, the Oak Room and Bar.

A major change in 2021 was the adding of December race dates to the calendar for the first time in the track's history. Oaklawn purses are among the highest in the country between December and May, allowing us to draw some of the best horses and trainers in the nation.

Notwithstanding an unforeseen event (such as we saw in 2019 with COVID-19), a full year of hotel activity, event center activity, new restaurants, and a revised racing calendar are expected to provide a major positive economic impact for the City.

Infrastructure

The City provides water, wastewater, solid waste, and stormwater services to all residents, and water and wastewater services to some non-city residents. The number of accounts is projected to grow by about 1% a year. Traditionally, population growth is an indicator of growth in utilities, but in a town where tourism is the main industry, population growth does not tell the whole story. As mentioned above, the City is very focused on providing adequate water to meet its needs. A comprehensive Water System Master Plan was completed in 2018 and was updated in 2022.

The City has invested several million dollars in its Wastewater collection system over the past few years and issued \$45 million in bonds in 2022 to fund additional improvements. Since these improvements are funded by bond money, they do not appear in the Wastewater operating budget. We have also invested several million in our Stormwater system, continuing to protect the waters that flow into our lakes. The Solid Waste system provides excellent collection and recycling services to residents and businesses and has a solid capital replacement plan. All of the utility services are offered at affordable rates and the Board has shown solid support in keeping these utilities viable and sustainable. Each year, rates are reviewed to make sure we are meeting debt coverage ratios as well as providing funding for operations. The 2023 capital improvements plan includes several additional capital projects for these funds.

In 2019, the City contracted with Scenic Hill Solar to build and operate 12.75 MW of solar plants to supply 100% of the City's power needs. The first plant (1.3 MW) was completed in 2021. All of the plants were up and running in 2022. The net expected savings from the use of solar energy is over \$200,000 annually. These projects are on track to make Hot Springs the largest city government in Arkansas to utilize 100% solar energy for its buildings and operations.

Over the past five years, the Arkansas Department of Transportation has widened and improved every major highway artery coming into Hot Springs. Most of these projects have been completed but those under construction should be completed in 2023. Each of these projects required the City to relocate utilities, so the City has invested several million in water and wastewater line improvements relative to these projects.

A key factor in economic development for all cities is the presence of high speed broadband. Ritter Communication has now completed a 100% fiber connection that is available to most commercial businesses in the City and is expanding into other areas of our county. The report from Hot Springs Metro Partnership included information on the amount of investments that have been by Resort Cable to upgrade their network.

Planning

While the City does not do multiple year budgets, there are many planning activities that take place. There is a Water Master Plan and a Wastewater Master Plan and Airport Master Plan all recently completed. In 2020, the City completed the Hot Springs 2040 Comprehensive Plan, referred to as Forward Hot Springs. This document can be viewed at www.cityhs.net/documentcenter/view/13645. It lays out the vision for Hot Springs and provides a detailed action plan. One of the Board's funded priorities for 2022 was to align our land use codes to facilitate the goals outlined in Forward Hot Springs. The annual budget process each year includes a review of the fund balances or net position of each fund in conjunction with the proposed budget and expected changes over the next few years. Citizens serve as advisory boards for the airport, parks, planning and zoning, and community development. The local chamber of commerce has organized and supports a group called Fifty for the Future that is focused on how our community is changing and the best way to optimize our resources. All of these groups play an important role in envisioning the direction of our community and how funding priorities are established.

Many cities are able to provide projections on their local sales tax revenue based on their knowledge of local business and economic trends. Cities in Arkansas are limited by the inability to obtain individual sales tax data by business. Sales tax information by sector is available, but the data does not provide for meaningful analysis and forecasting, as any sector that has less than three businesses is lumped into a special sector that contains numerous business types.

City Management

Senior City management includes the City Manager, two Deputy City Managers, City Attorney, Finance Director, and Human Resources Director. The City Manager has been in that position since January 1, 2019, but previously served in other City positions since 2002. Ten out of 16 department heads have been with the City over five years. With an experienced team, the city is well positioned to meet the challenges of 2023.

Challenges

For many years the City was home to the Arkansas Career Training Institute (ACTI). The Institute occupied a very large piece of property in downtown Hot Springs that was formerly the Army Navy Hospital. The building sits on a hill overlooking the City and is iconic. With the State discontinuing the Institute at the end of 2019, the building and properties will revert back to the Federal government, further complicating a path to reuse.

Summary

Our goal is to continually improve the tourism experience and the quality of place for our citizens. This report has attempted to list many of the different plans that are either currently being implemented, or will be implemented in the near future, but it is not all inclusive. The City Manager's State of the City (SOTC) report serves as a useful complement to a discussion on economic conditions and outlook in Hot Springs and readers are encouraged to read it (<https://www.cityhs.net/Archive.aspx?ADID=600>). Our economic outlook is sound and we are confident that Hot Springs will continue to be one of the best small towns in America.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hot Springs for its annual comprehensive financial report for the fiscal year ended December 31, 2021. The Certificate is a prestigious, continental award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized, annual comprehensive financial report (ACFR), the contents of which conform to program standards. Such ACFR must satisfy generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for one year. The City has received a Certificate of Achievement for twenty-nine consecutive years (fiscal years ended December 31, 1993 through 2021). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA. The preparation of the annual comprehensive financial report is a team effort of the City's Finance Department and management team. Credit must also be given to the Mayor, Board of Directors and other City staff for their unfailing support for maintaining the highest standards of integrity and professionalism in the management of the City of Hot Springs' finances.

Respectfully submitted,



Bill Burrough, City Manager



Karen Scott, Finance Director

NORTHWOODS TRAIL - CEDAR GLADE PUMPTRACK





Government Finance Officers Association

**Certificate of
Achievement
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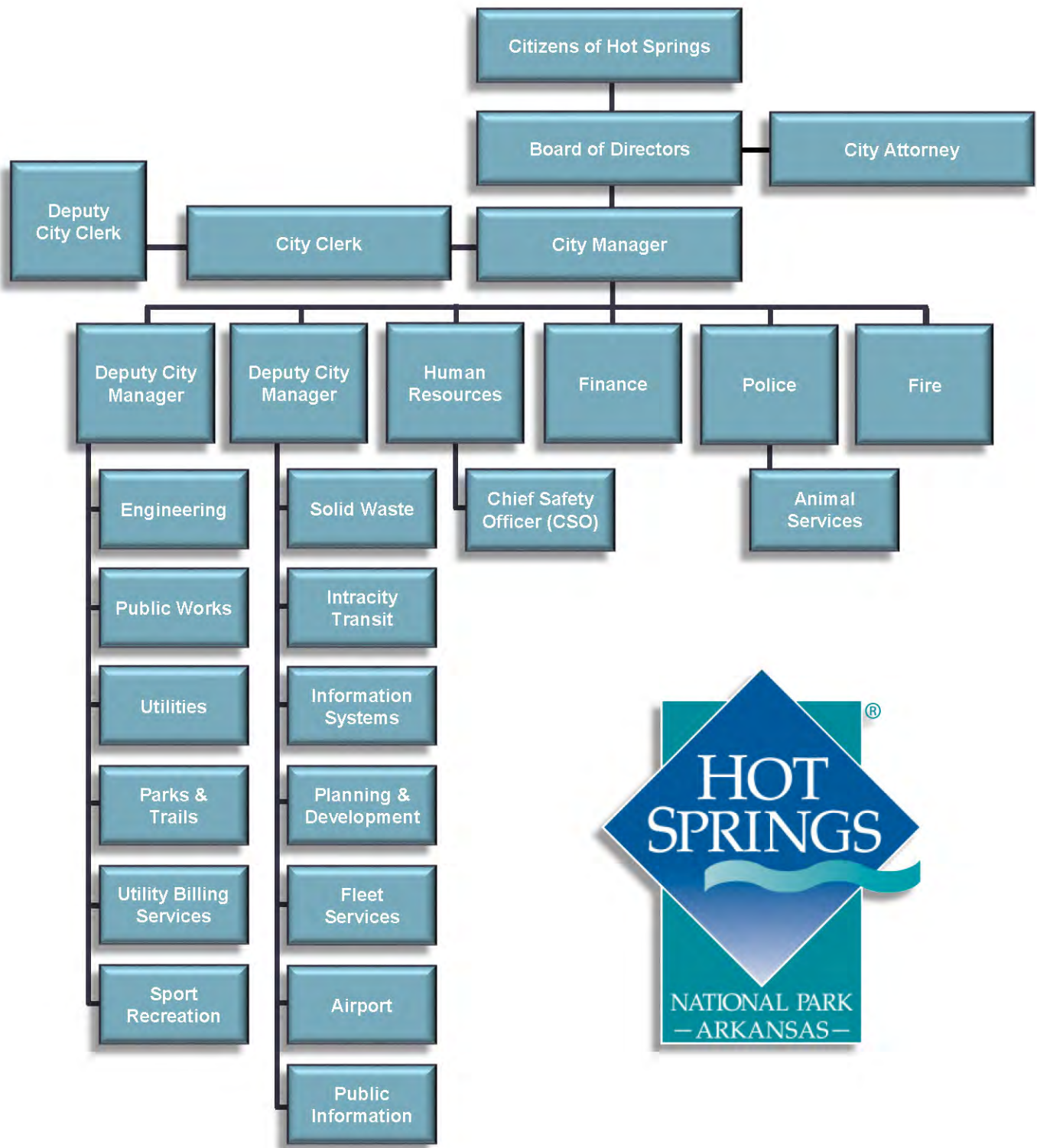
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morrill

Executive Director/CEO

ORGANIZATIONAL CHART



ELECTED OFFICIALS

Board of Directors



Mayor
Pat McCabe



District 1
Erin Holliday



District 2
Phyllis Beard



District 3
Marcia Dobbs-Smith



District 4
Dudley Webb



District 5
Karen Garcia



District 6
Steve Trusty

As the executive policy-making body under the city manager form of government, the Board of Directors adopts ordinances and resolutions, approves the budget and sets policies. They appoint a city manager who oversees the City's day-to-day operations. For a board district map, visit <http://maps.cityhs.net/javascript/COHSCityMap.html> .

APPOINTED OFFICIALS

City Manager.....	Bill Burrough
City Attorney	Brian Albright
Deputy City Manager.....	Lance Spicer
Deputy City Manager.....	Denny McPhate
City Clerk.....	Harmony Morrissey
Human Resources Director.....	Minnie Lenox
Finance Director/Treasurer.....	Karen Scott
Police Chief.....	Billy Hrvatin
Fire Chief.....	Ed Davis
City Engineer.....	Gary Carnahan
Public Works Director	Ron Sievwright
Utilities Director	Monty Ledbetter
Parks and Trails Director	Anthony Whittington
Solid Waste Interim Director	Samantha Jones
Utility Billing Services Director.....	Mara Harper
Information Systems Director	Jeff Winter
Planning and Development Director	Kathy Sellman
Fleet Services Director	Greg Speas
Airport Director	Donald Rowlett
Public Information Director	Aaron Street

FINANCIAL SECTION

CITY BOOTH 11TH GRADE CAREER FAIR





111 Center Street, Suite 1600 / Little Rock, AR 72201

P 501.372.1040 / F 501.372.1250

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Independent Auditor's Report

The Honorable Mayor, Members of the Board of Directors, and City Manager
City of Hot Springs, Arkansas
Hot Springs, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2022, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

To the Mayor, Board of Directors, and City Manager
City of Hot Springs, Arkansas
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's 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.

FORVIS,LLP

Little Rock, Arkansas
August 30, 2023

As management of the City of Hot Springs, we offer readers of the City of Hot Springs' financial statements this narrative overview and analysis of the financial activities of the City of Hot Springs for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented in conjunction with the letter of transmittal, at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

- The City's assets of \$561,558,807 and deferred outflows of \$22,863,359 exceeded its liabilities of \$396,197,979 and deferred inflows of \$15,597,302 by \$172,626,885. This is an increase of \$13,693,308 over the previous year.
- The net position of the governmental activities increased by \$18,848,309.
- The net position of the business-type activities decreased by \$(5,155,001).
- As of December 31, 2022, the City of Hot Springs governmental funds reported combined ending fund balances of \$40,275,534, an increase of \$13,534,880 over 2021. Approximately 26% of this amount, \$10,412,385 is available for spending at the City's discretion (unassigned fund balance).
- At the end of 2022, the unassigned fund balance for the General Fund was \$10,428,386 or 89% of total General Fund expenditures.
- A comparison of total liabilities for 2022 and 2021, as stated on the statement of net position, shows an increase of \$58,103,317. This was due to increases in net pension liability and long term debt.
- The City's component unit had a net position of \$66,037,008 as of December 31, 2022. This was a increase of \$436,136 from the prior year amount.

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 financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic 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 a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Hot Springs is improving or deteriorating.

The statement of activities presents information showing how the City of Hot Springs' net position changed during 2022. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities include community development, general government, parks and recreation, public safety, public transportation and public works. The business-type activities of the City include water, wastewater, stormwater, solid waste, airport, and parking operations.

The government-wide financial statements include not only the City of Hot Springs (known as the primary government) but also the legally separate Hot Springs Advertising and Promotion Commission (known as the component unit). Financial information for the component unit is reported separately from the financial information presented for the primary government. The government-wide financial statements are on pages 21 through 23 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hot Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term effect of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Hot Springs maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Police Fund, Fire Fund, Street Fund, and ARPA (American Rescue Plan Act) Fund, all of which are considered to be major funds. Data from the other 10 governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report on pages 122 through 127.

The basic governmental fund financial statements are on pages 24 through 26 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, solid waste, airport, stormwater, and parking operations. Internal service funds are an accounting convention used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-funded employee health insurance, fleet services and utility administration. Fleet services and employee health services benefit governmental and business-type functions and are included in governmental and business-type activities in the government-wide statements. Utility administration solely benefits the water and wastewater functions and is therefore included in the business-type activities in the government-wide statements.

All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere on pages 131 through 134 of this report. The basic proprietary fund financial statements are on pages 28 through 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statements are on pages 33 and 34 of this report. The City of Hot Springs has only custodial funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 through 102 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also includes certain required supplementary information, additional financial schedules, and a statistical section.

Government-Wide Overall Financial Analysis

City of Hot Springs Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
ASSETS						
Current and other assets	\$ 59,777,064	\$ 39,209,868	\$ 168,974,734	\$ 163,738,650	\$ 228,751,798	\$ 202,948,518
Capital and leased assets	33,678,455	31,776,430	299,128,554	266,071,635	332,807,009	297,848,065
Total Assets	<u>93,455,519</u>	<u>70,986,298</u>	<u>468,103,288</u>	<u>429,810,285</u>	<u>561,558,807</u>	<u>500,796,583</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>13,010,085</u>	<u>9,451,969</u>	<u>9,853,274</u>	<u>7,208,803</u>	<u>22,863,359</u>	<u>16,660,772</u>
LIABILITIES						
Other liabilities	13,741,843	8,239,068	8,197,074	7,251,655	21,938,917	15,490,723
Long-term liabilities	80,538,423	79,330,720	293,720,639	243,273,219	374,259,062	322,603,939
Total Liabilities	<u>94,280,266</u>	<u>87,569,788</u>	<u>301,917,713</u>	<u>250,524,874</u>	<u>396,197,979</u>	<u>338,094,662</u>
DEFERRED INFLOWS OF RESOURCES	<u>13,611,408</u>	<u>13,142,859</u>	<u>1,985,894</u>	<u>7,286,258</u>	<u>15,597,302</u>	<u>20,429,117</u>
NET POSITION						
Net investment in capital assets	20,491,541	18,847,436	143,575,242	144,022,652	164,066,783	162,870,088
Restricted	25,093,931	8,209,421	12,072,142	11,651,298	37,166,073	19,860,719
Unrestricted	(47,011,542)	(47,331,237)	18,405,571	23,534,006	(28,605,971)	(23,797,231)
Total Net Position	<u>\$ (1,426,070)</u>	<u>\$ (20,274,380)</u>	<u>\$ 174,052,955</u>	<u>\$ 179,207,956</u>	<u>\$ 172,626,885</u>	<u>\$ 158,933,576</u>

**2021 balances have not been restated for the adoption of GASB 87, Leases.*

Net position can serve over time as a useful indicator of a government's financial position. In the case of the City of Hot Springs, assets and deferred outflows exceeded liabilities and deferred inflows by \$172,626,885 as of December 31, 2022.

The City's net investment in capital assets as of December 31, 2022 was \$164,066,783. In addition, there was \$2,972,608 restricted for debt service, \$11,116,212 restricted for capital improvements, \$1,284,272 restricted for public safety mandates, and \$21,792,981 restricted for public works, community development, transportation, and park projects. This left a remaining unrestricted net position deficit of \$28,605,971.

The next table shows the changes in net position for the years ended December 31, 2022 and 2021.

	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Revenues						
Program revenues:						
Charges for services	\$ 8,847,692	\$ 8,187,351	\$ 54,624,320	\$ 51,238,145	\$ 63,472,012	\$ 59,425,496
Operating Grants and Contributions	21,330,109	10,599,821	40,368	1,305,582	21,370,477	11,905,403
Capital Grants and Contributions	769,064	620,543	998,045	2,717,210	1,767,109	3,337,753
General revenues:						
Sales tax	27,618,436	25,722,488	71,643	39,670	27,690,079	25,762,158
Franchise tax	2,920,629	2,678,294			2,920,629	2,678,294
Property tax	397	894			397	894
Other taxes	1,328,722	1,071,937			1,328,722	1,071,937
Grants not restricted to specific programs	6,976,544	6,558,499			6,976,544	6,558,499
Investment income	(1,657,331)	(140,740)	(6,267,833)	(837,233)	(7,925,164)	(977,973)
Total revenues	68,134,262	55,299,087	49,466,543	54,463,374	117,600,805	109,762,461
Expenses						
General government	3,960,242	2,495,961			3,960,242	2,495,961
Community development	2,002,134	1,786,646			2,002,134	1,786,646
Parks, trails and recreation	2,197,472	9,631,565			2,197,472	9,631,565
Public safety	29,539,183	32,721,967			29,539,183	32,721,967
Public transportation	1,820,967	1,590,094			1,820,967	1,590,094
Public works	9,233,597	5,998,476			9,233,597	5,998,476
Interest on long-term debt	374,714	375,572			374,714	375,572
Water			19,352,437	17,057,042	19,352,437	17,057,042
Wastewater			20,380,893	17,628,139	20,380,893	17,628,139
Solid waste			8,770,353	7,680,067	8,770,353	7,680,067
Airport			4,840,962	3,919,451	4,840,962	3,919,451
Stormwater			1,008,912	857,741	1,008,912	857,741
Parking			425,631	282,851	425,631	282,851
Total expenses	49,128,309	54,600,281	54,779,188	47,425,291	103,907,497	102,025,572
Excess (Deficiency) of Revenues Over (Under) Expenses	19,005,953	698,806	(5,312,645)	7,038,083	13,693,308	7,736,889
Transfers in		(35,800)	157,644		157,644	(35,800)
Transfers out	(157,644)			35,800	(157,644)	35,800
	(157,644)	(35,800)	157,644	35,800	-	-
Change in net position	18,848,309	663,006	(5,155,001)	7,073,883	13,693,308	7,736,889
Net position - beginning of year	(20,274,379)	(20,937,385)	179,207,956	172,134,073	158,933,577	151,196,688
Net position - end of year	\$ (1,426,070)	\$ (20,274,379)	\$ 174,052,955	\$ 179,207,956	\$ 172,626,885	\$ 158,933,577

*2021 balances have not been restated for the adoption of GASB 87, Leases.

Governmental activities

Governmental activities increased the City of Hot Springs' net position by \$18,848,309 in fiscal year 2022 as compared to \$663,006 in 2021.

The major changes from 2021 to 2022 are as follows:

1. Sales tax increased 7.37%, an increase of over \$1.9 million in revenue.
2. Oaklawn revenues increased by approximately \$450,111.
3. General government grants and contributions increased by \$10,878,809 due to funds received from the ARPA grant and applied to general government operations as well as funds received for street paving projects.
4. Capital assets in the amount of \$162,464 and property valued at \$285,000 were transferred from the Advertising and Promotion Commission, a component unit of the City.

5. Pension expense for 2022 was approximately a negative \$2.6 million compared to \$1 million in 2021.

Hot Springs' main industry is tourism and sales tax is the City's main source of revenue for governmental activities. The City does not rely on any property taxes. As the City began to recover from the economic slowdown due to COVID, taxable sales began to climb. In 2020, Oaklawn Resort and Casino completed a \$100 million project that included a new hotel, expanded casino, and several restaurants. The 2021 economic impact from this was immense compared to 2020, a year when spectators were not allowed at the races and casino activity was reduced due to social distancing. The City continues to experience direct positive impacts on both sales tax and direct revenue from the casino. The following chart shows comparable taxable sales for 2021 and 2022. The State of Arkansas does not release individual business taxable sales, so the City only receives data by classification of tax source. With the exception of the increase in utilities, which is not explainable without individual data, the highest source of growth was in accommodation and food services.

Description of Tax Source	2022 Taxable	2021 Taxable	%
	Sales	Sales	Increase
Utilities	\$ 41,786	\$ 32,709	27.75%
Manufacturing	45,458	38,435	18.27%
Wholesale Trade	117,877	110,085	7.08%
Retail Trade	1,074,628	1,037,723	3.56%
Information	48,409	44,632	8.46%
Real Estate Rental & Leasing	34,754	32,120	8.20%
Admin, Support, Waste Mgmt.	34,651	31,803	8.96%
Accommodation & Food Services	270,188	253,762	6.47%
All Other	<u>227,707</u>	<u>186,295</u>	22.23%
Total	<u>\$ 1,895,458</u>	<u>\$ 1,767,564</u>	7.24%

Business-Type Activities

The City of Hot Springs' business-type activities had a decrease in net position of approximately \$5.16 million. The Water Fund posted an decrease in net position of \$4,582,401 and the Wastewater Fund posted a decrease of \$1,449,052. Decreases in net position were attributable to a decrease in the fair value of investments. The Solid Waste Fund posted an increase in net position of \$434,714. Increases in net position were attributable to rate increases. The Airport Fund posted a decrease in net position of \$858,339. Decrease in net position was mainly attributable to depreciation on grant-funded capital assets. The Stormwater Fund posted an increase in net position of \$533,650. Increase in net position was attributable to unspent revenues. The Parking Fund posted an increase in net position of \$114,096. This was due to a piece of property that was donated to the City by the Hot Springs Advertising and Promotion Commission valued at \$285,000.

Financial Analysis of the Government Funds

Governmental Funds – The focus of the City of Hot Springs' governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements and unassigned fund balances serve as a useful measure of net resources available for spending following the end of the fiscal year.

As of December 31, 2022, the City's governmental funds reported combined ending fund balance of \$40,275,534, an increase of \$13,534,880 over the prior fiscal year. Of the ending balance, \$10,412,385 or 26% is unassigned and is available to the City for future spending. Some of the remaining balance is restricted for debt service (\$270,372), capital projects (\$1,746,306), public safety (1,284,272) or parks, public transportation, or public works (\$9,178,981). The balance in committed is for capital projects (\$9,860,000), public safety (\$1,962,465) and street paving (\$2,754,000). The assigned fund balance in the General Fund (\$419,820) is related to open encumbrances at year end. The assigned fund balances in the Police and Fire Funds (\$920,787 and \$629,630, respectively) represent amounts transferred in to those funds and can only be spent in those funds.

General Fund – Revenue, transfers in, and issuance of debt exceeded expenditures and transfers out by \$4,122,062. This increase is primarily due to increases in sales tax, and Oaklawn casino revenue.

Police, Fire, and Street Funds – Revenue, transfers in, and issuance of debt exceeded expenditures and transfers out by \$2,071,264 (Police Fund), \$112,276 (Fire Fund), and \$7,245,804 (Street Fund). The Police and Fire Funds are balanced by transfers from General Fund and do not ordinarily keep a very large fund balance. However, dedicated sales tax did increase for each fund, reducing the amount of transfers needed from the General Fund. The Police Fund does have a higher than normal fund balance (\$2.9 million) due to ARPA funds being used to pay some of public safety expenditures in the current year. The Street Fund has dedicated revenues and may roll forward from year to year. The new Pave It Forward sales tax for street repairs and maintenance began to be deposited into the Street Fund, resulting in a large amount of revenues in excess of expenditures. The Street Fund has \$9,025,035 classified as restricted fund balance.

ARPA Fund – In 2022, the City earned \$2,888,919 in ARPA funding by expending that amount largely for public safety. There is no legally adopted budget for the ARPA Fund.

Nonmajor governmental funds - Expenditures and transfers out exceeded revenue and transfers in by \$16,526. This reduction is primarily due to the expenditures in the Jail Expense Fund for the City's share of costs to operate the Garland County jail that exceeded revenues for 2022.

The following is a comparison of the net change in fund balance for governmental funds for 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Revenue	\$ 32,502,798	\$ 31,147,876	\$ 1,354,922	4%
Expenditures	(11,731,905)	(10,115,402)	1,616,503	16%
Transfers in				
Transfers out	(17,024,831)	(15,197,846)	1,826,985	12%
Issuance of debt	376,000	270,450	105,550	39%
Net change in fund balance	<u>\$ 4,122,062</u>	<u>\$ 6,105,078</u>	<u>\$ (1,983,016)</u>	(32)%
Police Fund				
Revenue	\$ 7,364,965	\$ 6,933,745	\$ 431,220	6%
Expenditures	(13,832,404)	(14,754,370)	(921,966)	(6)%
Transfers in	8,152,000	7,675,000	477,000	6%
Transfers out	(46,897)	(27,274)	19,623	72%
Issuance of debt	433,600	370,500	63,100	17%
Net change in fund balance	<u>\$ 2,071,264</u>	<u>\$ 197,601</u>	<u>\$ 1,873,663</u>	(948)%
Fire Fund				
Revenue	\$ 4,686,055	\$ 4,370,785	\$ 315,270	7%
Expenditures	(12,196,603)	(12,371,385)	(174,782)	(1)%
Transfers in	6,728,824	5,933,000	795,824	13%
Issuance of debt	894,000	2,248,000	(1,354,000)	(60)%
Net change in fund balance	<u>\$ 112,276</u>	<u>\$ 180,400</u>	<u>\$ (68,124)</u>	38%
Street Fund				
Revenue	\$ 12,981,062	\$ 3,786,204	\$ 9,194,858	243%
Expenditures	(6,741,293)	(3,339,223)	3,402,070	102%
Transfers in	743,166	715,000	28,166	4%
Transfers out	(20,131)	(27,930)	(7,799)	(28)%
Issuance of debt	283,000	57,000	226,000	396%
Net change in fund balance	<u>\$ 7,245,804</u>	<u>\$ 1,191,051</u>	<u>\$ 6,054,753</u>	508%
ARPA Fund				
Revenue	\$ 2,288,919	\$ 1,129,418	\$ (1,159,501)	N/A
Expenditures	(2,288,919)	(1,129,418)	1,159,501	N/A
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Nonmajor governmental funds				
Revenue	\$ 8,334,885	\$ 8,086,077	\$ 248,808	3%
Expenditures	(9,661,636)	(14,196,568)	(4,534,932)	(32)%
Transfers in	1,782,624	1,350,771	431,853	32%
Transfers out	(472,399)	(456,412)	15,987	4%
Net change in fund balance	<u>\$ (16,526)</u>	<u>\$ (5,216,132)</u>	<u>\$ 5,199,606</u>	100%

Proprietary funds – The City of Hot Springs’ proprietary funds provide the same type of information found in the government-wide financial statements. The unrestricted net position of each fund is as follows:

Water	\$ 6,736,037
Wastewater	(136,937)
Solid Waste	2,966,748
Airport	2,854,440
Stormwater	3,136,392
Parking	(32,738)
Internal Service Funds	<u>8,134,844</u>
Total	<u>\$ 23,658,786</u>

General Fund Budgetary Highlights

The original budget provided a net increase in fund balance of \$1,424,093. The final amended budget resulted in an increase of \$445,663, a difference of \$978,430. Of this amount, \$550,996 was reappropriations. The remainder was emergency capital or building repairs.

The actual increase in fund balance for the year was \$4,200,758, a positive variance over the final amended budget of \$3.76 million. There are several differences:

1. Sales tax growth was higher than estimated, producing an additional \$772,651 over the budget.
2. Reserves of \$2.6 million were not spent.
3. Due to supply chain issues, approximately \$153,750 in budgeted assets were not purchased. This will impact reappropriations for 2023.
4. Personnel costs were below budget due to vacancies.
5. Services came in approximately \$880,000 under budget.
6. Investment earnings were \$1.5 million under budget due to unfavorable market conditions.

Long-term debt. The City’s total bonded debt increased by \$40,659,469 (17.2%) during 2022. The following table details the breakdown of the principal due on this debt.

Government wide:	2022	2021
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019	\$ 7,365,000	\$ 7,540,000
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018	1,005,000	1,150,000
Waterworks Revenue Bonds, Series 2010A	3,293,222	3,558,386
Waterworks Revenue Bonds, Series 2018	17,901,139	18,488,098
Waterworks Revenue Refunding Bonds, Series 2019	4,636,910	4,846,140
Waterworks Revenue Bonds Series 2020	108,967,320	109,271,510
Waterworks Revenue Refunding Bonds, Series 2021	9,685,000	10,030,000
Wastewater Refunding Revenue Bonds, Series 2017	20,708,666	21,681,608
Wastewater Refunding and Construction Revenue Bonds, Series 2016	4,385,000	5,129,325
Wastewater Revenue Bonds Taxable Refunding Series 2020A	34,990,000	36,305,000
Wastewater Revenue Bonds Construction Series 2020B	18,236,132	18,222,601
Wastewater Revenue Bonds Construction Series 2022A	10,110,000	
Wastewater Revenue Bonds Construction Series 2022B	8,835,000	
Wastewater Revenue Bonds Construction Series 2022C	26,763,748	
 Total bonded indebtedness	 \$ 276,882,137	 \$ 236,222,668

The City had three bond issuances in 2022. The Wastewater Revenue Bonds, Series 2022A were issued in the par amount of \$10.11 million to fund improvements to the wastewater system. The Wastewater Revenue Bonds, Series 2022B were issued in the par amount of \$8.835 million to fund improvements to the wastewater system. The Wastewater Revenue Bonds, Series 2022C were issued in the par amount of \$27.3 million for the purpose of funding improvements to the wastewater system.

Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation (GO) debt up to 20% of total assessed valuation. This translates to allowable GO debt of \$251 million. As of the end of 2022, the City had outstanding GO (special obligation) debt of \$8.37 million. The City is also allowed to issue short-term debt (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term notes of \$4.6 million are well below the statutory limit of \$50.2 million. Voter approval is not required for short-term financing.

Additional information on the City’s debt is in the Notes on pages 63 through 71 of this report.

Economic Factors and the Next Year's Budget and Rates

The City of Hot Springs, Arkansas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2023 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2023 continues to be maintaining quality service for citizens and visitors while observing prudent and sustainable spending practices.

The strategic priorities are as follows:

- Downtown Parking Solutions
- Employee Compensation and Assessment
- Code Update/Align Code with 2040 Comprehensive Plan
- Gulpha Basin Wastewater Project; and,
- Affordable Housing Strategy

Highlights of the 2023 budget include:

- Balanced budget, with total revenues and fund balance or net position equal to or greater than total expenditures
- Total City budget \$151.77 million
- Projected 4% increase in sales tax revenue
- A 3% cost of living increase for all employees
- Capital improvements of \$4.19 million in governmental funds and \$9.96 million in business-type activities (funded by operations)

For 2023, water rates will increase around 3%. Wastewater rates will increase 3% and Solid Waste commercial rates will increase 2%.

Requests for Information

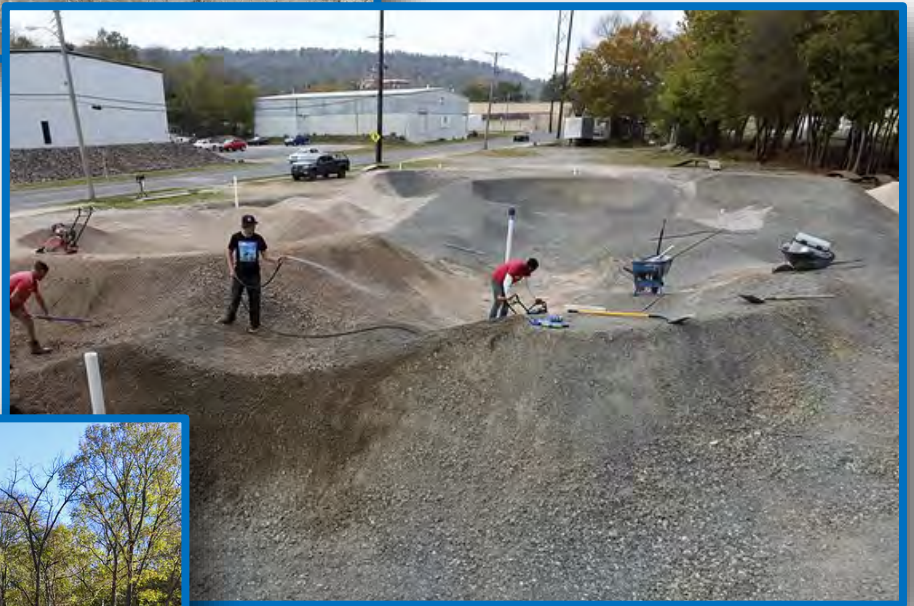
This financial report is designed to provide a general overview of the City of Hot Springs' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Hot Springs, Post Office Box 6300, Hot Springs, AR 71902-6300.

General information relating to the City of Hot Springs, AR and an electronic version of this report can be found on the City's website at www.cityhs.net.

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BASIC FINANCIAL STATEMENTS

VELOCITY PARK



City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
December 31, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
ASSETS				
Cash and cash equivalents	\$ 16,346,998	\$ 7,463,831	\$ 23,810,829	\$ 18,157,741
Investments	13,680,303	13,470,724	27,151,027	
Interest receivable	86,038	50,046	136,084	
Accounts receivable (net of allowance for uncollectibles)	9,077,395	2,534,381	11,611,776	939,790
Lease receivable	395,672	746,259	1,141,931	63,550
Internal balances	(5,760,428)	5,760,428		
Accrued revenues		3,186,122	3,186,122	
Due from other governments	2,293,058	506,459	2,799,517	
Inventories	356,181	1,403,489	1,759,670	3,376
Prepaid items	836,516	1,100,966	1,937,482	478,118
Restricted				
Cash and cash equivalents	7,897,603	22,674,581	30,572,184	72,316
Investments	14,567,030	109,787,591	124,354,621	
Interest receivable	698	289,857	290,555	
Capital and Lease Assets				
Capital assets not being depreciated	13,227,031	92,496,325	105,723,356	5,524,346
Capital assets, net of accumulated depreciation	20,249,044	206,429,849	226,678,893	44,051,632
Lease assets	202,380	202,380	404,760	
Total assets	<u>93,455,519</u>	<u>468,103,288</u>	<u>561,558,807</u>	<u>69,290,869</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on bond refunding		5,169,417	5,169,417	
OPEB - changes in assumptions	452,575	277,879	730,454	
OPEB - difference between expected and actual experience	12,921	6,971	19,892	38,711
Pension - changes in assumptions	581,408		581,408	
Pension - difference between expected and actual experience	2,063,379	317,162	2,380,541	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	1,342,637	469,225	1,811,862	422,483
Pension - contributions subsequent to the measurement date	6,097,737	825,265	6,923,002	250,234
Pension - difference between actual and expected investment earnings	2,459,428	2,787,355	5,246,783	684,522
Total deferred outflows of resources	<u>13,010,085</u>	<u>9,853,274</u>	<u>22,863,359</u>	<u>1,395,950</u>

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

City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
(continued)

December 31, 2022

	Governmental Activities	Business-type Activities	Total	Component Unit
LIABILITIES				
Accounts payable	3,955,126	4,716,653	8,671,779	338,213
Due to other governments	665,209	102,219	767,428	
Customer deposits		1,066,630	1,066,630	
Unearned revenue	8,232,346		8,232,346	471,102
Accrued expenses	809,672	271,955	1,081,627	143,714
Accrued interest payable	79,490	2,039,617	2,119,107	
Noncurrent liabilities				
Due within one year				
Notes payable	4,592,494	7,948,817	12,541,311	
Compensated absences	262,532	137,884	400,416	
Lease liabilities	13,022	13,022	26,044	
Bonds payable	335,000	6,966,431	7,301,431	
Due in more than one year				
Bonds payable	8,035,000	261,545,706	269,580,706	
Postclosure liability		814,530	814,530	
OPEB liability	2,978,900	1,747,291	4,726,191	
Compensated absences	3,473,609	1,138,817	4,612,426	
Lease liabilities	194,862	194,863	389,725	
Net pension liability	60,653,004	13,213,278	73,866,282	3,244,927
Total liabilities	<u>94,280,266</u>	<u>301,917,713</u>	<u>396,197,979</u>	<u>4,197,956</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow from bond refunding		112,901	112,901	
Deferred inflow from leases	384,982	741,107	1,126,089	63,550
OPEB - changes in assumptions	634,216	384,593	1,018,809	
OPEB - difference between expected and actual experience	959,762	584,456	1,544,218	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	197,096	3,307	200,403	388,305
Pension - difference between actual and expected experience	140,761	159,530	300,291	
Pension - difference between actual and expected investment earnings	11,294,591		11,294,591	
Total deferred inflows of resources	<u>13,611,408</u>	<u>1,985,894</u>	<u>15,597,302</u>	<u>451,855</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	20,491,541	143,575,242	164,066,783	49,575,978
Restricted for:				
Debt service	270,372	2,702,236	2,972,608	
Capital improvements	1,746,306	9,369,906	11,116,212	8,419,692
Parks grants	3,325		3,325	
Public safety mandates	1,284,272		1,284,272	
Public transportation projects	87,108		87,108	
Public works projects	21,702,548		21,702,548	
Unrestricted (deficit)	<u>(47,011,542)</u>	<u>18,405,571</u>	<u>(28,605,971)</u>	<u>8,041,338</u>
Total net position (Deficit)	<u>\$ (1,426,070)</u>	<u>\$ 174,052,955</u>	<u>\$ 172,626,885</u>	<u>\$ 66,037,008</u>

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

City of Hot Springs, Arkansas
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 3,960,242	\$ 5,578,527	\$ 3,685,482	\$ -	\$ 5,303,767	\$ -	\$ 5,303,767	\$
Community development	2,002,134	834,017	91,449	13,772	(1,062,896)		(1,062,896)	
Parks, trails and recreation	2,197,472	19,595		372,995	(1,804,882)		(1,804,882)	
Public safety	29,539,183	2,144,629	8,262,320	34,936	(19,097,298)		(19,097,298)	
Public transportation	1,820,967	131,686	1,219,627		(469,654)		(469,654)	
Public works	9,233,597	139,238	8,071,231	347,361	(675,767)		(675,767)	
Interest on long-term debt	374,714				(374,714)		(374,714)	
Total governmental activities	49,128,309	8,847,692	21,330,109	769,064	(18,181,444)	-	(18,181,444)	
Business-type activities:								
Water	19,352,437	20,057,976		105,484		811,023	811,023	
Wastewater	20,380,893	19,573,363		266,029		(541,501)	(541,501)	
Solid Waste	8,770,353	9,524,747	2,713			757,107	757,107	
Airport	4,840,962	3,709,846	17,868	341,532		(771,716)	(771,716)	
Stormwater	1,008,912	1,658,974	19,787			669,849	669,849	
Parking	425,631	99,414		285,000		(41,217)	(41,217)	
Total business-type activities	54,779,188	54,624,320	40,368	998,045	-	883,545	883,545	
Total primary government	\$ 103,907,497	\$ 63,472,012	\$ 21,370,477	\$ 1,767,109	(18,181,444)	883,545	(17,297,899)	
Component unit:								
Advertising and promotion	\$ 12,455,739	\$ 3,353,700		\$ 240,719				(8,861,320)
General revenues:								
Sales taxes					27,618,436	71,643	27,690,079	9,154,623
Franchise fees					2,920,629		2,920,629	
Property tax					397		397	
Alcoholic beverage permit and taxes					1,328,722		1,328,722	
Grants and contributions not restricted to specific programs					6,976,544		6,976,544	
Investment earnings (loss)					(1,657,331)	(6,267,833)	(7,925,164)	142,833
Transfers					(157,644)	157,644		
Total general revenues and transfers					37,029,753	(6,038,546)	30,991,207	9,297,456
Change in net position					18,848,309	(5,155,001)	13,693,308	436,136
Net position (deficit) - beginning of year					(20,274,379)	179,207,956	158,933,577	65,600,872
Net position (deficit) - end of year					\$ (1,426,070)	\$ 174,052,955	\$ 172,626,885	\$ 66,037,008

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

City of Hot Springs, Arkansas
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	ARPA Fund		
ASSETS							
Cash and cash equivalents	\$ 7,972,973	\$ 830,286	\$ 49,210	\$ 3,697,020	\$ 6,120,156	\$ 1,649,060	\$ 20,318,705
Investments	12,298,446	1,224,004	76,490	5,758,117	1,802,079	1,921,057	23,080,193
Interest receivable	71,777	80		11,916	698	2,265	86,736
Accounts receivable	4,345,965	1,106,782	646,985	2,877,320		100,343	9,077,395
Lease Receivable			395,672				395,672
Due from other funds	1,111,810	62,292			29,528	8,381	1,212,011
Intergovernmental receivables	74,382			274,203		1,944,473	2,293,058
Prepaid items	836,516						836,516
Total assets	26,711,869	3,223,444	1,168,357	12,618,576	7,952,461	5,625,579	57,300,286
LIABILITIES							
Accounts payable	1,683,967	88,111	14,427	1,816,504		117,903	3,720,912
Accrued expenditures	145,244	206,463	128,291	16,037		77,655	573,690
Due to other governments	17,638					647,571	665,209
Due to other funds	2,310,985					1,136,628	3,447,613
Unearned revenue	16,313	45,618	11,027		7,952,461	206,927	8,232,346
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow from leases			384,982				384,982
Total deferred inflows of resources			384,982				384,982
Total liabilities and deferred inflows of resources	4,174,147	340,192	538,727	1,832,541	7,952,461	2,186,684	17,024,752
FUND BALANCES							
Nonspendable	836,516						836,516
Restricted							
Debt service						270,372	270,372
Capital projects						1,746,306	1,746,306
Parks						3,325	3,325
Public safety						1,284,272	1,284,272
Public transportation						87,108	87,108
Public works				9,025,035		63,513	9,088,548
Committed	10,853,000	1,962,465		1,761,000			14,576,465
Assigned	419,820	920,787	629,630				1,970,237
Unassigned	10,428,386					(16,001)	10,412,385
Total fund balances	22,537,722	2,883,252	629,630	10,786,035		3,438,895	40,275,534
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 26,711,869	\$ 3,223,444	\$ 1,168,357	\$ 12,618,576	\$ 7,952,461	\$ 5,625,579	\$ 57,300,286

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

City of Hot Springs, Arkansas

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2022

Total fund balances - governmental funds (page 24) \$ 40,275,534

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 33,295,640

Lease assets used in governmental activities are not financial resources and therefore are not reported in the funds. 202,380

Internal service funds are used by management to charge the costs of fleet services and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 5,433,647

Long-term liabilities, (notes and bonds payable, leases, and compensated absences) are not due and payable in the current period and therefore are not reported in the funds. (16,785,026)

Net pension liabilities are not reported in the funds. (60,653,004)

Other postemployment benefits liabilities are not reported in the funds. (2,978,900)

Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:

Deferred pension outflows (GASB 68) 12,831,335
Deferred pension inflows (GASB 68) (11,919,194)
Deferred OPEB inflows (GASB 75) (1,593,978)
Deferred OPEB outflows (GASB 75) 465,496

Net position of governmental activities \$ (1,426,070)

City of Hot Springs, Arkansas
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	Special Revenue					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	ARPA Fund		
REVENUES							
Taxes	\$ 19,585,807	\$ 5,523,687	\$ 3,682,458	\$	\$	\$ 397	\$ 28,792,349
Fees and permits	5,011,950	124,151	23,931	55,219			5,215,251
Charges for services	2,940,123					105,271	3,045,394
Intergovernmental	1,215,028	1,503,618	851,385	13,126,980	2,241,100	7,995,411	26,933,522
Intergovernmental - gaming and breakage	4,396,694						4,396,694
Fines and forfeitures	482,525	60,670				208,582	751,777
Investment earnings (loss)	(1,448,974)	(1,554)		(223,381)	47,819	(31,241)	(1,657,331)
Miscellaneous	319,645	154,393	128,281	22,244		56,465	681,028
Total revenues	<u>32,502,798</u>	<u>7,364,965</u>	<u>4,686,055</u>	<u>12,981,062</u>	<u>2,288,919</u>	<u>8,334,885</u>	<u>68,158,684</u>
EXPENDITURES							
Current:							
General government	4,175,456				323	8,463	4,184,242
Community development	1,841,513					84,599	1,926,112
Parks and recreation	1,927,241					491	1,927,732
Public transportation						1,790,744	1,790,744
Public safety		12,623,255	10,612,398		2,287,304	5,992,243	31,515,200
Public works	2,102,378			6,370,270	323	130,285	8,603,256
Public utilities					969		969
Debt service:							
Principal	563,969	453,509	648,549	157,662		320,000	2,143,689
Interest	28,886	17,435	26,502	6,213		292,068	371,104
Capital outlay	1,092,462	738,205	909,154	207,148		1,042,743	3,989,712
Total expenditures	<u>11,731,905</u>	<u>13,832,404</u>	<u>12,196,603</u>	<u>6,741,293</u>	<u>2,288,919</u>	<u>9,661,636</u>	<u>56,452,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,770,893</u>	<u>(6,467,439)</u>	<u>(7,510,548)</u>	<u>6,239,769</u>		<u>(1,326,751)</u>	<u>11,705,924</u>
OTHER FINANCING SOURCES (USES)							
Transfers in		8,152,000	6,728,824	743,166		1,782,624	17,406,614
Transfers out	(17,024,831)	(46,897)		(20,131)		(472,399)	(17,564,258)
Issuance of debt	376,000	433,600	894,000	283,000			1,986,600
Total other financing sources (uses)	<u>(16,648,831)</u>	<u>8,538,703</u>	<u>7,622,824</u>	<u>1,006,035</u>		<u>1,310,225</u>	<u>1,828,956</u>
Changes in fund balances	<u>4,122,062</u>	<u>2,071,264</u>	<u>112,276</u>	<u>7,245,804</u>		<u>(16,526)</u>	<u>13,534,880</u>
Fund balances - beginning	<u>18,415,660</u>	<u>811,988</u>	<u>517,354</u>	<u>3,540,231</u>		<u>3,455,421</u>	<u>26,740,654</u>
Fund balances - ending	<u>\$ 22,537,722</u>	<u>\$ 2,883,252</u>	<u>\$ 629,630</u>	<u>\$ 10,786,035</u>	<u>\$</u>	<u>\$ 3,438,895</u>	<u>\$ 40,275,534</u>

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

City of Hot Springs, Arkansas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

Net Changes in Fund Balances - total governmental funds (page 26) \$ 13,534,880

Amounts reported for governmental activities in the statement of activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 1,768,658

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (24,422)

Contributed capital recorded as revenue in the statement of activities that does not provide current financial resources are not reported as revenues in the funds. 35,652

The net effect of GASB 87 to lease revenue and amortization expense. (5,504)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. 157,089

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (175,921)

Internal service funds are used by management to charge the costs of fleet management and employee health care to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities. 1,058,320

Other postemployment benefits is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. (67,354)

Pension expense is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. 2,566,911

Change in the net position of governmental activities \$ 18,848,309

City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	Business-type Activities - Enterprise Funds							Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 3,701,361	\$ 26,013	\$ 1,342,042	\$ 1,139,421	\$ 1,251,864	\$ 1,828	\$ 7,462,529	\$ 3,929,263
Investments	5,791,182	1,869,293	2,089,762	1,774,217	1,946,270		13,470,724	5,165,075
Interest receivable	22,655	6,373	7,203	6,774	7,039	2	50,046	
Accounts receivable (net of allowance for uncollectible)	1,019,514	898,541	391,720	162,177	62,419		2,534,371	10
Lease receivable				43,225			43,225	
Due from other funds	569,036	529,313	2,268,383		12,405		3,379,137	
Accrued revenues	1,140,533	1,296,697	622,267		126,625		3,186,122	
Intergovernmental receivables				496,343	10,116		506,459	
Inventories	11,010			96,866			107,876	1,651,794
Prepaid items	617,481	483,485					1,100,966	
Restricted assets:								
Cash and cash equivalents	7,748,294	14,889,378					22,637,672	
Investments	59,412,353	50,412,147					109,824,500	
Interest receivable	93,937	195,920					289,857	
Total current assets	80,127,356	70,607,160	6,721,377	3,719,023	3,416,738	1,830	164,593,484	10,746,142
Noncurrent Assets:								
Capital assets:								
Land	5,018,659	643,419	275,121	7,269,061	192,470	668,847	14,067,577	68,265
Nondepreciable assets	11,552,246						11,552,246	
Buildings and systems	11,798,653	14,457,850	1,778,655	11,202,289		5,603,771	44,841,218	1,116,125
Improvements other than buildings	103,794,114	163,581,510	986,424	22,067,258	3,472,836	154,511	294,056,653	651,400
Machinery and equipment	28,225,604	38,490,862	12,340,270	2,351,885	954,076	172,508	82,535,205	3,238,940
Construction in progress	59,662,916	3,697,831	24,769	2,834,243	249,992	299,275	66,769,026	89,324
Less accumulated depreciation	(64,328,237)	(113,184,973)	(10,291,285)	(23,735,667)	(1,820,685)	(2,981,366)	(216,342,213)	(3,537,157)
Lease assets	69,214	52,214	80,952				202,380	
Lease receivable LT				703,034			703,034	
Total noncurrent assets	155,793,169	107,738,713	5,194,906	22,692,103	3,048,689	3,917,546	298,385,126	1,626,897
Total assets	235,920,525	178,345,873	11,916,283	26,411,126	6,465,427	3,919,376	462,978,610	12,373,039
DEFERRED OUTFLOWS OF RESOURCES								
Deferred charge on bond refunding	41,076	5,128,341					5,169,417	
OPEB - changes in assumptions	73,119	104,501	81,366	6,020	12,873		277,879	
OPEB - difference between expected and actual experience	1,080	3,300	2,054	544	(7)		6,971	
Pension - difference between expected and actual experience	94,462	110,774	86,532	19,014	5,939	441	317,162	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	139,752	163,884	128,019	28,131	8,786	653	469,225	
Pension - contributions subsequent to the measurement date	245,793	288,237	225,158	49,476	15,453	1,148	825,265	
Pension - difference between actual and expected investment earnings	830,175	973,523	760,483	167,105	52,192	3,877	2,787,355	
Total deferred outflows of resources	1,425,457	6,772,560	1,283,612	270,290	95,236	6,119	9,853,274	

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

City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(continued)
December 31, 2022

	Business-type Activities - Enterprise Funds							Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	
LIABILITIES								
Current liabilities:								
Accounts payable	3,488,848	403,704	138,396	185,184	50,032	21,116	4,287,280	663,582
Due to other funds								1,143,535
Intergovernmental payables	29,043		63,909	8,640		627	102,219	
Compensated absences	24,025	37,085	33,321	8,389	1,091		103,911	47,094
Customer deposits payable	1,066,630						1,066,630	
Lease liability	4,453	3,360	5,209				13,022	
Accrued expenses	67,759	64,382	70,883	11,432	4,513	339	219,308	368,120
Notes payable	245,720						245,720	
Revenue bonds payable - current	3,900,873	3,065,558					6,966,431	
Accrued interest payable	1,668,395	371,222					2,039,617	
Total current liabilities	<u>10,495,746</u>	<u>3,945,311</u>	<u>311,718</u>	<u>213,645</u>	<u>55,636</u>	<u>22,082</u>	<u>15,044,138</u>	<u>2,222,331</u>
Noncurrent liabilities:								
Revenue bonds payable	140,582,718	120,962,988					261,545,706	
Other liabilities		814,530					814,530	
Notes payable	7,703,097						7,703,097	
Other postemployment benefits obligation	414,836	693,528	516,718	82,527	39,682		1,747,291	
Compensated absences	198,426	306,298	275,204	69,285	9,010		858,223	388,967
Lease liability	66,643	50,275	77,945				194,863	
Net pension liability	3,935,383	4,614,944	3,604,997	792,159	247,417	18,378	13,213,278	
Total noncurrent liabilities	<u>152,901,103</u>	<u>127,442,563</u>	<u>4,474,864</u>	<u>943,971</u>	<u>296,109</u>	<u>18,378</u>	<u>286,076,988</u>	<u>388,967</u>
Total liabilities	<u>163,396,849</u>	<u>131,387,874</u>	<u>4,786,582</u>	<u>1,157,616</u>	<u>351,745</u>	<u>40,460</u>	<u>301,121,126</u>	<u>2,611,298</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflow from bond refunding	112,901						112,901	
Deferred inflow from leases				741,107			741,107	
OPEB - changes in assumptions	107,372	137,611	113,609	19,620	6,381		384,593	
OPEB - difference between expected and actual experience	158,627	211,705	174,575	25,142	14,407		584,456	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	985	1,155	902	198	62	5	3,307	
Pension - difference between actual and expected liability experience	47,514	55,718	43,525	9,564	2,987	222	159,530	
Total deferred inflows of resources	<u>427,399</u>	<u>406,189</u>	<u>332,611</u>	<u>795,631</u>	<u>23,837</u>	<u>227</u>	<u>1,985,894</u>	
NET POSITION								
Net investment in capital assets	60,994,702	47,180,160	5,113,954	21,873,729	3,048,689	3,917,546	142,128,780	1,626,897
Restricted								
Debt service	2,053,442	648,794					2,702,236	
Capital projects	3,737,553	5,632,353					9,369,906	
Unrestricted	6,736,037	(136,937)	2,966,748	2,854,440	3,136,392	(32,738)	15,523,942	8,134,844
Total net position	<u>\$ 73,521,734</u>	<u>\$ 53,324,370</u>	<u>\$ 8,080,702</u>	<u>\$ 24,728,169</u>	<u>\$ 6,185,081</u>	<u>\$ 3,884,808</u>	<u>\$ 169,724,864</u>	<u>\$ 9,761,741</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time							<u>4,328,091</u>	
Net position of the business-type activities (page 22)							<u>\$ 174,052,955</u>	

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

City of Hot Springs, Arkansas
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
OPERATING REVENUES								
Charges for sales and services:								
Water sales	\$ 19,360,797						\$ 19,360,797	
Wastewater charges		18,793,474					18,793,474	
Refuse collections and compaction			9,232,453				9,232,453	
Stormwater fees					1,614,672		1,614,672	
Merchandise sales				2,451,951			2,451,951	
Parking and rental fees				1,131,320		87,959	1,219,279	
Other service fees	586,622	720,244	187,461		37,197		1,531,524	1,090,286
Reimbursement from other funds								10,657,420
Miscellaneous other revenue	110,557	59,645	142,392	198,218	7,105	11,455	529,372	434,899
Total operating revenues	<u>20,057,976</u>	<u>19,573,363</u>	<u>9,562,306</u>	<u>3,781,489</u>	<u>1,658,974</u>	<u>99,414</u>	<u>54,733,522</u>	<u>12,182,605</u>
OPERATING EXPENSES								
Salaries and benefits	2,616,897	3,837,326	4,135,085	855,616	278,375	23,653	11,746,952	4,217,606
Services	6,590,571	5,299,649	2,665,267	817,955	419,775	228,394	16,021,611	5,552,269
Post closure expense		127,238					127,238	
Supplies	1,477,660	2,009,205	1,343,488	2,024,975	37,121	13,177	6,905,626	544,706
Depreciation	4,184,081	5,330,882	811,448	1,175,582	285,127	160,407	11,947,527	155,120
Amortization	6,152	4,641	7,196				17,989	
Total operating expenses	<u>14,875,361</u>	<u>16,608,941</u>	<u>8,962,484</u>	<u>4,874,128</u>	<u>1,020,398</u>	<u>425,631</u>	<u>46,766,943</u>	<u>10,469,701</u>
Operating income (loss)	<u>5,182,615</u>	<u>2,964,422</u>	<u>599,822</u>	<u>(1,092,639)</u>	<u>638,576</u>	<u>(326,217)</u>	<u>7,966,579</u>	<u>1,712,904</u>
NONOPERATING REVENUES (EXPENSES)								
Intergovernmental		6,011		359,400	19,787		385,198	
Investment earnings	627,462	742,338	35,024	28,985	33,109	(3)	1,466,915	5,444
Net increase (decrease) in fair value of investments	(5,839,830)	(1,416,841)	(163,842)	(154,085)	(160,111)	(39)	(7,734,748)	
Interest expense and issuance costs	(4,658,132)	(4,005,000)	(1,444)				(8,664,576)	
Gain (loss) on sale of assets			(34,846)				(34,846)	(7,693)
Total nonoperating revenue (expense)	<u>(9,870,500)</u>	<u>(4,673,492)</u>	<u>(165,108)</u>	<u>234,300</u>	<u>(107,215)</u>	<u>(42)</u>	<u>(14,582,057)</u>	<u>(2,249)</u>
Income before contributions and transfers	<u>(4,687,885)</u>	<u>(1,709,070)</u>	<u>434,714</u>	<u>(858,339)</u>	<u>531,361</u>	<u>(326,259)</u>	<u>(6,615,478)</u>	<u>1,710,655</u>
Capital contributions	105,484	260,018					285,000	650,502
Transfers in					2,289	155,355	157,644	
Change in net position	<u>(4,582,401)</u>	<u>(1,449,052)</u>	<u>434,714</u>	<u>(858,339)</u>	<u>533,650</u>	<u>114,096</u>	<u>(5,807,332)</u>	<u>1,710,655</u>
Total net position, beginning of year	<u>78,104,135</u>	<u>54,773,422</u>	<u>7,645,988</u>	<u>25,586,508</u>	<u>5,651,431</u>	<u>3,770,712</u>	<u>175,532,196</u>	<u>8,051,086</u>
Total net position - end of year	<u>\$ 73,521,734</u>	<u>\$ 53,324,370</u>	<u>\$ 8,080,702</u>	<u>\$ 24,728,169</u>	<u>\$ 6,185,081</u>	<u>\$ 3,884,808</u>	<u>\$ 169,724,864</u>	<u>\$ 9,761,741</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.							<u>652,331</u>	
Changes in net position of business-type activities (page 23)							<u>\$ (5,155,001)</u>	

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

City of Hot Springs, Arkansas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds						Total Enterprise	Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 19,414,146	\$ 18,725,577	\$ 9,218,552	\$ 3,514,435	\$ 1,616,229	\$ 87,959	\$ 52,576,898	\$ 1,090,284
Other receipts	1,703,447	779,889	311,936	198,218	44,302	11,455	3,049,247	436,096
Receipts - other departments	898,365	454,139		1,210,319		(132)	2,562,691	10,781,649
Payments to suppliers and service providers	(7,155,438)	(8,264,433)	(3,857,034)	(2,817,845)	(599,659)	(220,445)	(22,914,854)	(6,184,399)
Customer deposits received	67,670						67,670	
Customer deposits returned								
Payments to employees	(3,677,827)	(3,850,907)	(4,193,514)	(879,469)	(274,819)	(18,200)	(12,894,736)	(4,178,004)
Net cash provided by (used for) operating activities	<u>11,250,363</u>	<u>7,844,265</u>	<u>1,479,940</u>	<u>1,225,658</u>	<u>786,053</u>	<u>(139,363)</u>	<u>22,446,916</u>	<u>1,945,626</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers from other funds	-	-			2,289	155,355	157,644	
Transfers to other funds	-	-	504	1,566	(22,349)		(20,279)	
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>504</u>	<u>1,566</u>	<u>(20,060)</u>	<u>155,355</u>	<u>137,365</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(39,425,840)	(3,790,401)	(623,414)	(353,454)	(380,680)	(299,276)	(44,873,065)	(341,470)
Capital grants received	105,484	266,029		359,400	19,787	285,000	1,035,700	
Proceeds from issuance of debt		46,245,000					46,245,000	
Principal paid on debt	(1,629,890)	(2,975,000)					(4,604,890)	
Interest paid on debt	(4,606,628)	(3,504,247)	(1,444)				(8,112,319)	
Payment of related debt costs		(499,822)					(499,822)	
Net cash provided by (used for) capital and related financing activities	<u>(45,556,874)</u>	<u>35,741,559</u>	<u>(624,858)</u>	<u>5,946</u>	<u>(360,893)</u>	<u>(14,276)</u>	<u>(10,809,396)</u>	<u>(341,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Sale of investments	68,323,128	8,187,865	2,153,641	1,459,247	2,343,159		82,467,040	456,670
Purchases of investments	(35,374,984)	(46,242,957)	(2,289,222)	(1,960,348)	(2,141,535)	(39)	(88,009,085)	
Investment income (expense)	639,597	565,425	34,832	28,985	33,788	(5)	1,302,622	5,444
Net cash provided by (used for) investing activities	<u>33,587,741</u>	<u>(37,489,667)</u>	<u>(100,749)</u>	<u>(472,116)</u>	<u>235,412</u>	<u>(44)</u>	<u>(4,239,423)</u>	<u>462,114</u>
Net change in cash and cash equivalents	(718,770)	6,096,157	754,837	761,054	640,512	1,672	7,535,462	2,066,270
Cash and cash equivalents -- Beginning of year	12,168,425	8,819,234	587,205	378,367	611,352	156	22,564,739	1,862,993
Cash and cash equivalents -- End of year	<u>\$ 11,449,655</u>	<u>\$ 14,915,391</u>	<u>\$ 1,342,042</u>	<u>\$ 1,139,421</u>	<u>\$ 1,251,864</u>	<u>\$ 1,828</u>	<u>\$ 30,100,201</u>	<u>\$ 3,929,263</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position								
Cash and cash equivalents	3,701,361	26,013	1,342,042	1,139,421	1,251,864	1,828	7,462,529	3,929,263
Restricted cash and cash equivalents	7,748,294	14,889,378					22,637,672	
Total Cash and cash equivalents	<u>\$ 11,449,655</u>	<u>\$ 14,915,391</u>	<u>\$ 1,342,042</u>	<u>\$ 1,139,421</u>	<u>\$ 1,251,864</u>	<u>\$ 1,828</u>	<u>\$ 30,100,201</u>	<u>\$ 3,929,263</u>

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

City of Hot Springs, Arkansas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds						Total Enterprise	Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
Reconciliation of Operating Income (Loss) to								
Net Cash Provided by (used for) Operating Activities:								
Operating income (loss)	\$ 5,182,615	\$ 2,964,422	\$ 599,822	\$ (1,092,639)	\$ 638,576	\$ (326,217)	\$ 7,966,579	\$ 1,712,904
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation and amortization expense	4,190,233	5,335,523	818,644	1,175,582	285,127	160,407	11,965,516	155,120
(Increase) decrease in deferred outflows	(1,014,842)	(1,185,010)	(923,842)	536,673	(63,241)	(5,307)	(2,655,569)	
Increase (decrease) in deferred inflows	(1,778,672)	(2,117,022)	(1,670,103)	(358,493)	(112,361)	(4,820)	(6,041,471)	
(Increase) decrease in assets								
Accounts receivable	919,045	399,865	(21,335)	1,103,410	3,045		2,404,030	(2)
Lease receivable				(703,034)			(703,034)	
Accrued revenue	(9,647)	(13,623)	(7,770)		(1,488)		(32,528)	
Inventory				(3,539)			(3,539)	(440,460)
Prepaid items	19,271	(170,459)					(151,188)	
Increase (decrease) in liabilities								
Accounts payable	797,424	(714,418)	72,232	31,147	(143,093)	20,984	64,276	474,766
Lease liability	71,096	53,635	83,154				207,885	
Compensated absences	(46,088)	6,617	(14,315)	(30,702)	1,712		(82,776)	39,602
Unearned revenue			(2,713)				(2,713)	
Accrued expenses	25,002	2,901	(3,665)	(2,523)	330	10	22,055	3,696
Customer deposits	67,670						67,670	
Other postemployment benefits	(55,804)	(71,590)	(58,256)	(10,125)	(3,528)		(199,303)	
Net pension liability	2,883,060	3,353,424	2,608,087	579,901	180,974	15,580	9,621,026	
Total adjustments	6,067,748	4,879,843	880,118	2,318,297	147,477	186,854	14,480,337	232,722
Net cash provided by (used for) operating activities	<u>\$ 11,250,363</u>	<u>\$ 7,844,265</u>	<u>\$ 1,479,940</u>	<u>\$ 1,225,658</u>	<u>\$ 786,053</u>	<u>\$ (139,363)</u>	<u>\$ 22,446,916</u>	<u>\$ 1,945,626</u>
Noncash investing and financing activities:								
Increase (decrease) in fair value of investments	(5,839,830)	(1,416,841)	(163,842)	(154,085)	(160,111)	(39)	(7,734,748)	
Recognition of lease assets and liabilities	69,214	52,214	80,952				202,380	
Capital contributions	105,484	260,018				285,000	650,502	
Total noncash investing, capital and financing activities	<u>\$ (5,665,132)</u>	<u>\$ (1,104,609)</u>	<u>\$ (82,890)</u>	<u>\$ (154,085)</u>	<u>\$ (160,111)</u>	<u>\$ 284,961</u>	<u>\$ (6,881,866)</u>	

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

City of Hot Springs, Arkansas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2022

	District Court Fund	Administration of Justice Fund	Royal Water Improvement District Debt Service Fee Fund	Total Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 232,278	\$ 74,778	\$ 84,615	\$ 391,671
Receivables				
Due from other funds	-	-	-	-
Due from service providers	19,000	-	-	19,000
Collected for members	-	-	78,053	78,053
Total receivables	19,000	-	78,053	97,053
Total assets	251,278	74,778	162,668	488,724
LIABILITIES				
Accounts payable	-	-	162,668	162,668
Due to other governments	116,905	38,258	-	155,163
Due to other funds	-	-	-	-
Total liabilities	116,905	38,258	162,668	317,831
NET POSITION				
Restricted for individuals, organizations, and other governments	134,373	36,520	-	
Total net position	\$ 134,373	\$ 36,520	\$ -	\$ 170,893

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

City of Hot Springs, Arkansas
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2022

	District Court Fund	Administration of Justice Fund	Royal Water Improvement District Debt Service Fee Fund	Total Custodial Funds
ADDITIONS				
District court fines collected	\$ 3,398,229	\$ 899,607	\$ -	\$ 4,297,836
Collections on behalf of members	-	-	-	-
Collections from customer on behalf of another party	-	-	1,000,208	1,000,208
Total additions	<u>3,398,229</u>	<u>899,607</u>	<u>1,000,208</u>	<u>5,298,044</u>
DEDUCTIONS				
District Court fines distributed to other governments	3,263,856	863,087	-	4,126,943
Member distributions	-	-	-	-
Payments of customer collections	-	-	1,000,208	1,000,208
Total deductions	<u>3,263,856</u>	<u>863,087</u>	<u>1,000,208</u>	<u>5,127,151</u>
Net increase in fiduciary net position	134,373	36,520	-	170,893
Net position-beginning	-	-	-	-
Net position-ending	<u>\$ 134,373</u>	<u>\$ 36,520</u>	<u>\$ -</u>	<u>\$ 170,893</u>

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

NOTES TO THE FINANCIAL STATEMENTS

MALVERN AVENUE GATEWAY PROJECT



City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity. The City of Hot Springs, Arkansas (City), is organized as a political subdivision of the State of Arkansas and is a city of the first class, which is organized and exists under the laws of the State. The City operates under the City Manager form of government. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. To emphasize that it is legally separate from the City, the discretely presented component unit is reported on a separate column in the government-wide financial statements.

Discretely Presented Component Unit. The Hot Springs Advertising and Promotion Commission (Commission) administers advertising and tourist promotion functions and operations of convention and tourist attractions. The City holds two seats (non-majority) on the Commission and ratifies the remaining appointments. The Commission is fiscally dependent on the City because the Board of Directors approves the Commission's tax levy and issuance of bonded indebtedness. Complete financial statements of the Commission may be obtained directly from its administrative offices: Hot Springs Advertising and Promotion Commission, Post Office Box 6000, Hot Springs, Arkansas 71902-6000.

Government-Wide and Fund Financial Statements. The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Also, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under the accrual method.

Sales taxes, franchise taxes, licenses, casino revenues and interest associated with the current fiscal period are considered susceptible to accrual and are recognized as current period revenues. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Police Fund accounts for all activities associated with local law enforcement. These activities are reported in a separate fund to meet requirements imposed by a voters' initiative for a half-cent sales tax for public safety, which requires that 60% of that tax be used for police activities.

Fire Fund accounts for all activities associated with fire prevention and suppression. The voters' initiative that imposed the half-cent sales tax described above requires 40% of the tax be used for fire activities.

Street Fund is a special revenue fund to account for all activities associated with maintaining and constructing streets and drainage improvements. Arkansas statutes that provide funding for street and drainage projects require that these activities be accounted for separately. The Street Fund is financed by state turnback funds and transfers from the General Fund.

ARPA Fund is a special revenue fund to account for all activities associated with The American Rescue Plan Act of 2021. This is funding from the federal government to assist with the Coronavirus pandemic. The use of these funds is stringently restricted by the guidelines in the Act. These funds must be obligated by December 31, 2024 and expended by the December 31, 2026 to comply with federal guidelines.

The City reports the following major proprietary funds:

Water Fund is used to account for activities associated with collecting, treating and distributing drinkable water to customers.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Wastewater Fund is used to account for activities associated with collecting, treating and disposing of wastewater from customers.

Solid Waste Fund is used to account for activities associated with collecting, compacting, recycling and disposing of solid waste.

Airport Fund is used to account for activities associated with maintaining the municipal airport. These activities include selling fuel, oil and sundries, renting available office space, grounds and hangars and maintaining security and facilities.

Stormwater Fund is used to account for activities associated with managing and collecting stormwater and completing stormwater improvement projects.

Parking Fund is used to account for activities associated with providing parking for the public.

Additionally, the City reports the following fund types:

Internal Service Funds account for services provided to other departments or agencies of the City or to other governments on a cost-reimbursement basis:

Fleet Service Fund provides maintenance services and fuel dispensing for all City vehicles. In addition, it maintains an inventory for vehicle parts, janitorial supplies, and fuel.

Employee Wellness Fund accumulates cash from all other funds that have employees and pays all City employee health claims.

Utility Administration Fund provides administrative and engineering services for the Wastewater and Water Funds. This internal service fund is considered a business-type activity.

Fiduciary Funds account for activities in the following areas:

- a. *District Court Fund* and the *Administration of Justice Fund* collect and remit fines, court costs and other monies, and distribute funds collected to other governmental agencies.
- b. *Royal Water Improvement District Debt Service Fee Fund* is used to charge the district water customers a debt service fee that is assessed to help pay the bond repayments. The Improvement District is an independent agency from the City. The district uses the City's utility billing system, and the City charges a fee to offset billing costs of this function. The debt service collected is paid to the independent district trustee when collected.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges to the City's solid waste, stormwater, wastewater and water functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

revenues. General revenues include all taxes imposed by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Position

Deposits and Investments. The City's cash and cash equivalents are considered as cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and money market funds which can be accessed easily. State statutes authorize the City to invest in obligations of the United States government, commercial paper and certain corporate bonds. The Hot Springs Advertising and Promotion Commission is authorized by its governing board to invest in obligations of the United States Treasury, commercial paper and mutual funds. Investments for the City and its component unit are reported at fair value.

Receivables and Payables. Operating accounts receivable are the result of billing services for water, wastewater, solid waste, stormwater and month to month rentals at the airport. Activity among funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i. e., the current portion of interfund loans) or "advances to/from other funds" (i. e., the noncurrent portion of interfund loans). All other outstanding balances among funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Lease receivable consists of amounts due from customers utilizing space on a communication tower and airport services. Lease income is stated at the amount billed to customers plus any accrued and unpaid late fees.

Inventories and Prepaid Items. Inventories are recorded in the General Fund and all other funds at cost, which approximates market, on the first-in-first-out method of valuation. Expenditures relating to inventory usage are recognized at the time of use. All obsolete or unusable items are excluded from inventory valuations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements. The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

Restricted Assets. The proprietary fund types report restricted assets on the statement of net position in accordance with the requirements of bond obligation agreements, donor and membership restrictions and support obligations made by the City. Governmental activities also report restricted assets in the statement of net position. The Bond Depreciation Fund is used to restrict resources and set aside funds

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

to finance capital asset renewals and replacements. The assets consist primarily of cash and investment funds.

Unearned Revenue. Unearned revenue consists mainly of grant receipts. At December 31, 2022, \$7,754,593 of unearned revenue is related to the City's remaining American Rescue Plan Act (ARPA) fund. The City received a total of \$11,370,797 in ARPA funding. During 2022, the City recognized \$2,287,000 of ARPA revenue as it allocated this amount toward eligible public safety personnel expenditures. The amount is recognized as intergovernmental revenue for the City's governmental activities. Also during 2022, the City allocated \$1,131,337 in ARPA funding towards COVID vaccines, household assistance for food programs and rent, mortgage and utility aid, and a year-end bonus for employees .

Capital Assets. Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar assets are recorded at acquisition value.

Property, plant and equipment of the City and the component unit are depreciated using the straight-line method over the following, estimated useful lives:

<u>Asset</u>	Primary Government <u>Years</u>	Component Unit <u>Years</u>
Buildings	20-40	40-50
Building improvements	20	5-31
Public domain and system infrastructures	50 and 30 respectively	
Vehicles	5-10	5-15
Office equipment	5-10	5-15
Computer equipment	4-6	5-15

Leases.

Lessee: The City is a lessee for a lease of the right to use space on a communication tower. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease assets with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The City monitors changes in circumstances that would require a measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statements of net position.

Payments due under the lease contracts include fixed payments plus, for many of the City's short-term or insignificant leases, variable payments. For office space leases that include variable payments, those variable payments include payments for the City's proportionate share of the building's insurance and common area maintenance.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable payments that depend on an index or rate
- Amounts expected to be payable by the City under residual value guarantees
- The exercise price of a purchase option if the City is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the City exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and tower leases across the City. These are used to maximize operational flexibility in terms of managing the assets used in the City's operations.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the City's incremental borrowing rate is used, being the rate that the City would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or market interest rate), initially measured using the index or rate as of the commencement of the lease term.

Lessor: The City is a lessor for a noncancellable lease of space on a communication tower as well as for property at the Airport. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of the leases, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses its incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessees.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences. In government-wide and proprietary fund statements, vested or accumulated vacation and sick leave are recorded as expenses and liabilities as the benefits accrue to employees. In the fund financial statements, governmental funds recognize a liability for compensated absences only when the underlying event (i.e., retirement) takes place and remains unpaid at the balance sheet date. In July of 2011 the City moved from using a traditional sick and vacation pay system to using a Paid Time Off (PTO) system. A policy was developed by the Human Resources Department to convert the banks of sick and vacation time accrued by employees to the new PTO System. As compensated absences are liquidated, they are paid out of the fund to which the employee is currently assigned.

Long-term Obligations. In government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in applicable governmental activities, business-type activities or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the year of issuance in accordance with GASB 65.

Defined Benefit Pension Plans. The City has two agent multiple-employer defined benefit pension plans, the City of Hot Springs Firemen's Pension and Relief Fund and the City of Hot Springs Policemen's Pension and Relief fund, and also participates in two cost-sharing multiple-employer defined benefit pension plans, the Local Police and Fire Retirement System and the Arkansas Public Employees Retirement System (the Plans). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' 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.

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction in liability) until then. The City has eight items that qualify for reporting in this category. This first item is a deferred charge on bond refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or refunding debt. All of the remaining items are related to pensions, deferred changes and other postemployment benefits: changes in assumptions, difference between expected and actual experience, changes in proportion and differences between contribution and proportionate share of contributions, contributions subsequent to the measurement date, and difference between actual and expected investment earnings. Deferred outflows related to contributions subsequent to the measurement date will be reported in the next year to reduce net pension liability. The remaining amounts will be amortized to pension expense over future periods.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has seven items that qualify as deferred inflows of resources as of December 31, 2022. The items reported in the statements are related to pension, bond refunding, leases and other postemployment benefits; and, as applicable, include changes in assumptions, difference between expected and actual experience, changes in proportion and differences between contribution and proportionate share of contributions, and difference between actual and expected investment earnings. Deferred inflows for both pension and

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

other postemployment benefits are amortized over future periods.

Fund Balance. Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and other levels of government), through constitutional provisions or by enabling legislation.

Committed - amounts constrained to a specific purpose by the City itself, using its highest level of decision making authority (i.e. City Board). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint (i.e. Resolution). At the end of 2022 the City had \$14,576,465 in committed funds.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Board or by an official or body to which the City Board delegates the authority. At the end of 2022 the City had \$1,970,237 in assigned amounts.

Unassigned - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City's practice is to use restricted, committed, or assigned amounts first, before unrestricted, when an expenditure is incurred for purposes for which multiple classifications are available. The City's current fund balance policy (which was updated with Resolution 8009 during 2012) states, "The unreserved fund balance shall be maintained at an amount which represents the approximate equivalent of 16.5% of annual operating expenses." This policy is in line with the guidelines from GFOA.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

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 affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to December 31, 2022:

Statement No.	Name	Effective Date	City of Hot Springs Implementation Date (if applicable)
94	<i>Public - Private and Public - Public Partnerships and Availability Payment Arrangements</i>	Fiscal years beginning after June 15, 2022	January 1, 2023
96	<i>Subscription-based Information Technology Arrangements</i>	Fiscal years beginning after June 15, 2022	January 1, 2023
99	<i>Omnibus 2022</i>	Fiscal years beginning June 15, 2022, with exceptions	Various based on topic
100	<i>Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62</i>	Fiscal years beginning after June 15, 2023	January 1, 2024
101	<i>Compensated Absences</i>	Fiscal years beginning after December 15, 2023	January 1, 2024

Accounting Pronouncement Adopted

GASB Statement No. 87 - Leases

This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provision of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement was effective for reporting periods beginning after June 15, 2021. The City of Hot Springs adopted the standard in fiscal year 2022 and has accounted for leases as a lessor in its governmental activities, business type activities and component unit of its government-wide financial statements and in the governmental funds (Fire Fund) and its enterprise funds (Airport) and as a lessee in its governmental activities and business type activities. Adoption of GASB 87 had no effect on beginning net position or fund balances at January 1, 2022.

City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2022

NOTE 2: Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position. The governmental funds balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.” The details of this \$33,295,640 are as follows:

Capital assets not being depreciated	\$	13,176,918
Buildings		17,392,231
Less : Accumulated depreciation-buildings		(11,429,018)
Improvements other than buildings		91,491,359
Less : Accumulated depreciation-improvements other than buildings		(84,725,242)
Machinery and equipment		35,679,556
Less: Accumulated depreciation-machinery and equipment		<u>(28,290,164)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$	<u><u>33,295,640</u></u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet services and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position". The details of this \$5,433,647 difference are as follows:

Net position of the internal service funds	\$	9,761,741
Less: Utilities Administration Fund net position reported in the business-type funds net position		(848,456)
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(2,827,304)
Less: Internal payable representing charges in excess of cost to business-type activities - current year		<u>(652,334)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$	<u><u>5,433,647</u></u>

City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2022

Another element of that reconciliation explains that “long-term liabilities, (notes and bonds payable, and compensated absences) are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$16,577,141) difference are as follows:

Bonds payable	\$ (8,370,000)
Notes payable	(4,592,494)
Compensated absences (excluding ISF Fleet)	(3,614,647)
Lease liability	<u>(207,885)</u>
 Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ (16,785,026)</u>

Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities. The governmental funds statement of revenue, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was less than capital outlays in the current period.” The details of this \$1,768,658 difference are as follows:

Capital outlay	\$ 3,989,711
Depreciation expense	<u>(2,221,053)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ 1,768,658</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long- term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long- term debt and related items.” The details of this \$157,089 are as follows:

Debt issued or incurred:	
General obligation notes	\$ (1,986,600)
Principal repayments	
Special obligation bonds	320,000
General obligation notes	<u>1,823,689</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ 157,089</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

NOTE 3: Stewardship, Compliance and Accountability

Budgetary Information. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City operating funds. The General Fund, District Court Fund, Police Fund, Fire Fund, Street Fund, Jail Expense Fines Fund and Public Transportation Fund all have legally adopted annual budgets. Annual budgets are also legally adopted for all business-type funds. Enterprise Funds include Water Fund, Wastewater Fund, Solid Waste Fund, Airport Fund, Stormwater Fund and Parking Fund. Internal Service Funds include the Fleet Service Fund, Utility Administration Fund and Employee Health Insurance Fund. On November 16, 2021 the Board of Directors approved the appropriations for the 2022 budget presented by the City Manager as required by Arkansas statutes. The annual budget is used as a revenue and expenditure control feature in the City's management and accountability systems.

The budget process begins with a review by the Board of Directors goals and priorities. The City Manager provides department heads with direction for the budget development. Department heads submit their budget requests online, and the finance department produces a working document. Meetings are held with each department head to discuss and adjust budget submissions. The Board of Directors then holds public work sessions to review the proposed plan. Public input is received before the adoption of the budget ordinance in a formal Board meeting.

The appropriated budget is prepared by fund, department, and major classification, which is the legal level of control. The Finance Director may make transfers between individual line items in a major classification (i.e., supplies to supplies) in the same department and fund. Transfers from one major classification to another and transfers from one department to another within the same fund must be approved by the City Manager. Transfers between funds require the approval of the Board of Directors; however, the City Manager may make transfers from the General Fund into the Police Fund, Fire Fund, and Street Fund, provided the transfers are in compliance with local, state and federal regulations. During 2022, the board made several changes in the General Fund including re-appropriation of \$391,471 for 2021 purchases not received until 2022. Reflected on the final General Fund budget was a \$445,663 increase in fund balance.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

NOTE 4: Detailed Notes on All Funds

Deposits and Investments

The City's deposits and investments are governed by local ordinance in the City of Hot Springs Code Section "Public Finance." This code is structured in the deposit and investment constraints of state law. At December 31, 2022, the deposits and investments held by the City and discretely presented component unit were as follows:

City Deposits and Investments by Type

Type	Carrying Value	
Deposits:		
Demand	\$ 54,770,175	
Cash on hand	4,509	
Total Deposits		\$ 54,774,684
Investments:		
U.S. treasury & agency obligations:		
Maturing within less than 3 years	102,641,887	
Maturing within 3 to 5 years	19,480,215	122,122,102
General obligation bonds		
Maturing within less than 3 years	27,283,742	
Maturing within 3 to 5 years	575,024	27,858,766
Certificates of deposit:		
Maturing within less than 3 years	1,524,780	
Maturing within 3 to 5 years	-	1,524,780
Total Investments		151,505,648
<u>Total Deposits and Investments</u>		\$ 206,280,332

Reconciliation to Statement of Net Position

Current assets:	
Cash and cash equivalents	\$ 23,810,829
Investments	27,151,027
Restricted assets:	
Cash and cash equivalents	30,572,184
Investments	124,354,621
Total -- Statement of Net Position	205,888,661
Fiduciary Funds	391,671
<u>Total Deposits and Investments</u>	\$ 206,280,332

City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2022

<u>Discretely Presented Component Unit -- Deposits by Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 18,208,068
Cash on hand	21,990
Total Deposits	<u>\$ 18,230,058</u>
 <u>Reconciliation to Statement of Net Position</u>	
Current assets:	
Cash and cash equivalents	\$ 18,157,742
Restricted assets:	
Cash and cash equivalents	72,316
Total -- Statement of Net Position	<u>\$ 18,230,058</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a policy for custodial credit risk. During 2022, the collateralization of cash and investments was accomplished on a city-wide basis. The carrying amount of the entire City's deposits was \$205,888,661, with a corresponding bank balance of \$207,281,985 (including cash on hand). Of this balance, \$122,122,102 was invested in United States government-backed securities, \$6,330,233 was covered by federal deposit insurance, \$27,858,766 was invested in municipal bonds, \$50,966,375 was collateralized with securities, and \$4,509 was held in cash. None of the amounts collateralized with securities and money market mutual funds were subject to custodial credit risk.

Investment Interest Rate Risk. The City's formal investment policy structures investment maturities at a limit of five years or less unless a maturity of greater than five years can be correlated to fund usage after five years. The City uses this policy as a means to mitigate the interest rate risk and exposure to fair-value losses in an increasing interest rate market.

Investment Credit Risk. The City's investment policy allows it to invest only in book entry securities. Following is a list of authorized investments for the City:

- a. Direct obligations of the United States government;
- b. Obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidences of indebtedness, regardless of guarantee of repayment by the United States government;
- c. Obligations the principal and interest of which are fully guaranteed by the United States government or an agency or are instrumentality created by an act of the United States Congress and authorized thereby to issue such guarantee;
- d. Obligations the principal and interest of which are fully secured, insured or covered by commitments or agreements to purchase by the United States government or an agency or are instrumentality created by an act of the United States Congress and authorized thereby to issue such commitments or agreements;

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

- e. General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories or insular possessions thereof (general obligation bonds);
- f. Obligations issued by the Arkansas State Board of Education under authority of the Arkansas Constitution or applicable statutes;
- g. Pre-refunded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the United States government;
- h. Certificates of deposit with banks authorized by state law to receive deposits of public funds and with which the City has both a depository agreement and a collateral agreement;
- i. Repurchase agreements that are fully collateralized by direct obligations of the United States government, provided that any such repurchase agreement shall provide for the taking of delivery of such collateral directly or through an authorized custodian;
- j. Securities of, or other interest in, any open-end type of investment company or investment trust registered under the Investment Company Act of 1940, and which is defined as a “money market fund” under 17 CFR ss 770.2a-7, provided that the portfolio of such investment company or investment trust is limited principally to United States government obligations and to repurchase agreements fully collateralized by United States government obligations, and, provided further that any such investment company or investment trust shall take delivery of such collateral either directly or through an authorized custodian;
- k. Local government trusts.

Fair Value of Investments. The City of Hot Springs measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than those in Level 1; and
- *Level 3:* Unobservable inputs

All City held investments at 12/31/22 were classified as Level 2.

Concentration of Investment Credit Risk. The City's investment policy contains a diversification provision that is designed to limit the concentration of credit risk. This provision specifies that the City's investments be diversified by limiting investments to avoid over concentration in securities from a specific issuer to five percent of the cost basis of the City's portfolio at the time of purchase, a limit of 15 percent of the cost basis of the City's portfolio will apply to each business sector as defined by any recognized rating agency (excluding United States Treasury securities and collateralized certificates of deposit).

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the governmental and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts:

Receivables								
	Interest	Taxes	Accounts	Leases	Inter-Governmental	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Governmental Activities								
General Fund	\$ 71,777	\$ 3,234,923	\$ 1,170,799		\$ 74,382	\$ 4,551,881	\$ (59,757)	\$ 4,492,124
Police Fund	80	970,477	141,305			1,111,862	(5,000)	1,106,862
Fire Fund		646,985		395,672		1,042,657		1,042,657
Street Fund	11,916	1,078,834	1,798,485		274,203	3,163,438		3,163,438
ARPA Fund	698					698		698
Employee Wellness Fund						-		-
Nonmajor	2,266		100,343		1,944,473	2,047,082		2,047,082
Totals	<u>\$ 86,737</u>	<u>\$ 5,931,219</u>	<u>\$ 3,210,932</u>	<u>\$ 395,672</u>	<u>\$ 2,293,058</u>	<u>\$ 11,917,618</u>	<u>\$ (64,757)</u>	<u>\$ 11,852,861</u>
Business-type Activities								
Parking Fund	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 2
Stormwater Fund	7,039		93,879		10,116	111,034	(31,460)	79,574
Airport Fund	6,774		158,706	746,259	496,343	1,408,082	3,471	1,411,553
Solid Waste Fund	7,203		536,429			543,632	(144,709)	398,923
Water Fund	116,592		1,312,723			1,429,315	(293,209)	1,136,106
Wastewater Fund	202,293		1,318,930			1,521,223	(420,389)	1,100,834
Utility Admin Fund			10			10		10
Totals	<u>\$ 339,901</u>	<u>\$ -</u>	<u>\$ 3,420,676</u>	<u>\$ 746,259</u>	<u>\$ 506,459</u>	<u>\$ 5,013,295</u>	<u>\$ (886,295)</u>	<u>\$ 4,127,002</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Construction in progress	\$ 2,766,577	\$ 4,141,885	\$ 3,225,799	\$ 3,682,663
Art	263,251	11,000		274,251
Land	9,267,617	2,500		9,270,117
Total capital assets not being depreciated	12,297,445	4,155,385	3,225,799	13,227,031
Capital assets being depreciated:				
Buildings	17,207,689	372,343		\$ 17,580,032
Improvements other than buildings	90,831,859	1,275,421	331,968	\$ 91,775,312
Machinery and equipment	36,510,209	1,485,975	1,767,437	36,228,747
Total capital assets being depreciated	144,549,757	3,133,739	2,099,405	145,584,091
Less accumulated depreciation for:				
Buildings	11,081,288	429,271		\$ 11,510,559
Improvements other than buildings	84,538,747	722,058	251,741	85,009,064
Machinery and equipment	29,450,736	1,084,567	1,719,879	28,815,424
Total accumulated depreciation	125,070,771	2,235,896	1,971,620	125,335,047
Net capital assets being depreciated	19,478,986	897,843	127,785	20,249,044
Net governmental activities capital assets	\$ 31,776,431	\$ 5,053,228	\$ 3,353,584	\$ 33,476,075
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 34,723,646	\$ 44,462,047	\$ 12,327,343	\$ 66,858,350
Water Rights	11,552,246			11,552,246
Land	13,998,995	86,734	-	14,085,729
Total capital assets not being depreciated	60,274,887	44,548,781	12,327,343	92,496,325
Capital assets being depreciated				
Buildings	45,069,838	699,705		45,769,543
Improvements other than buildings	284,159,293	10,264,806		294,424,099
Machinery and equipment	83,670,277	1,913,372	358,695	85,224,954
Total capital assets being depreciated	412,899,408	12,877,883	358,695	425,418,596
Less accumulated depreciation for:				
Buildings	24,857,110	952,242		25,809,352
Improvements other than buildings	122,507,501	7,668,441		130,175,942
Machinery and equipment	59,738,053	3,467,120	201,720	63,003,453
Total accumulated depreciation	207,102,664	12,087,803	201,720	218,988,747
Net capital assets being depreciated	205,796,744	790,080	156,975	206,429,849
Net business-type activities capital assets	\$ 266,071,631	\$ 45,338,861	\$ 12,484,318	\$ 298,926,174

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

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

Governmental Activities

General government	\$	79,946
Community development		51,033
Parks and recreation		359,845
Public safety		932,515
Public transportation		62,502
Public works		735,211
Capital assets held by the Fleet Service Internal Service Fund and charged to various functions based on usage		14,844
<u>Total Depreciation Expense - Governmental Activities</u>	\$	<u>2,235,896</u>

Business-type Activities

Airport	\$	1,175,582
Parking		160,407
Solid Waste		811,448
Stormwater		285,127
Wastewater		5,330,882
Water		4,184,081
Capital assets held by the Utility Administration Internal Service Fund and charged to Wastewater and Water Funds based on usage		140,276
<u>Total Depreciation Expense - Business-type Activities</u>	\$	<u>12,087,803</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Construction Commitments. As of December 31, 2022, the City had the following active construction projects:

<u>Governmental Activities</u>		<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
General Fund:	Hot Springs Wayfinding Signage	\$ 250,182	\$ 167,400
	Hot Springs Creek Greenway Trails and Wetlands Trailheads Design	187,300	1,306,822
	Hot Springs Pedestrian Improvements - Whittington Ave.	12,405	669,825
	Velocity Park	9,000	23,100
	Aerial & Pumper Truck	2,764,403	
	Station 4 Addition	108,487	4,962
	Stokes Creek Trail and Bridge Improvements (Woodlawn and Honeycutt)	54,630	
	Transfer from A&P	162,464	162,464
	Bus Shelter and Traffic Video Cameras	133,792	
Total construction commitments for Governmental activities		\$ 3,682,663	\$ 2,334,573
<u>Business-type Activities</u>		<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Parking:	Church Street Parking Lot	\$ 299,274	\$ 2,750
Stormwater:	Drainage Improvements	224,998	76,348
	Stormwater Building	24,084	5,616
	Land Appraisals and Filings	910	-
Airport:	Rehabilitation Runway 5-23	2,445,640	364,048
	Rehabilitation Runway 13/31	244,936	3,000
	Drainage Improvements	118,392	62,484
	New Campus for Traffic Services Division	25,275	-
Solid Waste:	Transfer Station Upgrade	24,769	8,934
Water:	2022 Waterline Improvements	50,310	16,750
	Water Master Plan	887,332	
	15 MGD Water Treatment Plant	5,706,820	33,533,962
	Ouachita Intake Structure Construction and Inspection	10,653,739	11,130,514
	Clearwell Tank	3,796,762	395,239
	Ouachita Raw and Finished Waterlines	38,066,687	19,227,013
	Easements	4,860	
	Ouachita Water Treatment Plant Pump Station	38,579	-
	Ouachita Water Treatment Plant Backwash Lagoon	65,837	136,164
	Virtual Demand Metered Area Project	246,695	62,805
	Main Street Water Improvements	145,298	188,887
Wastewater:	Davidson Drive Wastewater Treatment Plant Improvements and Weir Gates	1,015,289	684,484
	Wastewater Hydraulic Model Update & Gulpha Station	559,800	-
	Guupha Pump Station Improvements	141,719	674,081
	Hot Springs Creek Evaluation	57,705	795
	Sewer Improvements - Main Street & Spring Street	410,804	1,153,422
	Gulpha Lift Station to Shady Grove Rd, Gulpha Pump Station to Davidson WWTP, and Lower Gulpha Basin Interceptor	1,457,664	583,236
	Compost Pad Paving	54,850	-
Utility Adm:	Fence, Gates, and Privacy Slats - Utilities Buildings	89,324	17,392
Total construction commitments for Business-type activities		\$ 66,858,350	\$ 68,325,175

Active construction projects listed with no remaining commitment balance listed are in various stages of progress or have not been put into service.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Capital asset activity for the discretely presented component unit for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 5,409,784	\$ -	\$ 456,002	\$ 4,953,782
Construction in progress	685,133	808,112	1,476,382	16,863
Art and collectibles	553,701			553,701
Total capital assets not being depreciated	6,648,618	808,112	1,932,384	5,524,346
Capital assets being depreciated				
Buildings and structures	67,576,816			67,576,816
Improvements	13,674,394	22,116		13,696,510
Furniture, fixtures, and equipment	9,296,505	1,526,498	131,387	10,691,616
Total capital assets being depreciated	90,547,715	1,548,614	131,387	91,964,942
Accumulated depreciation	45,026,298	2,985,292	98,280	47,913,310
Total capital assets net of accumulated depreciation	\$ 45,521,417	\$ (1,436,678)	\$ 33,107	\$ 44,051,632
Net component unit capital assets	\$ 52,170,035	\$ (628,566)	\$ 1,965,491	\$ 49,575,978

Lease asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance (As Restated)	Additions	Deletions	Ending Balance
Governmental activities				
Lease assets - structures	\$ 220,369	\$ -	\$ -	\$ 220,369
Accumulated amortization - structures	-	17,989	-	17,989
Net governmental activities lease assets	<u>\$ 220,369</u>	<u>\$ 17,989</u>	<u>\$ -</u>	<u>\$ 202,380</u>
Business-type activities				
Lease assets - structures	\$ 220,369	\$ -	\$ -	\$ 220,369
Accumulated amortization - structures	-	17,989	-	17,989
Net business-type activities lease assets	<u>\$ 220,369</u>	<u>\$ 17,989</u>	<u>\$ -</u>	<u>\$ 202,380</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Interfund Receivables, Payables and Transfers.

Interfund receivables and payables arise when cash transfers between funds are not settled as of the balance sheet date. The current portion of these balances is referred to as due to/due from. The long- term portion of these balances is referred to as advances to/advances from. In addition, cash transfers between funds arise when cash funding is required for one fund by another. The major reasons for transfers are the settlement of sales tax collections, general support of the public safety function mandated by voter initiative, bond documents and the local match of state and federal grants. On the face of the balance sheet the due to/due from classifications differ by the Custodial Funds components. Following is the composition of interfund balances as of December 31, 2022:

Due to and Due from		
Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 1,066,624
	Internal Service	45,186
Non Major Governmental	General Fund	669
	Nonmajor Governmental	7,712
Police Fund	Nonmajor Governmental	62,292
ARPA	General Fund	29,528
Water	Internal Service	569,036
Wastewater	Internal Service	529,313
Solid Waste	General Fund	2,268,383
Stormwater	General Fund	12,405
		-
Total Due To / Due From		<u>\$ 4,591,148</u>

Transfers In							
Transfers Out	Nonmajor						Total
	Fire	Police	Governmental	Street	Stormwater	Parking	
General	\$ 6,728,824	\$ 8,152,000	1,245,486	\$ 743,166	\$ -	\$ 155,355	\$ 17,024,831
Police			46,897				46,897
Fire							
Street			17,842		2,289		20,131
Nonmajor Governmental			472,399				472,399
Stormwater							
	<u>\$ 6,728,824</u>	<u>\$ 8,152,000</u>	<u>\$ 1,782,624</u>	<u>\$ 743,166</u>	<u>\$ 2,289</u>	<u>\$ 155,355</u>	<u>\$ 17,564,258</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Leases

Lease receivable consists of amounts due from customers utilizing airport services as well as space on a communication tower.

Lease Receivable - Fire -On January 1, 2022, the City of Hot Springs entered into a 142 month lease as Lessor for the use of space on a communication tower at 1311 Golf Links Road. An initial lease receivable was recorded in the amount of \$420,473. As of December 31, 2022, the value of the lease receivable is \$395,672. The lessee is required to make monthly fixed payments of \$2,614 through September and then \$2,718 for the remainder of the year. The lease has an interest rate of 1.84%. The value of the deferred inflow of resources as of 12/31/2022 was \$384,982, and the City of Hot Springs recognized revenue of \$42,372, which includes both lease revenue and interest during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

Lease Receivable - Airport-The City leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds and use space on a communication tower, the terms of which expire in 2023 through 2053. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number of leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

An initial lease receivable was recorded in the amount of \$833,310. As of December 31, 2022, the value of the lease receivable is \$746,259. The leases have an interest rate of 1.84%. The value of the deferred inflow of resources as of 12/31/2022 was \$741,107. Total revenue recognized under lease contracts during the year ended December 31, 2022 was approximately \$105,429 which includes both lease revenue and interest.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

The following is a schedule by year of minimum payments to be received under the City's leases that are included in the measurement of lease receivables as of December 31, 2022:

Fiscal Years	<u>Governmental Fund Leases</u>				<u>Proprietary Fund Leases</u>			
	Beginning Balance	Lease Receipts	Interest Income	Ending Balance	Beginning Balance	Lease Receipts	Interest Income	Ending Balance
2023	\$ 395,672	\$ 32,949	\$ 7,065	\$ 369,788	\$ 746,259	\$ 56,552	\$ 13,327	\$ 703,034
2024	369,788	34,267	6,574	342,095	703,034	43,152	12,680	672,562
2025	342,095	35,638	6,048	312,505	672,562	43,152	12,114	641,524
2026	312,505	37,063	5,487	280,929	641,524	36,512	11,589	616,601
2027	280,929	38,546	4,889	247,272	616,601	31,036	11,167	596,732
2028	247,272	40,088	4,251	211,436	596,732	29,412	10,824	578,144
2029	211,436	41,691	3,573	173,318	578,144	29,412	10,479	559,211
2030	173,318	43,359	2,852	132,810	559,211	29,412	10,127	539,926
2031	132,810	45,093	2,085	89,803	539,926	29,412	9,770	520,284
2032	89,803	46,897	1,272	44,178	520,284	29,412	9,405	500,277
2033	44,178	44,588	410	0	500,277	29,412	9,034	479,899

Regulated Leases - The Airport leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire in 2031. Revenue recognized for fixed payments under regulated lease contracts during the year ended December 31, 2022 was \$36,072. The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2022:

<u>Fiscal Year</u>	<u>Lease Revenue</u>
2023	75,019
2024	75,019
2025	75,019
2026	63,327
2027	28,251
2028-2031	108,294

Lease Liabilities

On January 1, 2022, The City of Hot Springs entered into a 147 month lease as Lessee for the use of Hot Springs-Red Bird (Central Avenue) communication tower. An initial lease liability was recorded in the amount of \$440,738. As of 12/31/2022, the value of the lease liability is \$415,769. The City of Hot Springs is required to make monthly fixed payments of \$2,595. The lease is recorded in two departments in the Governmental Funds (Police and Fire) and three departments in the Proprietary Funds (Water, Wastewater, and Solid Waste). The lease has an interest rate of 1.84%. The tower's estimated useful life was 180 months as of the contract commencement. The value of the right to use

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

asset as of December 31, 2022 of \$404,760 with accumulated amortization of \$35,978 is included with structures. The City of Hot Springs has 4 extension option(s), each for 60 months.

The following is the future principal and interest payments for the lease liabilities at December 31, 2022.

<u>Fiscal Years</u>	<u>Governmental Fund Leases</u>		<u>Proprietary Fund Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 13,022	\$ 3,716	\$ 13,022	\$ 3,716
2024	13,938	3,469	13,938	3,469
2025	14,899	3,205	14,899	3,205
2026	15,906	2,922	15,906	2,922
2027	16,960	2,621	16,960	2,621
2028-2032	102,447	7,853	102,447	7,853
2033-2034	30,712	381	30,713	381
Total	\$ 207,884	\$ 24,167	\$ 207,885	\$ 24,167

The following is a summary of the changes in lease liabilities for the year ended December 31, 2022.

<u>Lease Liability</u>	<u>Beginning Balance</u> <u>(As Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Funds	\$ 220,369	\$ -	\$ 12,484	\$ 207,884
Proprietary Funds	220,369		12,484	207,885
Total	\$ 440,738	\$ -	\$ 24,968	\$ 415,769

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2022 were as follows:

	Beginning Balance (As Restated)	Increases	Decreases	Ending Balance	Amount due in One Year
Governmental Activities					
Bonds payable					
Special obligation bonds	\$ 8,690,000	\$ -	\$ 320,000	\$ 8,370,000	\$ 335,000
Bonds payable, net	<u>8,690,000</u>	<u>-</u>	<u>320,000</u>	<u>8,370,000</u>	<u>335,000</u>
Notes payable	4,429,583	1,986,600	1,823,689	4,592,494	1,684,894
Net pension liability	59,352,831	1,300,173		60,653,004	
Compensated absences	3,554,225	181,916		3,736,141	262,532
Lease liabilities	220,369	-	12,485	207,884	13,022
OPEB liability	3,304,081	446,464	771,645	2,978,900	
Total governmental activities long-term liabilities	<u>\$ 79,551,089</u>	<u>\$ 3,915,153</u>	<u>\$ 2,927,819</u>	<u>\$ 80,538,423</u>	<u>\$ 2,295,448</u>
Business-type Activities					
Bonds payable					
Revenue bonds	\$ 217,948,386	\$ 46,245,000	\$ 4,365,164	\$ 259,828,222	\$ 6,620,494
Add issuance premiums	11,241,081		421,246	10,819,835	421,246
Less issuance discounts	1,656,799	545,343	66,222	2,135,920	75,309
Bonds payable, net	<u>227,532,668</u>	<u>45,699,657</u>	<u>4,720,188</u>	<u>268,512,137</u>	<u>6,966,431</u>
Note payable - Mid Arkansas Water Alliance	8,188,543		239,726	7,948,817	245,720
Post closure compost facility costs	687,292		127,238	560,054	
Net pension liability	3,592,252	9,621,026		13,213,278	
Compensated absences	1,325,870	43,296	92,465	1,276,701	137,884
Lease liabilities	220,369	-	12,484	207,885	13,022
OPEB liability	1,946,594	273,639	472,942	1,747,291	
Total business-type activities long-term liabilities	<u>\$ 243,493,588</u>	<u>\$ 55,637,618</u>	<u>\$ 5,665,043</u>	<u>\$ 293,466,163</u>	<u>\$ 7,363,057</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

The Fleet Service Fund (an internal service fund) predominantly serves the governmental funds. Accordingly, long term liabilities for this fund are included above as part of the totals for governmental activities. As of December 31, 2022, \$121,494 of Fleet Service Fund's compensated absences are included in the above governmental activities amounts. The Utility Administration Fund (an internal service fund) serves only the business-type activities. As of December 31, 2022, \$314,567 of Utility Administration Funds compensated absences are included in the above business-type activities. Compensated absences and the OPEB liability will be liquidated by the fund paying the underlying employee. For governmental activities the following funds were used to liquidate them in the prior year: General Fund, Police Fund, Fire Fund, Street Fund, District Court Fund, and Public Transportation Fund.

Following is a summary of bonds and notes payable:

<u>Primary Government</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Total Outstanding</u>
General long-term obligations				
Special obligation bonds	1.977%-3.691%	2049	\$ 9,450,000	\$ 8,370,000
Notes payable	1.13%-2.759%	2026	\$ 8,825,310	\$ 4,592,494
Enterprise Funds				
Revenue bonds	0%-4%	2052	\$ 277,365,000	\$ 268,512,137
Notes payable	2.5%	2046	\$ 9,534,832	\$ 7,948,816

Governmental Activities

Special Obligation Bonds

Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018

On December 31, 2018 the City issued special obligation bonds with a face value of \$1,575,000. The purpose of the bonds was to finance all or a portion of improvements to Mid-America Museum. The bonds are not general obligations of the City, but are special obligations payable solely from collections of the 3% tax levied by the City on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, cafeterias and other similar establishments in the City. The bonds were privately placed with an interest rate of 3.4% on \$1,530,000, and 3.5% on \$45,000. Principal payments are due annually on May 1. Interest payments are due semiannually on May 1 and November 1.

Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019

These 30-year taxable bonds were issued on November 12, 2019 with a face value of \$7,875,000 for the purpose of financing all or a portion of the costs of acquiring, constructing, furnishing, and equipping a new baseball complex, including new fields, concession area, and restrooms. The interest rates range from 1.977% to 3.691%. Principal payments are due annually on November 1, and interest payments are due semiannually on May 1 and November 1. These are paid from unappropriated funds.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Notes Payable (Direct Borrowings)

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, providing a method for cities and counties to obtain short-term financing. The law requires permissible items to have an expected useful life of over one year and requires that the financing not exceed five years and that interest and principal repayments be made from general revenues. The City of Hot Springs has several five year notes that have been issued pursuant to this authority.

2018 Short-term Financing Note – The \$521,560 promissory note was issued to finance the cost of acquiring police cars and other vehicles and special purpose equipment for general government operations. Principal and interest payments (2.759%) are paid monthly.

2019 Short-term Financing Notes – Two notes were issued in 2019. The \$1,013,500 promissory note was issued to finance the cost of acquiring police cars and other vehicles, a street sweeper, and other special purpose equipment for general government operations. Principal and interest payments (2.75%) are paid monthly. The \$1,000,000 promissory note was issued to finance the cost of purchasing an office building. Principal payments are paid annually, and interest payments (1.89%) are paid semi-annually.

2020 Short-term Financing Note – The \$1,357,700 promissory note was issued to finance the cost of acquiring police cars and other vehicles, an HVAC system for a recently acquired building, and special purpose equipment for general government operations. Principal payments are paid annually, and interest payments (1.76%) are paid semi-annually.

2021 Short-term Financing Note – The \$2,945,950 promissory note was issued to finance the cost of acquiring an aerial ladder truck, police cars and other vehicles, and other special equipment for general government operations. Principal payments are paid annually, and interest payments (1.13%) are paid semi-annually.

2022 Short-term Financing Note – The \$1,986,600 promissory note was issued to finance the cost of acquiring a pumper truck, police cars and other vehicles, and other special equipment for general government operations. Principal payments are paid annually, and interest payments (1.824%) are paid semi-annually.

The City's outstanding notes from direct borrowings related to governmental activities contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. All outstanding notes from direct borrowing and direct payments contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the City is unable to make payment. There are no assets pledged as collateral and no unused lines of credit.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements on special obligation bonds and direct borrowing notes payable, outstanding at December 31, 2022:

	Governmental Activities			
	Special Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2023	335,000	283,398	1,684,894	67,765
2024	345,000	274,148	1,506,924	41,564
2025	350,000	264,433	994,676	21,421
2026	360,000	254,261	406,000	7,405
2027	370,000	243,510		
2028-2032	1,255,000	1,072,928		
2033-2037	1,255,000	885,245		
2038-2042	1,500,000	645,199		
2043-2047	1,785,000	352,534		
2048-2052	815,000	45,399		
	\$ 8,370,000	\$ 4,321,056	\$ 4,592,494	\$ 138,155

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Business-type Activities

Revenue bonds

Waterworks Revenue Improvement Bonds Series 2010A - These bonds have a face value of \$5,500,000 and were issued for the purpose of acquiring and constructing an automated meter infrastructure (AMI) system. The interest rate is 0%; however a servicing fee of 1% annually is assessed. Principal and interest payments are due semiannually on April 15 and October 15. Principal payments began in April 2014. The funding was obtained through a program provided by the State of Arkansas Department of Environmental Quality.

Waterworks Revenue Bonds Series 2018 – These 25-year bonds were issued on May 8, 2018 with a face value of \$20,175,000 for the purpose of (a) financing improvements to the Ouachita Water Treatment plant, (b) dam improvements to Ricks, Sanderson, Bethel, and Dillon Lakes, (c) a new elevated water storage tank and related water mains and (d) a new water intake structure at Lake Ouachita, a raw water intake line between the new water intake and water treatment plant, a new water treatment plant and water line infrastructure to transfer the treated water in the system (the Lake Ouachita Project). The interest rates range from 2% to 4%. Principal payments are due annually on October 1, and interest payments are due semiannually on April 1 and October 1.

Waterworks Revenue Refunding Bonds, Series 2019 - These 20-year bonds were issued on September 3, 2019 with a face value of \$5,370,000 for the purpose of refunding Waterworks Revenue Refunding and Construction Bonds Series 2014. The Series 2014 bonds were issued to refund Series 2003 bonds and fund a portion of the Lake DeGray preliminary design project and Ouachita Water Treatment Plan improvements. The interest rate is 3%. Principal payments are due annually on October 1, and interest payments are due semiannually on April 1 and October 1.

Waterworks Revenue Bonds Series 2020—These 30-year bonds were issued on July 23, 2020 with a face value of \$100,450,000 for the purpose of constructing a new water supply system consisting of an intake, new water treatment plant, raw and finished water lines to transport the water, and additional water storage infrastructure and associated transmission mains. The interest rates range between 2.625% and 4% . Principal repayments are due annually on October 1, starting in 2023, and interest payments are due semiannually on October 1 and April 1.

Waterworks Revenue Refunding Bond Series 2021 – This 19-year bond was a private placement issued on November 12, 2021 with a face value of \$10,030,000 for the purpose of refunding Waterworks Revenue Improvement Bond Series 2010B and Waterworks Revenue Bonds Series 2015. The net present value of the savings was \$1.2 million. The interest rate is 1.84%. Principal payments are due annually on October 1, and interest payments are due semiannually on April 1 and October 1.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Wastewater Refund and Construction Revenue Bonds Series 2016 - These bonds were issued on September 13, 2016, with a face value of \$8,385,000 for the purpose of refunding Sewer Revenue Bonds Series 2005 and 2006 and for making improvements to the Regional Wastewater Treatment Plant. The interest rates range from 2% to 2.3%. Principal repayments are due annually on December 1, and interest payments are due semiannually on June 1 and December 1.

Wastewater Refunding Revenue Bonds Series 2017 – These bonds were issued on August 8, 2017, with a face value of \$24,550,000 for the purpose of refunding the Wastewater Revenue Bond Series 2009. The original bonds were issued to fund needed improvements to address a consent administrative order by the Environmental Protection Agency (EPA) due to chronic overflows and treatment bypasses during heavy rainfall events. The interest rates range from 2% to 4%. Principal payments are due annually on December 1, and interest payments are due semiannually on June 1 and December 1.

Wastewater Revenue Refunding and Construction Bonds, Taxable Series 2020A—These 30-year bonds were issued on July 20, 2020 with a face value of \$38,045,000 for the purpose of advance refunding the City's 2013 Wastewater Revenue bonds and paying the costs of issuing the Series 2020A bonds, including bond insurance and surety bond premiums. The interest rates range between 1% and 3.48%. Principal repayments are due annually on December 1, and interest payments are due semiannually on December 1 and June 1.

Wastewater Revenue Refunding and Construction Bonds, Construction Series 2020B—These 30-year bonds were issued on July 20, 2020 with a face value of \$18,615,000 for the purpose of funding improvements to the City's wastewater system and paying the costs of issuing the Series 2020B bonds, including bond insurance and surety bond premiums. The interest rate is 2.75%. Principal repayments are due annually on December 1, starting in 2043, and interest payments are due semiannually on December 1 and June 1.

Wastewater Revenue Refunding and Construction Bonds, Construction Series 2022A—These bonds were issued on July 29, 2022 with a face value of \$10,110,000 for the purpose of funding improvements to the City's wastewater system and paying the costs of issuing the Series 2022A bonds, including bond insurance and surety bond premiums. The interest rate is 4.32%. Principal repayments are due annually on December 1, starting in 2024, and interest payments are due semiannually on December 1 and June 1

Wastewater Revenue Refunding and Construction Bonds, Construction Series 2022B—These bonds were issued on July 29, 2022 with a face value of \$8,835,000 for the purpose of funding improvements to the City's wastewater system and paying the costs of issuing the Series 2022B bonds, including bond insurance and surety bond premiums. The interest rate is 3.62%. Principal repayments are due annually on December 1, starting in 2033, and interest payments are due semiannually on December 1 and June 1

Wastewater Revenue Refunding and Construction Bonds, Construction Series 2022C—These bonds were issued on July 29, 2022 with a face value of \$27,300,000 for the purpose of funding improvements to the City's wastewater system and paying the costs of issuing the Series 2022C bonds, including bond insurance and surety bond premiums. The interest rate is 4.5%. Principal repayments are due annually on December 1, starting in 2040, and interest payments are due semiannually on December 1 and June 1

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

In the event that the City defaults on its bonded debt, the debt instrument contains a provision for the bondholders and Trustee to petition the proper court for the appointment of a receiver to administer the underlying utility (Water or Wastewater) on behalf of the City and the bondholders with power to charge and collect rates sufficient to provide for the payment of operation, maintenance and repair and to pay when due the principal and interest of any bonds outstanding.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Notes Payable (Direct Borrowings)

2017 Water note payable to Mid-Arkansas Water Alliance (MAWA) – In 2017, the city purchased an allocation of water stored in Lake Ouachita (a nearby lake) in order to supply water needs for the future. The allocation came from the U.S. Army Corps of Engineers and their agreement is with the Mid-Arkansas Water Alliance (MAWA). The City contracted with MAWA for 23 million gallons per day, 76.67% of the total 30 million gallons per day purchased by MAWA. In exchange the City executed a 30-year note with MAWA in the amount of \$9,534,832 at an interest rate of 2.5%. Principal and interest payments are due annually. The 2022 debt service includes \$239,727 in principal and \$204,714 in interest

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds, and notes payable, outstanding at December 31, 2022:

	Business-type Activities			
	<u>Revenue Bonds</u>		<u>Notes Payable</u>	
	Principal	Interest	Principal	Interest
2023	6,620,494	8,646,606	245,720	198,720
2024	7,860,930	8,478,001	251,863	192,577
2025	8,101,476	8,258,129	258,160	186,281
2026	8,322,134	8,028,585	264,614	179,827
2027	8,562,906	7,789,031	271,229	173,211
2028-2032	43,765,244	34,846,978	1,461,312	760,892
2033-2037	48,150,038	27,109,797	1,653,340	568,863
2038-2042	45,475,000	18,621,065	1,870,603	351,601
2043-2047	46,795,000	10,429,019	1,671,975	105,788
2048-2052	36,175,000	3,037,700	-	-
	<u>\$ 259,828,222</u>	<u>\$ 135,244,909</u>	<u>\$ 7,948,817</u>	<u>\$ 2,717,762</u>

Restricted Funds

The City is required by certain revenue bond covenants to restrict funds for unspent bond proceeds, current principal and interest payments, debt reserve funds, and renewal and replacements. The following funds were restricted as of December 31, 2022:

Governmental Type Activities

Unspent bond proceeds	\$ 158,394
Current principal and interest payments	107,707
Debt service reserve funds	217,065
Total restricted funds	<u>\$ 483,166</u>

Business-type Activities

Unspent bond proceeds	\$ 116,062,636
Current principal and interest payments	2,702,237
Renewal and replacement fund	9,176,385
Total restricted funds	<u>\$ 127,941,258</u>

KIMERY PARK - NEW TURF INFIELDS



City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2022

NOTE 5: Other Information Including Risk Management

Risk Management

During the course of daily operations, the City is exposed to various risks of loss relating to theft of, damage to or destruction of assets, errors and omissions, injuries to employees and natural disasters. The City has tort immunity except in the case of civil-rights issues. The City manages these risks by following coverage procedures:

Commercial Insurance is acquired to cover the risk of loss on private aircraft. Further, liability insurance coverage has been obtained for the Hot Springs Municipal Airport. The City also carries commercial insurance for its boilers and pump stations.

Employee Wellness Fund is a self-insured plan to provide health insurance coverage to City employees and their dependents. The fund is accounted for as an internal service fund. Revenues are recognized over the period of risk. Expenses are recognized as they are incurred using the full-accrual basis of accounting. Please see additional information on this fund on pages 131 - 134.

As of December 31, 2022, the City had estimated unpaid claims totaling \$300,000. These unpaid claims are based on actual claims paid in the new fiscal year 2023 by the third-party administrator, and the City and the third- party administrator estimate amounts for outstanding claims. The fund has no deferred policy acquisition cost and therefore, does not report, record or amortize such costs.

The initial year for the City to have self-insurance for health benefits was 2003. The following is a schedule of changes in claims liability:

Year	Beginning Liability	Changes in Estimates	Claims and Adjustments	Claim Payments	Ending Liability
2013	318,857	(318,857)	1,875,183	\$ 1,658,179	217,004
2014	217,004	(217,004)	2,498,340	\$ 2,147,119	351,221
2015	351,221	(351,221)	3,800,782	\$ 3,362,772	438,010
2016	438,010	(438,010)	3,064,276	\$ 2,740,309	323,967
2017	323,967	(323,967)	2,251,997	\$ 1,894,015	357,982
2018	357,982	(357,982)	1,968,972	\$ 1,412,454	556,518
2019	556,518	(556,518)	1,983,027	\$ 1,631,409	351,618
2020	351,618	(351,618)	2,289,939	\$ 1,911,911	378,028
2021	378,028	(378,028)	2,546,256	\$ 2,219,309	326,947
2022	326,947	(326,947)	2,436,628	\$ 2,136,628	300,000

The City's health insurance self-insurance fund recognized a gain of \$1,710,655 for the fiscal year ended December 31, 2022. Due to the net position of the fund, the City did not increase health premiums for 2023. At the end of 2022, the fund had a net position of \$8.66 million.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

The City participates in the Arkansas Municipal League insurance program (Program) for the coverage in the following areas:

Municipal League Defense Program - This insurance program provides coverage for legal defense, expenses and damages in suits against City officials and employees and civil-rights suits against the municipal government. The program is a participant in a funded trust with pooled risk involving approximately 421 cities in Arkansas. The coverage of each case is at the sole discretion of the program's administrator. The maximum coverage of any one loss cannot exceed 25% of the program's fund reserve; therefore, the City could be at risk if any suit against the City exceeds 25% of the program's reserve. For the year ended December 31, 2022, and for the prior three fiscal years there were no settlements that exceeded insurance coverage.

Municipal Property and Municipal Vehicle Program - This insurance program provides coverage for insurable property, equipment, and vehicles (exclusive of property and other risks insured by commercial insurance) for which coverage has been applied and approved. The City's maximum deductible under the Property Program is \$10,000. The deductible amount for the Municipal Vehicle Program is \$1,000 per occurrence.

Workers' Compensation - This insurance program provides compensation to employees in the event of injury suffered while conducting City business. The program covers all statutory requirements and the City's risk of loss is effectively transferred.

Contingent Liabilities - Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, mainly the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time. The City expects disallowed claims, if any, to be immaterial. The City is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Postemployment Benefits - Other postemployment benefits for City employees are limited to health insurance continuation coverage under federal law (COBRA) providing all costs associated with the benefits are borne by the electing participant. See Note 8 for other postemployment benefits.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

NOTE 6: Defined Benefit Pension Plans

The City sponsors or participates in retirement plans that cover all full-time employees. The City's uniformed police and fire personnel participate in the Arkansas Local Police and Fire Retirement System (LOPFI) and if hired prior to January 1, 1983, the Policemen's Pension and Relief Fund or the Firemen's Pension and Relief Fund. The City's municipal judges and clerks and all other City employees are covered under the Arkansas Public Employees Retirement System (APERS).

Pension liabilities are liquidated by the fund paying the underlying employee. For governmental activities the General Fund, Police Fund, Fire Fund, Street Fund, District Court Fund, and Public Transportation Fund all provide funding to liquidate pension liabilities.

City of Hot Springs Firemen's Pension and Relief Fund

Plan description. The Firemen's Pension and Relief Fund (Firemen's Plan) is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Firemen's Plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. The Firemen's Plan is administered by the Arkansas Local Police and Fire Retirement System. Pension benefit provisions and all other requirements, including vesting, are established by state statute.

Benefits provided. The Firemen's Plan provides retirement and death benefits to plan members and their beneficiaries. Retirement benefits for employees are summarized as follows:

Voluntary retirement—Eligibility is 20 years of service regardless of age. Amount of annual benefit is equal to 50% of highest year's pay. Minimum benefit is \$6,000 per year. If acquired more than 20 years of service credit, benefit is increased by \$240 annually for each additional year of service credit. (Maximum \$1,200 annual addition). If acquired more than 25 years of service credit, retirant's benefit is increased at age 60 by 1.25% of highest year's pay for service over 25 years. Maximum benefit is 100% of final salary.

Disability retirement—Eligibility is permanent physical or mental disability. Amount computed same as voluntary retirement benefit. If the disability is duty related, the annual benefit is equal to the greater of voluntary retirement benefit or 65% of final salary.

Death benefits—Eligibility is death before 20 years of service not occurring while performing work in gainful employment outside the department or death after 20 years of service. Also applicable to retired members. Amount survivor receives is the benefit the member was receiving or, in the case of an active employee, the amount the member would have received had the member retired the date of death. (Excluding the additional amount payable at member's age 60 for service over 25 years). Minimum widow benefit is \$6,000 annually. Each child receives \$1,500 annually up to age 19.

The terms of the Plan provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual benefits are increased by a 3% compounded cost of living adjustment on July 1 of each year.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

The employees covered by the Firemen’s Plan at December 31, 2021, the measurement date are:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive or current employees entitled to but not yet receiving benefits	-
	<hr/> 53

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary. The City’s required contributions for the 2022 plan year totaled \$1,519,992.

Net Pension Liability

The City’s net pension liability of \$28,161,992 as of December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- A) A rate of return on the investment of present and future assets of 7% per year
- B) The assumption that benefits will increase 3% per year after retirement

Mortality rates were based on the RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

Actuarially determined contribution rates are calculated as of December 31st of each year, which is 12 months prior to the beginning of the fiscal year in which contributions were made.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 the pension plan’s target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
Fixed Income	25.00%	0.90%	0.22%
Domestic Equity	42.00%	5.10%	2.15%
Foreign Equity	18.00%	7.10%	1.27%
Alternative Investments	15.00%	7.40%	1.12%
Total	100.00%		4.76%
Expected Inflation			2.25%
Total Return			7.01%

Discount Rate. Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits); and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.84% (based on the weekly rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA Index”); and the resulting Single Discount Rate is 1.84%.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 27,899,227	\$ (1,303,733)	\$ 29,202,960
Charges for the year:			
Service cost			
Interest	540,373		540,373
Differences between expected and actual experience	(616,402)		(616,402)
Changes of assumptions	638,396		638,396
Contributions - employer		1,603,335	(1,603,335)
Net investment income			
Benefit payments, including refunds of employee contributions	(1,761,167)	(1,761,167)	
Administrative expense			
Net changes	(1,198,800)	(157,832)	(1,040,968)
Balance, end of year	\$ 26,700,427	\$ (1,461,565)	\$ 28,161,992

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City for the Firemen’s Plan, calculated using the single discount rate of 1.84%, as well as what the City’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	Current		
	1% Decrease 0.84%	Discount Rate 1.84%	1% Increase 2.84%
City's net pension liability	\$ 31,572,343	\$ 28,161,992	\$ 25,367,234

Pension plan fiduciary net position. Detailed information about the Firemen’s Plan’s fiduciary net position is available in the separately issued LOPFI financial report at <http://lopfi-prb.com/lopfi/reports/>.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the City recognized pension expense of \$562,367. At December 31, 2022, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City's contribution made subsequent to the measurement date of the net pension liability	\$ 1,519,992	\$ -
Total	\$ 1,519,992	\$ -

At December 31, 2022, the City reported \$1,519,992 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability at December 31, 2023. No other amounts are reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022.

Payable to the Pension Plan

At December 31, 2022, the City had no outstanding required contributions to the Firemen's Plan required for the year ended December 31, 2022.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

City of Hot Springs Policemen’s Pension and Relief Fund

Plan description. The Policemen’s Pension and Relief Fund (Policemen’s Plan) is an agent multiple-employer defined benefit pension plan for employees of the Police Department who were hired prior to January 1, 1983. The Policemen’s Plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. The Policemen’s Plan is administered by the Arkansas Local Police and Fire Retirement System. Pension benefit provisions and all other requirements, including vesting, are established by state statute.

Benefits provided. The Policemen’s Plan provides retirement and death benefits to plan members and their beneficiaries. Retirement benefits for employees are summarized as follows:

Voluntary retirement—Eligibility is 20 years of service regardless of age. Amount of annual benefit is equal to 50% of highest year's pay. Minimum benefit is \$6,000 per year. If acquired more than 20 years of service credit, benefit is increased by \$240 annually for each additional year of service credit. (Maximum \$1,200 annual addition). If acquired more than 25 years of service credit, retiree's benefit is increased at age 60 by 1.25% of highest year's pay for service over 25 years. Maximum benefit is 100% of final salary.

Disability retirement—Eligibility is permanent physical or mental disability. Amount computed same as voluntary retirement benefit. If the disability is duty related, the annual benefit is equal to the greater of voluntary retirement benefit or 65% of final salary.

Death benefits—Eligibility is death before 20 years of service not occurring while performing work in gainful employment outside the department or death after 20 years of service. Also applicable to retired members. Amount survivor receives is the benefit the member was receiving or, in the case of an active employee, the amount the member would have received had the member retired the date of death. (Excluding the additional amount payable at member's age 60 for service over 25 years). Minimum widow benefit is \$6,000 annually. Each child receives \$1,500 annually up to age 19. A funeral benefit of \$6,500 is payable at death.

The terms of the Plan provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual benefits are increased by a 3% compounded cost of living adjustment on July 1 of each year.

The employees covered by the Policemen’s Plan at December 31, 2021, the measurement date are:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive or current employees entitled to but not yet receiving benefits	<u>0</u>
	60

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary. The City's required contributions for the 2022 plan year totaled \$839,424.

Net Pension Liability

The City's net pension liability of \$5,775,680 as of December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- A) A rate of return on the investment of present and future assets of 7% per year
- B) The assumption that benefits will increase 3% per year after retirement

Mortality rates were based on the RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

Actuarially determined contribution rates are calculated as of December 31st of each year, which is 12 months prior to the beginning of the fiscal year in which contributions were made.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

For each major asset class that is included in the pension plan’s target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
Fixed Income	25.00%	0.90%	0.22%
Domestic Equity	42.00%	5.10%	2.15%
Foreign Equity	18.00%	7.10%	1.27%
Alternative Investments	15.00%	7.40%	1.12%
Total	100.00%		4.76%
Expected Inflation			2.25%
Total Return			7.01%

Discount rate. Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits); and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.84% (based on the weekly rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA Index”); and the resulting Single Discount Rate is 7.00%.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 23,324,321	\$ 16,204,008	\$ 7,120,313
Charges for the year:			
Service cost			
Interest	1,565,546		1,565,546
Differences between expected and actual experience	687,000		687,000
Changes of assumptions	(36,474)		(36,474)
Contributions - employer		980,737	(980,737)
Net investment income		2,601,560	(2,601,560)
Benefit payments, including refunds of employee contributions	(1,918,755)	(1,918,755)	
Administrative expense		(21,592)	21,592
Net changes	297,317	1,641,950	(1,344,633)
Balance, end of year	\$ 23,621,638	\$ 17,845,958	\$ 5,775,680

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City for the Policemen’s Plan, calculated using the discount rate of 7%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability	\$ 8,338,099	\$ 5,775,680	\$ 3,623,293

Pension plan fiduciary net position.

Detailed information about the Policemen’s Plan’s fiduciary net position is available in the separately issued LOPFI financial report at <http://lopfi-prb.com/lopfi/reports/>.

City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2022

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the City recognized pension expense of \$467,276. At December 31, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,065,029
City's contribution made subsequent to the measurement date of the net pension liability	839,424	
Total	\$ 839,424	\$ 2,065,029

At December 31, 2022, the City reported \$839,424, as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability at December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2023	\$ (499,617)
2024	(786,363)
2025	(478,875)
2026	(300,174)
2027	
Thereafter	
Total	\$ (2,065,029)

Payable to the Pension Plan

At December 31, 2022, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2022.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Arkansas Public Employees Retirement System (APERS)

Plan description. APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this plan, college and university employees, and certain non-teaching school employees. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. Benefits and contribution provisions are established by Arkansas law and can be amended only by the Arkansas General Assembly.

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

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

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

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

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

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service. Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of living adjustment of 3% of the current benefit is added each year.

Contributions. Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% for municipal employees of compensation from January 1 to December 31, 2022. Contributions to APERS from the City were \$2,973,347 for the year ended December 31, 2022.

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

At December 31, 2022, the City reported a liability of \$24,872,014 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2022, the City's proportion was 0.92%.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

For the year ended December 31, 2022, the City recognized APERS pension expense of \$2,761,973. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 597,011	\$ 300,291
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	5,246,789	
Changes in proportion and differences between City contributions and proportionate share of contributions	886,895	186,144
City contributions subsequent to the measurement date	1,553,438	
Total	\$ 8,284,133	\$ 486,435

At December 31, 2022 the City reported \$1,553,438 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2023	\$ 1,447,871
2024	945,697
2025	191,635
2026	3,659,057
2027	
Thereafter	
Total	\$ 6,244,260

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (7.6 years for District Judges New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed fair value; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7989

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in APERS's target asset allocation as of June 30, 2022 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	37.00%	6.22%
International Equity	24.00%	6.69%
Real Assets	16.00%	4.81%
Absolute Return	5.00%	3.05%
Domestic Fixed	18.00%	0.57%
Total	100.00%	
Total Real Rate of Return		4.93%
Plus: Price Inflation - Actuary Assumption		2.50%
Net Expected Return		7.43%

City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)

December 31, 2022

Discount rate. The discount rate used to measure the total pension liability was 7.15% for the year ended June 30, 2022. The single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 that is 1% lower (6.15%) or 1% higher (8.15%) than the current rate:

	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
City’s proportionate share of the net pension liability	\$ 39,541,959	\$ 24,872,014	\$ 12,760,660

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

Payable to the Pension Plan

At December 31, 2022, the City did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2022.

Arkansas Local Police and Fire Retirement System (LOPFI)

Plan description. LOPFI is a state wide, cost sharing, multiple employer, defined benefit retirement program that provides retirement, disability and survivor benefits to police officers and firefighters of political subdivisions in the State of Arkansas. LOPFI was created by Act 364 of the 1981 Arkansas General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of LOPFI is vested in the seven members of its Board of Trustees. Benefits and contribution provisions are established by Arkansas law and can be amended only by the Arkansas General Assembly.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Benefits provided. The benefits terms for retirement, disability and survivor benefits of the cost-sharing multiple-employer plan are established in accordance with the provisions of the Arkansas Code. Retirement benefits for police officers and firefighters are summarized as follows:

A member may retire with an age and service annuity after both (i) completing 5 years (10 years for member hired on or after July 1, 2013) of credited service and (ii) attaining his normal retirement age. The normal retirement age is age 60 for a member with less than 20 years credited service, age 55 for a member with at least 30 years credited service or any age for a member with 28 or more years of credited service.

The calculation of the amount of the annuity changes based on whether or not a member is covered by social security. The fire and police uniformed employees for the City of Hot Springs are not covered by social security. The amount of the retirement annuity is 2.94% times the years of service, times the member's final average pay, for service earned prior to 2003. For service earned after 2003, the amount of the retirement annuity is 3.28% times the years of service, times the member's final average pay.

Average pay is the average of the member's monthly pay during the period of 36 consecutive months of credited paid service producing the highest monthly average, which period is contained within the 120 consecutive months of credit paid service immediately preceding retirement.

Early Annuity. A member may retire with an early annuity after both (i) completing 20 years of credited service, and (ii) attaining age 50 or (iii) after completing 25 years of credited paid service. The early annuity amount, payable monthly for life, is computed in the same manner as an age & service annuity, but reduced to reflect the fact that his age when payments begin is younger than his normal retirement age. The amount of the reduction is 1/2 of 1% (.005) for each month his age at early retirement is younger than his normal retirement age (age 55 for members with 25 years of credited paid service).

Vested Termination Annuity. If a member leaves LOPFI-covered employment (i) before attaining his early retirement age, and (ii) after completing 5 years (10 years for members hired on or after July 1, 2013) of credited service, he becomes eligible for a vested termination annuity; provided he lives to his normal retirement age and does not withdraw his accumulated contributions. The vested annuity amount, is computed in the same manner as an age & service annuity, However, final average pay is increased by one-half of any increase in the inflation index for the period from termination of employment to beginning of annuity payments.

Non-Duty Disability Annuity. A member with 5 or more years (10 or more years for members hired on or after July 1, 2013) of credited service who becomes totally and permanently disabled from other than duty-connected causes receives a non-duty disability annuity computed in the same manner as an age & service annuity, based upon his service and pay record to time of disability.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Duty Disability Annuity. A member who becomes totally and permanently disabled from duty-connected causes receives a duty disability annuity computed in the same manner as an age & service annuity, based upon his service and pay record to time of disability. The minimum annuity payable is 65% of the member's final average pay.

Non-Duty Death-in-Service. Upon the death, from other than duty-connected causes, of a Paid Service member who had completed 5 years (10 years for members hired on or after July 1, 2013) of paid service, his eligible surviving dependents receive the following benefits:

- The surviving spouse receives an annuity equal to the Option B50 annuity (joint and 50% survivor benefit) computed based upon the deceased member's service (and pay) record to time of death. Minimum of 20% of member's final average pay, or \$125 monthly if greater.
- While a spouse benefit is payable, each dependent child under age 18 (age 23 if full time student) receives 10% of member's final average pay, or \$25 monthly if greater. The totals for 4 or more children cannot exceed 30% of final average pay, or \$125 monthly if greater.
- While no spouse benefit is payable, each dependent child under age 18 (age 23 if full time student) receives 20% of member's final average pay, or \$25 monthly if greater. The total for 3 or more children cannot exceed 50% of final average pay, or \$125 monthly if greater.
- If there is neither spouse nor child at time of member's death, each dependent parent receives 20% of final average pay.

Duty Death-in-Service. Section 24-10-608(b)(l). Upon the death of a Paid Service member from duty-connected causes, regardless of length of service, his eligible surviving dependents receive the same benefits as for Non-Duty Death, except that if credited service at time of death is less than 25 years, credited service is increased to 25 years.

DROP (Deferred Retirement Option Plan). Paid service members who have attained age 55 with at least 20 years of service or members with at least 28 years of service may participate. A participant with 28 years of service will receive 75% of his accrued benefit at time of DROP election while in the DROP, payable into the participant's DROP account (which will be credited with 6% interest annually). A participant with less than 28 years of service will receive 72% of his accrued benefit at time of DROP election while in the DROP, payable into the participant's DROP account (which will be credited with 6% interest annually). The duration of participation in the DROP shall not exceed 7 years.

When a member has reached year 6 of participation in the DROP, the amount of the accrued benefit at the time of DROP election shall be redetermined. The redetermined amount shall be the amount of the benefit as of the immediately preceding July 1 increased by 3%. The redetermined amount shall be payable only when the member elects to cease employment and receive a service retirement and shall not be added to the plan account. Employer and employee contributions continue and are used to finance System benefits (i.e., they are not deposited to the participant's DROP account).

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 8.5% of covered payroll. The City's required contributions for the 2022 plan year for police and fire were 23.56% and 24.25%, respectively, of annual covered payroll, based upon the December 31, 2021 actuarial report. Contributions to the pension plan from the City were \$2,713,737 for the year ended December 31, 2022.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

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

At December 31, 2022, the City reported a liability of \$15,056,596 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. At December 31, 2021, the City's proportion was 2.98%.

For the year ended December 31, 2022, the City recognized LOPFI pension expense of \$2,233,338. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,783,531	\$
Changes of assumptions	581,408	
Net difference between projected and actual investment earnings on pension plan investments		9,229,562
Changes in proportion and differences between City contributions and proportionate share of contributions	924,965	14,259
City's contribution made subsequent to the measurement date	3,010,148	
Total	\$ 6,300,052	\$ 9,243,821

As of December 31, 2022, \$3,010,148 was reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2023	\$ (570,602)
2024	(2,194,546)
2025	(1,812,855)
2026	(1,375,914)
2027	
Thereafter	
Total	\$ (5,953,917)

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.00%
Price inflation	2.25%
Salary increases	Based on merit and seniority
Investment rate of return	7.00%, as adopted by the board

The mortality tables used to measure retired life mortality were the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables, set forward one year for males, and two years for females. The disability post-retirement mortality tables used were the Pub-2010 Amount-Weighted General Disabled Retiree tables for males and females. The death-in-service mortality tables used were the Pub-2010 Amount-Weighted General Below Median Income Employee tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

The assumptions are established by the Board after consulting with the actuary as outlined in A.C.A. 24-10-205(a)(1).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 the pension plan's target asset allocation as of December 31, 2021, 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>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Stock - Large Cap	21.00%	4.77%	1.00%
U.S. Stock - Small Cap	21.00%	5.47%	1.15%
International Equity	9.00%	5.97%	0.54%
Emerging Markets	9.00%	8.33%	0.75%
U.S. Corporate Bonds	25.00%	0.66%	0.17%
Real Estate	5.00%	4.34%	0.22%
Private Equity	10.00%	9.05%	0.90%
Total	100.00%		4.73%
Expected Inflation			2.25%
Total Return			6.98%

Discount rate. A single discount rate of 7.00% was used to measure the total pension liability. 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.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

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. Plan assets are expected to be invested using a strategy to achieve the expected rate of return. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.00%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
City's proportionate share of the net pension liability	30,299,168	15,056,596	2,758,726

Pension plan fiduciary net position. Detailed information about LOPFI’s fiduciary net position is available in the separately issued LOPFI financial report at <http://lopfi-prb.com/lopfi/reports/>.

Payable to the Pension Plan

At December 31, 2022, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2022.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

The City has four pension plans which were described in detail in the previous notes. The following table summarizes all pension plans:

	Firemen's Pension and Relief Fund	Policemen's Pension and Relief Fund	Arkansas Public Employees Retirement System	Local Police and Fire Retirement System	Total
Net pension liability	\$ (28,161,992)	\$ (5,775,680)	\$ (24,872,014)	\$ (15,056,596)	\$ (73,866,282)
Fiduciary net position	(1,461,565)	17,845,958			16,384,393
Deferred outflows					
Difference between projected and actual earnings on pension plan investments		-	5,246,789		5,246,789
Changes of assumptions				581,408	581,408
Difference between expected and actual experience			597,011	1,783,530	2,380,541
Changes in proportionate share of contributions			886,896	924,966	1,811,862
Contributions subsequent to measurement date	1,519,992	839,424	1,553,438	3,010,148	6,923,002
Total deferred outflows	1,519,992	839,424	8,284,134	6,300,052	16,943,602
Deferred inflows					
Difference between expected and actual experience			(300,291)		(300,291)
Changes of assumptions			-		-
Changes in proportionate share of contributions			(186,144)	(14,259)	(200,403)
Difference between projected and actual earnings on pensions plan investments		(2,065,029)	-	(9,229,562)	(11,294,591)
Total deferred inflows	-	(2,065,029)	(486,435)	(9,243,821)	(11,795,285)
Pension expenses	\$ 562,367	\$ 467,276	\$ 2,761,973	\$ 2,233,338	\$ 6,024,954

Amounts are reported in total and not separated between Governmental Activities and Business-type Activities. The deferred outflows and the deferred inflows are not netted.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

NOTE 7: Closure and Post Closure Care Costs

State and federal laws and regulations require the City to place a final cover on its wastewater compost facility site in the event it stops accepting waste to convert to compost material and to perform certain maintenance and monitoring functions onsite to reinstate the property to its previous condition. The reinstatement mandates that the land will be environmentally and ecologically usable pursuant to the requirements of Section 22.810 and Chapter 14 of Regulation 22 of the Pollution Control and Ecology Commission, and GASB 18. The City intends to keep the composting facility in operation indefinitely. It is the primary means of sludge disposal for the wastewater treatment plant. Though the life of the site is not determinable, management decided to amortize the estimated closure costs over 22 years starting in 2006. Total estimated post closure costs for the site are \$560,054. Yearly costs were accrued at the amortized payment of \$77,852. The amortization will be analyzed yearly based on economic growth factors and adjusted accordingly. It was determined that costs should not be retroactively charged due to the immaterial impact that would be caused on the financial statements. As of December 31, 2022, \$814,530 has been recognized. The total current cost of the compost closure and postclosure care is an estimate subject to changes resulting from inflation, deflation, technology, and changes in applicable laws and regulations.

NOTE 8: Other Postemployment Benefits (OPEB)

Plan Description. The City of Hot Springs has a self-insured healthcare plan that provides defined medical and dental benefits for all active employees and also administers its single-employer other postemployment benefits plan, titled the City of Hot Springs Retiree Health Benefits Plan. The plan is administered by a third party administrator, Qualchoice. Arkansas statutes provides that any municipal employee that is receiving a retirement benefit from the Arkansas Local Police and Fire Retirement System, Arkansas Public Employees Retirement System, or a local pension fund and not covered by another health care plan 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 this statute. However, the City may choose to pay any portion of the employer and employee contributions to the plan, if any, so long as all retired employees are treated equally with regard to the dollar amounts that are paid by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 (GASB).

Benefits Provided. The City provides healthcare benefits for retirees and their dependents until age 65. Eligibility requirements for retiree health benefits for all employees are age 55 with 20 years of service. Upon the death of a retiree, surviving spouses are eligible for COBRA for 36 months. During 2022, the City paid \$146,338 for OPEB as the benefits came due.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

Employees Covered by Benefit Terms. At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	586
	586

Total OPEB Liability. The City’s total OPEB liability of \$4,726,191 was measured as of December 31, 2022, and was determined by an actuarial valuation as December 31, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Payroll Growth	3.25% plus merit/productivity increases, which are based on the Arkansas Public Employees Retirement System actuarial valuations as of June 30, 2019
Discount Rate	4.31% as of December 31, 2022 and 2.25% as of December 31, 2021
Healthcare Trend Rates	7.5% for 2023 decreasing by 0.50% annually to an ultimate rate of 4.5%. The initial trend was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information.
Retirees' Share of Benefit-Related Costs	The retirees pay the full active employee blended premium for both employee and spousal coverage

Mortality tables have been updated as follows:

- General Employees and retirees: SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021
- Public Safety Employees and retirees: SOA Pub-2010 Public Safety Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 Public Safety Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

- Surviving Spouses: SOA Pub-2010 Contingent Survivor Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 Contingent Survivor Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)

December 31, 2022

Changes in Total OPEB Liability

Balance at Beginning of Year	\$ 5,250,678
Changes for the Year	
Service cost	417,268
Interest	125,892
Changes in benefit terms	
Changes in assumptions	(921,309)
Differences between expected and actual experience	-
Benefit payments	<u>(146,338)</u>
Net change in total OPEB liability	<u>(524,487)</u>
Balance at End of Year	<u><u>\$ 4,726,191</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.25% at January 1, 2022 to 4.31% at December 31, 2022 and a change in the inflation rate from 3.25% at January 1, 2022 to 2.25% at December 31, 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.31%) or 1% higher (5.31%) than the current discount rate (4.31%):

	1% Decrease 3.31%	Current Discount Rate 4.31%	1% Increase 5.31%
Total OPEB Liability	\$ 5,154,742	\$ 4,726,191	\$ 4,333,416

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate. The current healthcare trend rate starts at an initial rate of 7.5% decreasing to an ultimate rate of 4.5%. The 0.5% decrease in healthcare trend rates would assume an initial rate of 6.5% decreasing to an ultimate rate of 3.5%. The 0.5% increase in healthcare trend rates would assume an initial rate of 8.5% decreasing to an ultimate rate of 5.5%.

	1% Decrease 6.50%	Healthcare Cost Trend Rate 7.50%	1% Increase 8.50%
Total OPEB Liability	\$ 4,146,544	\$ 4,726,191	\$ 5,417,882

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of \$254,973. At December 31, 2022, the City reported deferred outflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ 19,892
Changes in assumptions	<u>730,454</u>
Total	<u>\$ 750,346</u>

At December 31, 2022, the City reported deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$(1,544,217)
Changes in assumptions	<u>(1,018,809)</u>
Total	<u>\$(2,563,026)</u>

Amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2023	\$ (288,190)
2024	(288,192)
2025	(302,638)
2026	(241,639)
2027	(281,846)
Thereafter	<u>(410,175)</u>
	<u>\$ (1,812,680)</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2022

NOTE 9: Subsequent Events

In January 2023 the Board of Directors authorized the issuance of \$47.93 million in water bonds to continue improvements to the water system to include completion of the new water treatment plant and finished water lines.

REQUIRED SUPPLEMENTARY INFORMATION

ENTERGY PARK - ARBOR DAY



City of Hot Springs, Arkansas
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2022

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 17,432,998	\$ 17,552,588	\$ 18,412,291	\$ 859,703
Mixed drink and other	925,000	925,000	1,173,516	248,516
Fees and permits:				
Code inspection	479,900	562,673	831,177	268,504
Business licenses	875,000	884,450	1,102,175	217,725
Alcoholic beverage	150,000	150,000	155,206	5,206
Franchise	2,690,000	2,690,000	2,920,629	230,629
Other	97,800	97,800	96,135	(1,665)
Intergovernmental:				
State turnback	600,000	600,000	565,800	(34,200)
County aid	736,280	736,280	649,228	(87,052)
Charge for services	2,877,062	2,877,062	2,850,303	(26,759)
Gaming and breakage	4,508,000	4,508,000	4,396,694	(111,306)
Fines and forfeitures	586,750	586,750	482,525	(104,225)
Investment earnings (loss)	75,000	75,000	(1,448,974)	(1,523,974)
Miscellaneous	291,700	293,608	316,093	22,485
Total revenues	<u>32,325,490</u>	<u>32,539,211</u>	<u>32,502,798</u>	<u>(36,413)</u>
EXPENDITURES				
General government:				
Board of Directors	196,550	196,550	37,417	159,133
City Manager	504,957	504,957	494,570	10,387
City Attorney	447,699	447,699	439,280	8,419
Human Resources	546,227	546,227	391,738	154,489
Finance	1,220,881	1,239,381	1,164,702	74,679
City Clerk	293,454	293,454	217,153	76,301
Public Information	213,347	213,347	205,109	8,238
Information Systems	952,248	952,248	869,298	82,950
Special General Fund Appropriations	3,550,594	3,550,594	949,044	2,601,550
Total general government	<u>7,925,957</u>	<u>7,944,457</u>	<u>4,768,311</u>	<u>3,176,146</u>
Community Development:				
Planning and Development	2,124,870	2,326,026	1,898,098	427,928
Total Community Development	<u>2,124,870</u>	<u>2,326,026</u>	<u>1,898,098</u>	<u>427,928</u>
Parks and Recreation:				
Parks and Trails	1,879,926	1,988,627	1,730,578	258,049
Sport Recreation	727,647	772,647	718,133	54,514
Total Parks and Recreation	<u>2,607,573</u>	<u>2,761,274</u>	<u>2,448,711</u>	<u>312,563</u>
Public Works:				
Public Works Administration	1,309,516	1,666,466	1,516,034	150,432
Engineering	295,126	375,306	326,691	48,615
Traffic	784,294	820,294	774,060	46,234
Total Public Works	<u>2,388,936</u>	<u>2,862,066</u>	<u>2,616,785</u>	<u>245,281</u>
Total expenditures	<u>15,047,336</u>	<u>15,893,823</u>	<u>11,731,905</u>	<u>4,161,918</u>
Excess of revenues over expenditures	<u>17,278,154</u>	<u>16,645,388</u>	<u>20,770,893</u>	<u>4,125,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,480,811)	(17,826,475)	(17,024,831)	801,644
Transfers in	1,250,750	1,250,750		(1,250,750)
Issuance of debt	376,000	376,000	376,000	
Total other financing sources and uses	<u>(15,854,061)</u>	<u>(16,199,725)</u>	<u>(16,648,831)</u>	<u>(449,106)</u>
Net change in fund balances	1,424,093	445,663	4,122,062	3,676,399
Fund balances - beginning	18,415,660	18,415,660	18,415,660	
Fund balances - ending	<u>\$ 19,839,753</u>	<u>\$ 18,861,323</u>	<u>\$ 22,537,722</u>	<u>\$ 3,676,399</u>

City of Hot Springs, Arkansas
POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2022

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,229,899	\$ 5,604,899	\$ 5,523,687	\$ (81,212)
Fees and permits	117,000	117,000	124,151	7,151
Intergovernmental	1,514,892	1,514,892	1,503,618	(11,274)
Fines and forfeitures	60,000	60,000	60,670	670
Investment earnings (loss)	100	100	(1,554)	(1,654)
Miscellaneous	19,000	19,000	154,393	135,393
Total revenues	<u>6,940,891</u>	<u>7,315,891</u>	<u>7,364,965</u>	<u>49,074</u>
EXPENDITURES				
Public safety:				
Personnel	12,800,002	11,145,047	10,246,298	898,749
Services	1,186,181	1,212,104	1,220,232	(8,128)
Supplies	853,063	1,435,256	1,126,725	308,531
Intergovernmental exp	30,000	30,000	30,000	
Principal	451,701	451,701	453,509	(1,808)
Interest	18,444	18,444	17,435	1,009
Capital outlay	419,600	2,148,184	738,205	1,409,979
Total expenditures	<u>15,758,991</u>	<u>16,440,736</u>	<u>13,832,404</u>	<u>2,608,332</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,818,100)</u>	<u>(9,124,845)</u>	<u>(6,467,439)</u>	<u>2,657,406</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,416,500	8,416,500	8,152,000	(264,500)
Transfers out	(32,000)	(32,000)	(46,897)	(14,897)
Issuance of debt	433,600	433,600	433,600	
Total other financing sources (uses)	<u>8,818,100</u>	<u>8,818,100</u>	<u>8,538,703</u>	<u>(279,397)</u>
Net change in fund balances		(306,745)	2,071,264	2,378,009
Fund balance - beginning	811,988	811,988	811,988	
Fund balance - ending	<u>\$ 811,988</u>	<u>\$ 505,243</u>	<u>\$ 2,883,252</u>	<u>\$ 2,378,009</u>

City of Hot Springs, Arkansas

FIRE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended December 31, 2022

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,486,600	\$ 3,486,600	\$ 3,682,458	\$ 195,858
Fees and permits	15,400	15,400	23,931	8,531
Intergovernmental	850,000	850,000	851,385	1,385
Miscellaneous	27,800	27,800	128,281	100,481
Total revenues	<u>4,379,800</u>	<u>4,379,800</u>	<u>4,686,055</u>	<u>306,255</u>
EXPENDITURES				
Public safety:				
Personnel	9,130,959	9,237,659	9,236,719	940
Services	846,362	879,903	842,043	37,860
Supplies	475,601	630,526	533,636	96,890
Principal	644,823	644,823	648,549	(3,726)
Interest	28,665	28,665	26,502	2,163
Capital outlay	894,000	1,075,850	909,154	166,696
Total expenditures	<u>12,020,410</u>	<u>12,497,426</u>	<u>12,196,603</u>	<u>300,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,640,610)</u>	<u>(8,117,626)</u>	<u>(7,510,548)</u>	<u>607,078</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,746,610	6,746,610	6,728,824	(17,786)
Issuance of debt	894,000	894,000	894,000	
Total other financing sources (uses)	<u>7,640,610</u>	<u>7,640,610</u>	<u>7,622,824</u>	<u>(17,786)</u>
Net change in fund balances		(477,016)	112,276	589,292
Fund balance - beginning	517,354	517,354	517,354	
Fund balance - ending	<u>\$ 517,354</u>	<u>\$ 40,338</u>	<u>\$ 629,630</u>	<u>\$ 589,292</u>

City of Hot Springs, Arkansas
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2022

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees and permits	\$ 50,000	\$ 50,000	\$ 55,219	\$ 5,219
Intergovernmental	4,696,000	9,969,125	13,126,980	3,157,855
Investment earnings (loss)	2,000	2,000	(223,381)	(225,381)
Miscellaneous	500	500	22,244	21,744
Total revenues	<u>4,748,500</u>	<u>10,021,625</u>	<u>12,981,062</u>	<u>2,959,437</u>
EXPENDITURES				
Personnel	1,317,743	1,317,743	1,127,014	190,729
Services	2,858,550	7,792,991	4,810,918	2,982,073
Supplies	378,750	407,834	432,338	(24,504)
Principal	156,482	156,482	157,662	(1,180)
Interest	7,479	7,479	6,213	1,266
Capital outlay	398,000	655,996	207,148	448,848
Reserves	823,000	823,000		823,000
Total expenditures	<u>5,940,004</u>	<u>11,161,525</u>	<u>6,741,293</u>	<u>4,420,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,191,504)</u>	<u>(1,139,900)</u>	<u>6,239,769</u>	<u>7,379,669</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	965,504	965,504	743,166	(222,338)
Transfers out	(102,000)	(410,993)	(20,131)	390,862
Issuance of debt	283,000	283,000	283,000	
Total other financing sources (uses)	<u>1,146,504</u>	<u>837,511</u>	<u>1,006,035</u>	<u>168,524</u>
Net change in fund balances	(45,000)	(302,389)	7,245,804	7,548,193
Fund balance - beginning	3,540,231	3,540,231	3,540,231	
Fund balance - ending	<u>\$ 3,495,231</u>	<u>\$ 3,237,842</u>	<u>\$ 10,786,035</u>	<u>\$ 7,548,193</u>

City of Hot Springs, Arkansas
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2022

Total OPEB Liability	2017	2018	2019	2020	2021	2022
Service cost	\$ 306,471	\$ 370,071	\$ 335,464	\$ 408,243	\$ 480,175	\$ 417,268
Interest	165,934	187,234	213,267	195,804	140,672	125,892
Changes of benefit terms						
Differences between expected and actual experience	79,562	(238,611)	728,016	571,909	(164,245)	(921,309)
Changes in assumptions or other inputs	36,028	(249,396)	(406,393)	(466,506)	(1,274,576)	-
Benefit payments	(86,058)	(90,882)	(119,734)	(131,838)	(172,360)	(146,338)
Net change in total OPEB liability	501,937	(21,584)	750,620	577,612	(990,334)	(524,487)
Total OPEB liability - beginning	4,432,427	4,934,364	4,912,780	5,663,400	6,241,012	5,250,678
Total OPEB liability - ending	\$ 4,934,364	\$ 4,912,780	\$ 5,663,400	\$ 6,241,012	\$ 5,250,678	\$ 4,726,191
Covered payroll	\$ 24,145,025	\$ 24,929,738	\$ 25,796,450	\$ 26,634,835	\$ 26,906,957	\$ 32,082,788
Total OPEB liability as a percentage of covered payroll	20.44%	19.71%	21.95%	23.43%	19.50%	14.70%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

City of Hot Springs, Arkansas
FIREMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2022

Total Pension Liability	2015	2016	2017	2018	2019	2020	2021	2022
Interest on the Total Pension Liability	\$ 1,390,952	\$ 992,623	\$ 935,891	\$ 946,832	\$ 857,169	\$ 883,599	\$ 707,516	\$ 540,373
Differences between expected and actual experience of the Total Pension Liability	588,473	(707,752)	519,475	602,770	226,506	146,541	72,272	(616,402)
Changes of assumptions	10,059,689	(30,399)	(597,312)	1,288,459	(1,147,175)	2,614,637	2,261,469	638,396
Benefit payments, including refunds of employee contributions	(1,637,407)	(1,605,501)	(2,228,135)	(1,675,473)	(2,304,875)	(1,727,484)	(1,739,741)	(1,761,167)
Net change in total pension liability	10,401,707	(1,351,029)	(1,370,081)	1,162,588	(2,368,375)	1,917,293	1,301,516	(1,198,800)
Total pension liability - beginning	18,205,608	28,607,315	27,256,286	25,886,205	27,048,793	24,680,418	26,597,711	27,899,227
Total pension liability - ending	\$ 28,607,315	\$ 27,256,286	\$ 25,886,205	\$ 27,048,793	\$ 24,680,418	\$ 26,597,711	\$ 27,899,227	\$ 26,700,427
Plan fiduciary net position								
Contributions - employer	\$ 1,516,004	\$ 1,524,974	\$ 1,569,144	\$ 1,501,418	\$ 1,497,903	\$ 1,695,957	\$ 1,735,641	\$ 1,603,335
Net investment income	34,495	745	2,385		-	-	-	-
Benefit payments, including refunds of employee contributions	(1,637,407)	(1,605,501)	(2,228,135)	(1,675,473)	(2,304,875)	(1,727,484)	(1,739,741)	(1,761,167)
Administrative expense	(820)	(1,381)	(692)					
Net change in plan fiduciary net position	(87,728)	(81,163)	(657,298)	(174,055)	(806,972)	(31,527)	(4,100)	(157,832)
Plan fiduciary net position - beginning	539,110	451,382	370,219	(287,079)	(461,134)	(1,268,106)	(1,299,633)	(1,303,733)
Plan fiduciary net position - ending	\$ 451,382	\$ 370,219	\$ (287,079)	\$ (461,134)	\$ (1,268,106)	\$ (1,299,633)	\$ (1,303,733)	\$ (1,461,565)
City's net pension liability - ending	\$ 28,155,933	\$ 26,886,067	\$ 26,173,284	\$ 27,509,927	\$ 25,948,524	\$ 27,897,344	\$ 29,202,960	\$ 28,161,992
Plan fiduciary net position as a percentage of the total pension liability	1.58%	1.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ 140,754	\$ 124,808	\$ 72,984	\$ 38,072	\$ -	\$ -	\$ -
City's net pension liability as a percentage of covered payroll	N/A	19101.46%	20970.84%	37693.09%	68156.45%	N/A	N/A	N/A

Notes to Schedule:

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available will be presented.

This plan only covers retirees and there are no current employees in this plan.

City of Hot Springs, Arkansas
FIREMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2022

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,347,979	\$ 1,347,979		\$ -	N/A
2015	\$ 1,314,304	\$ 1,314,304		\$ 140,754	934%
2016	1,350,594	1,350,594		124,808	1082%
2017	1,322,508	1,322,508		72,984	1812%
2018	1,317,744	1,317,744		38,072	3461%
2019	1,420,368	1,420,368		-	N/A
2020	1,470,852	1,470,852		-	N/A
2021	1,498,284	1,498,284		-	N/A
2022	1,519,992	1,519,992		-	N/A

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

Valuation date: 12/31/2021
Notes: Actuarially determined contribution rates are calculated as of December 31st of each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual entry-age normal
Amortization Method	Closed amortization period based on projected future payroll
Remaining Amortization Period	17 years beginning January 1, 2021
Asset Valuation Method	5-year smoothed fair value; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	RP-2014 Healthy annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

Other Information:
Notes: There were no benefit changes during the year. The assumed investment rate of return remained 7.50%, the wage inflation assumption remained 3.25% and the price inflation assumption remained 2.50%.

This plan only covers retirees and there are no current employees in this plan.

City of Hot Springs, Arkansas
POLICEMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2022

Total Pension Liability	2015	2016	2017	2018	2019	2020	2021	2022
Interest	\$ 1,772,747	\$ 1,774,217	\$ 1,625,453	\$ 1,629,624	\$ 1,612,811	\$ 1,614,036	\$ 1,545,100	\$ 1,565,546
Differences between expected and actual experience	(13,618)	(1,596,791)	269,092	730,678	303,192	(718,675)	642,837	687,000
Changes of assumptions		404,504		1,538,172	-	-	-	(36,474)
Benefit payments, including refunds of employee contributions	(1,728,996)	(1,752,514)	(1,819,593)	(1,861,841)	(1,909,627)	(1,887,367)	(1,872,951)	(1,918,755)
Net change in Total Pension Liability	30,133	(1,170,584)	74,952	2,036,633	6,376	(992,006)	314,986	297,317
Total Pension Liability - beginning	23,023,831	23,053,964	21,883,380	21,958,332	23,994,965	24,001,341	23,009,335	23,324,321
Total Pension Liability - ending	<u>\$ 23,053,964</u>	<u>\$ 21,883,380</u>	<u>\$ 21,958,332</u>	<u>\$ 23,994,965</u>	<u>\$ 24,001,341</u>	<u>\$ 23,009,335</u>	<u>\$ 23,324,321</u>	<u>\$ 23,621,638</u>
Plan Fiduciary Net Position								
Contributions - employer	\$ 1,129,350	\$ 1,108,489	\$ 1,036,800	\$ 1,023,337	\$ 970,994	\$ 991,034	\$ 977,149	\$ 980,737
Net investment income	1,007,240	26,018	804,014	1,901,756	(414,996)	2,461,180	1,925,208	2,601,560
Benefit payments, including refunds of employee contributions	(1,728,996)	(1,752,514)	(1,819,593)	(1,861,841)	(1,909,627)	(1,887,367)	(1,872,951)	(1,918,755)
Administrative expense	(23,934)	(32,964)	(25,891)	(24,381)	(27,513)	(21,645)	(23,810)	(21,592)
Net change in Plan Fiduciary Net Position	383,660	(650,971)	(4,670)	1,038,871	(1,381,142)	1,543,202	1,005,596	1,641,950
Plan Fiduciary Net Position - beginning	14,269,462	14,653,122	14,002,151	13,997,481	15,036,352	13,655,210	15,198,412	16,204,008
Plan Fiduciary Net Position - ending	<u>\$ 14,653,122</u>	<u>\$ 14,002,151</u>	<u>\$ 13,997,481</u>	<u>\$ 15,036,352</u>	<u>\$ 13,655,210</u>	<u>\$ 15,198,412</u>	<u>\$ 16,204,008</u>	<u>\$ 17,845,958</u>
Net Pension Liability	<u>\$ 8,400,842</u>	<u>\$ 7,881,229</u>	<u>\$ 7,960,851</u>	<u>\$ 8,958,613</u>	<u>\$ 10,346,131</u>	<u>\$ 7,810,923</u>	<u>\$ 7,120,313</u>	<u>\$ 5,775,680</u>
Plan fiduciary net position as a percentage of the total pension liability	63.56%	63.99%	63.75%	62.66%	56.89%	66.05%	69.47%	75.55%
Covered payroll	-	-	-	-	-	-	-	-
Net Pension Liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

City of Hot Springs, Arkansas
POLICEMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2022

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 994,392	\$ 994,392			N/A
2016	962,259	962,259			N/A
2017	926,611	926,611			N/A
2018	887,074	887,074			N/A
2019	823,764	823,764			N/A
2020	849,480	849,480			N/A
2021	838,584	838,584			N/A
2022	839,424	839,424			N/A

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

Valuation date:

December 31, 2021

Notes

Actuarially determined contribution rates are calculated as of December 31st of each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual entry-age normal
Amortization Method	Closed amortization period based on projected future payroll
Remaining Amortization Period	17 years beginning January 1, 2021
Asset Valuation Method	5-year smoothed fair value; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retire and Employee mortality tables for males and females. The tables applied credibility adjustments for 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

Other Information:

Notes

There were no benefit changes during the year. The assumed investment rate of return remained 7.50%, the wage inflation assumption remained 3.25% and the price inflation assumption remained 2.50%.

This plan only covers retirees and there are no current employees in this plan.

City of Hot Springs, Arkansas
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Year Ended December 31, 2022

Plan Fiscal Year Ended June 30,	2015	2016	2017	2018	2019	2020	2021	2022
City's proportion of the net pension liability	0.8260%	0.8225%	0.8483%	0.8606%	0.8561%	0.8923%	0.8900%	0.9220%
City's proportionate share of the net pension liability	\$ 15,212,662	\$ 19,354,819	\$ 21,921,830	\$ 18,985,041	\$ 20,654,421	\$ 25,552,300	\$ 6,842,900	\$ 24,872,014
City's covered payroll	\$ 14,418,972	\$ 14,731,736	\$ 15,697,587	\$ 15,947,473	\$ 16,704,491	\$ 17,217,683	\$ 18,207,696	\$ 19,408,274
City's proportionate share of the net pension liability as a percentage of its covered payroll	106%	131%	140%	119%	124%	148%	38%	128%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	75.50%	75.65%	79.50%	78.55%	75.38%	93.57%	78.31%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the measurement date (June 30 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

City of Hot Springs, Arkansas
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2022

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 2,111,439	\$ 2,111,439		\$ 14,431,565	14.63%
2016	2,136,229	2,136,229		14,732,286	14.50%
2017	2,288,094	2,288,094		15,609,194	14.66%
2018	2,446,603	2,446,603		16,150,803	15.15%
2019	2,588,420	2,588,420		16,704,491	15.50%
2020	2,814,936	2,814,936		18,193,381	15.47%
2021	2,790,155	2,790,155		18,207,696	15.32%
2022	2,973,347	2,973,347		19,408,274	15.32%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

City of Hot Springs, Arkansas
LOCAL POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2022

	2015	2016	2017	2018	2019	2020	2021	2022
City's proportion of the net pension liability	2.6711%	2.7012%	2.7602%	2.7669%	2.7964%	2.7700%	2.8770%	2.9800%
City's proportionate share of the net pension liability	\$ 9,669,807	\$ 14,175,008	\$ 15,747,937	\$ 19,661,160	\$ 25,009,113	\$ 21,398,468	\$ 19,778,911	\$ 15,056,596
City's covered payroll ***	9,400,062	9,391,613	9,670,823	9,976,679	10,568,742	10,568,742	11,132,890	12,107,367
City's proportionate share of the net pension liability as a percentage of its covered payroll	103%	151%	163%	197%	237%	202%	178%	124%
Plan fiduciary net position as a percentage of the total pension liability	79.14%	72.92%	72.46%	71.48%	66.09%	73.21%	77.79%	84.67%

*** 2019 and 2020 amounts are the same due to an error in 2019

Notes to Schedule:

The amounts presented for each fiscal year were 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.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

City of Hot Springs, Arkansas
LOCAL POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2022

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 1,703,055	\$ 1,703,055		\$ 9,391,613	18.13%
2016	1,848,108	1,848,108		9,670,823	19.11%
2017	1,995,344	1,995,344		9,976,679	20.00%
2018	2,164,038	2,164,038		10,412,565	20.78%
2019	2,310,081	2,310,081		10,568,653	21.86%
2020	2,543,084	2,543,084		11,132,890	22.84%
2021	2,659,340	2,659,340		11,146,738	23.86%
2022	2,713,737	2,713,737		12,107,367	22.41%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

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COMBINING AND INDIVIDUAL FUND STATEMENTS

WATER & WASTEWATER PLANT TOUR



City of Hot Springs, Arkansas
EXPLANATION OF NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Special revenue funds include:

- a. District Court Fund is used to account for revenues and expenditures associated with operating, automation and probation activities of the Garland County District Court. The court is a joint operation of the City and the County.
- b. Miscellaneous Gift Fund is used to account for small local grants that benefit the community
- c. Public Transportation Fund is used to account for federal grants, capital acquisitions, and other revenues used to operate the City's bus system.
- d. Community Development Block Grant (CDBG) is used to account for HUD grants used to help improve the quality of life in local neighborhoods.
- e. Public Works Projects Fund is used to account for federal, state and local grants received by the City that are restricted to expenditures for specified projects associated with the Public Works department.
- f. Parks and Trails Fund is used to account for federal, state and local grants received by the City that are restricted to expenditures for specified projects for the Parks and Trails department.
- g. Public Safety Fund is used to account for federal grants, state grants and revenues received by the City that are restricted to expenditures for specified projects within the Public Safety function.
- h. Jail Expense Fines Fund is used to account for collected fines which are restricted in use for the support of jail related activities.

The nonmajor debt service and capital projects funds reported by the City are:

- a. Debt Service Fund is used to account for the debt associated with traveling exhibit hall at Mid America Museum and debt associated with the new Majestic Park Baseball Complex.
- b. Capital Projects Fund is used to account for the construction associated with remaining related equipment and furnishings and for the construction of the new Majestic Park Baseball Complex and for the completion of the City's communication system.

City of Hot Springs, Arkansas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2022

	Special Revenue Funds			
	District Court	Miscellaneous Gift Fund	Public Transportation	CDBG Grant
ASSETS				
Cash and cash equivalents	\$ 291,654	\$ 2,190	\$ 13,884	\$ 669
Investments	406,367	-	-	-
Interest receivable	846	-	-	-
Accounts receivable	99,843	-	-	-
Due from other funds	7,712	-	-	669
Intergovernmental receivables	-	-	612,483	22,454
Total assets	<u>806,422</u>	<u>2,190</u>	<u>626,367</u>	<u>23,792</u>
LIABILITIES				
Accounts payable	7,579	-	5,699	16,079
Accrued expenditures	15,211	-	13,765	-
Due to other governments	270	-	-	-
Due to other funds	64,879	-	494,960	-
Unearned revenue	2,235	2,190	24,835	7,713
Total liabilities	<u>90,174</u>	<u>2,190</u>	<u>539,259</u>	<u>23,792</u>
FUND BALANCES (DEFICIT)				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	-	-	-
Public safety	716,248	-	-	-
Public transportation	-	-	87,108	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	<u>716,248</u>	<u>-</u>	<u>87,108</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 806,422</u>	<u>\$ 2,190</u>	<u>\$ 626,367</u>	<u>\$ 23,792</u>

City of Hot Springs, Arkansas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(continued)

December 31, 2022

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
ASSETS				
Cash and cash equivalents	\$ 63,513	\$ 3,325	\$ 227,929	\$ 6,128
Investments	-	-	338,676	-
Interest receivable	-	-	1,419	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Intergovernmental receivables	320,493	246,182	742,861	-
Total assets	<u>384,006</u>	<u>249,507</u>	<u>1,310,885</u>	<u>6,128</u>
LIABILITIES				
Accounts payable	-	67,724	-	20,822
Accrued expenditures	-	-	-	-
Due to other governments	-	-	647,301	-
Due to other funds	301,464	178,458	95,560	1,307
Unearned revenue	19,029	-	-	-
Total liabilities	<u>320,493</u>	<u>246,182</u>	<u>742,861</u>	<u>22,129</u>
FUND BALANCES (DEFICIT)				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	3,325	-	-
Public safety	-	-	568,024	-
Public transportation	-	-	-	-
Public works	63,513	-	-	-
Unassigned	-	-	-	(16,001)
Total Fund Balances (Deficit)	<u>63,513</u>	<u>3,325</u>	<u>568,024</u>	<u>(16,001)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 384,006</u>	<u>\$ 249,507</u>	<u>\$ 1,310,885</u>	<u>\$ 6,128</u>

City of Hot Springs, Arkansas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(continued)

December 31, 2022

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 260,697	\$ 779,071	\$ 1,649,060
Investments	209,279	966,735	1,921,057
Interest receivable	-	-	2,265
Accounts receivable	-	500	100,343
Due from other funds	-	-	8,381
Intergovernmental receivables	-	-	1,944,473
Total assets	<u>469,976</u>	<u>1,746,306</u>	<u>5,625,579</u>
LIABILITIES			
Accounts payable	-	-	117,903
Accrued expenditures	48,679	-	77,655
Due to other governments	-	-	647,571
Due to other funds	-	-	1,136,628
Unearned revenue	150,925	-	206,927
Total liabilities	<u>199,604</u>	<u>-</u>	<u>2,186,684</u>
FUND BALANCES (DEFICIT)			
Restricted:			
Debt service	270,372	-	270,372
Capital projects	-	1,746,306	1,746,306
Parks	-	-	3,325
Public safety	-	-	1,284,272
Public transportation	-	-	87,108
Public works	-	-	63,513
Unassigned	-	-	(16,001)
Total Fund Balances (Deficit)	<u>270,372</u>	<u>1,746,306</u>	<u>3,438,895</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 469,976</u>	<u>\$ 1,746,306</u>	<u>\$ 5,625,579</u>

City of Hot Springs, Arkansas
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	Special Revenue Funds			
	District Court	Miscellaneous Gift Fund	Public Transportation	CDBG Grant
REVENUES				
Taxes	\$	\$	\$	\$
Charges for services			105,271	
Intergovernmental	462,122		1,219,627	105,221
Fines and forfeitures	135,818			
Investment earnings (loss)	(11,790)			
Miscellaneous	7,670	22,355	26,415	
Total revenues	<u>593,820</u>	<u>22,355</u>	<u>1,351,313</u>	<u>105,221</u>
EXPENDITURES				
Current:				
General government				6,850
Community development				84,599
Parks and recreation				
Public transportation			1,790,744	
Public safety	1,140,105	21,520		
Public works				
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay		835	89,650	13,772
Total expenditures	<u>1,140,105</u>	<u>22,355</u>	<u>1,880,394</u>	<u>105,221</u>
Excess (deficiency) of revenues over expenditures	<u>(546,285)</u>		<u>(529,081)</u>	
OTHER FINANCING SOURCES				
Transfers in	575,602		529,081	
Transfers out	(42,391)			
Total other financing sources	<u>533,211</u>		<u>529,081</u>	
Net Change in Fund Balance	(13,074)			
Fund Balance, Beginning of Year	<u>729,322</u>		<u>87,108</u>	
Fund Balance (deficit), End of Year	<u>\$ 716,248</u>	<u>\$</u>	<u>\$ 87,108</u>	<u>\$</u>

City of Hot Springs, Arkansas
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(continued)

For the Year Ended December 31, 2022

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
REVENUES				
Taxes	\$	\$	\$	\$
Charges for services				
Intergovernmental	459,804	372,995	4,762,457	
Fines and forfeitures				72,764
Investment earnings (loss)			(26,013)	
Miscellaneous		25		
Total revenues	<u>459,804</u>	<u>373,020</u>	<u>4,736,444</u>	<u>72,764</u>
EXPENDITURES				
Current:				
General government				
Community development				
Parks and recreation		491		
Public transportation				
Public safety			4,737,001	89,214
Public works	130,285			
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay	347,361	556,189	34,936	
Total expenditures	<u>477,646</u>	<u>556,680</u>	<u>4,771,937</u>	<u>89,214</u>
Excess (deficiency) of revenues over expenditures	<u>(17,842)</u>	<u>(183,660)</u>	<u>(35,493)</u>	<u>(16,450)</u>
OTHER FINANCING SOURCES				
Transfers in	17,842	183,194	48,676	
Transfers out			(1,779)	
Total other financing sources	<u>17,842</u>	<u>183,194</u>	<u>46,897</u>	
Net Change in Fund Balance		(466)	11,404	(16,450)
Fund Balance, Beginning of Year	<u>63,513</u>	<u>3,791</u>	<u>556,620</u>	<u>449</u>
Fund Balance (deficit), End of Year	<u>\$ 63,513</u>	<u>\$ 3,325</u>	<u>\$ 568,024</u>	<u>\$ (16,001)</u>

City of Hot Springs, Arkansas
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(continued)

For the Year Ended December 31, 2022

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Taxes	\$	\$ 397	\$ 397
Charges for services			105,271
Intergovernmental	613,185		7,995,411
Fines and forfeitures			208,582
Investment earnings (loss)	5,135	1,427	(31,241)
Miscellaneous			56,465
Total revenues	<u>618,320</u>	<u>1,824</u>	<u>8,334,885</u>
EXPENDITURES			
Current:			
General government	1,613		8,463
Community development			84,599
Parks and recreation			491
Public transportation			1,790,744
Public safety		4,403	5,992,243
Public works			130,285
Debt service:			
Principal	320,000		320,000
Interest	292,068		292,068
Capital expenditures:			
Capital outlay			1,042,743
Total expenditures	<u>613,681</u>	<u>4,403</u>	<u>9,661,636</u>
Excess (deficiency) of revenues over expenditures	<u>4,639</u>	<u>(2,579)</u>	<u>(1,326,751)</u>
OTHER FINANCING SOURCES			
Transfers in	428,229		1,782,624
Transfers out	<u>(428,229)</u>		<u>(472,399)</u>
Total other financing sources			<u>1,310,225</u>
Net Change in Fund Balance	4,639	(2,579)	(16,526)
Fund Balance, Beginning of Year	<u>265,733</u>	<u>1,748,885</u>	<u>3,455,421</u>
Fund Balance (deficit), End of Year	<u>\$ 270,372</u>	<u>\$ 1,746,306</u>	<u>\$ 3,438,895</u>

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INTERNAL SERVICE FUNDS

BLAKELY MOUNTAIN - INTAKE SITE



City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2022

	<u>Fleet Service</u>	<u>Utility Administration</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 34,195	\$ 1,302	\$ 3,893,766	\$ 3,929,263
Investments			5,165,075	5,165,075
Accounts receivable		10		10
Inventories	356,181	1,295,613		1,651,794
Total current assets	<u>390,376</u>	<u>1,296,925</u>	<u>9,058,841</u>	<u>10,746,142</u>
Noncurrent Assets:				
Capital assets:				
Land	50,113	18,152		68,265
Buildings and systems	187,800	928,325		1,116,125
Improvements other than buildings	283,954	367,446		651,400
Machinery and equipment	549,191	2,689,749		3,238,940
Construction in progress		89,324		89,324
Less accumulated depreciation	(890,623)	(2,646,534)		(3,537,157)
Total noncurrent assets (net of accumulated depreciation)	<u>180,435</u>	<u>1,446,462</u>		<u>1,626,897</u>
Total assets	<u>570,811</u>	<u>2,743,387</u>	<u>9,058,841</u>	<u>12,373,039</u>
LIABILITIES				
Current liabilities:				
Accounts payable	135,926	429,367	98,289	663,582
Due to other funds	45,186	1,098,349		1,143,535
Compensated absences	13,121	33,973		47,094
Accrued expenses	15,472	52,648	300,000	368,120
Total current liabilities	<u>209,705</u>	<u>1,614,337</u>	<u>398,289</u>	<u>2,222,331</u>
Noncurrent liabilities:				
Compensated absences	108,373	280,594		388,967
Total noncurrent liabilities	<u>108,373</u>	<u>280,594</u>		<u>388,967</u>
Total liabilities	<u>318,078</u>	<u>1,894,931</u>	<u>398,289</u>	<u>2,611,298</u>
NET POSITION				
Net investment in capital assets	180,435	1,446,462		1,626,897
Unrestricted	72,298	(598,006)	8,660,552	8,134,844
Total net position	<u>\$ 252,733</u>	<u>\$ 848,456</u>	<u>\$ 8,660,552</u>	<u>\$ 9,761,741</u>

City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

	<u>Fleet Service</u>	<u>Utility Administration</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
OPERATING REVENUES				
Other service fees	\$	\$ 486,157	\$ 604,129	\$ 1,090,286
Reimbursement from other funds	1,163,207	4,643,047	4,851,166	10,657,420
Miscellaneous other revenue	42	16,424	418,433	434,899
Total operating revenues	<u>1,163,249</u>	<u>5,145,628</u>	<u>5,873,728</u>	<u>12,182,605</u>
OPERATING EXPENSES				
Salaries and benefits	968,974	3,248,632		4,217,606
Services	105,033	1,278,719	4,168,517	5,552,269
Supplies	74,398	470,308		544,706
Depreciation	14,844	140,276		155,120
Total operating expenses	<u>1,163,249</u>	<u>5,137,935</u>	<u>4,168,517</u>	<u>10,469,701</u>
Operating income (loss)		<u>7,693</u>	<u>1,705,211</u>	<u>1,712,904</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings			5,444	5,444
Gain (loss) on sale of assets		(7,693)		(7,693)
Total nonoperating revenue (expense)		<u>(7,693)</u>	<u>5,444</u>	<u>(2,249)</u>
Change in net position			1,710,655	1,710,655
Net position - beginning	<u>252,733</u>	<u>848,456</u>	<u>6,949,897</u>	<u>8,051,086</u>
Net position - ending	<u>\$ 252,733</u>	<u>\$ 848,456</u>	<u>\$ 8,660,552</u>	<u>\$ 9,761,741</u>

City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	Fleet	Utility Admin	Employee Wellness Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATION ACTIVITIES				
Receipts from customers and users	\$ -	\$ 486,155	\$ 604,129	\$ 1,090,284
Other receipts	1,239	16,424	418,433	436,096
Receipts - other departments	1,208,393	4,722,090	4,851,166	10,781,649
Payments to suppliers and service providers	(216,445)	(1,823,433)	(4,144,521)	(6,184,399)
Payments to employees	(962,979)	(3,215,025)		(4,178,004)
Net cash provided by operating activities	30,208	186,211	1,729,207	1,945,626
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(7,466)	(334,004)	-	(341,470)
Net cash used for capital and related financing activities	(7,466)	(334,004)	-	(341,470)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	-	117,050	339,620	456,670
Investment income	-		5,444	5,444
Net cash provided by investing activities	-	117,050	345,064	462,114
Net change in cash and cash equivalents	22,742	(30,743)	2,074,271	2,066,270
Cash and cash equivalents -- January 1	11,453	32,045	1,819,495	1,862,993
Cash and Cash equivalents -- December 31	<u>\$ 34,195</u>	<u>\$ 1,302</u>	<u>\$ 3,893,766</u>	<u>\$ 3,929,263</u>

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

City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	<u>Fleet</u>	<u>Utility Admin</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ -	\$ 7,693	\$ 1,705,211	\$ 1,712,904
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	14,844	140,276	-	155,120
Increases (decrease) in assets				
Accounts receivable	-	(2)	-	(2)
Inventory	(74,416)	(366,044)	-	(440,460)
Increases (decreases) in liabilities				
Accounts payable	82,588	368,182	23,996	474,766
Compensated absences	5,995	33,607	-	39,602
Accrued expenses	1,197	2,499	-	3,696
Total adjustments	<u>30,208</u>	<u>178,518</u>	<u>23,996</u>	<u>232,722</u>
Net cash provided by operating activities	<u>\$ 30,208</u>	<u>\$ 186,211</u>	<u>\$ 1,729,207</u>	<u>\$ 1,945,626</u>

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

City of Hot Springs, Arkansas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended December 31, 2022

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Sales	\$ 17,432,998	\$ 17,552,588	\$ 18,412,291	\$ 859,703
Mixed drink and other	925,000	925,000	1,173,516	248,516
Code inspection	479,900	562,673	831,177	268,504
Business licenses	875,000	884,450	1,102,175	217,725
Alcoholic beverage	150,000	150,000	155,206	5,206
Franchise	2,690,000	2,690,000	2,920,629	230,629
Other	97,800	97,800	96,135	(1,665)
State turnback	600,000	600,000	565,800	(34,200)
County aid	736,280	736,280	649,228	(87,052)
Charge for services	2,877,062	2,877,062	2,850,303	(26,759)
Gaming and breakage	4,508,000	4,508,000	4,396,694	(111,306)
Fines and forfeitures	586,750	586,750	482,525	(104,225)
Investment earnings	75,000	75,000	(1,448,974)	(1,523,974)
Miscellaneous	291,700	293,608	316,093	22,485
Total revenues	<u>32,325,490</u>	<u>32,539,211</u>	<u>32,502,798</u>	<u>(36,413)</u>
EXPENDITURES				
General Government				
Board of Directors				
Personnel Costs	750	750	620	130
Services	52,300	52,300	29,181	23,119
Supplies	43,500	43,500	7,616	35,884
Reserves	100,000	100,000		100,000
Total Board of Directors	<u>196,550</u>	<u>196,550</u>	<u>37,417</u>	<u>159,133</u>
City Manager				
Personnel Costs	452,107	452,107	461,329	(9,222)
Services	38,300	38,300	28,970	9,330
Supplies	4,550	4,550	4,271	279
Reserves	10,000	10,000		10,000
Total City Manager	<u>504,957</u>	<u>504,957</u>	<u>494,570</u>	<u>10,387</u>
City Attorney				
Personnel Costs	407,579	407,579	417,356	(9,777)
Services	25,585	25,585	11,561	14,024
Supplies	14,535	14,535	10,363	4,172
Total City Attorney	<u>447,699</u>	<u>447,699</u>	<u>439,280</u>	<u>8,419</u>
Human Resources				
Personnel Costs	460,007	460,007	346,088	113,919
Services	60,815	60,815	32,389	28,426
Supplies	25,405	25,405	13,261	12,144
Total Human Resources	<u>546,227</u>	<u>546,227</u>	<u>391,738</u>	<u>154,489</u>
Finance				
Personnel Costs	1,027,149	1,027,149	980,301	46,848
Services	166,032	182,032	163,241	18,791
Supplies	27,700	30,200	21,160	9,040
Total Finance	<u>1,220,881</u>	<u>1,239,381</u>	<u>1,164,702</u>	<u>74,679</u>
City Clerk				
Personnel Costs	176,371	176,371	179,264	(2,893)
Services	110,896	110,896	36,944	73,952
Supplies	6,187	6,187	945	5,242
Total City Clerk	<u>293,454</u>	<u>293,454</u>	<u>217,153</u>	<u>76,301</u>
Public Information				
Personnel Costs	167,076	169,476	170,421	(945)
Services	31,534	27,134	23,007	4,127
Supplies	14,737	16,737	11,681	5,056
Total Public Information	<u>213,347</u>	<u>213,347</u>	<u>205,109</u>	<u>8,238</u>
Information Systems				
Personnel Costs	721,291	721,291	686,133	35,158
Services	183,107	183,107	155,854	27,253
Supplies	36,850	36,850	27,311	9,539
Capital Assets	11,000	11,000		11,000
Total Information Systems	<u>952,248</u>	<u>952,248</u>	<u>869,298</u>	<u>82,950</u>

This statement demonstrates compliance at the legal level of budgetary control.

City of Hot Springs, Arkansas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL

(continued)

For the Year Ended December 31, 2022

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
Special Appropriations				
Personnel Costs	(50,000)	(50,000)		(50,000)
Services	432,502	432,502	306,818	125,684
Intergovernmental	82,784	82,784	49,371	33,413
Reserves	160,750	160,750		160,750
Transfers Out	2,340,000	2,340,000		2,340,000
Debt Service	584,558	584,558	592,855	(8,297)
Total Special Appropriations	3,550,594	3,550,594	949,044	2,601,550
Total General Government	7,925,957	7,944,457	4,768,311	3,176,146
Community Development				
Planning Development				
Personnel Costs	1,508,589	1,477,621	1,397,965	79,656
Services	557,704	705,688	384,586	321,102
Supplies	31,577	84,883	58,962	25,921
Capital Assets	27,000	57,834	56,585	1,249
Total Planning and Development	2,124,870	2,326,026	1,898,098	427,928
Total Community Development	2,124,870	2,326,026	1,898,098	427,928
Parks and Recreation				
Parks and Trails				
Personnel Costs	1,005,550	1,005,550	1,013,323	(7,773)
Services	411,876	431,431	329,706	101,725
Supplies	254,270	259,270	259,059	211
Capital Assets	208,230	292,376	128,490	163,886
Total Parks and Trails	1,879,926	1,988,627	1,730,578	258,049
Sport Recreation				
Personnel Costs	134,996	134,996	131,820	3,176
Services	216,766	207,536	149,681	57,855
Supplies	40,885	40,885	43,652	(2,767)
Capital Assets	335,000	389,230	392,980	(3,750)
Total Sport Recreation	727,647	772,647	718,133	54,514
Total Parks and Recreation	2,607,573	2,761,274	2,448,711	312,563
Public Works				
Public Works Administration				
Personnel Costs	501,711	501,711	478,684	23,027
Services	475,975	496,393	470,605	25,788
Supplies	99,330	106,667	94,818	11,849
Capital Assets	232,500	561,695	471,927	89,768
Total Public Works Admin	1,309,516	1,666,466	1,516,034	150,432
Engineering				
Personnel Costs	216,076	256,076	256,913	(837)
Services	35,050	47,745	28,335	19,410
Supplies	14,000	19,000	18,958	42
Capital Assets	30,000	52,485	22,485	30,000
Total Engineering	295,126	375,306	326,691	48,615
Traffic				
Personnel Costs	443,374	443,374	451,923	(8,549)
Services	189,820	225,820	196,503	29,317
Supplies	106,100	129,971	105,639	24,332
Capital Assets	45,000	21,129	19,995	1,134
Total Traffic	784,294	820,294	774,060	46,234
Total Public Works	2,388,936	2,862,066	2,616,785	245,281
Total expenditures	15,047,336	15,893,823	11,731,905	4,161,918
Excess (deficiency) of revenues over expenditures	17,278,154	16,645,388	20,770,893	4,125,505
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,480,811)	(17,826,475)	(17,024,831)	801,644
Transfers in	1,250,750	1,250,750		(1,250,750)
Issuance of debt	376,000	376,000	376,000	
Total other financing sources and (uses)	(15,854,061)	(16,199,725)	(16,648,831)	(449,106)
Net change in fund balances	1,424,093	445,663	4,122,062	3,676,399
Fund balances - beginning	18,415,660	18,415,660	18,415,660	
Fund balances - ending	\$ 19,839,753	\$ 18,861,323	\$ 22,537,722	\$ 3,676,399

City of Hot Springs, Arkansas
DISTRICT COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2022

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 469,826	\$ 550,863	\$ 462,122	\$ (88,741)
Fines and forfeitures	136,800	136,800	135,818	(982)
Investment earnings (loss)	1,500	1,500	(11,790)	(13,290)
Miscellaneous	7,000	7,000	7,670	670
Total revenues	<u>615,126</u>	<u>696,163</u>	<u>593,820</u>	<u>(102,343)</u>
EXPENDITURES				
Public safety	<u>1,106,070</u>	<u>1,331,443</u>	<u>1,140,105</u>	<u>191,338</u>
Total expenditures	<u>1,106,070</u>	<u>1,331,443</u>	<u>1,140,105</u>	<u>191,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(490,944)</u>	<u>(635,280)</u>	<u>(546,285)</u>	<u>88,995</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	577,744	662,430	575,602	(86,828)
Transfers out	<u>(40,000)</u>	<u>(43,700)</u>	<u>(42,391)</u>	<u>1,309</u>
Total other financing sources (uses)	<u>537,744</u>	<u>618,730</u>	<u>533,211</u>	<u>(85,519)</u>
Net change in fund balance	46,800	(16,550)	(13,074)	3,476
Fund balances - beginning	<u>729,322</u>	<u>729,322</u>	<u>729,322</u>	<u>-</u>
Fund balances - ending	<u>\$ 776,122</u>	<u>\$ 712,772</u>	<u>\$ 716,248</u>	<u>\$ 3,476</u>

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

City of Hot Springs, Arkansas
PUBLIC TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2022

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 85,000	\$ 85,000	\$ 105,271	\$ 20,271
Intergovernmental	1,056,822	1,506,818	1,219,627	(287,191)
Miscellaneous	9,700	9,700	26,415	16,715
Total revenues	<u>1,151,522</u>	<u>1,601,518</u>	<u>1,351,313</u>	<u>(250,205)</u>
EXPENDITURES				
Public transportation	1,664,445	1,788,542	1,790,744	(2,202)
Capital outlay	-	539,646	89,650	449,996
Total expenditures	<u>1,664,445</u>	<u>2,328,188</u>	<u>1,880,394</u>	<u>447,794</u>
Total expenditures	<u>1,664,445</u>	<u>2,328,188</u>	<u>1,880,394</u>	<u>447,794</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(512,923)</u>	<u>(726,670)</u>	<u>(529,081)</u>	<u>197,589</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	512,923	512,923	529,081	16,158
Total other financing sources (uses)	<u>512,923</u>	<u>512,923</u>	<u>529,081</u>	<u>16,158</u>
Net change in fund balance	-	(213,747)	-	213,747
Fund balances - beginning	87,108	87,108	87,108	-
Fund balances - ending	<u>\$ 87,108</u>	<u>\$ (126,639)</u>	<u>\$ 87,108</u>	<u>\$ 213,747</u>

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

City of Hot Springs, Arkansas
JAIL EXPENSE FINES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2022

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 80,000	\$ 80,000	\$ 72,764	\$ (7,236)
Total revenues	<u>80,000</u>	<u>80,000</u>	<u>72,764</u>	<u>(7,236)</u>
EXPENDITURES				
Public safety	80,000	89,220	89,214	6
Total expenditures	<u>80,000</u>	<u>89,220</u>	<u>89,214</u>	<u>6</u>
Net change in fund balance	-	(9,220)	(16,450)	(7,230)
Fund balances - beginning	449	449	449	-
Fund balances - ending	<u>\$ 449</u>	<u>\$ (8,771)</u>	<u>\$ (16,001)</u>	<u>\$ (7,230)</u>

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

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STATISTICAL SECTION

This part of the City of Hot Springs' Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	143
These Statements contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	151
These schedules contain information to help readers assess the City's most significant local revenue source -- sales tax.	
Debt Capacity	159
These schedules present information to help readers assess the affordability of the City's most current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	167
These schedules offer demographic and economic indications to help readers understand the environment within which the City's financial activities take place.	
Operating Information	171
These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Except where noted, the information in these pages are derived from the City of Hot Springs' Annual Comprehensive Financial Reports for the relevant year.

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FINANCIAL TRENDS

DIRECTOR ELAINE JONES - RETIREMENT



City of Hot Springs, Arkansas
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 25,160	\$ 25,044	\$ 24,549	\$ 24,845	\$ 24,314	\$ 26,126	\$ 25,859	\$ 25,664	\$ 18,847	\$ 20,492
Restricted	2,720	1,891	206	955	3,000	2,437	2,928	8,551	8,209	25,094
Unrestricted	2,399	1,642	(45,925)	(45,279)	(45,554)	(50,546)	(50,255)	(55,152)	(47,331)	(47,012)
Total Governmental activities net position	\$ 30,279	\$ 28,577	\$ (21,170)	\$ (19,479)	\$ (18,240)	\$ (21,983)	\$ (21,468)	\$ (20,937)	\$ (20,274)	\$ (1,426)
Business-type activities										
Invested in capital assets, net of related debt	\$ 86,547	\$ 135,707	\$ 138,755	\$ 134,519	\$ 137,703	\$ 139,005	\$ 141,989	\$ 143,919	\$ 144,023	\$ 143,575
Restricted	50,677	7,716	3,658	10,221	10,077	10,674	10,574	12,070	11,651	12,072
Unrestricted	11,947	8,978	6,359	6,066	3,962	9,415	12,849	16,145	23,534	18,406
Total Business-type activities net position	\$ 149,171	\$ 152,401	\$ 148,772	\$ 150,806	\$ 151,742	\$ 159,094	\$ 165,412	\$ 172,134	\$ 179,208	\$ 174,053
Primary government										
Invested in capital assets, net of related debt	\$ 111,707	\$ 160,751	\$ 163,304	\$ 159,364	\$ 162,017	\$ 165,131	\$ 167,848	\$ 169,583	\$ 162,870	\$ 164,067
Restricted	53,397	9,607	3,864	11,176	13,077	13,111	13,502	20,623	19,861	37,166
Unrestricted	14,346	10,620	(39,566)	(39,213)	(41,592)	(41,131)	(37,406)	(39,009)	(23,797)	(28,606)
Total Primary government net position	\$ 179,450	\$ 180,978	\$ 127,602	\$ 131,327	\$ 133,502	\$ 137,111	\$ 143,944	\$ 151,197	\$ 158,934	\$ 172,627

City of Hot Springs, Arkansas
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses -										
Governmental activities										
General government	\$ 3,205	\$ 4,164	\$ 6,971	\$ 4,737	\$ 4,966	\$ 5,533	\$ 3,957	\$ 4,290	\$ 2,496	\$ 3,960
Community development	1,419	1,329	2,598	1,354	1,610	1,727	1,887	1,786	1,787	2,002
Parks and recreation	1,658	1,722	2,034	1,854	2,112	2,028	2,061	2,149	9,632	2,197
Public safety	20,325	22,909	31,177	23,065	25,806	30,313	29,052	31,782	32,722	29,539
Public transportation	1,833	1,684	1,974	1,394	1,586	1,644	1,652	1,729	1,590	1,821
Public works	6,892	6,318	6,806	5,421	6,123	5,958	6,239	6,040	5,998	9,234
Interest and long term debt	63	77	62	82	70	58	126	376	376	375
Total Governmental activities expenses	<u>35,395</u>	<u>38,203</u>	<u>51,622</u>	<u>37,907</u>	<u>42,273</u>	<u>47,261</u>	<u>44,974</u>	<u>48,152</u>	<u>54,600</u>	<u>49,128</u>
Business-type activities										
Water	9,911	10,189	11,654	11,610	12,046	12,990	13,930	15,814	17,057	19,352
Wastewater	13,134	14,947	15,096	15,513	15,387	16,402	17,717	19,252	17,628	20,381
Solid Waste	6,282	6,376	6,535	7,088	7,379	7,264	8,219	8,586	7,680	8,770
Airport	4,020	3,969	3,363	3,189	3,477	3,748	3,821	3,599	3,919	4,841
Stormwater	497	558	640	680	712	780	905	891	858	1,009
Parking	266	238	234	228	249	259	264	266	283	426
Total Business-type activities expenses	<u>34,110</u>	<u>36,277</u>	<u>37,522</u>	<u>38,308</u>	<u>39,250</u>	<u>41,443</u>	<u>44,856</u>	<u>48,409</u>	<u>47,425</u>	<u>54,779</u>
								\$		
Total Primary government expenses	<u>\$ 69,505</u>	<u>\$ 74,480</u>	<u>\$ 89,144</u>	<u>\$ 76,215</u>	<u>\$ 81,523</u>	<u>\$ 88,704</u>	<u>\$ 89,830</u>	<u>\$ 96,561</u>	<u>\$ 102,026</u>	<u>\$ 103,907</u>
Program Revenues										
Governmental activities										
Charges for services*										
General Government	\$ 2,037	\$ 337	\$ 1,770	\$ 2,968	\$ 3,300	\$ 4,098	\$ 4,084	\$ 4,843	\$ 4,994	\$ 5,579
Community Development	356	331	412	258	326	549	689	587	705	834
Parks and Recreation	93	121	88	70	59	107	97	59	96	20
Public Safety	1,543	1,371	1,137	612	1,473	1,718	1,692	2,230	2,138	2,145
Public Transportation	154	161	161	149	157	147	141	112	104	132
Public Works	930	240	80	289	372	558	263	135	150	139
Operating grants/contributions	1,199	4,235	4,270	3,645	3,708	6,318	6,561	10,072	10,600	21,330
Capital grants/contributions	1,452	613	1,050	330	1,514	1,448	644	424	621	769
Total Governmental activities program revenues	<u>7,764</u>	<u>7,409</u>	<u>8,968</u>	<u>8,321</u>	<u>10,909</u>	<u>14,943</u>	<u>14,171</u>	<u>18,462</u>	<u>19,408</u>	<u>30,947</u>
Business Type Activities										
Charges for services	35,535	38,552	38,258	39,203	40,377	44,065	46,096	47,375	51,238	54,624
Operating grants/contributions					5	1,958	65	2,036	1,306	40
Capital grants/contributions	16	223	1,934	658	214	1,946	3,597	4,747	2,717	998
Total Business-type activities program revenues	<u>35,551</u>	<u>38,775</u>	<u>40,192</u>	<u>39,861</u>	<u>40,596</u>	<u>47,969</u>	<u>49,758</u>	<u>54,159</u>	<u>55,261</u>	<u>55,663</u>
Total Primary government program revenues	<u>\$ 43,315</u>	<u>\$ 46,184</u>	<u>\$ 49,160</u>	<u>\$ 48,182</u>	<u>\$ 51,505</u>	<u>\$ 62,912</u>	<u>\$ 63,929</u>	<u>\$ 72,621</u>	<u>\$ 74,669</u>	<u>\$ 86,610</u>
Net (Expense) Revenue										
Governmental activities	<u>\$(27,631)</u>	<u>\$(30,794)</u>	<u>\$(42,654)</u>	<u>\$(29,586)</u>	<u>\$(31,364)</u>	<u>\$(32,318)</u>	<u>\$(30,803)</u>	<u>\$(29,690)</u>	<u>\$(35,193)</u>	<u>\$(18,181)</u>
Business-type activities	<u>1,441</u>	<u>2,498</u>	<u>2,670</u>	<u>1,553</u>	<u>1,346</u>	<u>6,526</u>	<u>4,902</u>	<u>5,750</u>	<u>7,836</u>	<u>884</u>
Total Primary government net expense	<u>\$(26,190)</u>	<u>\$(28,296)</u>	<u>\$(39,984)</u>	<u>\$(28,033)</u>	<u>\$(30,018)</u>	<u>\$(25,792)</u>	<u>\$(25,901)</u>	<u>\$(23,940)</u>	<u>\$(27,357)</u>	<u>\$(17,298)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Sales taxes	\$ 19,569	\$ 20,219	\$ 21,262	\$ 22,137	\$ 22,165	\$ 19,977	\$ 21,390	\$ 22,441	\$ 25,722	\$ 27,618
Franchise fees	2,677	2,679	2,519	2,631	2,705	2,711	2,655	2,810	2,678	2,921
Other taxes and revenues	4,996	6,112	6,312	6,479	9,311	5,711	6,806	6,188	7,631	8,306
Investment earnings	38	82	51	30	92	175	436	321	(141)	(1,657)
Transfers	(44,860)	0	0	0	0	0	31	(1,542)	(36)	(158)
Total Governmental activities	<u>(17,580)</u>	<u>29,092</u>	<u>30,144</u>	<u>31,277</u>	<u>34,273</u>	<u>28,574</u>	<u>31,318</u>	<u>30,219</u>	<u>35,856</u>	<u>37,030</u>
Business-type activities										
Sales tax	24	25	66	34	32	55	51	42	40	72
Investment earnings (loss)	246	707	666	447	563	769	1,397	920	(837)	(6,268)
Transfers	(25)	-	-	-	-	(31)	9	36	158	
Total Business-type activities	<u>245</u>	<u>732</u>	<u>732</u>	<u>481</u>	<u>595</u>	<u>824</u>	<u>1,417</u>	<u>971</u>	<u>(762)</u>	<u>(6,039)</u>
Total Primary government	<u>\$(17,335)</u>	<u>\$ 29,824</u>	<u>\$ 30,876</u>	<u>\$ 31,758</u>	<u>\$ 34,868</u>	<u>\$ 29,398</u>	<u>\$ 32,735</u>	<u>\$ 31,190</u>	<u>\$ 35,094</u>	<u>\$ 30,991</u>
Change in Net Position										
Governmental activities	<u>\$(45,211)</u>	<u>\$(1,702)</u>	<u>\$(12,510)</u>	<u>\$ 1,691</u>	<u>\$ 2,909</u>	<u>\$(3,744)</u>	<u>\$ 515</u>	<u>\$ 529</u>	<u>\$ 663</u>	<u>\$ 18,848</u>
Business-type activities	<u>1,686</u>	<u>3,230</u>	<u>3,402</u>	<u>2,034</u>	<u>1,941</u>	<u>7,350</u>	<u>6,319</u>	<u>6,721</u>	<u>7,074</u>	<u>(5,155)</u>
Total Primary government	<u>\$(43,525)</u>	<u>\$ 1,528</u>	<u>\$(9,108)</u>	<u>\$ 3,725</u>	<u>\$ 4,850</u>	<u>\$ 3,606</u>	<u>\$ 6,834</u>	<u>\$ 7,250</u>	<u>\$ 7,737</u>	<u>\$ 13,693</u>

* This number includes state turnback.

**In 2015 GASB 68 was implemented. Due to a change in actuarial assumptions for 2015, pension expense for the governmental activities was much larger than normal.

City of Hot Springs, Arkansas
FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund										
Nonspendable	\$ 296	\$ 328	\$ 387	\$ 455	\$ 482	\$ 1,132	\$ 1,143	\$ 641	\$ 785	\$ 837
Committed		421	194						2,993	10,853
Assigned				511	1,752	485	-	2,093	491	420
Unassigned	5,528	5,065	4,527	3,757	3,441	4,223	5,924	9,576	14,147	10,428
Pre 2013										
Reserved										
Unreserved										
Total General Fund	<u>\$ 5,824</u>	<u>\$ 5,814</u>	<u>\$ 5,108</u>	<u>\$ 4,723</u>	<u>\$ 5,675</u>	<u>\$ 5,840</u>	<u>\$ 7,067</u>	<u>\$ 12,311</u>	<u>\$ 18,416</u>	<u>\$ 22,538</u>
All Other Governmental Funds										
Nonspendable	\$ 23	\$ 1								
Restricted	2,378	1,891	2,106	1,384	3,000	5,252	11,451	8,672	3,455	12,480
Committed									1,761	3,723
Assigned		547	433	1,643	1,590	2,372	-	3,301	3,109	1,550
Unassigned		105								(16)
Pre 2013										
Reserved										
Prepays										
Public Safety										
Public Works										
Unreserved, reported in:										
Special revenue funds										
Capital project funds										
Debt service funds										
Total all other governmental funds	<u>\$ 2,401</u>	<u>\$ 2,544</u>	<u>\$ 2,539</u>	<u>\$ 3,027</u>	<u>\$ 4,590</u>	<u>\$ 7,624</u>	<u>\$ 11,451</u>	<u>\$ 11,972</u>	<u>\$ 8,325</u>	<u>\$ 17,738</u>
					\$					
Total governmental funds	<u>\$ 8,225</u>	<u>\$ 8,358</u>	<u>\$ 7,647</u>	<u>\$ 7,750</u>	<u>10,265</u>	<u>\$ 13,464</u>	<u>\$ 18,518</u>	<u>\$ 24,283</u>	<u>\$ 26,741</u>	<u>\$ 40,276</u>

City of Hot Springs, Arkansas
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year

Revenues	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Taxes	\$ 23,643	\$ 24,308	\$ 21,833	\$ 23,457	\$ 24,454	\$ 25,192	\$ 22,173	\$ 23,060	\$ 26,643	\$ 28,792
Licenses, fees and permits	818	812	4,088	3,314	4,136	4,318	4,476	4,505	4,608	5,215
Charges for services	1,006	1,531	1,763	2,465	2,402	2,572	2,696	2,562	2,917	3,045
Intergovernmental	7,804	8,259	7,175	6,848	8,689	7,988	10,772	15,359	15,823	26,934
Intergovernmental - Gaming and breakage	1,353	1,528	1,939	2,081	2,263	2,397	3,414	2,979	3,947	4,397
Fines and penalties	993	1,074	867	1,096	985	947	830	909	918	752
Investment earnings	3	81	51	30	92	175	436	321	(141)	(1,657)
Other Revenue	330	401	542	405	517	422	312	604	739	681
Total Revenues	<u>35,950</u>	<u>37,994</u>	<u>38,258</u>	<u>39,696</u>	<u>43,538</u>	<u>44,009</u>	<u>45,109</u>	<u>50,301</u>	<u>55,454</u>	<u>68,159</u>
Expenditures										
General government	4,310	4,445	4,715	4,910	4,811	3,831	3,937	3,971	4,200	4,184
Community development	1,407	1,319	1,760	1,401	1,543	1,650	1,901	1,718	1,935	1,926
Parks and recreation	1,400	1,470	1,537	1,557	1,681	1,623	1,740	1,791	1,902	1,928
Public transportation	1,442	1,419	1,378	1,308	1,397	1,484	1,554	1,600	1,665	1,791
Public safety	19,543	21,969	22,345	22,591	23,729	25,423	26,261	27,431	29,199	31,515
Public works	5,855	5,286	4,793	4,208	4,861	4,668	5,365	5,207	5,185	8,603
Public utilities									354	1
Debt service										
Principal	631	965	1,335	1,672	1,656	1,619	1,313	1,650	1,928	2,144
Interest and other charges	63	75	83	82	70	57	126	376	376	371
Capital outlay	2,522	2,226	2,983	3,133	2,153	2,427	3,493	6,416	9,163	3,990
Total Expenditures	<u>37,173</u>	<u>39,174</u>	<u>40,929</u>	<u>40,862</u>	<u>41,901</u>	<u>42,782</u>	<u>45,690</u>	<u>50,161</u>	<u>55,906</u>	<u>56,453</u>
Excess of revenues over (under) expenditures	<u>(1,223)</u>	<u>(1,180)</u>	<u>(2,671)</u>	<u>(1,166)</u>	<u>1,637</u>	<u>1,227</u>	<u>(582)</u>	<u>140</u>	<u>(452)</u>	<u>11,706</u>
Other Financing Sources (Uses)										
Issuance of debt	1,944	1,370	1,963	1,272	878	2,097	9,889	1,358	2,946	1,987
Transfer in	12,281	12,660	13,201	13,255	13,287	14,540	16,044	14,014	15,674	17,407
Transfer out	(12,114)	(12,717)	(13,204)	(13,259)	(13,287)	(14,663)	(16,013)	(14,031)	(15,709)	(17,564)
Total Financing sources (uses)	<u>2,111</u>	<u>1,313</u>	<u>1,960</u>	<u>1,268</u>	<u>878</u>	<u>1,973</u>	<u>9,919</u>	<u>1,341</u>	<u>2,910</u>	<u>1,829</u>
Net change in fund balance	<u>\$ 888</u>	<u>\$ 133</u>	<u>\$ (711)</u>	<u>\$ 102</u>	<u>\$ 2,515</u>	<u>\$ 3,200</u>	<u>\$ 9,337</u>	<u>\$ 1,481</u>	<u>\$ 2,458</u>	<u>\$ 13,535</u>
Debt service as a percentage of noncapital expenditures	2.0%	2.8%	3.7%	4.6%	4.3%	4.2%	3.4%	4.6%	4.9%	4.8%

City of Hot Springs, Arkansas
PROGRAM REVENUES BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018*	2019	2020	2021	2022
Governmental activities:										
General government	\$ 2,037	\$ 338	\$ 1,770	\$ 3,244	\$ 3,350	\$ 4,127	\$ 4,100	\$ 4,862	\$ 5,351	\$ 9,264
Community development	356	331	412	550	685	917	1,162	1,065	1,329	939
Parks and recreation	93	120	88	177	233	1,806	404	331	417	393
Public safety	1,543	1,371	1,137	2,838	3,527	5,559	6,097	8,568	7,927	10,442
Public transportation	154	161	161	1,160	1,075	1,150	1,150	1,671	1,690	1,351
Public works	930	240	81	353	2,040	1,385	1,258	1,965	2,694	8,558
Subtotal Governmental activities	<u>\$ 5,113</u>	<u>\$ 2,561</u>	<u>\$ 3,649</u>	<u>\$ 8,322</u>	<u>\$ 10,910</u>	<u>\$ 14,944</u>	<u>\$ 14,171</u>	<u>\$ 18,463</u>	<u>\$ 19,408</u>	<u>\$ 30,947</u>
Business-type activities:										
Water	11,333	12,668	12,157	12,334	12,654	15,965	16,455	20,029	19,588	20,163
Wastewater	13,315	14,688	15,719	15,780	16,521	17,897	17,785	19,548	19,004	19,839
Solid Waste	6,782	7,180	7,116	7,862	7,588	7,735	8,239	7,874	8,755	9,527
Airport	3,296	3,219	2,493	2,938	2,611	4,791	5,604	4,980	6,144	4,069
Stormwater	680	701	690	858	1,126	1,352	1,575	1,656	1,673	1,679
Parking	129	96	83	88	96	229	99	72	96	384
Subtotal Business-type activities	<u>\$ 35,535</u>	<u>\$ 38,552</u>	<u>\$ 38,258</u>	<u>\$ 39,860</u>	<u>\$ 40,596</u>	<u>\$ 47,969</u>	<u>\$ 49,757</u>	<u>\$ 54,158</u>	<u>\$ 55,261</u>	<u>\$ 55,663</u>
Total Primary government	<u>\$ 40,648</u>	<u>\$ 41,113</u>	<u>\$ 41,907</u>	<u>\$ 48,182</u>	<u>\$ 51,506</u>	<u>\$ 62,913</u>	<u>\$ 63,928</u>	<u>\$ 72,620</u>	<u>\$ 74,669</u>	<u>\$ 86,610</u>

* A major portion of the 2018 growth is due to a reclassification of business license fees and sales taxes (imposed by another government) which were previously classified as general revenues.

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REVENUE CAPACITY

NORTHWOODS TRAIL - CEDAR GLADE



City of Hot Springs, Arkansas
MAJOR TAX/FEE REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Sales and Use Tax	Property Tax	Alcohol Taxes and Permits	Franchise Fees	Business License Fees	Breakage/ Gaming *	Total
2013	19,569		597	2,677	708	1,353	24,904
2014	20,219		621	2,679	718	1,528	25,765
2015	21,262		688	2,519	732	1,939	27,140
2016	22,137		712	2,631	743	2,081	28,304
2017	22,165	3,348	745	2,705	735	2,263	28,613
2018**	19,977	201	807	2,711	736	2,397	26,829
2019	21,390	(39)	956	2,656	739	3,414	29,116
2020	22,441		725	2,810	749	2,978	29,703
2021	25,723		1,072	2,678	854	3,947	34,274
2022	27,618		1,329	2,920	1,102	4,397	37,366
Change							
2013-2022	41.1%	N/A	122.6%	9.1%	55.6%	225.0%	50.0%

* These revenues are set by the state and are included as grants and contributions in the statement of activities.

** In 2018 taxes that were imposed by another government were classified as intergovernmental, whereas they had previously been classified incorrectly as sales tax.

City of Hot Springs, Arkansas
SALES AND USE TAX REVENUE AND CLASSES OF PAYERS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

NAICS Economic Sector	Description	Fiscal Year 2022				Fiscal Year 2021			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Total City Sales Tax	Rank	Sales	Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(5,840)	(88)	-0.31%	21	(3,478)	(52)	-0.20%	22
21	Mining	(40)	(1)	0.00%	20	123	2	0.01%	18
22	Utilities	41,786	627	2.20%	8	32,709	491	1.85%	8
23	Construction	17,579	264	0.93%	12	11,782	177	0.67%	12
31-33	Manufacturing	45,458	681	2.40%	7	38,435	577	2.17%	7
42	Wholesale Trade	117,877	1,768	6.22%	3	110,085	1,651	6.23%	3
44-45	Retail Trade	1,074,628	15,308	56.69%	1	1,037,723	15,566	58.71%	1
48-49	Transportation and Warehousing	7,279	109	0.38%	14	6,149	92	0.35%	14
51	Information	48,409	726	2.55%	6	44,632	669	2.53%	5
52	Finance and Insurance	2,150	32	0.11%	16	2,079	31	0.12%	15
53	Real Estate and Rental and Leasing	34,754	521	1.83%	10	32,120	482	1.82%	9
54	Professional, Scientific and Technical Services	12,330	185	0.65%	13	10,592	159	0.60%	13
55	Management of Companies and Enterprises	106	2	0.01%	18	17	-	0.00%	20
56	Admin, Support, Waste Mgmt and Remediation Svcs	34,651	520	1.83%	11	31,803	477	1.80%	10
61	Educational Services	2,379	36	0.13%	15	1,422	21	0.08%	16
62	Health Care and Social Assistance	1,091	16	0.06%	17	1,100	17	0.06%	17
71	Arts, Entertainment and Recreation	36,251	544	1.91%	9	26,691	400	1.51%	11
72	Accommodation and Food Services	270,188	4,053	14.25%	2	253,762	3,806	14.36%	2
81	Other Services (except Public Administration)	48,411	726	2.55%	5	43,973	660	2.49%	6
99	Government (except Schools, Hospitals, and USPS)	12	-	0.00%	19	19	-	0.00%	19
	Uncategorized *	105,999	1,589	5.59%	4	85,826	1,287	4.86%	4
	Totals	\$ 1,895,458	\$ 27,618	100.00%		\$ 1,767,564	\$ 26,513	100.00%	

NAICS Economic Sector	Description	Fiscal Year 2020				Fiscal Year 2019			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Total City Sales Tax	Rank	Sales	Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(2,271)	(34)	-0.15%	20	(3,439)	(52)	-0.23%	19
21	Mining	(208)	(3)	-0.01%	19	(18)	-	-%	18
22	Utilities	17,241	259	1.12%	10	20,989	315	1.43%	10
23	Construction	9,939	149	0.64%	12	11,425	171	0.78%	12
31-33	Manufacturing	34,623	520	2.25%	7	33,991	509	2.32%	7
42	Wholesale Trade	99,167	1,488	6.43%	3	95,454	1,432	6.51%	3
44-45	Retail Trade	943,374	14,151	61.19%	1	841,706	12,626	57.36%	1
48-49	Transportation and Warehousing	2,641	39	0.17%	14	1,212	18	0.08%	15
51	Information	38,902	584	2.52%	5	41,387	621	2.82%	5
52	Finance and Insurance	2,122	32	0.14%	15	1,892	28	0.13%	14
53	Real Estate and Rental and Leasing	30,186	453	1.96%	8	33,088	496	2.26%	8
54	Professional, Scientific and Technical Services	8,138	122	0.53%	13	4,405	66	0.30%	13
55	Management of Companies and Enterprises	11	-	0.00%	18	-	-	0.00%	
56	Admin, Support, Waste Mgmt and Remediation Svcs	26,541	398	1.72%	9	-	-	0.00%	
61	Educational Services	510	8	0.03%	17	22,691	340	1.55%	9
62	Health Care and Social Assistance	790	12	0.05%	16	781	12	0.05%	17
71	Arts, Entertainment and Recreation	12,992	195	0.84%	11	1,131	17	0.08%	16
72	Accommodation and Food Services	200,030	3,000	12.98%	2	18,944	284	1.29%	11
81	Other Services (except Public Administration)	36,767	552	2.38%	6	228,840	3,433	15.60%	2
92	Public Administration	-	-	0.00%		38,570	579	2.63%	6
	Uncategorized *	80,125	1,202	5.20%	4	74,244	1,114	5.06%	4
	Totals	\$ 1,541,620	\$ 23,127	100.00%		\$ 1,467,293	\$ 22,009	100.00%	

City of Hot Springs, Arkansas
SALES AND USE TAX REVENUE AND CLASSES OF PAYERS
LAST TEN FISCAL YEARS
(continued)

(amounts expressed in thousands)

NAICS Economic Sector	Description	Fiscal Year 2018				Fiscal Year 2017			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Total City Sales Tax	Rank	Sales	Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(5,013)	(75)	-0.37%	19	(2,844)	(43)	-0.21%	19
21	Mining	(580)	(9)	-0.04%	18	13	-	0.00%	17
22	Utilities	867	13	0.06%	16	3,724	56	0.28%	11
23	Construction	10,284	154	0.76%	12	8,989	135	0.68%	12
31-33	Manufacturing	32,951	495	2.45%	7	33,492	502	2.52%	7
42	Wholesale Trade	81,003	1,215	6.02%	3	78,939	1,184	5.93%	3
44-45	Retail Trade	764,163	11,463	56.83%	1	771,291	11,569	57.94%	1
48-49	Transportation and Warehousing	11,145	167	0.83%	11	9,677	146	0.73%	13
51	Information	52,304	785	3.89%	5	49,906	749	3.75%	5
52	Finance and Insurance	1,605	24	0.12%	14	1,112	17	0.08%	15
53	Real Estate and Rental and Leasing	28,384	426	2.11%	8	29,557	443	2.22%	8
54	Professional, Scientific and Technical Services	2,903	44	0.22%	13	3,063	46	0.23%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	21,451	322	1.60%	9	20,352	305	1.53%	9
61	Educational Services	(79)	(1)	-0.01%	17	(1,734)	(26)	-0.13%	18
62	Health Care and Social Assistance	970	15	0.07%	15	711	11	0.05%	16
71	Arts, Entertainment and Recreation	20,744	311	1.54%	10	17,185	258	1.29%	10
72	Accommodation and Food Services	212,349	3,185	15.79%	2	204,375	3,066	15.35%	2
81	Other Services (except Public Administration)	34,287	514	2.55%	6	32,524	488	2.44%	6
92	Public Administration	-	-	0.00%		692	10	0.05%	
	Uncategorized*	74,859	1,123	5.57%	4	70,173	1,053	5.27%	4
	Totals	<u>\$ 1,344,597</u>	<u>\$ 20,171</u>	<u>100.00%</u>		<u>\$ 1,331,197</u>	<u>\$ 19,969</u>	<u>100.00%</u>	

NAICS Economic Sector	Description	Fiscal Year 2016				Fiscal Year 2015			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Total City Sales Tax	Rank	Sales	Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(4,032)	(60)	-0.30%	19	(998)	(15)	-0.08%	18
21	Mining	99	1	0.01%	17	32		0.00%	17
22	Utilities	9,659	145	0.73%	11	40,911	614	3.25%	5
23	Construction	8,137	122	0.62%	12	9,597	144	0.76%	13
31-33	Manufacturing	32,069	481	2.42%	7	32,054	481	2.55%	7
42	Wholesale Trade	77,924	1,169	5.89%	3	85,205	1,278	6.77%	3
44-45	Retail Trade	775,551	11,633	58.64%	1	715,557	10,733	56.87%	1
48-49	Transportation and Warehousing	7,626	114	0.58%	13	10,775	162	0.86%	12
51	Information	40,913	614	3.09%	5	50,085	751	3.98%	4
52	Finance and Insurance	1,319	20	0.10%	15	762	11	0.06%	16
53	Real Estate and Rental and Leasing	26,196	393	1.98%	8	20,677	310	1.64%	9
54	Professional, Scientific and Technical Services	2,439	37	0.18%	14	3,268	49	0.26%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	19,654	295	1.49%	9	19,125	287	1.52%	10
61	Educational Services	(1,349)	(20)	-0.10%	18	(3,183)	(48)	-0.25%	19
62	Health Care and Social Assistance	1,073	16	0.08%	16	828	12	0.07%	15
71	Arts, Entertainment and Recreation	15,778	237	1.19%	10	14,589	219	1.16%	11
72	Accommodation and Food Services	212,225	3,183	16.05%	2	193,393	2,901	15.37%	2
81	Other Services (except Public Administration)	32,988	495	2.49%	6	31,707	476	2.52%	8
92	Public Administration	-	-	0.00%		33,807	507	2.69%	6
	Uncategorized*	64,257	960	4.86%	4				
	Totals	<u>\$ 1,322,526</u>	<u>\$ 19,835</u>	<u>100.00%</u>		<u>\$ 1,258,191</u>	<u>\$ 18,872</u>	<u>100.00%</u>	

City of Hot Springs, Arkansas
SALES AND USE TAX REVENUE AND CLASSES OF PAYERS
LAST TEN FISCAL YEARS
(continued)
(amounts expressed in thousands)

NAICS Economic		Fiscal Year 2014				Fiscal Year 2013			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
Sector	Description	Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(1,235)	(19)	-0.10%	18	333	5	0.03%	16
21	Mining	205	3	0.02%	17			0.00%	18
22	Utilities	55,043	826	4.61%	4	56,733	851	4.69%	4
23	Construction	2,739	41	0.23%	14	10,000	150	0.83%	12
31-33	Manufacturing	32,037	481	2.69%	6	31,800	477	2.63%	7
42	Wholesale Trade	86,554	1,298	7.25%	3	89,800	1,347	7.42%	3
44-45	Retail Trade	685,130	10,277	57.43%	1	691,733	10,376	57.18%	1
48-49	Transportation and Warehousing	10,763	161	0.90%	12	11,200	168	0.93%	11
51	Information	42,220	633	3.54%	5	39,533	593	3.27%	6
52	Finance and Insurance	1,602	24	0.13%	15	1,467	22	0.12%	15
53	Real Estate and Rental and Leasing	20,566	308	1.72%	8	20,066	301	1.66%	8
54	Professional, Scientific and Technical Services	2,698	40	0.23%	13	2,067	31	0.17%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	17,662	265	1.48%	9	16,533	248	1.37%	9
61	Educational Services	(1,813)	(27)	-0.15%	19	(400)	(6)	-0.03%	19
62	Health Care and Social Assistance	635	10	0.05%	16	1,533	23	0.13%	14
71	Arts, Entertainment and Recreation	15,725	236	1.32%	10	13,667	205	1.13%	10
72	Accommodation and Food Services	178,345	2,675	14.95%	2	173,333	2,600	14.33%	2
81	Other Services (except Public Administration)	29,842	448	2.50%	7	50,400	756	4.17%	5
92	Public Administration	14,344	215	1.20%	11			0.00%	17
Totals		<u>1,193,063</u>	<u>\$ 17,895</u>	<u>100.00%</u>		<u>1,209,799</u>	<u>\$ 18,147</u>	<u>100.00%</u>	

Notes: Arkansas law prohibits the City from knowing the principal revenue payers individually, so revenue payers are presented as classes. This is the only information available from the state. If individual economic sector identifiers have three or fewer entries, the taxable sales and tax collection numbers are suppressed to comply with state statutes. Source: Arkansas Department of Finance and Administration, Revenue Division, Sales and Use Tax Section.

City of Hot Springs, Arkansas
SALES AND USE TAX REVENUE RATES FOR THE CITY
LAST TEN FISCAL YEARS

SALES TAX RATE

Fiscal Year	City Direct Rate	General Fund	Fire and Police
2013	1.5	1.0	0.5
2014	1.5	1.0	0.5
2015	1.5	1.0	0.5
2016	1.5	1.0	0.5
2017	1.5	1.0	0.5
2018	1.5	1.0	0.5
2019	1.5	1.0	0.5
2020	1.5	1.0	0.5
2021	1.5	1.0	0.5
2022	1.5	1.0	0.5

SALES TAX RECEIVED

Fiscal Year	Total	General Fund	Fire and Police
2013	17,847,283	11,898,189	5,949,094
2014	17,896,612	11,931,075	5,965,537
2015	18,872,829	12,581,886	6,290,943
2016	19,683,356	13,122,237	6,561,119
2017	19,688,002	13,125,334	6,562,668
2018	19,977,450	13,318,300	6,659,150
2019	21,389,832	14,259,888	7,129,944
2020	22,440,961	14,960,641	7,480,320
2021	25,722,488	17,148,325	8,574,163
2022	27,920,384	18,714,239	9,206,145

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DEBT CAPACITY

HOT SPRINGS CREEK GREENWAY



City of Hot Springs, Arkansas
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Governmental Activities											
Fiscal Year	Special Obligation Bonds	Notes Payable	Leases	Water Bonds	Wastewater Bonds	Airport Bonds	Notes Payable	Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2013	750	2,737		13,697	77,431	560	285		95,460	8.26%	2,691
2014	635	3,257		18,186	75,255	495	202		98,030	7.13%	2,747
2015	513	4,005		25,480	74,034	425	115		104,572	8.09%	2,931
2016	389	3,730		24,417	72,503	349	195		101,583	7.43%	2,755
2017	264	3,077		23,268	71,301	269	9,241		107,420	7.55%	2,914
2018	1,575	2,244		42,251	68,594	-	8,978		123,642	8.77%	3,260
2019	9,310	3,084		40,271	65,818	-	8,709		127,192	8.55%	3,422
2020	9,005	3,097		148,056	84,297	-	8,434		252,889	15.97%	6,466
2021	8,690	4,429		146,194	81,339	-	8,188		248,840	14.55%	6,453
2022	8,370	4,592	182	144,484	124,028	-	7,949	182	289,787	17.79%	7,605

City of Hot Springs, Arkansas
RATIO OF SPECIAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Hotel and Restaurant Gross Receipt Tax Bonds

Fiscal Year	Special Obligation Bonds	Less Debt Service	Net Special Obligation Bonds	Net Bond as a Percentage of Sales Tax	Per Capita
2013	750	205	545	10.51%	15.36
2014	635	204	431	8.13%	12.08
2015	513	207	306	5.29%	8.58
2016	389	206	183	3.06%	4.96
2017	264	198	66	1.07%	1.79
2018	1,575	16	1,559	24.36%	41.10
2019	9,310	247	9,063	130.12%	243.83
2020	9,005	321	8,684	140.47%	222.03
2021	8,690	320	8,370	104.09%	217.07
2022	8,370	335	8,035	87.77%	210.84

Notes: Details regarding this bond issue can be found on page 64 in the notes to the financial statements. The bonds are special obligations payable solely from collections of the 3% tax levied by the city on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, and similar establishments in the city. This sales tax is recorded on the books of the component unit. The sales tax as percentage of net bond above includes only that 3% tax.

City of Hot Springs, Arkansas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(amounts expressed in thousands)

Taxing Jurisdiction	Total Outstanding Debt	Estimated Percent Applicable*	Direct and Estimated Overlapping Debt
<u>Direct</u>			
City of Hot Springs	\$ 12,962	100.00%	\$ 12,962
<u>Overlapping</u>			
Garland County	-	41.60%	-
National Park Community College	28,290	41.60%	11,769
Lake Hamilton School District	63,470	2.60%	1,650
Hot Springs School District	69,110	98.37%	67,984
Lakeside School District	76,115	32.99%	25,110
Fountain Lake School District	11,615	2.10%	244
Cutter Morning Star School District	18,920	33.08%	6,259
Mountain Pine School District	<u>6,035</u>	5.32%	<u>321</u>
Total overlapping	<u>273,555</u>		<u>113,336</u>
Total direct and estimated overlapping bonded debt	<u>\$ 286,517</u>		<u>\$ 126,298</u>

* Based on relative assessed values in the City of Hot Springs or population.

City of Hot Springs, Arkansas
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt limit	\$ 162,545	\$ 166,789	\$ 169,599	\$ 173,304	\$ 191,487	\$ 191,487	\$ 210,016	\$ 215,915	\$ 221,593	\$ 250,938
Total net debt applicable to limit	2,737	3,257	4,005	3,730	3,341	3,819	12,394	12,102	13,119	12,962
Legal debt margin	\$ 159,808	\$ 163,532	\$ 165,594	\$ 169,574	\$ 188,146	\$ 187,668	\$ 197,622	\$ 203,813	\$ 208,474	\$ 237,976

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	\$ 1,003,752
Debt limit:	
General obligation debt limitation (2)	200,750
Short-term financing debt limitation (3)	<u>50,188</u>
Total Debt Limitation	<u>250,938</u>
Debt applicable to limit:	
General obligation bonds	8,370
Short-term notes	<u>4,592</u>
Total net debt applicable to limit	<u>12,962</u>
Legal net margin	<u>\$ 237,976</u>

Note:

Computation of the City's legal debt margin is set forth in Amendments 78 and 62 to the Constitution of the State of Arkansas.

- (1) General obligation debt is not to exceed 20% of assessed value.
- (2) Short-term financing debt is not to exceed 5% of assessed value.

City of Hot Springs, Arkansas
PLEGGED - REVENUE COVERAGE
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	11,407	6,932	4,475	575	371	4.73
2014	10,843	7,130	3,713	542	195	5.04
2015	12,119	8,074	4,045	876	472	3.00
2016	12,156	7,881	4,275	1,057	649	2.51
2017	12,645	8,197	4,448	1,143	681	2.44
2018	15,071	8,189	6,882	1,360	1,051	2.85
2019	16,193	9,146	7,047	1,482	1,300	2.53
2020 (3)	17,564	8,901	8,663	1,791	2,228	2.35
2021 (4)	19,456	8,608	10,848	1,511	3,925	2.00
2022 (4)	20,058	10,269	9,789	1,125	3,721	2.02

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	13,166	7,419	5,747	2,418	1,544	1.45
2014	14,219	8,173	6,046	2,176	3,303	1.10
2015	15,715	8,533	7,182	2,231	3,248	1.31
2016	15,764	8,597	7,167	2,201	3,116	1.35
2017	16,521	8,832	7,689	2,460	2,950	1.42
2018	16,844	9,195	7,649	2,595	2,742	1.43
2019	17,111	10,468	6,643	2,823	2,668	1.21
2020	17,763	11,338	6,425	2,071	2,451	1.42
2021	18,677	10,030	8,647	2,915	2,422	1.62
2022	19,573	11,024	8,549	2,975	3,036	1.42

(1) Gross revenues include operating revenues.

(2) Direct operating expenses include operating expenses less depreciation.

(3) The coverage ratio includes a reduction of \$335,000 from a capitalized interest account funded by the Waterworks Revenue Refunding Bonds, Series 2020.

(4) Interest includes a reduction of \$670,000 from capitalized interest funded by the Waterworks Revenue Refunding Bonds, Series 2020.

Source: City Records.

City of Hot Springs, Arkansas
PLEDGE - REVENUE COVERAGE
LAST TEN FISCAL YEARS
(continued)

(amounts expressed in thousands)

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	3,325	2,976	349	60	40	3.49
2014	3,239	2,896	343	65	37	3.36
2015	2,559	2,270	289	70	32	2.83
2016	2,378	2,089	289	75	28	2.81
2017	2,433	2,362	71	80	23	0.69
2018 (3)	3,021	2,664	357	270	4	1.30
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-

(1) Gross revenues include operating revenues.

(2) Direct operating expenses include operating expenses less depreciation.

(3) Bonds were paid off early and in full.

Source: City Records.

DEMOGRAPHIC AND ECONOMIC INFORMATION

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City of Hot Springs, Arkansas
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Year	Population	Personal Income (in thousands)	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2013	35,478	1,241,482	34,993	43.5	7,143	7.5%
2014	35,680	1,242,520	34,824	43.5	7,239	6.7%
2015	35,673	1,292,005	36,218	42.0	7,264	6.2%
2016	36,867	1,367,397	37,090	43.1	7,379	4.4%
2017	36,867	1,422,292	38,579	42.0	7,294	4.5%
2018	37,931	1,451,202	38,259	42.0	8,206	3.7%
2019	38,797	1,552,035	40,004	41.8	7,491	3.5%
2020	39,111	1,606,250	41,069	41.9	6,498	5.2%
2021	37,930	1,682,499	44,358	42.0	7,193	4.6%
2022	37,930	1,620,294	42,718	43.2	7,189	3.4%

Sources:

Population: Demographic Research, Institute for Economic Advancement, College of Business Administration, UALR.

Per Capita Income: U.S. Department of Commerce, Bureau of Economic Analysis, Advance Metropolitan Statistical Area, BEA.

NOTE: The figures provided by BEA are inconsistent from one year to the next. The above numbers are taken from exactly the same website, but have changed. The narrative on the website cites a 4% increase in per capita income; however, taking the numbers provided last year for 2014 and comparing to the numbers provided this year for 2015, there is a decrease. We have contacted BEA for an explanation of this discrepancy. The numbers do run a year in arrears; actual 2015 data will not be released until November, 2016. We have adjusted the 2013 and 2014 numbers to reflect the update BEA has made to their reporting information.

School Enrollment: Arkansas Department of Education numbers include the Arkansas School for Math & Science, Lakeside and Hot Springs School Districts.

Median Age: City-Data.com, Hot Springs, Arkansas.

Unemployment Rate: U.S. Department of Labor, Bureau of Labor Statistics, Bureau of Labor Statistics Data.

2014 Population is an estimate from the U.S. Census Bureau.

2017 Population is the same as the 2016 population from the US Census Bureau. There was no population estimate for 2017.

2018 Population from the US Census Bureau has been adjusted for annexation.

2019 Population from the US Census Bureau

<https://www.census.gov/data/tables/time-series/demo/popest/2010s-total-cities-and-towns.html>

2020 Population estimate from World Population Review

2021 Population from the 2020 US Census Bureau

2022 Population and Unemployment from the 2020 US Census Bureau and US Department of Labor

City of Hot Springs, Arkansas
GARLAND COUNTY PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS

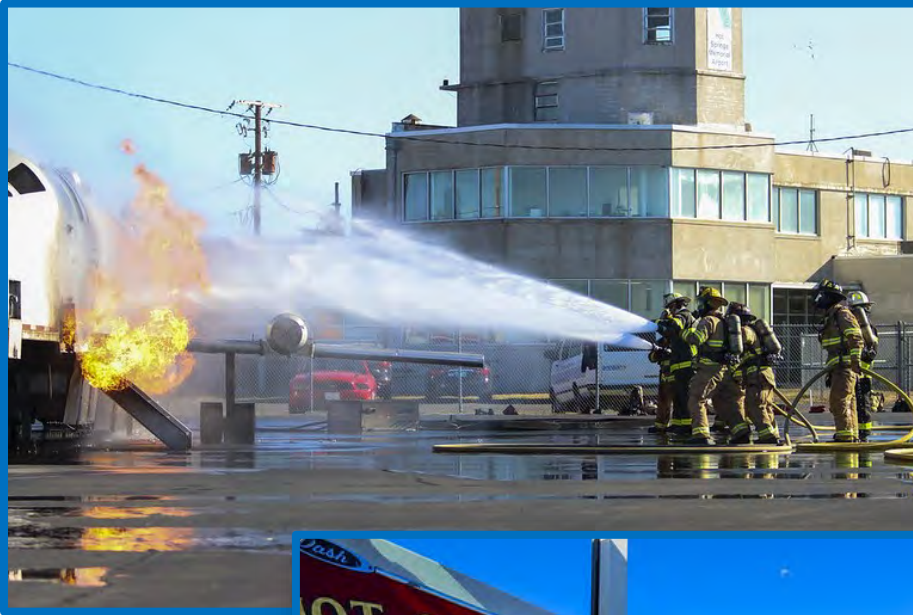
Year	2022			2021			2020			2019			2018		
Total Employment Numbers	37,830			36,330			35,480			39,809			39,146		
Name of Firm or Company	Rank	Employees	% of Total	Rank	Employees	% of Total	Rank	Employees	% of Total	Rank	Employees	% of Total	Rank	Employees	% of Total
CHI St. Vincent Hot Springs	1	1,700	4.49%	1	1,400	3.85%	1	1,700	4.79%	1	1,700	4.27%	1	1,600	4.09%
Oaklawn Park	2	1,275	3.37%	2	945	2.60%	2	1,275	3.59%	2	1,275	3.20%	2	1,400	3.58%
Wal-Mart Stores	4	810	2.14%	4	795	2.19%	4	810	2.28%	4	810	2.03%	4	765	1.95%
National Park Medical Center	3	900	2.38%	3	820	2.26%	3	900	2.54%	3	900	2.26%	3	900	2.30%
City of Hot Springs	5	632	1.67%	5	615	1.69%	5	632	1.78%	5	632	1.59%	5	628	1.60%
Hot Springs School District	6	467	1.23%	6	450	1.24%	6	467	1.32%	6	467	1.17%	7	465	1.19%
National Park Community College	9	400	1.06%	6	450	1.24%	8	400	1.13%	8	400	1.00%	8	400	1.02%
StarTek (Formerly ACCENT) Marketing Services	9	400	1.06%	8	400	1.10%	8	400	1.13%	8	400	1.00%			0.00%
Berry Plastics (Formerly Rexam)		-	0.00%		271	0.75%		300	0.85%		300	0.75%	9	360	0.92%
Garland County	7	431	1.14%	7	438	1.21%	7	431	1.21%	7	431	1.08%	6	516	1.32%
Xpress Boat*	8	410	1.08%			0.00%			0.00%		-	0.00%			0.00%
Kroger's Stores			0.00%	9	345	0.95%	10	345	0.97%	10	345	0.87%			0.00%
Radius Aerospace (formerly Triumph Fabrications)	10	385	1.02%	10	300	0.83%	9	385	1.09%	9	385	0.97%	10	350	0.89%

Year	2017			2016			2015			2014			2013		
Total Employment Numbers	38,805			38,443			35,742			37,691			35,478		
Name of Firm or Company	Rank	Employees	% of Total	Rank	Employees	% of Total	Rank	Employees	% of Total	Rank	Employees	% of Total	Rank	Employees	% of Total
CHI St. Vincent Hot Springs	1	1,600	4.12%	1	2,300	5.98%	1	1,700	4.76%	1	2,300	6.10%	1	2,300	6.48%
Oaklawn Park	2	1,400	3.61%	2	1,300	3.38%	2	1,368	3.83%	2	1,300	3.45%	2	1,300	3.66%
Wal-Mart Stores	4	810	2.09%	3	1,026	2.67%	3	1,026	2.87%	3	1,026	2.72%	3	801	2.26%
National Park Medical Center	3	850	2.19%	4	664	1.73%	4	653	1.83%	4	664	1.76%	4	664	1.87%
City of Hot Springs	5	631	1.63%	5	615	1.60%	5	591	1.65%	5	615	1.63%	5	615	1.73%
Hot Springs School District	6	507	1.31%	6	588	1.53%	6	560	1.57%	6	588	1.56%	6	588	1.66%
National Park Community College		342	0.88%		332	0.86%			0.00%			0.00%			0.00%
StarTek (Formerly ACCENT) Marketing Services	9	400	1.03%	7	477	1.24%	7	480	1.34%	7	477	1.27%	7	477	1.34%
Berry Plastics (Formerly Rexam)	7	470	1.21%	9	380	0.99%			0.00%	9	380	1.01%	9	380	1.07%
Rexam & Containers			0.00%		0	0.00%	9	390	1.09%	10	350	0.93%			0.00%
Xerox Document Imaging Svcs			0.00%	8	450	1.17%	8	426	1.19%	8	450	1.19%	8	450	1.27%
Arlington			0.00%			0.00%	10	380	1.06%			0.00%			0.00%
Kroger's Stores		305	0.79%		341	0.89%			0.00%			0.00%			0.00%
Garland County	8	432	1.11%		350	0.91%			0.00%			0.00%			0.00%
Triumph Fabricating (Formerly Chem Fab Corp)	10	364	0.94%	10	376	0.98%	10	376	1.05%	10	376	1.00%	10	376	1.06%

Notes: (1) This information covers Garland County and is not available for Hot Springs City only. (2) The total employment figure is from the U.S. Department of Labor, Bureau of Labor Statistics and is for the Hot Springs, AR Metropolitan Statistical Area. (3) The Largest employers were gathered from The Greater Hot Springs Chamber of Commerce.

OPERATING INFORMATION

FIRE DEPARTMENT ANNUAL TRAINING



City of Hot Springs, Arkansas
FULL TIME EQUIVALENT CITY BUDGETED EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Function/Program	City attorney	3.5	3.5	3.5	3.5	3.5	3.5	2.3	4	4	4	
	General government	City manager	2	2	2	2.3	2.3	2.3	3.5	4	4	4
		Human resources	4.0	4.5	4.5	4.5	4.5	4.5	4.5	5	5	5
		Finance	13	13	13	13	13.33	14.33	14	14	14	14
		City clerk	2.6	2.6	2.6	2.5	2.5	1.5	1.5	2	2	2
		Public information	2	2	2	2	2	2	2	2	2	2
		Information systems	8	8	10	9	9	9	9	10	10	11
		Property maintenance	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2	2	2
	Community development	Planning and zoning	18	18	18	17	19	19	19	19	19	23
		Parks & Trails	17	17	17	17	18	19	19	19	19	18
		Sport recreation	2	2	2.5	2	1	1	1	1	1	2
	Public works	Admin	2.25	2.25	2.25	2	2	2	2	3	3	3
		Engineering	2.45	2.45	2.45	2.5	3.45	2.45	2.7	9	10	10
		Urban forestry	3	3	3	3	4	4	4	4	4	4
		Traffic services	7.5	7.5	7.5	7.3	7.34	7.34	7.67	8.5	8	8
Animal services*	9	9	9.5	9								
Special revenue												
Police	Uniform	105	106	111.2	111.2	111.2	111.2	111.17	108	108	110	
	Communication	13	13	13	13	6	6	6	15	15	17	
	Clerical	16.8	14.8	9	9	16	16	16	15	15	17	
	Animal Services *					9.5	9.5	9.5	8.5	8.5	8.5	
Fire	Uniform	77	77	77	77	77	77	77	75	78	78	
	Communication	2	2	2	2	2	2	2	2	-	-	
	Clerical	1.4	1.4	1	1	1	1	1	1	-	-	
Street and drainage	25	25	25	25	24	24	24	24	24	24		
Court	16	16	16.5	18	19.5	19.5	17	17	16	16		
Intracity transit	14	14	16	14	16	16	16	16	16	16		
Enterprise funds	Water	40	40	40	40	40	40	41	38	38	38	
	Wastewater	63	63	63	64	67	70	70	67	67	67	
	Solid Waste	68.25	68.25	68.25	68.4	70.4	70.4	70.4	69	72	72	
	Recycling center	3	3	3	3	3	3	3	3	-	-	
	Stormwater	3	3	3	3	4	4	3.1	3	3	3	
	Airport	11.1	11.1	11.1	12.1	12.1	12.1	12.1	12	12	12	
	Parking	1.0	0.5	0.5	0	0.50	0.5	0.5	-	0.5	0.5	
Internal service	Fleet	16	16	16	16	16	16	16	16	16	16	
	Utility administration	40.85	41.35	41.35	40.3	42.08	42.08	41.08	38	38	40	
CDBG Planning	0	0	0	0	0	0	0	-	-	-		
Metropolitan Planning Organization (MPO)	0	0	0	0	0	0	0	-	-	-		
Total		615	615	619.0	616	622.0	634.5	631.3	634.0	634	647	

*Changes made in 2017 reflects actual physical locations of employees.

City of Hot Springs, Arkansas
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Community development:											
	New construction building permits issued (C)	64	62	84	61	63	18	71	-	-	-
	New construction residential building permits issued								79	74	79
	New construction commercial building permits issued								19	26	17
Parks:	Number of parks	18	18	18	18	20	20	20	20	21	22
	Acreage	201	215	215	215	218	218	218	218	219	222
Trails:	Number of miles (A)										
	Paved Trails					4.50	5.00	5.00	5.00	5.00	5.00
	Natural Surface					3.35	3.35	3.35	3.35	3.35	3.35
Public works:	Engineering:										
	Floodplain reviews	74	66	81	62	63	67	59	92	72	111
	Work item requests (B)	156	607	827	2,157	1,715	2,462	2,543	2,161	1,971	1,642
	Traffic:										
	Pavement markings (linear feet) on contract	174,290	240,722	235,359	178,341	153,000	335,353	158,477	181,771	181,771	513,619
	Signs installed/repaired	946	926	515/283	182/173	413/190	348/280	183/215	276/111	165/119	202/120
Police:	Parking violations	1,546	1,684	1,167	1,823	1,866	1,759	772	653	994	287
	Traffic violations	7,879	9,611	16,329	7,039	7,267	5,591	5,064	2,875	5,135	6,198
	Physical Arrests	4,768	5,047	8,420	4,174	4,597	6,780	7,208	4,444	4,213	2,753
	Animal services:										
	Animals in	2,132	2,030	2,448	1,999	1,962	1,802	1,852	1,777	1,947	1,969
	Animals adopted	565	542	646	487	537	551	580	657	668	874
	Animals reclaimed	199	256	272	243	265	195	198	275	202	243
Fire:	Calls answered	1,587	1,770	1,889	2,085	2,294	2,317	2,473	2,546	2,812	2,970
	Hydrants	1,883	1,925	2,006	2,099	2,114	2,136	2,180	2,546	2,212	2,235
Street/Engineering	Paving cuts	479	544	385	406	459	513	527	253	255	265
Intracity Transit:	Riders including transfers	185,117	164,355	175,908	144,606	177,749	163,416	168,628	120,256	105,762	121,927
Water:	Consumers	81,924	89,632	90,603	91,169	91,769	92,196	90,487	90,636	91,316	90,787
	Average daily consumption	8,132,001	7,479,043	8,062,351	7,983,988	7,778,211	7,789,205	7,277,608	7,516,705	7,793,912	7,727,192
Wastewater:	Consumers	61,969	67,394	67,915	68,292	68,830	69,308	68,636	69,057	69,595	70,200
	Miles of lines	681	690	696	705	708	710	710	710	712	713
Solid Waste:	Consumers	14,087	14,104	14,028	14,042	14,533	14,628	18,109	13,056	15,240	15,510
	Tons of recycled material	4,362	3,807	3,700	2,231	2,539	3,932	4,122	4,462	4,541	4,267
	Tons of residential and commercial garbage collected	38,581	49,089	41,897	42,386	42,151	43,401	43,490	43,295	49,992	45,937
Airport:	Aviation fuel and oil sales	\$ 2,056,235	\$ 1,888,476	\$ 1,426,666	\$ 1,219,175	\$ 1,303,852	\$ 1,724,002	\$ 1,700,376	\$ 1,201,474	\$ 1,530,492	\$ 2,454,739
Parking:	Parking meter revenue	\$ 122,751	\$ 96,060	\$ 81,630	\$ 87,195	\$ 95,975	\$ 95,622	\$ 94,518	\$ 70,846	\$ 102,949	\$ 95,978

Notes:

- (A) Trails added for 2017 ACFR.
- (B) The use of a new system that combines work orders led to an apparent decrease in 2017.
- (C) New construction building permits issued will be split between residential and commercial from 2020 forward.

City of Hot Springs, Arkansas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Parks	Number of parks	18	18	18	18	20	20	20	20	21	22
	Playgrounds (A)	16	18	18	18	20	20	20	20	20	20
	Boat ramps	4	4	4	4	5	5	5	5	5	5
Public works	Traffic signals	70	71	71	72	72	72	68	72	73	73
Police	Stations (B)	3	3	3	2	2	2	2	2	2	2
	Patrol units	128	126	134	134	132	132	131	132	141	164
	Animal services dog units	4	4	4	4	4	4	4	4	4	6
Fire	Stations	5	5	5	5	5	5	5	5	5	5
	Fire trucks	8	8	8	8	8	8	8	8	7	7
	Trucks									4	4
	Boats									2	2
Street/Engineering	Miles of streets (C)	298	299	299	303	303	314	307	304	304	312
	Number of street lights	5,186	5,198	5,227	5,246	5,258	5,277	5,298	5,308	5,308	5,397
Intracity Transit	Buses	8	8	8	6	6	6	5	5	6	6
	Vans/mini buses	5	5	4	6	5	5	4	4	5	5
Water	Water mains (miles)	877	884	896	904	910	914	919	925	930	934
	Storage capacity (gallons in thousands)	19,061	15,600	15,600	15,600	15,600	15,600	15,600	18,600	18,600	18,600
Wastewater	Miles of lines	681	690	696	705	708	710	710	710	712	713
	Treatment capacity (gallons per day)	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Solid Waste	Collection vehicles	25	25	25	25	25	25	25	25	26	26
	Transfer vehicles/trailers	21	21	21	21	21	21	21	21	19	19
	Equipment -- backhoe, loaders, bobcats	9	9	9	9	9	9	10	10	11	11
	Recycling vehicles/trailers	8	8	8	8	8	8	8	8	6	6
Airport	Square feet of hangar rentals	225,895	225,895	225,895	238,335	238,335	238,335	238,335	238,335	238,335	238,335
Parking	Parking meters	572	300	300	300	300	300	300	297	297	311

Notes: (1) Indicators are not available for the general government function.

(A) Certain Parks have multiple playgrounds

(B) 641 Malvern Ave is open 24/7, 128 Exchange Street is only open intermittently. 805 Park Ave is no longer operational.

(C) In 2017, this number was reported incorrectly, as it included State highways as well as City maintained streets. The 2017 number has been changed to reflect City maintained streets only.

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SINGLE AUDIT AND COMPLIANCE SECTION

BLAKELY MOUNTAIN - TUNNELING



City of Hot Springs, Arkansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Assistance Listing	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Accrued		Accrued		Passed Through To Subrecipients
		Revenue Balances	Cash	Principal Repayments/ Expenditures	Revenues/ Balances	
		1/1/2022	Receipts	12/31/2022		
Awarding Agency - U. S. Department of Transportation						
Direct Program:						
<i>Airport Improvement Program</i>						
20.106	Airport Improvement Program (631) 3.05.0031.24.2016	-	23,083	23,083	-	
20.106	Airport Improvement Program (631) 3.05.0031.25.2017	-	-	-	-	
20.106	Airport Improvement Program (631) 3.05.0031.26.2018	-	-	-	-	
20.106	Airport Improvement Program (631) 3.05.0031.27.2019	-	-	-	-	
20.106	Airport Improvement Program (631) 3.05.0031.28.2020	447,108	405,340	-	41,768	
20.106	Airport Improvement Program (631) 3.05.0031.30.2020	916,152	852,363	-	63,789	
20.106	COVID-19 Airport Improvement Program (631) 3.05.0031.31.2021	23,000	23,000	-	-	
20.106	Airport Improvement Program (631) 3.05.0031.32.2021	-	206,934	216,716	9,782	
20.106	COVID-19 Airport Improvement Program (631) 3.05.0031.33.2021	59,000	59,000	-	-	
20.106	Airport Improvement Program (631) 3.05.0031.34.2022	-	-	112,472	112,472	
	<i>Total Airport Improvement Program</i>	1,445,260	1,569,720	352,271	227,811	
<i>Highway Planning and Construction Cluster</i>						
Pass-Through From:						
Arkansas Department of Transportation						
20.205	FAP TAPC Federal Highway Administration (314) ArDOT Job #61484	-	-	-	-	
20.205	Highway 7 South of Albright Road-Safety Improvements (645) ArDOT Job #061309	74,912	74,912	-	-	
20.205	Hot Springs School Pedestrian Connectors (SRTS-15) (S) (315) ArDot Job #061479	-	38,472	42,328	3,856	
20.205	Hollywood Ave. Multi-Use Trail (TAP-15)(S) (315) ArDOT Job #061483	86,125	86,125	-	-	
20.205	Hot Springs Pedestrian Connectors (SRTS(TAP-16) (S) (315) ArDOT Job #061534	29,339	29,339	70,115	70,115	
20.205	Hot Springs Creek Greenway Trail PH 6 (TAP-16)(S)(314) ArDot Job #61535	-	-	114,682	114,682	
	<i>Total Highway Planning and Construction Cluster</i>	190,376	228,848	227,125	188,653	
<i>State and Community Highway Safety Cluster</i>						
Pass-Through From:						
Arkansas State Police Highway Safety Office						
20.600	Selective Traffic Enforcement (372) OP-2021-02-02-13, SE-2021-01-01-13, MSX-2021-06-06-13, DD-2021-02-02-13	-	-	-	-	
20.600	Selective Traffic Enforcement (372) OP-2022-02-02-13, SE-2022-01-01-13, MSX-2022-06-06-13, DD-2022-02-02-13	8,526	29,518	26,708	5,716	
	<i>Total Selective Traffic Enforcement</i>	8,526	29,518	26,708	5,716	
Pass-Through From:						
Arkansas State Police Highway Safety Office						
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) M5CS-2021-13-13-02	(2,504)	-	-	(2,504)	
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) M5CS-2022-13-13-02	-	19,955	19,955	-	
	<i>Total Alcohol and Impaired Driving Countermeasures Program</i>	(2,504)	19,955	19,955	(2,504)	
	<i>Total State and Community Highway Safety Cluster</i>	6,022	49,473	46,663	3,212	
Direct Program:						
<i>Federal Transit and Formula Grants Cluster</i>						
20.507	Intracity Transit System Section 1B (382) AR-90-X180 2015	205,038	205,038	-	-	
20.526	Intracity Transit System Section 1B (382) AR-34-0032 2018	-	83,717	83,717	-	
20.507	Intracity Transit System Section 1B (382) AR-90-X168 2019	73,610	-	-	73,610	
20.507	Intracity Transit System Section 1B (382) AR-90-X163 2019 Malvern Avenue	79,204	180,363	101,159	-	
20.507	COVID-19 Intracity Transit System Section 1B (382) AR-90-X176 2020	36,973	126,103	79,515	(9,615)	
20.507	Intracity Transit System Section 1B (382) AR-90-X184 2020	147,785	478,676	521,922	191,031	
20.507	Intracity Transit System Section 1B (382)	-	-	357,457	357,457	
	<i>Total Federal Transit and Formula Grants Cluster</i>	542,610	1,073,897	1,143,770	612,483	
	Total U. S. Department of Transportation	2,184,268	2,921,938	1,769,829	1,032,159	
Awarding Agency - Department of the Interior National Park Service						
Pass-Through From:						
Federal Lands Access Program						
15.916	Outdoor Recreation, Acquisition, Development and Planning-Eastern FLAP Project (236) Wayfinding Signage 61577	320	-	246,202	246,522	
	Total Department of the Interior National Park Service	320	-	246,202	246,522	

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Hot Springs, Arkansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Assistance Listing	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Accrued		Accrued		Passed Through To
		Revenue Balances	Cash Receipts	Principal Repayments/ Expenditures	Revenues/ Balances	
Number		1/1/2022		12/31/2022		
Awarding Agency - U.S. Department of Interior						
Pass-Through From:						
Department of Arkansas Heritage						
15.904	Historic Preservation Fund Grants-In-Aid (346) 22-CLG-04	-	7,520	6,851	(669)	
Total U. S. Department of Interior		\$ -	7,520	6,851	(669)	
Awarding Agency - U.S. Department of Justice						
Direct Programs:						
16.607	Bullet Proof Vest Partnership (371)	22,900	21,440	24,944	26,404	
<i>Edward Byrne Memorial Justice Assistance Program</i>						
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 15PBJA-21-GG-01146-JAGX	-	18,350	18,350	-	
16.710	Community Oriented Policing Service COPS (375) 15JCOPS-21-GG-03412-UHPX	-	6,949	35,491	28,542	
<i>Total Edward Byrne Memorial Justice Assistance Program</i>		-	25,299	53,841	28,542	
Pass-Through From:						
Arkansas Department of Finance and Administration						
16.754/16.838	COAP-Comprehensive Opioid Abuse Program (378) FY2018 & FY2019	115,142	338,372	240,490	17,260	
16.609	Project Safe Neighborhoods (374) 2019-GP-BX-007	-	30,428	32,059	1,631	
Total U. S. Department of Justice		138,042	415,539	351,334	73,837	
Awarding Agency - U.S. Department of Housing and Urban Development						
Direct Program:						
<i>Community Development Block Grants/Entitlement Grants Cluster</i>						
14.218	Community Development Block Grants/Entitlement Grants (390) FY2016 B-16-MC-05-0014	8,222	8,222	-	-	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2017 B-17-MC-05-0014	22,091	30,000	7,909	-	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2018 B-18-MC-05-0014	22,976	28,839	5,863	-	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2019 B-19-MC-05-0014	25,102	27,341	2,239	-	2,239
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MC-05-0014	68,304	82,273	13,969	-	
14.218	COVID-19 Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MC-05-0014	49,710	59,211	9,501	-	27,624
14.218	Community Development Block Grants/Entitlement Grants (390) FY2021 B-21-MC-05-0014	19,341	41,091	21,750	-	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2022 B-22-MC-05-0014	-	23,260	45,715	22,455	
<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>		215,746	300,237	106,946	22,455	29,863
Total U.S. Department of Housing and Urban Development		215,746	300,237	106,946	22,455	29,863
Awarding Agency - Department of Treasury						
Direct Program:						
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds (333) (ARPA) SLT-2077	-	2,288,919	2,288,919	-	-
Total Department of Treasury		-	2,288,919	2,288,919	-	-
Awarding Agency - U.S. Department of Health and Human Services						
Pass-Through From:						
Arkansas Energy & Environment						
93.499	Low-Income Household Water Assistance Program (640)	-	61,447	59,810	(1,637)	
Total U.S. Department of Health and Human Services		-	61,447	59,810	(1,637)	
Awarding Agency - U.S. Department of Homeland Security						
Direct Program:						
97.044	Assistance to Fire Fighters Grant-AFG (347) EMW-2020-FG-14615	-	-	16,009	16,009	-
Pass-Through From:						
West Central Arkansas Planning and Development District						
97.029	Flood Mitigation Assistance Grant (318) FMA-PJ-06-AR-2017-001 (EMT-2018-FM-E003 (0))	172	9,843	19,787	10,116	
Total U. S. Department of Homeland Security		172	9,843	35,796	26,125	
Total Federal Awards		\$ 2,538,548	\$ 6,005,443	\$ 4,865,687	\$ 1,398,792	\$ 29,863

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Hot Springs, Arkansas
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended December 31, 2022

State Grantor/Program Title	Bonds Payable 1/1/2022	Accrued Revenue Balances 1/1/2022	Cash Receipts	Principal Repayments/ Expenditures	Accrued Revenues/ Balances 12/31/2022
Awarding Agency - Arkansas General Assembly					
Parks Grants (331) GIF David F Watkins Park WCAPDD #15-1-013 Outdoors Rec #A-10765-19-GA	-	-	-	131,500	131,500
Parks Grants (316) GIF Majestic Park Project# A-10806-21-GA	-	-	126,813	126,813	-
Awarding Agency - Arkansas Aeronautics Department					
Airport Improvement Program (631) 3.05.0031.24.2016	-	11,401	-	1,209	12,610
Airport Improvement Program (631) 3.05.0031.25.2017	-	-	-	-	-
Airport Improvement Program (631) 3.05.0031.26.2018	-	-	-	-	-
Airport Improvement Program (631) 3.05.0031.34.2022	-	-	-	5,920	5,920
Airport Improvement Program (631) 3934-21	-	250,000	-	-	250,000
Awarding Agency - Arkansas Department of Transportation					
Selective Traffic Enforcement (372) Child Safety Seats/State Hwy Safety Program-2019	-	-	-	-	-
Highway 270 West Widening (640 & 645) ArDOT Job #CA0607/Connecting Arkansas Program	-	1,274,495	1,274,495	-	-
Covid-19 Relief Package Public Transit Trust Fund (383)	-	-	-	-	-
Awarding Agency - Arkansas Department of Human Services					
Emergency Workers Payment Program (222)	-	-	-	-	-
Total State Awards	\$ 1,535,896	\$ 1,401,308	\$ 265,442	\$ 400,030	

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Hot Springs, Arkansas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2022

Note 1: Basis of Presentation –

The accompanying schedule of expenditures of federal and state awards (the “Schedules”) includes the federal and state award activity of the City of Hot Springs, Arkansas (the City) under programs of the federal and state government for the year ended December 31, 2022. The information in this 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 the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies –

Expenditures reported on the Schedule are reported on the modified accrual (governmental funds) and accrual (enterprise funds) 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: Indirect Cost Rate –

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Hot Springs, Arkansas
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? Yes None Reported

Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal programs:

Significant deficiency(ies) identified? Yes None Reported

Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal award programs:

Unmodified Qualified Adverse Disclaimed

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of major federal programs:

<u>Cluster/Program</u>	<u>Assistance Listing Number</u>
Federal Transit Cluster	20.507 / 20.526
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027

8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.

9. Auditee qualified as a low-risk auditee? Yes No

City of Hot Springs, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2022

Section II – Financial Statement Findings

<u>Reference Number</u>	<u>Finding</u>
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No matters are reportable.

City of Hot Springs, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

City of Hot Springs, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

Reference Number	Summary of Finding	Status
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No matters are reportable.

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

The Honorable Mayor, Members of the Board of Directors, and City Manager
City of Hot Springs, Arkansas
Hot Springs, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2023, which contained an emphasis of matter paragraph regarding a change in accounting principle.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

FORVIS,LLP

Little Rock, Arkansas
August 30, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

The Honorable Mayor, Members of the Board of Directors, and City Manager
City of Hot Springs, Arkansas
Hot Springs, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hot Springs' (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. 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.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

The Honorable Mayor, Members of the Board of Directors, and City Manager
City of Hot Springs, Arkansas
Page 3

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

FORVIS,LLP

Little Rock, Arkansas
August 30, 2023

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Independent Accountant's Report on Compliance with Certain State Acts

The Honorable Mayor, Members of the Board of Directors, and City Manager
City of Hot Springs, Arkansas
Hot Springs, Arkansas

We have examined management's assertion that the City of Hot Springs, Arkansas (the City) complied with the requirements of the *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2022.

- (1) Arkansas Municipal Accounting Law, §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 funds, § 19-1-501 et seq.
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107

Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above based upon 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 about compliance with the specified requirements 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the City of Hot Springs, Arkansas complied with the aforementioned requirements during the year ended December 31, 2022, is fairly stated, in all material respects.

FORVIS,LLP

Little Rock, Arkansas
August 30, 2023