



**HOT
SPRINGS**

NATIONAL PARK
ARKANSAS



**CITY OF HOT SPRINGS, ARKANSAS
ANNUAL COMPREHENSIVE
FINANACIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2023**

CITY OF HOT SPRINGS, ARKANSAS

Annual Comprehensive Financial Report

For the Year Ended December 31, 2023

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City of Hot Springs, Arkansas
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended December 31, 2023

TABLE OF CONTENTS

I.	INTRODUCTORY SECTION	
	Letter of Transmittal.....	iii
	GFOA Certificate of Achievement for Excellence in Financial Reporting	xvii
	Organizational Chart.....	xviii
	List of Elected Officials	xix
	List of Appointed Officials	xx
II.	FINANCIAL SECTION	
	Independent Auditor’s Report	3
	A. MANAGEMENT’S DISCUSSION AND ANALYSIS	7
	B. BASIS FINANCIAL STATEMENTS	
	Government-Wide Financial Statements:	
	Statement of Net Position	21
	Statement of Activities.....	23
	Fund Financial Statements:	
	Governmental Funds:	
	Balance Sheet	24
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	25
	Statement of Revenues, Expenditures and Changes in Fund Balances	26
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
	Proprietary Funds:	
	Statement of Net Position	28
	Statement of Revenues, Expenses and Changes in Net Position	30
	Statement of Cash Flows	31
	Fiduciary Funds:	
	Statement of Fiduciary Net Position.....	33
	Statement of Changes in Fiduciary Net Position	34

City of Hot Springs, Arkansas
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended December 31, 2023

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies	37
Note 2 Reconciliation of Government-Wide and Fund Financial Statements	48
Note 3 Stewardship, Compliance and Accountability.....	50
Note 4 Detailed Notes on All Funds.....	51
Note 5 Other information including Risk Management	73
Note 6 Defined Benefit Pension Plans	75
Note 7 Closure and Postclosure Care Costs.....	97
Note 8 Other Postemployment Benefits	97

C. REQUIRED SUPPLEMENTARY INFORMATION

**Schedules of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP Basis) and Actual:**

General Fund.....	103
Police Fund.....	104
Fire Fund	105
Street Fund.....	106
Schedule of Changes in Total OPEB Liability and Related Ratios.....	107
Firemen’s Pension and Relief Fund	
Schedule of Changes in Net Pension Liability and Related Ratios	108
Schedule of the City’s Contributions.....	109
Policemen’s Pension and Relief Fund	
Schedule of Changes in Net Pension Liability and Related Ratios	110
Schedule of the City’s Contributions.....	111
Arkansas Public Employees Retirement System	
Schedule of the City’s Proportionate Share of the Net Pension Liability	112
Schedule of the City’s Contributions.....	113
Local Police and Fire Retirement System	
Schedule of the City’s Proportionate Share of the Net Pension Liability	114
Schedule of the City’s Contributions	115

City of Hot Springs, Arkansas
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended December 31, 2023

Combining Statements and Individual Fund Financial Statements and Schedules

Explanation of Nonmajor Governmental Funds	119
Nonmajor Governmental Funds	
Combining Balance Sheet	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	123
Internal Service Funds:	
Combining Statement of Net Position	129
Combining Statement of Revenues, Expenses and Changes in Net Position.....	130
Combining Statement of Cash Flows	131
Custodial Funds:	
Combining Statement of Net Position	135
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	136

**Schedules of Revenues, Expenditures and Changes in Fund Balances Budget
(GAAP Basis) and Actual**

General Fund.....	137
District Court.....	139
Public Transportation.....	140
Jail Expense Fines.....	141

III. STATISTICAL SECTION

Financial Trends

Net Position by Component.....	147
Changes in Net Position	148
Fund Balances, Governmental Funds.....	149
Changes in Fund Balance, Governmental Funds.....	150
Program Revenues by Functions/Programs.....	151

Revenue Capacity

Major Tax/Fee Revenue by Source, Governmental Funds	155
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City of Hot Springs, Arkansas
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended December 31, 2023

Sales and Use Tax Revenue and Classes of Payers..... 156
Sales and Use Tax Revenue Rates for the City 159

Debt Capacity

Ratio of Outstanding Debt by Type..... 163
Ratio of Special Obligation Bonded Debt Outstanding..... 164
Direct and Overlapping Governmental Activities Debt..... 165
Legal Debt Margin Information..... 166
Pledged-Revenue Coverage 167

Demographic and Economic Information

Demographic Statistics..... 171
Garland County Principal Employers..... 172

Operating Information

Full Time Equivalent City Budgeted Employees by Function/Program..... 175
Operating Indicators by Function/Program 176
Capital Asset Statistics by Function/Program 177

IV. SINGLE AUDIT AND COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards 181
Schedule of Expenditures of State Awards..... 183
Notes to the Schedule of Expenditures of Federal and State Awards..... 184
Schedule of Findings and Questioned Costs..... 185
Summary Schedule of Prior-Year Audit Findings 187
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 189
Report on Compliance for Each Major Federal Program and Report on Internal
Control over Compliance in Uniform Guidance – Independent Auditor’s
Report 191
Report on Compliance with Certain State Acts –
Independent Auditor’s Report 195

INTRODUCTORY SECTION

WELCOME TO HOT SPRINGS, ARKANSAS



City of Hot Springs
Finance Department



Post Office Box 6300
Hot Springs National Park

June 28, 2024

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, 2023.

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 Mazars, LLP, certified public accountants, issued unmodified opinions on the City of Hot Springs' financial statements for the year ended December 31, 2023. 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 unpredictable 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. However, on the national level, the fear of inflation and rising interest rate environment continues to impact all aspects of the economy. 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 2024 showed a 6% increase above forecast or \$231.2 million in available net revenues. Looking at the City of Hot Springs sales tax returns shows an 8.38% increase for November 2023 and a 6.43% increase year-to-date, compared to 2022. 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 2022 National Park Service report showed 2.6 million visitors to Hot Springs National Park spending \$192 million in the local community. The associated visitor spending support 2,710 jobs with a positive benefit of \$258 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. 33 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. The Northwoods is home to the annual Gudrun MTB Festival each November. Bikers, hikers and trail runners are all welcome. Opening this summer, Velocity Park will be a bicycle playground designed for you and beginner riders.

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 2023, 3.5 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 in the spring of 2024. 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 (<https://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, which draws a large number of visitors and participants (<https://shorteststpats.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. Origami Sake opened in May, 2023 and is the first sake brewery in the City. There is additional information on this business in the Business Development section of the 2023 Growth Highlights.

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.

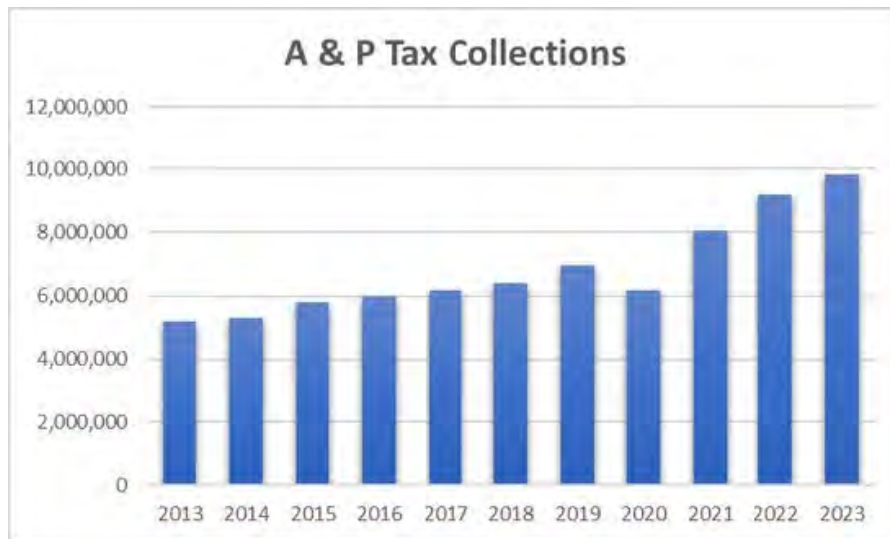
There are several school districts in the community. Arkansas School of Mathematics, Sciences, and the Arts (ASMSA), a two year, public residential high school is located in Hot Springs. National Park College was established in 1973 and is located in Hot Springs, Arkansas. The College enrolls over 7,000 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 (<https://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 2.7% in

September 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 4.1% in January 2023 to a low 2.7% unemployment rate in April 2023.

The promotion of Hot Springs is accomplished through 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 (<https://hotsprings.org/>). This tax provides an excellent barometer of the economic impact of visitors on the community.

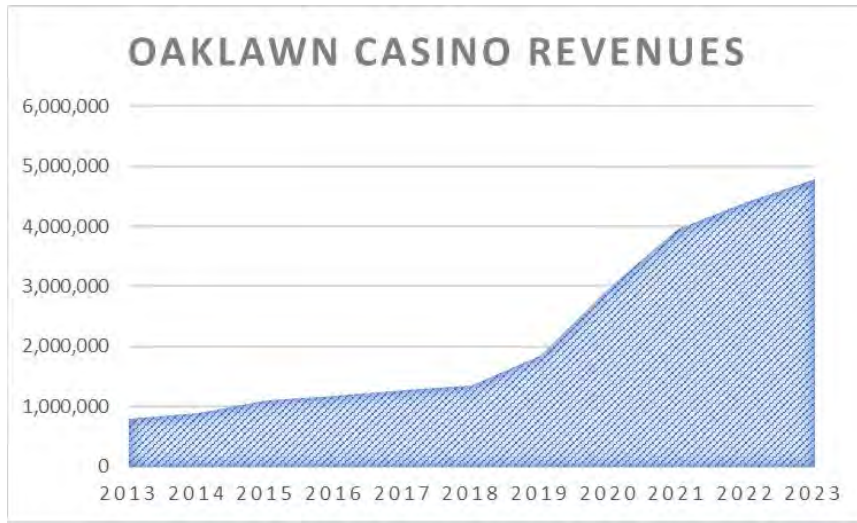
As shown in the chart below, this tax has steadily increased over the past few years. The tax revenues have shown strong year over year growth. There was a dip in 2020 due to the pandemic, but 2021 showed a significant increase of 30% over 2020, and 15% over 2019. The total collections for 2023 outpaced 2022 by \$654,652 or 7.14% bringing in \$9,825,944.



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.

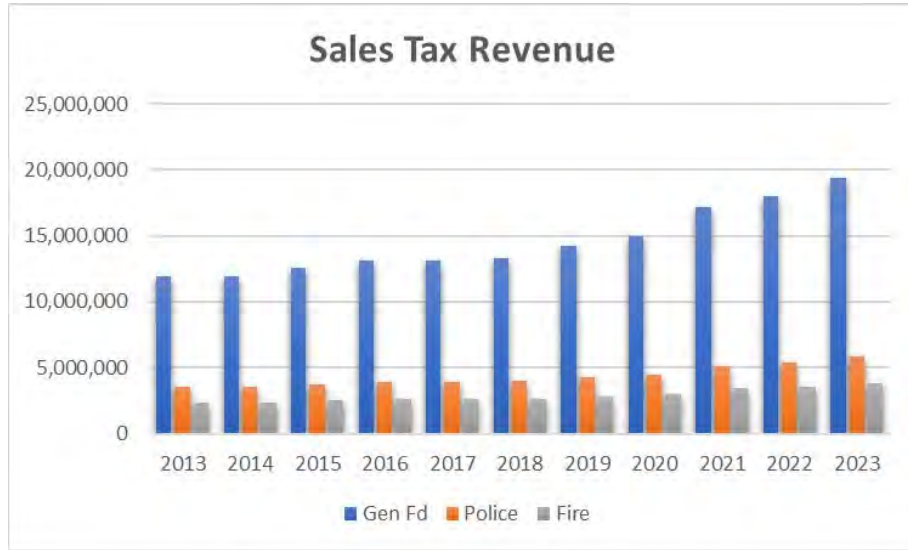
As a result of legislation passed in 2018 regarding casinos, the distribution of tax revenues changed, providing a much larger distribution to the municipality and the county where the casino is located. This became effective in July, 2019 and as a result, Hot Springs revenue from Oaklawn has increased 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. Revenues continued to outpace past years in 2023 and were up 8.7%. The following graph provides historical information on Oaklawn casino revenue.



Currently 52% 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 \$26.95 million from this combined tax. The tax increased 7% in 2019, 4.91% in 2020, 14.62% in 2021, 7.58% in 2022 and 7.75% in 2023 (with December estimated). A conservative 4% increase has been projected for 2024 due to the trend analysis, uncertainty at the time of forecast, and the desire to use a realistic approach due to the percentage of our revenue derived from sales tax collections. 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 23 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 the past four years. The large growth in 2021 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:

	2019	2020	2021	2022	2023
New Business Opened	30	10	24	17	27
Commercial Properties Sold in Downtown	15	8	21	19	13
Value of Commercial Properties Sold	\$12M	\$3M	\$8.3M	\$12.9M	\$23.1M
Downtown Investment	\$14.5M	\$3.85M	\$20.8M	\$14.6M	\$28.7M

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 2021, 2022, and 2023 commercial construction permits:

	2021		2022		2023	
	# of Permits	Valuation	# of Permits	Valuation	# of Permits	Valuation
New Commercial	37	\$ 36,303,955	30	\$ 26,999,128	14	\$ 98,246,220
Existing Commercial	178	\$ 36,188,884	178	\$ 45,721,639	225	\$ 37,147,106
Total		\$ 72,492,839		\$ 72,720,767		\$ 135,393,326

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 2023, there were 27 active economic development projects. The Metro Partnership is also very active in retention and growth efforts of our existing industries and continue to be instrumental in adding new jobs to area.

Here are the growth highlights that they provided for 2023:

Majestic Project

The Majestic Project came into full focus in 2023 with the creation of a Majestic Site Development Committee led by Chairman Scott Dews. The committee's goal in marketing the site is to bring an iconic development/project to the former Majestic Hotel site that will serve as a landmark for both residents and visitors for decades to come. The committee formulated a marketing plan to attract interest in the former Majestic Hotel Site and spent the first part of the year contacting national and regional destination developers. The latter half of the year was spent visiting prospects, hosting site visits, and polishing a vision for the site. Conversations with development prospects are continuing in 2024.

Workforce Development

The HSMP hosted its first ever Draft Day at Lake Hamilton School designed to put students face to face with local employers to expose them to career paths in Garland County. The two-day event attracted 1,100 students from 14 schools and 57 local companies exhibited. It was the biggest event of its kind in the state.

Gary Jackson was hired by the HSMP January 1, 2023 as Workforce Director and his 35 years' experience in education proved to be an asset at navigating that industry. With his help, the HSMP had more success getting our messaging into schools in 2023 than ever before. He's working to align industry labor needs with education pathways with the goal that students should be equipped with the skills to be able to go to work immediately after high school if they wish and every student should have a plan for their future.

Gary Troutman and Gary Jackson designed a program to speak to local students and inform them of the career opportunities that are offered by Garland County employers. In the Fall 2023 Semester, they spoke to over 2,000 students and 200 teachers and administrators from each of the seven local school districts in Garland County.

The National SRHM Foundation in Washington D.C. noticed the HSMP's workforce development efforts and sought to collaborate on a PILOT program that they can introduce to other areas of the United States struggling to bridge the workforce gap. SHRM awarded the HSMP \$155,000 in funding and Gary Troutman presented our project at a SHRM workforce symposium in Bentonville, AR.

The Partnership is leading the way for Garland County to become designated as a "Work Ready Community" to give us a competitive advantage when working to recruit business. This designation, awarded from ACT, requires a high level of participation from local businesses and educational institutions and the HSMP is currently working to meet the goals of the program. In March, the HSMP hosted the largest ACT Work Ready Community certification training session in ACT's history at National Park College with 88 attendees from 11 counties.

Broadband Expansion

Two new internet providers announced they were coming to the market:

- HyperFiber- building residential fiber to the home in Hot Springs, western Garland County, and Hot Springs Village and;
- SouthCentral Connect- building residential fiber to the home in western and north Garland County.

Business Development

Origami Sake had a grand opening on May 20, 2023. The HSMP has been working with previous iterations of this Sake Brewery in Hot Springs since 2016. We helped them look for property and explore water sources for production purposes in 2021. They purchased an industrial facility at 2360 E. Grand Ave. in December, 2021 and in 2022 and 2023 the property was renovated and outfitted with millions of dollars in sake brewing equipment and a staff of nine 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 fully scale up.

A Groundbreaking Announcement- The HSMP worked to support and encourage Hot Spring County to demolish and remediate the dilapidated structures at the Jones Mill Industrial Park with the ultimate goal of having an approximately 50-acre flat industrial site that is shovel ready with access to rail and an Entergy substation. We intend to use the site to attract new industry to the area. Given the site's location near the county line, new development and job creation here will benefit Hot Spring County and Garland County.

Gary Troutman met with site consultants in Dallas, Atlanta, and Little Rock throughout the year and brought home a project to be announced in 2024. Staff attended the ICSC Deal-Making Red River Conference to recruit retail business and commercial developers to Hot Springs.

Hot Springs hosted the "State Capital for a Day" event with Governor Sanders and her cabinet visiting many local businesses and organizations. HSMP helped to plan Secretary of Commerce Hugh McDonald's itinerary that day.

Gary Troutman and City Manager Bill Burrough presented at the statewide chamber and economic development conference about the positive results that can be achieved when chambers and local government work together.

Local Award Winners

- Alliance Rubber was honored for making one of "The Four Coolest Things Made in Arkansas"
- Keith Smith Company was a finalist for Arkansas Business of the Year
- Cole McCaskill was named to Arkansas Business' 40 under 40 List
- Arkansas Money & Politics Future 50 List included Tiffany Tucker, Duncan Bellingrath, James Bornhoft, Dr. Ethan Erwin, Mackenzie Simon, and Cole McCaskill
- Bill Burrough, Steve Arrison, Wayne Smith, and Gary Troutman were named to Arkansas Business magazine's 250 Most Influential Leaders in Arkansas

Economic Outlook

The Chamber cut the ribbon on exactly 100 new businesses this year. Local sales tax collections are up significantly over the previous year and 2021 and 2022 were record setting years for revenue as well. In 2023, the City sales tax collections were up 6.43% YTD from January-November and the tourism sales tax collections on prepared restaurant food and hotel rooms were up 7.14% for the entire year. Visit Hot Springs commissioned a tourism study that showed Hot Springs enjoyed 9.3 million visitors in 2022, with 3.6 million of those visitors staying overnight. That is an increase in visitors of 18% since the last report of this kind five years ago. Those 9.3 million visitors spent \$1 billion in Hot Springs in 2022.

The City of Hot Springs and Garland County have budgeted for conservative growth in sales tax collections in 2024 but expect the growth to continue. The X factor for future growth in the years to come is an increased water supply for residential and commercial growth. Historically, new water connections were scrutinized due to constraints in water supply. In the past few years, the City of Hot Springs has doubled its water rights from nearby lakes and is currently building a \$150 million new water plant and delivery system to increase its water capacity that is scheduled to come online in 2025. We expect this will incentivize development in undeveloped residential areas as well as new commercial and residential development inside and outside of city limits.

In October, the Chamber cut the ribbon on La Cala Estates, a large new residential development on 80 acres, with 165 single family homes planned for development at Albright Rd. and Highway 7S. A large economic development project is scheduled for announcement in 2024, representing approximately 200 new jobs to be created. We expect tourism to continue to grow and our economy to benefit tremendously from it. Hot Springs is in the path of totality for the total solar eclipse on April 8, 2024 and projections for visitors is between 250,000-1,000,000 people for that weekend. This drastic influx should positively affect sales tax collections that month.

Downtown

- 27 new businesses for the year
- 13 commercial property sales with a total sales value of \$23.1 million
- \$28.7 million in capital investment

Downtown Growth Report

Some moderately sized developments were completed in 2023 bringing vibrancy to new areas on the outer edges of downtown. Rusty Thompson purchased and renovated six buildings in the 900 block of Central Avenue, attracting new businesses Don's Southern Social, the Ouachita Bar and Grill, Slim's Barbershop and Lazy One, substantially improving this area. Don's Southern Social and the Ouachita Bar and Grill have attracted notable attention and excitement on social media.

Scott Hamby purchased three building in the 800 block of Central Avenue and is renovating those properties to attract new businesses. Beau Durbin renovated the long vacant, former tire shop at 422 W. Grand Avenue into his ESQ. Real Estate offices. The two-story building at 204 Exchange Street is currently being remodeled to host short term rentals.

The Arlington Hotel is currently undergoing the first phase of a total \$30 million renovation and the Park Hotel sold in 2023 and demolition work is underway. The owner plans for the property to undergo a full redevelopment.

Hampton Inn is set to break ground on a new construction hotel downtown in the 800 block of Central Avenue in 2024 and the owners of the Medical Arts Bldg. are planning to redevelop it into an Aloft Hotel.

Due to a death in the family, four downtown buildings are set to be auctioned in March 2024 which is expected to attract significant interest and redevelopment is likely.

Downtown merchants again reported 2023 revenue set an all-time record, but unpredictable inflation cut into net profits for many.

Summary

Our goal is to continually improve the tourism experience and the quality of life 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. 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, 2022. 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 thirty consecutive years (fiscal years ended December 31, 1993 through 2022). 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

ARBOR DAY





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hot Springs
Arkansas**

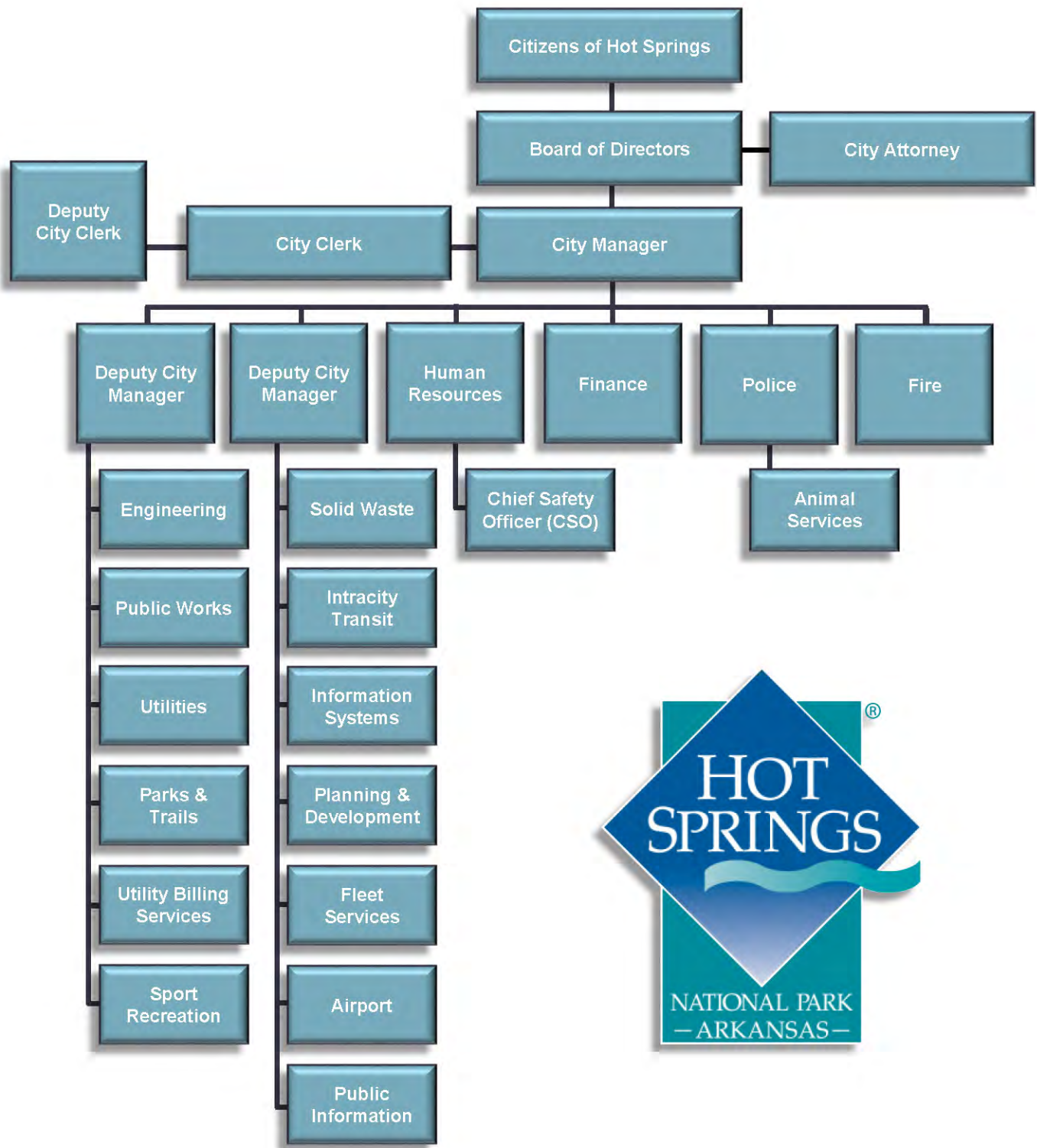
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

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

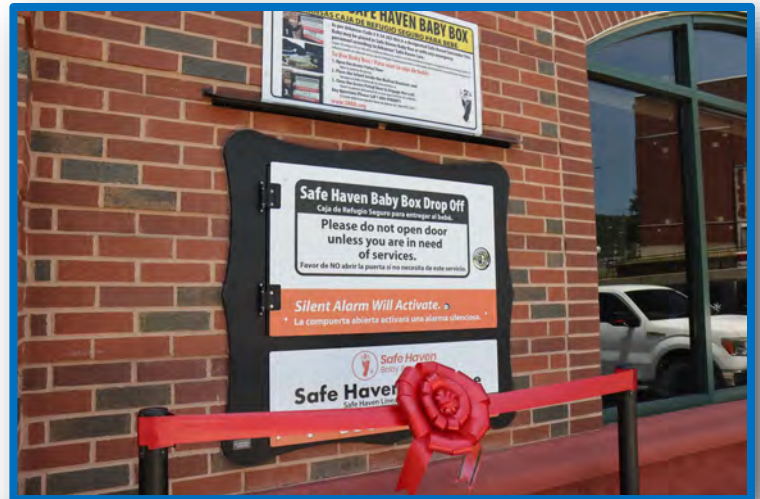
As the executive policy-making body under the city manager form of government, the Board of Directors adopts ordinances and resolutions, approves the budget and sets policies. They appoint a city manager who oversees the City's day-to-day operations. For a board district map, visit <http://maps.cityhs.net/javascript/COHSCityMap.html>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

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	Brooke Gilbert
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 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	Courtney Kizer

FINANCIAL SECTION

SAFE HAVEN BABY BOX



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 (City), as of and for the year ended December 31, 2023 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, 2023 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.

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 comparisons, 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, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of state awards are 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 GAAS. In our opinion, the combining and individual fund statements and schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024 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 Mazars, LLP

**Little Rock, Arkansas
June 28, 2024**

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City of Hot Springs, Arkansas
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023. 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 \$637,579,456 and deferred outflows of \$32,145,961 exceeded its liabilities of \$449,494,148 and deferred inflows of \$7,098,212 by \$213,133,057. This is an increase of \$40,506,172 over the previous year.
- The net position of the governmental activities increased by \$29,860,256.
- The net position of the business-type activities increased by \$10,645,916.
- As of December 31, 2023, the City of Hot Springs governmental funds reported combined ending fund balances of \$63,042,466, an increase of \$22,766,932 over 2022. Approximately 39% of this amount, \$24,711,972 is available for spending at the City's discretion (unassigned fund balance).
- At the end of 2023, the unassigned fund balance for the General Fund was \$24,711,972 or 232% of total General Fund expenditures.
- A comparison of total liabilities for 2023 and 2022, as stated on the statement of net position, shows an increase of \$53,296,169. This was due primarily to increases in net pension liabilities and long term debt.
- The City's component unit had a net position of \$67,063,609 as of December 31, 2023. This was a increase of \$1,026,601 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 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 2023. 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 120 through 123.

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 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 129 through 141 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 98 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022*</u>	<u>2023</u>	<u>2022*</u>	<u>2023</u>	<u>2022*</u>
ASSETS						
Current and other assets	\$ 75,823,919	\$ 59,979,444	\$ 170,064,232	\$ 169,177,114	\$ 245,888,151	\$ 229,156,558
Capital, lease, and subscription assets	37,849,753	33,476,075	353,841,552	298,926,174	391,691,305	332,402,249
Total Assets	<u>113,673,672</u>	<u>93,455,519</u>	<u>523,905,784</u>	<u>468,103,288</u>	<u>637,579,456</u>	<u>561,558,807</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>22,909,014</u>	<u>13,010,085</u>	<u>9,236,947</u>	<u>9,853,274</u>	<u>32,145,961</u>	<u>22,863,359</u>
LIABILITIES						
Other liabilities	6,283,753	13,741,843	13,123,167	8,197,074	19,406,920	21,938,917
Long-term liabilities	97,218,621	80,538,423	332,868,607	293,720,639	430,087,228	374,259,062
Total Liabilities	<u>103,502,374</u>	<u>94,280,266</u>	<u>345,991,774</u>	<u>301,917,713</u>	<u>449,494,148</u>	<u>396,197,979</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,646,126</u>	<u>13,611,408</u>	<u>2,452,086</u>	<u>1,985,894</u>	<u>7,098,212</u>	<u>15,597,302</u>
NET POSITION						
Net investment in capital assets	23,806,788	20,491,541	147,862,230	143,575,242	171,669,018	164,066,783
Restricted	22,137,432	25,093,931	13,118,589	12,072,142	35,256,021	37,166,073
Unrestricted	(17,510,034)	(47,011,542)	23,718,052	18,405,571	6,208,018	(28,605,971)
Total Net Position	<u>\$ 28,434,186</u>	<u>\$ (1,426,070)</u>	<u>\$ 184,698,871</u>	<u>\$ 174,052,955</u>	<u>\$ 213,133,057</u>	<u>\$ 172,626,885</u>

*2022 balances have not been restated for the adoption of GASB 96, Subscription-Based Information Technology Arrangements.

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 of resources exceeded liabilities and deferred inflows of resources by \$213,133,057 as of December 31, 2023.

The City's net investment in capital assets as of December 31, 2023 was \$171,669,018. In addition, there was \$3,843,788 restricted for debt service, \$11,280,969 restricted for capital improvements, \$1,383,701 restricted for public safety mandates, and \$18,747,563 restricted for public works, community development, transportation, and park projects. This left a remaining unrestricted net position of \$6,208,018.

The next table shows the changes in net position at year end and revenue and expense comparisons to 2022.

	Governmental Activities		Business-type Activities		Total	
	2023	2022*	2023	2022*	2023	2022*
Revenues						
Program revenues:						
Charges for services	\$ 11,067,934	\$ 8,847,692	\$ 58,829,301	\$ 54,624,320	\$ 69,897,235	\$ 63,472,012
Operating Grants and Contributions	25,754,041	21,330,109	439,526	40,368	26,193,567	21,370,477
Capital Grants and Contributions	1,138,678	769,064	1,829,489	998,045	2,968,167	1,767,109
General revenues:						
Sales tax	29,309,789	27,618,436	69,985	71,643	29,379,774	27,690,079
Franchise tax	3,180,610	2,920,629			3,180,610	2,920,629
Property tax	229	397			229	397
Other taxes	1,493,565	1,328,722			1,493,565	1,328,722
Grants not restricted to specific programs	7,957,084	6,976,544			7,957,084	6,976,544
Investment income	2,345,391	(1,657,331)	8,003,684	(6,267,833)	10,349,075	(7,925,164)
Total revenues	82,247,321	68,134,262	69,171,985	49,466,543	151,419,306	117,600,805
Expenses						
General government	4,658,438	3,960,242			4,658,438	3,960,242
Community development	2,442,832	2,002,134			2,442,832	2,002,134
Parks, trails and recreation	2,662,582	2,197,472			2,662,582	2,197,472
Public safety	30,203,543	29,539,183			30,203,543	29,539,183
Public transportation	1,777,603	1,820,967			1,777,603	1,820,967
Public works	9,887,811	9,233,597			9,887,811	9,233,597
Interest on long-term debt	464,315	374,714			464,315	374,714
Water			21,442,987	19,352,437	21,442,987	19,352,437
Wastewater			22,211,628	20,380,893	22,211,628	20,380,893
Solid waste			9,132,989	8,770,353	9,132,989	8,770,353
Airport			4,625,182	4,840,962	4,625,182	4,840,962
Stormwater			991,922	1,008,912	991,922	1,008,912
Parking			411,302	425,631	411,302	425,631
Total expenses	52,097,124	49,128,309	58,816,010	54,779,188	110,913,134	103,907,497
Excess (Deficiency) of Revenue Over (Under) Expenditures	30,150,197	19,005,953	10,355,975	(5,312,645)	40,505,902	13,693,308
Other Financing Sources						
Transfers in		(157,644)	289,941		289,941	(157,644)
Transfers out	(289,941)			157,644	(289,941)	157,644
Total other financing sources	(289,941)	(157,644)	289,941	157,644	-	-
Change in net position	29,860,256	18,848,309	10,645,916	(5,155,001)	40,506,172	13,693,308
Net position - beginning of year	(1,426,070)	(20,274,379)	174,052,955	179,207,956	172,626,885	158,933,577
Net position - end of year	\$ 28,434,186	\$ (1,426,070)	\$ 184,698,871	\$ 174,052,955	\$ 213,133,057	\$ 172,626,885

*2022 balances have not been restated for the adoption of GASB 96, Subscription-Based Information Technology Arrangements.

Governmental activities

Governmental activities increased the City of Hot Springs’ net position by \$29,860,256 in fiscal year 2023 as compared to \$18,848,309 in 2022.

The major changes from 2022 to 2023 are as follows:

1. Sales tax increased 6.11%, an increase of over \$1.69 million in revenue.
2. Oaklawn revenues increased by approximately \$473,307.
3. General government grants and contributions increased by \$5,774,086 due to funds received from the ARPA grant and applied to general government operations as well as funds received for street paving projects.
4. Pension expense for 2023 was approximately \$6.78 million compared to \$6.02 million in 2022.
5. Charges for services increased by \$2,220,242 and was due in part to increased revenue from business licenses, short-term rental fees and administrative allocations from business-type funds.
6. Investment income increased by \$4,002,722 due to the drastic increase in interest rates and our ability to keep several million dollars invested therefore generating higher interest earnings.
7. Total expenses increased over 2022 due in part to increased salaries in public safety, increases in grant match in several programs, and increased amounts spent on paving and repairing city streets.

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 2022 and 2023. 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	2023 Taxable		2022 Taxable		% Increase
	Sales		Sales		
Utilities	\$ 38,844	\$	41,786		-7.04%
Manufacturing	46,115		45,458		1.45%
Wholesale Trade	130,050		117,877		10.33%
Retail Trade	1,125,958		1,074,628		4.78%
Information	48,177		48,409		-0.48%
Real Estate Rental & Leasing	42,124		34,754		21.21%
Admin, Support, Waste Mgmt.	36,319		34,651		4.81%
Accommodation & Food Services	288,120		270,188		6.64%
All Other	250,406		227,707		9.97%
Total	\$ 2,006,113	\$	1,895,458		5.84%

Business-Type Activities

The City of Hot Springs' business-type activities had an increase in net position of approximately \$10.65 million. The Water Fund posted an increase in net position of \$6,220,700 and the Wastewater Fund posted a increase of \$2,652,306. Increases in net position were attributable to increases in the fair value of investments as well as earnings on investments. The Solid Waste Fund posted an increase in net position of \$217,001. Increases in net position were also attributable to increases in the fair value of investments as well as earnings on investments. The Airport Fund posted a decrease in net position of \$116,328. Decrease in net position was mainly attributable to depreciation on grant-funded capital assets. The Stormwater Fund posted an increase in net position of \$1,332,347. Increase in net position was attributable to unspent revenues. The Parking Fund posted an decrease in net position of \$129,204. This was due to expenses for a consultant to conduct a parking study.

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, 2023, the City's governmental funds reported combined ending fund balance of \$63,042,465, an increase of \$22,766,931 over the prior fiscal year. Of the ending balance, \$24,711,962 or 39% is unassigned and is available to the City for future spending. Some of the remaining balance is restricted for debt service (\$255,198), capital projects (\$1,750,972), public safety (\$1,383,698) or parks, public transportation, or public works (\$16,986,567). Other balances are committed for capital projects (\$10,649,871), public safety (\$423,484) and street paving (\$2,754,000). The nonspendable balance is for prepaids (\$984,076) and the assigned balance (\$3,142,637) is for open encumbrances at December 31, 2023.

General Fund – Revenue, transfers in, and issuance of debt exceeded expenditures and transfers out by \$15,575,199. This increase is primarily due to increases in sales tax, and Oaklawn casino revenue as well as a transfer of American Recovery Plan Act (ARPA) funds in the amount of \$4,521,483 that offset salary expenditures and funded transfers to the Police and Fire funds .

Police, Fire, and Street Funds – Revenue, transfers in, and issuance of debt was less than expenditures and transfers out by \$727,888 in the Police Fund which was due to mid-year salary increases for all uniformed personnel. Revenue, transfers in, and issuance of debt exceeded expenditures by \$7,123 (Fire Fund), and \$7,807,578 (Street Fund). The Police and Fire Funds are normally balanced by transfers from General Fund and do not keep a very large fund balance. In 2023, the Police Fund ended with a deficit balance because the expenditures in that fund exceeded the budgeted amount for the transfers from General Fund. 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 \$16,832,617 classified as restricted fund balance.

Nonmajor governmental funds - Revenues and transfers in exceeded expenditures and transfers out by \$104,919. This increase is primarily due to the expenditure of funds in a capital project funds that was substantially completed but not finished in 2023.

The following is a comparison of the net change in fund balance for governmental funds for 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Revenue	\$ 38,600,352	\$ 32,502,798	\$ 6,097,554	19%
Expenditures	(10,536,326)	(11,731,905)	(1,195,579)	(11)%
Transfers in	4,521,483		4,521,483	N/A
Transfers out	(17,536,310)	(17,024,831)	511,479	3%
Issuance of debt	526,000	376,000	150,000	40%
Net change in fund balance	<u>\$ 15,575,199</u>	<u>\$ 4,122,062</u>	<u>\$ 11,453,137</u>	278%
Police Fund				
Revenue	\$ 7,817,006	\$ 7,364,965	\$ 452,041	6%
Expenditures	(18,252,050)	(13,832,404)	4,419,646	32%
Transfers in	9,429,808	8,152,000	1,277,808	16%
Transfers out	(215,652)	(46,897)	168,755	360%
Issuance of debt	493,000	433,600	59,400	14%
Net change in fund balance	<u>\$ (727,888)</u>	<u>\$ 2,071,264</u>	<u>\$ (2,799,152)</u>	135%
Fire Fund				
Revenue	\$ 4,959,904	\$ 4,686,055	\$ 273,849	6%
Expenditures	(11,858,125)	(12,196,603)	(338,478)	(3)%
Transfers in	6,020,344	6,728,824	(708,480)	(11)%
Transfers out	-	-	-	-%
Issuance of debt	885,000	894,000	(9,000)	(1)%
Net change in fund balance	<u>\$ 7,123</u>	<u>\$ 112,276</u>	<u>\$ (105,153)</u>	94%
Street Fund				
Revenue	\$ 14,150,283	\$ 12,981,062	\$ 1,169,221	9%
Expenditures	(7,236,053)	(6,741,293)	494,760	7%
Transfers in	653,000	743,166	(90,166)	(12)%
Transfers out	(139,652)	(20,131)	119,521	594%
Issuance of debt	380,000	283,000	97,000	34%
Net change in fund balance	<u>\$ 7,807,578</u>	<u>\$ 7,245,804</u>	<u>\$ 561,774</u>	8%
ARPA Fund				
Revenue	\$ 7,491,459	\$ 2,288,919	\$ (5,202,540)	N/A
Expenditures	(2,969,976)	(2,288,919)	681,057	N/A
Transfers out	(4,521,483)		-	N/A
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Nonmajor governmental funds				
Revenue	\$ 8,974,563	\$ 8,335,831	\$ 638,732	8%
Expenditures	(10,368,165)	(9,661,636)	706,529	7%
Transfers in	1,929,955	1,781,678	148,277	8%
Transfers out	(431,434)	(472,399)	40,965	-9%
Net change in fund balance	<u>\$ 104,919</u>	<u>\$ (16,526)</u>	<u>\$ 121,445</u>	735%

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	\$	8,111,158
Wastewater		3,365,312
Solid Waste		2,295,134
Airport		2,851,418
Stormwater		3,877,313
Parking		(14,900)
Internal Service Funds		<u>9,267,989</u>
Total	\$	<u><u>29,753,424</u></u>

General Fund Budgetary Highlights

The original budget provided a net increase in fund balance of \$432,510. The final amended budget resulted in a decrease of (\$1,614,182), a difference of (\$2,046,692). Of this amount, \$313,650 was reappropriations. The remainder was emergency capital or building repairs.

The actual increase in fund balance for the year was \$15,575,190, a positive variance over the final amended budget of \$17.19 million. There are several differences:

1. Sales tax growth was higher than estimated, producing an additional \$1.29 million over the budget.
2. Investment earnings were \$1.68 million over budget due to rebounding favorable market conditions.
3. All other general fund revenues were \$1.76 million over the budgeted amount.
4. Due to supply chain issues, approximately \$500,000 in budgeted assets were not purchased. This will impact reappropriations for 2024.
5. Personnel costs were below budget due to vacancies.
6. Services expenses were under budget \$634,000 because actual expenditures for contracted services were lower than expected.
7. The Board authorized a transfer of American Rescue Plan Act (ARPA) funds in the amount of \$4,521,483 into the General Fund for reimbursement of transfers to the Police and Fire Funds.

Long-term debt. The City's total bonded debt increased by \$38,642,174 (13.96%) during 2023. The following table details the breakdown of the principal due on this debt.

Government wide:	<u>2023</u>	<u>2022</u>
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019	\$ 7,185,000	\$ 7,365,000
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018	850,000	1,005,000
Waterworks Revenue Bonds, Series 2010A	-	3,293,222
Waterworks Revenue Bonds, Series 2018	17,294,180	17,901,139
Waterworks Revenue Refunding Bonds, Series 2019	4,427,680	4,636,910
Waterworks Revenue Bonds Series 2020	106,728,130	108,967,320
Waterworks Revenue Refunding Bonds, Series 2021	9,110,000	9,685,000
Wastewater Refunding Revenue Bonds, Series 2017	19,641,399	20,708,666
Wastewater Refunding and Construction Revenue Bonds, Series 2016	3,690,000	4,385,000
Wastewater Revenue Bonds Taxable Refunding Series 2020A	33,655,000	34,990,000
Wastewater Revenue Bonds Construction Series 2020B	18,249,663	18,236,132
Wastewater Revenue Bonds Construction Series 2022A	10,110,000	10,110,000
Wastewater Revenue Bonds Construction Series 2022B	8,835,000	8,835,000
Wastewater Revenue Bonds Construction Series 2022C	26,781,926	26,763,748
Water Revenue Bonds Construction Series 2023	<u>48,966,333</u>	<u>-</u>
 Total bonded indebtedness	 <u>\$ 315,524,311</u>	 <u>\$ 276,882,137</u>

The City had one bond issuance in 2023. The Water Revenue Bonds, Series 2023 were issued in the par amount of \$47.93 million to fund improvements to the water 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 \$215 million. As of the end of 2023, the City had outstanding GO (special obligation) debt of \$8.035 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 \$5.19 million are well below the statutory limit of \$53.75 million. Voter approval is not required for short-term financing.

Additional information on the City's debt is in the Notes on pages 60 through 67 of this report.

Capital Assets. As of December 31, 2023 the City's investment in capital, lease, and subscription assets for its governmental and business-type activities was \$391,691,305 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets.

Major capital asset events during the current fiscal year include the following:

- Capital expenditures of \$66.5 million were made as part of a large water supply project that includes a new water intake structure from Lake Ouachita, a new water treatment plant, 17 miles of raw water lines and 13 miles of finished water lines. This project is not complete, therefore the expenditures are reported in Construction in Progress.
- Capital expenditures of \$2.9 million were made for improvements to the City's wastewater system and are reported in Construction in Progress as this project will take 3 to 4 years to complete.
- Capital expenditures for furniture, fixtures, equipment and vehicles city wide totaled \$9.9 million due to additional equipment needs throughout the city.

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 2024 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2024 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
- New Employee Handbook and Updated Job Descriptions
- Code Update/Align Code with 2040 Comprehensive Plan
- Gulpha Basin Wastewater Project; and,
- Affordable Housing Strategy
- Develop Congregate Feeding Program and Operate Warming/Cooling Shelter
- Complete Preliminary Work to Prepare for the Demolition of the Old Hospital Building (Arkansas School for Mathematics, Science and Art)

Highlights of the 2024 budget include:

- Balanced budget, with total revenues and fund balance or net position equal to or greater than total expenditures
- Total City budget \$165.5 million
- Projected 4% increase in sales tax revenue
- Implementation of a new pay plan for all employees which includes a minimum of a 3% increase in all employee pay

- Capital improvements of \$4.29 million in governmental funds and \$8.08 million in business-type activities (funded by operations)

For 2024, 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.

BASIC FINANCIAL STATEMENTS

BOO WITH A BADGE



City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
December 31, 2023

	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 14,833,232	\$ 3,146,645	\$ 17,979,877	\$ 6,573,977
Investments	47,602,298	7,791,752	55,394,050	14,273,068
Interest receivable	117,867	40,140	158,007	
Accounts receivable (net of allowance for uncollectible)	9,916,307	2,867,937	12,784,244	844,257
Lease receivable	369,788	1,241,537	1,611,325	
Internal balances	(6,109,059)	6,109,059		
Accrued revenues		4,224,711	4,224,711	
Due from other governments	1,711,035	810,225	2,521,260	
Inventories	442,499	1,465,756	1,908,255	6,778
Prepaid items	984,076	1,360,150	2,344,226	566,809
Restricted				
Cash and cash equivalents	5,322,002	30,436,986	35,758,988	76,006
Investments	633,874	110,082,773	110,716,647	
Interest receivable		486,561	486,561	
Capital and Lease Assets				
Capital assets not being depreciated	12,111,617	148,157,335	160,268,952	8,307,439
Capital assets, net of accumulated depreciation	24,948,793	205,236,449	230,185,242	41,543,910
Lease assets, net	265,608	265,609	531,217	45,190
Subscription assets, net	523,735	182,159	705,894	
Total assets	<u>113,673,672</u>	<u>523,905,784</u>	<u>637,579,456</u>	<u>72,237,434</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on bond refunding		4,839,959	4,839,959	
OPEB - changes in assumptions	507,817	310,323	818,140	
OPEB - difference between expected and actual experience	6,656	3,292	9,948	
Pension - changes in assumptions	950,241	632,256	1,582,497	181,646
Pension - difference between expected and actual experience	2,885,557	759,150	3,644,707	218,103
Pension - changes in proportion and differences between contribution and proportionate share of contributions	1,342,985	224,011	1,566,996	456,408
Pension - contributions subsequent to the measurement date	6,138,245	794,076	6,932,321	306,054
Pension - difference between actual and expected investment earnings	11,077,513	1,673,880	12,751,393	480,904
Total deferred outflows of resources	<u>22,909,014</u>	<u>9,236,947</u>	<u>32,145,961</u>	<u>1,643,115</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, 2023

	Governmental Activities	Business-type Activities	Total	Component Unit
LIABILITIES				
Accounts payable	\$ 3,104,430	\$ 9,315,635	\$ 12,420,065	\$ 1,583,192
Due to other governments	1,054,491	126,545	1,181,036	
Customer deposits		1,109,600	1,109,600	
Unearned revenue	952,484	138,326	1,090,810	965,813
Accrued expenses	1,009,856	271,626	1,281,482	150,273
Accrued interest payable	162,492	2,161,435	2,323,927	
Noncurrent liabilities				
Due within one year				
Notes payable	1,963,724	251,863	2,215,587	
Compensated absences	329,112	160,747	489,859	
Leased liabilities	27,640	27,640	55,280	
Subscription liabilities	238,872	88,893	327,765	
Bonds payable	345,000	8,148,054	8,493,054	
Due in more than one year				
Bonds payable	7,690,000	299,341,257	307,031,257	
Notes payable	3,227,876	7,451,233	10,679,109	
Post closure liability		841,834	841,834	
OPEB liability	2,722,075	1,596,459	4,318,534	
Compensated absences	3,828,057	1,167,749	4,995,806	
Lease liabilities	250,270	250,270	500,540	45,190
NC_Subscription liabilities	197,446	93,916	291,362	
Net pension liability	76,398,549	13,448,692	89,847,241	3,863,785
Total liabilities	<u>103,502,374</u>	<u>345,991,774</u>	<u>449,494,148</u>	<u>6,608,253</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow from bond refunding		106,059	106,059	
Deferred inflow from leases	349,491	1,216,177	1,565,668	
OPEB - changes in assumptions	529,938	323,350	853,288	
OPEB - difference between expected and actual experience	792,571	486,264	1,278,835	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	335,773	246,354	582,127	187,461
Pension - difference between actual and expected experience	68,822	73,882	142,704	21,226
Pension - changes in assumption	2,569,531		2,569,531	
Total deferred inflows of resources	<u>4,646,126</u>	<u>2,452,086</u>	<u>7,098,212</u>	<u>208,687</u>
NET POSITION				
Net investment in capital assets	23,806,788	147,862,230	171,669,018	48,617,303
Restricted for:				
Debt service	255,197	3,588,591	3,843,788	
Capital improvements	1,750,971	9,529,998	11,280,969	8,419,692
Parks grants	3,325		3,325	
Public safety mandates	1,383,701		1,383,701	
Public transportation projects	87,108		87,108	
Public works projects	18,657,130		18,657,130	
Unrestricted (deficit)	(17,510,034)	23,718,052	6,208,018	10,026,614
Total net position	<u>\$ 28,434,186</u>	<u>\$ 184,698,871</u>	<u>\$ 213,133,057</u>	<u>\$ 67,063,609</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, 2023

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	\$ 4,658,438	\$ 6,352,315	\$ 13,289,224	\$ -	\$ 14,983,101	\$ -	\$ 14,983,101	\$
Community development	2,442,832	1,241,018	358,376	118,107	(725,331)		(725,331)	
Parks, trails and recreation	2,662,582	607,793	41,762	484,524	(1,528,503)		(1,528,503)	
Public safety	30,203,543	2,481,890	6,340,558		(21,381,095)		(21,381,095)	
Public transportation	1,777,603	128,380	1,080,530	466,367	(102,326)		(102,326)	
Public works	9,887,811	256,538	4,643,591	69,680	(4,918,002)		(4,918,002)	
Interest on long-term debt	464,315				(464,315)		(464,315)	
Total governmental activities	52,097,124	11,067,934	25,754,041	1,138,678	(14,136,471)	-	(14,136,471)	
Business-type activities:								
Water	21,442,987	22,678,518		646,615		1,882,146	1,882,146	
Wastewater	22,211,628	21,614,759		279,947		(316,922)	(316,922)	
Solid Waste	9,132,989	9,337,165	22,413			226,589	226,589	
Airport	4,625,182	3,439,458		902,927		(282,797)	(282,797)	
Stormwater	991,922	1,675,496	417,113			1,100,687	1,100,687	
Parking	411,302	83,905				(327,397)	(327,397)	
Total business-type activities	58,816,010	58,829,301	439,526	1,829,489	-	2,282,306	2,282,306	
Total primary government	\$ 110,913,134	\$ 69,897,235	\$ 26,193,567	\$ 2,968,167	(14,136,471)	2,282,306	(11,854,165)	
Component unit:								
Advertising and promotion	\$ (9,525,034)	\$ 13,912,024	\$	\$ 4,386,990				
General revenues:								
Sales taxes					29,309,789	69,985	29,379,774	9,857,671
Franchise fees					3,180,610		3,180,610	
Property tax					229		229	
Alcoholic beverage permit and taxes					1,493,565		1,493,565	
Grants and contributions not restricted to specific programs					7,957,084		7,957,084	
Investment earnings					2,345,391	8,003,684	10,349,075	693,964
Transfers					(289,941)	289,941		
Total general revenues and transfers					43,996,727	8,363,610	52,360,337	10,551,635
Change in net position					29,860,256	10,645,916	40,506,172	1,026,601
Net position (deficit) - beginning of year					(1,426,070)	174,052,955	172,626,885	66,037,008
Net position - end of year					\$ 28,434,186	\$ 184,698,871	\$ 213,133,057	\$ 67,063,609

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

City of Hot Springs, Arkansas
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	ARPA Fund		
ASSETS							
Cash and cash equivalents	\$ 9,680,896	\$ 475,440	\$ 61,675	\$ 4,616,134	\$ 469,816	\$ 1,590,318	\$ 16,894,279
Investments	25,346,184	1,147,253	161,427	12,101,405		2,497,558	41,253,827
Interest receivable	87,509	79		28,067		2,212	117,867
Accounts receivable	4,586,589	1,161,402	683,126	3,380,896		97,753	9,909,766
Leases Receivable			369,788				369,788
Due from other funds	738,007	38,718				1,216	777,941
Intergovernmental receivables	76,688			263,037		1,371,310	1,711,035
Prepaid items	984,076						984,076
Total assets	41,499,949	2,822,892	1,276,016	20,389,539	469,816	5,560,367	72,018,579
LIABILITIES							
Accounts payable	877,224	145,115	32,850	1,760,084		196,341	3,011,614
Accrued expenditures	159,674	334,374	246,063	35,842		81,305	857,258
Due to other governments	9,725					1,044,766	1,054,491
Due to other funds	2,325,175				8,814	416,787	2,750,776
Unearned revenue	15,230	188,039	10,859		461,002	277,353	952,483
Total liabilities	3,387,028	667,528	289,772	1,795,926	469,816	2,016,552	8,626,622
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow from leases			349,491				349,491
Total deferred inflows of resources			349,491				349,491
Total liabilities and deferred inflows of resources	3,387,028	667,528	639,263	1,795,926	469,816	2,016,552	8,976,113
FUND BALANCES							
Nonspendable	984,076						984,076
Restricted							
Debt service						255,197	255,197
Capital projects						1,750,971	1,750,971
Parks						3,325	3,325
Public safety						1,383,701	1,383,701
Public transportation						87,108	87,108
Public works				16,832,617		63,513	16,896,130
Committed	11,642,871	423,482		1,760,996			13,827,349
Assigned	774,002	1,731,882	636,753				3,142,637
Unassigned	24,711,972						24,711,972
Total fund balances	38,112,921	2,155,364	636,753	18,593,613		3,543,815	63,042,466
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 41,499,949	\$ 2,822,892	\$ 1,276,016	\$ 20,389,539	\$ 469,816	\$ 5,560,367	\$ 72,018,579

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, 2023

Total fund balances - governmental funds (page 24)	\$ 63,042,465
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.	36,870,058
Leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	265,608
Subscription assets	523,735
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.	6,225,724
Accrued interest payable on long-term debt	(162,492)
Long term liabilities, (notes and bonds payable, leases, compensated absences, and subscriptions) are not due and payable in the current period and therefore are not reported in the funds.	(17,822,667)
Net pension liabilities are not reported in the funds.	(76,398,549)
Other post employment benefits liability are not reported in the funds.	(2,722,075)
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 consists of:	
Deferred pension outflows (GASB 68)	22,394,541
Deferred pension inflows (GASB 68)	(2,974,126)
Deferred OPEB inflows (GASB 75)	(1,322,509)
Deferred OPEB outflows (GASB 75)	514,473
Net position of governmental activities	\$ 28,434,186

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

City of Hot Springs, Arkansas
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	Special Revenue					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	ARPA Fund		
REVENUES							
Taxes	\$ 20,875,991	\$ 5,861,958	\$ 3,907,972	\$	\$	\$ 229	\$ 30,646,150
Fees and permits	5,665,089	142,654	24,704	34,433		7,044	5,873,924
Charges for services	3,122,529					112,076	3,234,605
Intergovernmental	1,203,241	1,625,241	959,148	13,431,443	7,491,459	8,256,751	32,967,283
Intergovernmental - gaming and breakage	4,870,001						4,870,001
Fines and forfeitures	656,982	74,705				314,165	1,045,852
Investment earnings (loss)	1,756,450	1,509	7,065	537,805		49,627	2,352,456
Miscellaneous	450,069	110,939	61,015	146,602		234,672	1,003,297
Total revenues	<u>38,600,352</u>	<u>7,817,006</u>	<u>4,959,904</u>	<u>14,150,283</u>	<u>7,491,459</u>	<u>8,974,564</u>	<u>81,993,568</u>
EXPENDITURES							
Current:							
General government	3,488,417				987,253	11,969	4,487,639
Community development	1,444,047				433,381	369,064	2,246,492
Parks and recreation	1,733,456				382,507		2,115,963
Public transportation						1,670,447	1,670,447
Public safety		15,843,511	10,909,919			6,365,085	33,118,515
Public works	2,044,855			6,519,561	415,247		8,979,663
Debt service:							
Principal	511,503	385,488	639,945	147,959		335,000	2,019,895
Interest	18,251	43,449	85,720	26,070		280,411	453,901
Capital outlay	1,295,797	1,979,602	222,541	542,463	751,588	1,336,189	6,128,180
Total expenditures	<u>10,536,326</u>	<u>18,252,050</u>	<u>11,858,125</u>	<u>7,236,053</u>	<u>2,969,976</u>	<u>10,368,165</u>	<u>61,220,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,064,026</u>	<u>(10,435,044)</u>	<u>(6,898,221)</u>	<u>6,914,230</u>	<u>4,521,483</u>	<u>(1,393,601)</u>	<u>20,772,873</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	4,521,483	9,429,808	6,020,344	653,000		1,973,148	22,597,783
Transfers out	(17,536,310)	(215,652)		(139,652)	(4,521,483)	(474,627)	(22,887,724)
Issuance of debt	526,000	493,000	885,000	380,000			2,284,000
Total other financing sources (uses)	<u>(12,488,827)</u>	<u>9,707,156</u>	<u>6,905,344</u>	<u>893,348</u>	<u>(4,521,483)</u>	<u>1,498,521</u>	<u>1,994,069</u>
Changes in fund balances	15,575,199	(727,888)	7,123	7,807,578		104,920	22,766,932
Fund balances - beginning	22,537,722	2,883,252	629,630	10,786,035		3,438,895	40,275,534
Fund balances - ending	<u>\$ 38,112,921</u>	<u>\$ 2,155,364</u>	<u>\$ 636,753</u>	<u>\$ 18,593,613</u>	<u>\$</u>	<u>\$ 3,543,815</u>	<u>\$ 63,042,466</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, 2023

Net Changes in Fund Balances - total governmental funds (page 26) \$ 22,766,932

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. 3,574,417

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. 50,649

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 36,763

The net effect of GASB 87 to lease revenue and lease capital amortization (6,798)

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. (264,106)

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. (429,681)

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. 792,080

Other post employment benefits is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. 577,271

Pension expense is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. 2,762,729

Change in the net position of governmental activities \$ 29,860,256

City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	Business-type Activities - Enterprise Funds							Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 115,692	\$ 174,674	\$ 844,281	\$ 806,641	\$ 1,079,631	\$ 32	\$ 3,020,951	\$ 3,350,897
Investments		322,443	2,093,829	2,113,919	2,830,363		7,360,554	7,212,497
Interest receivable	13,238	6,216	6,744	6,252	7,682	8	40,140	
Accounts receivable (net of allowance for uncollectible)	1,214,344	1,040,565	401,486	145,369	64,850		2,866,614	6,566
Lease receivable	35,409			86,403			121,812	
Due from other funds	802,036	826,313	2,264,370		12,405		3,905,124	48,400
Accrued revenues	1,667,904	1,749,494	671,507		135,806		4,224,711	
Intergovernmental receivables			4,741	601,776	203,708		810,225	
Inventories	11,010			97,069			108,079	1,800,178
Prepaid items	894,326	465,824					1,360,150	
Restricted assets:								
Cash and cash equivalents	12,770,696	17,590,525					30,361,221	
Investments	60,974,117	49,421,220					110,395,337	
Interest receivable	347,749	138,812					486,561	
Total current assets	78,846,521	71,736,086	6,286,958	3,857,429	4,334,445	40	165,061,479	12,418,538
Noncurrent Assets:								
Capital assets:								
Land	5,371,176	658,243	275,121	7,269,061	194,255	668,847	14,436,703	68,265
Nondepreciable assets	11,552,246						11,552,246	
Buildings and systems	11,798,653	14,457,850	1,778,655	12,098,974		5,603,771	45,737,903	1,116,125
Improvements other than buildings	106,046,205	164,765,358	986,424	23,961,824	4,033,912	466,665	300,260,388	757,677
Machinery and equipment	29,608,275	38,921,665	13,950,583	2,522,643	973,784	172,508	86,149,458	3,325,909
Construction in progress	114,666,761	6,132,509	24,769	790,630	535,565		122,150,234	
Less accumulated depreciation	(68,663,833)	(118,374,481)	(11,121,556)	(24,897,742)	(2,097,530)	(3,141,320)	(228,296,462)	(3,674,310)
Lease assets, net	90,838	68,528	106,243				265,609	
Lease receivable LT	359,517			761,506			1,121,023	
Subscription assets, net	1,223	2,156	2,330	15,033	129	33	20,904	161,254
Total noncurrent assets	210,831,061	106,631,828	6,002,569	22,521,929	3,640,115	3,770,504	353,398,006	1,754,920
Total assets	289,677,582	178,367,914	12,289,527	26,379,358	7,974,560	3,770,544	518,459,485	14,173,458
DEFERRED OUTFLOWS OF RESOURCES								
Deferred charge on bond refunding	38,794	4,801,165					4,839,959	
OPEB - changes in assumptions	82,256	116,227	90,951	7,555	13,334		310,323	
OPEB - difference between expected and actual experience	44	1,970	967	370	(59)		3,292	
Pension - changes in assumptions	187,859	220,974	173,195	36,814	12,599	815	632,256	
Pension - difference between expected and actual experience	225,563	265,324	207,956	44,202	15,127	978	759,150	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	66,559	78,292	61,364	13,043	4,464	289	224,011	
Pension - contributions subsequent to the measurement date	235,940	277,530	217,524	46,236	15,823	1,023	794,076	
Pension - difference between actual and expected investment earnings	497,352	585,023	458,531	97,463	33,355	2,156	1,673,880	
Total deferred outflows of resources	1,334,367	6,346,505	1,210,488	245,683	94,643	5,261	9,236,947	

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, 2023

	Business-type Activities - Enterprise Funds							Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 8,530,729	\$ 249,771	\$ 119,453	\$ 106,582	\$ 39,787	\$ 1,568	\$ 9,047,890	\$ 360,563
Due to other funds					164,845		164,845	1,815,843
Intergovernmental payables	48,881		67,836	9,340		488	126,545	
Compensated absences	28,431	42,855	41,049	7,788	1,422		121,545	52,856
Customer deposits payable	1,109,600						1,109,600	
Lease liability	9,453	7,131	11,056				27,640	
Unearned revenue		83,542		54,784			138,326	
Accrued expenses	47,282	65,346	76,774	14,950	4,804	368	209,524	377,192
Notes payable	251,863						251,863	
Revenue bonds payable - current	4,152,496	3,995,558					8,148,054	
Accrued interest payable	1,798,635	362,800					2,161,435	
Total current liabilities	15,977,370	4,807,003	316,168	193,444	210,858	2,424	21,507,267	2,606,454
Noncurrent liabilities:								
Revenue bonds payable	182,373,827	116,967,430					299,341,257	
Other liabilities		841,834					841,834	
Notes payable	7,451,233						7,451,233	
Other postemployment benefits obligation	372,357	639,014	472,157	75,391	37,540		1,596,459	
Compensated absences	206,538	311,321	298,202	56,577	10,330		882,968	383,966
Lease liability	85,592	64,570	100,108				250,270	
Subscription liability	1,487	2,622	2,833	15,542	157	39	22,680	160,129
Net pension liability	3,995,947	4,700,334	3,684,038	783,061	267,986	17,326	13,448,692	
Total noncurrent liabilities	194,486,981	123,527,125	4,557,338	930,571	316,013	17,365	323,835,393	544,095
Total liabilities	210,464,351	128,334,128	4,873,506	1,124,015	526,871	19,789	345,342,660	3,150,549
DEFERRED INFLOWS OF RESOURCES								
Deferred inflow from bond refunding	106,059						106,059	
Deferred inflow from leases	382,856			833,321			1,216,177	
OPEB - changes in assumptions	90,125	115,476	95,516	16,722	5,511		323,350	
OPEB - difference between expected and actual experience	130,974	176,216	145,566	20,496	13,012		486,264	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	73,198	86,101	67,485	14,344	4,909	317	246,354	
Pension - difference between actual and expected liability experience	21,952	25,822	20,239	4,302	1,472	95	73,882	
Total deferred inflows of resources	805,164	403,615	328,806	889,185	24,904	412	2,452,086	
NET POSITION								
Net investment in capital assets	64,840,940	46,283,111	6,002,569	21,760,423	3,640,115	3,770,504	146,297,662	1,754,920
Restricted								
Debt service	2,782,088	806,503					3,588,591	
Capital projects	4,008,248	5,521,750					9,529,998	
Unrestricted	8,111,158	3,365,312	2,295,134	2,851,418	3,877,313	(14,900)	20,485,435	9,267,989
Total net position	\$ 79,742,434	\$ 55,976,676	\$ 8,297,703	\$ 24,611,841	\$ 7,517,428	\$ 3,755,604	\$ 179,901,686	\$ 11,022,909
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>4,797,185</u>	
Net position of the business-type activities (page 28)							<u>\$ 184,698,871</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, 2023

	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	\$ 21,934,181						\$ 21,934,181	
Wastewater charges		20,787,313					20,787,313	
Refuse collections and compaction			9,181,937				9,181,937	
Stormwater fees					1,625,585		1,625,585	
Fuel and merchandise sales				2,184,758			2,184,758	
Parking and rental fees				1,138,976		81,750	1,220,726	
Other service fees	572,425	743,738	186,318		38,203		1,540,684	1,035,798
Reimbursement from other funds								11,260,019
Miscellaneous other revenue	162,950	83,708	(8,677)	185,709	11,708	2,155	437,553	374,008
Total operating revenues	<u>22,669,556</u>	<u>21,614,759</u>	<u>9,359,578</u>	<u>3,509,443</u>	<u>1,675,496</u>	<u>83,905</u>	<u>58,912,737</u>	<u>12,669,825</u>
OPERATING EXPENSES								
Salaries and benefits	2,642,956	3,919,678	4,341,581	835,054	301,280	16,540	12,057,089	4,220,675
Services	6,638,623	6,070,722	2,697,251	762,584	366,019	229,519	16,764,718	5,913,384
Post closure expense		27,304					27,304	
Supplies	1,629,509	2,453,238	1,386,142	1,882,647	54,304	5,260	7,411,100	1,038,658
Depreciation and Amortization	4,358,088	5,330,348	845,443	1,167,031	276,954	159,981	12,137,845	250,537
Total operating expenses	<u>15,269,176</u>	<u>17,801,290</u>	<u>9,270,417</u>	<u>4,647,316</u>	<u>998,557</u>	<u>411,300</u>	<u>48,398,056</u>	<u>11,423,254</u>
Operating income (expense)	<u>7,400,380</u>	<u>3,813,469</u>	<u>89,161</u>	<u>(1,137,873)</u>	<u>676,939</u>	<u>(327,395)</u>	<u>10,514,681</u>	<u>1,246,571</u>
NONOPERATING REVENUES (EXPENSES)								
Intergovernmental				902,927	417,113		1,320,040	
Investment earnings	2,275,120	2,284,759	66,124	60,803	78,031	74	4,764,911	18,883
Net increase (decrease) in fair value of investments	2,194,742	853,767	63,971	57,842	68,370	81	3,238,773	
Other	(6,304,574)	(4,579,636)	(2,255)	(27)	(9)	(2)	(10,886,503)	(4,286)
Gain (loss) on sale of assets	8,417						8,417	
Total nonoperating revenue (expense)	<u>(1,826,295)</u>	<u>(1,441,110)</u>	<u>127,840</u>	<u>1,021,545</u>	<u>563,505</u>	<u>153</u>	<u>(1,554,362)</u>	<u>14,597</u>
Income before contributions and transfers	5,574,085	2,372,359	217,001	(116,328)	1,240,444	(327,242)	8,960,319	1,261,168
Capital contributions	646,615	279,947					926,562	
Transfers in					91,903	198,038	289,941	
Change in net position	<u>6,220,700</u>	<u>2,652,306</u>	<u>217,001</u>	<u>(116,328)</u>	<u>1,332,347</u>	<u>(129,204)</u>	<u>10,176,822</u>	<u>1,261,168</u>
Total net position, beginning of year	73,521,734	53,324,370	8,080,702	24,728,169	6,185,081	3,884,808	169,724,864	9,761,741
Total net position - end of year	<u>\$ 79,742,434</u>	<u>\$ 55,976,676</u>	<u>\$ 8,297,703</u>	<u>\$ 24,611,841</u>	<u>\$ 7,517,428</u>	<u>\$ 3,755,604</u>	<u>\$ 179,901,686</u>	<u>\$ 11,022,909</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.							<u>469,094</u>	
Changes in net position of business-type activities (page 29)							<u>\$ 10,645,916</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, 2023

Business-type Activities - Enterprise Funds

	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total Enterprise	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 20,817,054	\$ 19,979,034	\$ 9,122,931	\$ 3,331,106	\$ 1,623,154	\$ 81,750	\$ 54,955,029	\$ 1,029,257
Other receipts	502,375	827,446	181,654	240,493	40,730	2,155	1,794,853	325,591
Receipts - other departments	19,838		(814)	(104,733)	(28,747)	(139)	(114,595)	11,583,260
Payments to suppliers and service providers	(8,054,149)	(8,638,580)	(4,065,602)	(2,704,976)	(430,120)	(254,259)	(24,147,686)	(6,880,540)
Customer deposits received	42,970						42,970	
Payments to employees	(2,521,794)	(3,781,704)	(4,207,056)	(838,650)	(279,542)	(16,549)	(11,645,295)	(4,186,307)
Net cash provided by (used for) operating activities	<u>10,806,294</u>	<u>8,386,196</u>	<u>1,031,113</u>	<u>(76,760)</u>	<u>925,475</u>	<u>(187,042)</u>	<u>20,885,276</u>	<u>1,871,261</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers from other funds					91,903	198,038	289,941	
Net cash provided by (used for) noncapital financing activities					<u>91,903</u>	<u>198,038</u>	<u>289,941</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(53,450,980)	(3,943,516)	(1,653,106)	(938,385)	(868,380)	(12,939)	(60,867,306)	(564,595)
Capital grants received				902,927	417,113		1,320,040	
Proceeds from issuance of debt	47,710,000						47,710,000	
Principal paid on debt	(5,912,989)	(3,065,558)					(8,978,547)	
Interest paid on debt	(6,174,334)	(4,588,058)		(27)	9	(2)	(10,762,412)	
Payment of related debt costs		327,176	(2,255)				324,921	(4,286)
Proceeds from sale of capital assets	8,417						8,417	
Net cash used for capital and related financing activities	<u>(17,819,886)</u>	<u>(11,269,956)</u>	<u>(1,655,361)</u>	<u>(35,485)</u>	<u>(451,258)</u>	<u>(12,941)</u>	<u>(31,244,887)</u>	<u>(568,881)</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Sale of investments	6,424,160	3,391,544	59,904			81	9,875,689	
Purchases of investments				(281,860)	(815,723)		(1,097,583)	(1,930,372)
Investment income	2,026,165	2,342,024	66,583	61,325	77,370	68	4,573,535	18,883
Net cash provided by (used for) investing activities	<u>8,450,325</u>	<u>5,733,568</u>	<u>126,487</u>	<u>(220,535)</u>	<u>(738,353)</u>	<u>149</u>	<u>13,351,641</u>	<u>(1,911,489)</u>
Net change in cash and cash equivalents	1,436,733	2,849,808	(497,761)	(332,780)	(172,233)	(1,796)	3,281,971	(609,109)
Cash and cash equivalents -- Beginning of year	11,449,655	14,915,391	1,342,042	1,139,421	1,251,864	1,828	30,100,201	3,960,006
Cash and cash equivalents -- End of year	<u>\$ 12,886,388</u>	<u>\$ 17,765,199</u>	<u>\$ 844,281</u>	<u>\$ 806,641</u>	<u>\$ 1,079,631</u>	<u>\$ 32</u>	<u>\$ 33,382,172</u>	<u>\$ 3,350,897</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position								
Cash and cash equivalents	115,692	174,674	844,281	806,641	1,079,631	32	3,020,951	3,350,897
Restricted cash and cash equivalents	12,770,696	17,590,525					30,361,221	
Total Cash and cash equivalents	<u>\$ 12,886,388</u>	<u>\$ 17,765,199</u>	<u>\$ 844,281</u>	<u>\$ 806,641</u>	<u>\$ 1,079,631</u>	<u>\$ 32</u>	<u>\$ 33,382,172</u>	<u>\$ 3,350,897</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, 2023

	Business-type Activities - Enterprise Funds							Total Enterprise	Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total		
Reconciliation of Operating Income (Loss) to									
Net Cash Provided by (used for) Operating Activities:									
Operating income (loss)	\$ 7,400,380	\$ 3,813,469	\$ 89,161	\$ (1,137,873)	\$ 676,939	\$ (327,395)	\$ 10,514,681	\$	1,246,571
Adjustments to reconcile operating income (loss)									
net cash provided by operating activities:									
Depreciation and amortization expense	4,358,088	5,330,348	845,443	1,167,031	276,954	159,981	12,137,845	250,537	
(Increase) decrease in deferred outflows	88,808	98,879	73,124	116,821	593	858	379,083		
Increase (decrease) in deferred inflows	384,607	(2,574)	(3,805)	1,340	1,067	185	380,820		
(Increase) decrease in assets									
Accounts receivable	(407,992)	(439,024)	(6,567)	(892,609)	(31,178)		(1,777,370)	(54,958)	
Lease receivable	(394,926)			703,034			308,108		
Accrued revenue	(527,371)	(452,797)	(49,240)		(9,181)		(1,038,589)		
Inventory				(203)			(203)	(514,428)	
Prepaid items	(276,845)	17,661					(259,184)		
Increase (decrease) in liabilities									
Accounts payable	103,013	(126,629)	(18,943)	(78,602)	(10,245)	(19,687)	(151,093)	737,471	
Lease liability	23,949	18,066	28,010				70,025		
SBITA liability	1,487	2,622	2,833	15,542	157	39	22,680	160,129	
Compensated absences	12,518	10,793	30,726	(13,309)	1,651		42,379	34,368	
Unearned revenue		83,542		54,784			138,326		
Accrued expenses	(20,477)	964	5,891	3,518	291	29	(9,784)	11,571	
Customer deposits	42,970						42,970		
Other post employment benefits	(42,479)	(54,514)	(44,561)	(7,136)	(2,142)		(150,832)		
Net pension liability	60,564	85,390	79,041	(9,098)	20,569	(1,052)	235,414		
Total adjustments	<u>3,405,914</u>	<u>4,572,727</u>	<u>941,952</u>	<u>1,061,113</u>	<u>248,536</u>	<u>140,353</u>	<u>10,370,595</u>	<u>624,690</u>	
Net cash provided by (used for) operating activities	<u>\$ 10,806,294</u>	<u>\$ 8,386,196</u>	<u>\$ 1,031,113</u>	<u>\$ (76,760)</u>	<u>\$ 925,475</u>	<u>\$ (187,042)</u>	<u>\$ 20,885,276</u>	<u>\$</u>	<u>1,871,261</u>
Noncash investing and financing activities:									
Increase in fair value of investments	2,194,742	853,767	63,971	57,842	68,370	81	3,238,773		
Capital assets acquisitions included in accounts payable	4,938,868						4,938,868		
Capital contributions	646,615	279,947					926,562		
Total noncash investing, capital and financing activities	<u>\$ 7,780,225</u>	<u>\$ 1,133,714</u>	<u>\$ 63,971</u>	<u>\$ 57,842</u>	<u>\$ 68,370</u>	<u>\$ 81</u>	<u>\$ 9,104,203</u>		

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

City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2023

	Total Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 358,987
Receivables	
Due from service providers	26,999
Collected for members	78,362
Total receivables	105,361
Total assets	464,348
LIABILITIES	
Accounts payable	158,111
Due to other governments	168,674
Total liabilities	326,785
NET POSITION	
Individuals, organizations, and other governments	137,563
Total net position	\$ 137,563

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

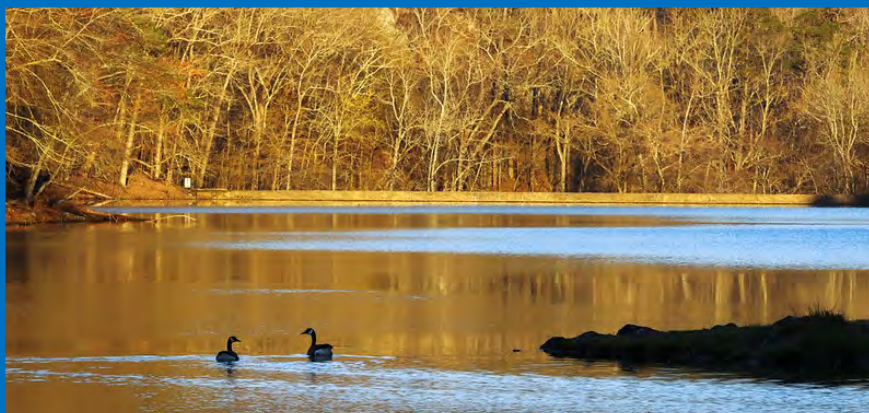
City of Hot Springs, Arkansas
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2023

	<u>Total Custodial Funds</u>
ADDITIONS	
District court fines collected	\$ 4,466,562
Collections from customer on behalf of another party	<u>1,015,616</u>
Total additions	<u>5,482,178</u>
DEDUCTIONS	
District Court fines distributed to other governments	4,499,892
Payments of customer collections	<u>1,015,616</u>
Total deductions	<u>5,515,508</u>
Net decrease in fiduciary net position	(33,330)
Net position-beginning	<u>170,893</u>
Net position-ending	<u>\$ 137,563</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

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 statements 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, 2023

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.

However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources

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,

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

December 31, 2023

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.

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* collects and remits fines, court costs and other monies.
- 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.

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

December 31, 2023

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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. 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

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

prepaid balances is recorded as an expenditure when consumed rather than when purchased.

Restricted Assets. The proprietary fund types restrict 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 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, 2023, the total amount of Unearned Revenue was \$1,090,809 and was derived primarily from various public safety and parks grants and gifts and contributions.

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 and in the proprietary funds 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 on various leases of the right to use space on a communication towers. 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 liabilities 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 the shorter of its useful life or lease term.

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

December 31, 2023

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 statement of net position.

Payments due under the lease contracts include fixed payments plus, for many of the City's leases, variable payments. For office space leases that include variable payments, those 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
- 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.

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 lessee's incremental borrowing rate is used, being the rate that the individual lessee 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

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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.

Subscription Assets and Liabilities. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset. Under GASB Statement No. 96, the city is required to recognize a subscription liability and an intangible right-to-use subscription asset to enhance the relevance and consistency of information about governments' subscription activities.

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 debts 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

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

December 31, 2023

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.

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 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 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 used 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 eight items that qualify as deferred inflows of resources as of December 31, 2023. The items reported in the statements are related to pension, bond refunding, leases and other postemployment benefits; and could include changes in assumptions, difference between expected and actual experience, changes in proportion and

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

differences between contribution and proportionate share of contributions, and difference between actual and expected investment earnings. Deferred inflows for both pension and 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:

Non-spendable - 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 2023 the City had \$13,827,355 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 2023 the City had \$3,142,637 in assigned amounts.

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

The City's considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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, 2023

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.

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, 2023:

Statement No.	Name	Effective Date	City of Hot Springs Implementation Date (if applicable)
99	Omnibus 2022	Reporting periods beginning April 2022, with exceptions	January 1, 2025
100	Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62	Reporting periods beginning after June 15, 2023	January 1, 2024
101	Compensated Absences	Reporting periods beginning after December 15, 2023	January 1, 2024
102	Certain Risk Disclosures	Reporting periods beginning after June 15, 2024	January 1, 2025
103	Financial Reporting Model Improvements	Reporting periods beginning after June 15, 2025	January 1, 2026

Accounting Pronouncements Adopted

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Adoption of GASB 94 had no impact on the City's financial statements.

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements

This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset- and a corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

standards established in Statement No. 87, Leases, as amended. The statement was effective for reporting periods beginning after June 15, 2022. The City of Hot Springs adopted the standard in fiscal year 2023 and have accounted for SBITAs where applicable. Adoption of GASB 96 had no effect on beginning net position or fund balances at January 1, 2023.

City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2023

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

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position. The governmental fund 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 \$36,870,058 are as follows:

Capital assets not being depreciated	\$ 12,061,504
Buildings	18,252,306
Less : Accumulated depreciation-buildings	(11,887,907)
Improvements other than buildings	91,829,600
Less : Accumulated depreciation-improvements other than buildings	(87,824,722)
Machinery and equipment	41,234,706
Less: Accumulated depreciation-machinery and equipment	(26,795,429)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$ 36,870,058

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. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position". The details of this \$6,225,724 difference are as follows:

Net position of the internal service funds	\$ 11,022,909
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	(3,479,641)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(469,088)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$ 6,225,724

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 (\$17,548,840) difference are as follows:

Bonds payable	\$ (8,035,000)
Notes payable	(5,191,600)
Compensated absences (excluding ISF Fleet)	(4,044,330)
Lease liability	(277,910)
Subscription liability (excluding ISF Fleet)	(273,827)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	\$ (17,822,667)

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities. The governmental fund 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 \$3,574,417 difference are as follows:

Capital outlay	\$ 6,128,180
Depreciation expense	<u>(2,553,763)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 \$ <u>3,574,417</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 (\$264,106) are as follows:

Debt issued or incurred:	
General obligation notes	\$ (2,284,000)
Principal repayments	
Special obligation bonds	335,000
General obligation notes	<u>1,684,894</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 \$ <u>(264,106)</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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 15, 2022 the Board of Directors approved the appropriations for the 2023 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 2023, the board made several changes in the General Fund including re-appropriation of \$313,650 for 2022 purchases not received until 2023. Reflected on the final General Fund budget was a \$1,614,182 decrease in fund balance.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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, 2023, 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	\$ 51,922,884	
Cash on hand	4,495	
Total Deposits		\$ 51,927,379
Investments:		
U.S. treasury & agency obligations:		
Maturing within less than 3 years	127,249,848	
Maturing within 3 to 5 years	19,296,623	146,546,471
General obligation bonds		
Maturing within less than 3 years	20,289,340	
Maturing within 3 to 5 years	593,307	20,882,647
Certificates of deposit:		
Maturing within less than 3 years	852,052	
Maturing within 3 to 5 years	-	852,052
Total Investments		168,281,170
<u>Total Deposits and Investments</u>		<u>\$ 220,208,549</u>

Reconciliation to Statement of Net Position

Current assets:	
Cash and cash equivalents	\$ 17,979,877
Investments	55,394,050
Restricted assets:	
Cash and cash equivalents	35,758,988
Investments	110,716,647
Total -- Statement of Net Position	219,849,562
Fiduciary Funds	358,987
<u>Total Deposits and Investments</u>	<u>\$ 220,208,549</u>

City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2023

<u>Discretely Presented Component Unit -- Deposits by Type</u>	<u>Carrying Value</u>
Demand deposits, including certificates of deposit	\$ 20,901,061
Cash on hand	21,990
Total Deposits	<u>\$ 20,923,051</u>
 <u>Reconciliation to Statement of Net Position</u>	
Current assets:	
Cash and cash equivalents	\$ 6,573,977
Certificates of Deposit	14,273,068
Restricted assets:	
Cash and cash equivalents	76,006
Total -- Statement of Net Position	<u>\$ 20,923,051</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 2023, the collateralization of cash and investments was accomplished on a city-wide basis. The carrying amount of the entire City's deposits and investments was \$220,208,549, with corresponding bank balances of \$220,007,706 (including cash on hand). Of this balance, \$146,546,471 was invested in United States government-backed securities, \$500,000 was covered by federal deposit insurance, \$20,882,647 was invested in municipal bonds, \$52,074,093 was collateralized with securities, and \$4,495 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, 2023

- 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 Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- *Level 3:* Unobservable inputs

All City held investments at December 31, 2023 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, 2023

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	Intergovernmental	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
Governmental Activities								
General Fund	\$ 87,509	\$ 3,415,628	\$ 1,231,142	\$ -	\$ 76,688	\$ 4,810,967	\$ (60,182)	\$ 4,750,785
Police Fund	79	1,024,689	141,713	-	-	1,166,481	(5,000)	1,161,481
Fire Fund	-	683,126	-	369,788	-	1,052,914	-	1,052,914
Street Fund	28,067	1,174,815	2,206,081	-	263,037	3,672,000	-	3,672,000
Employee Wellness Fund	-	-	6,541	-	-	6,541	-	6,541
Nonmajor	2,212	-	97,753	-	1,371,310	1,471,275	-	1,471,275
Totals	<u>\$ 117,867</u>	<u>\$ 6,298,258</u>	<u>\$ 3,683,230</u>	<u>\$ 369,788</u>	<u>\$ 1,711,035</u>	<u>\$ 12,180,178</u>	<u>\$ (65,182)</u>	<u>\$ 12,114,996</u>
Business-type Activities								
Parking Fund	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 8
Stormwater Fund	7,682	-	95,047	-	203,708	306,437	(30,197)	276,240
Airport Fund	6,252	-	145,369	847,909	601,776	1,601,306	-	1,601,306
Solid Waste Fund	6,744	-	554,036	-	4,741	565,521	(152,550)	412,971
Water Fund	360,987	-	1,491,083	394,926	-	2,246,996	(276,739)	1,970,257
Wastewater Fund	145,028	-	1,426,215	-	-	1,571,243	(385,650)	1,185,593
Utility Admin Fund	-	-	25	-	-	25	-	25
Totals	<u>\$ 526,701</u>	<u>\$ -</u>	<u>\$ 3,711,775</u>	<u>\$ 1,242,835</u>	<u>\$ 810,225</u>	<u>\$ 6,291,536</u>	<u>\$ (845,136)</u>	<u>\$ 5,446,400</u>

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

December 31, 2023

Capital, Lease, and Subscription Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Construction in progress	\$ 3,682,663	\$ 5,969,053	\$ 7,304,318	\$ 2,347,398
Art and collectibles	274,251			274,251
Land	9,270,117	219,851		9,489,968
Total capital assets not being depreciated	<u>13,227,031</u>	<u>6,188,904</u>	<u>7,304,318</u>	<u>12,111,617</u>
Capital assets being depreciated:				
Buildings	17,580,032	860,074		\$ 18,440,106
Improvements other than buildings	91,775,312	338,241		\$ 92,113,553
Machinery and equipment	36,228,747	6,100,677	526,894	41,802,530
Total capital assets being depreciated	<u>145,584,091</u>	<u>7,298,992</u>	<u>526,894</u>	<u>152,356,189</u>
Less accumulated depreciation for:				
Buildings	11,510,559	463,496		\$ 11,974,055
Improvements other than buildings	85,009,064	727,153		85,736,217
Machinery and equipment	28,815,424	1,408,594	526,894	29,697,124
Total accumulated depreciation	<u>125,335,047</u>	<u>2,599,243</u>	<u>526,894</u>	<u>127,407,396</u>
Net capital assets being depreciated	<u>20,249,044</u>	<u>4,699,749</u>	<u>-</u>	<u>24,948,793</u>
Net governmental capital assets	<u>\$ 33,476,075</u>	<u>\$ 10,888,653</u>	<u>\$ 7,304,318</u>	<u>\$ 37,060,410</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 66,858,350	\$ 62,768,531	\$ 7,476,646	\$ 122,150,235
Water Rights	11,552,246			11,552,246
Land	14,085,729	369,126	-	14,454,854
Total capital assets not being depreciated	<u>92,496,325</u>	<u>63,137,656</u>	<u>7,476,646</u>	<u>148,157,335</u>
Capital assets being depreciated				
Buildings	45,769,543	896,686		46,666,229
Improvements other than buildings	294,424,099	6,327,432	17,422	300,734,109
Machinery and equipment	85,224,954	3,860,502	177,910	88,907,546
Total capital assets being depreciated	<u>425,418,596</u>	<u>11,084,620</u>	<u>195,332</u>	<u>436,307,884</u>
Less accumulated depreciation for:				
Buildings	25,809,352	979,538	-	26,788,890
Improvements other than buildings	130,175,942	7,832,814	-	138,008,756
Machinery and equipment	63,003,453	3,446,028	175,693	66,273,788
Total accumulated depreciation	<u>218,988,747</u>	<u>12,258,380</u>	<u>175,693</u>	<u>231,071,434</u>
Net capital assets being depreciated	<u>206,429,849</u>	<u>(1,173,760)</u>	<u>19,640</u>	<u>205,236,450</u>
Net business capital assets	<u>\$ 298,926,174</u>	<u>\$ 61,963,896</u>	<u>\$ 7,496,286</u>	<u>\$ 353,393,785</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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

Governmental Activities

General government	\$	65,443
Community development		69,975
Parks and recreation		426,367
Public safety		1,129,927
Public transportation		71,497
Public works		827,317
Capital assets held by the Fleet Service Internal Service Fund and charged to various functions based on usage		8,717
<u>Total Depreciation Expense - Governmental Activities</u>	\$	<u>2,599,243</u>

Business-type Activities

Airport	\$	1,162,076
Parking		159,954
Solid Waste		830,271
Stormwater		276,845
Wastewater		5,320,009
Water		4,345,379
Capital assets held by the Utility Administration Internal Service Fund and charged to Wastewater and Water Funds based on usage		163,846
<u>Total Depreciation Expense - Business-type Activities</u>	\$	<u>12,258,380</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

Construction Commitments. As of December 31, 2023, 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	\$ 380,182	\$ 31,650
	Wetlands Trailhead Design & Construction	98,370	625,047
	Hot Springs Creek Greenway Trails and Wetlands Trailheads Design	694,585	76,120
	Velocity Park	48,100	-
	Kimery Park Improvements	200,123	400,955
	DRACO Gas Delivery & Breaching System	24,125	-
	Pumper Truck & Nozzles	738,911	-
	Structural Design for Beam & Floor Slab Support - Transportation Depot	25,000	-
	Bus Shelters	70,966	5,371
	Woodland Street Bridge Improvements	10,000	-
	Stokes Creek Trail and Bridge Improvements (Woodlawn and Honeycutt)	34,630	-
	Bridge Replacement - Honeycutt St.	10,000	-
Total construction commitments for Governmental activities		<u>\$ 2,334,992</u>	<u>\$ 1,139,143</u>
		<u>Business-type Activities</u>	
		<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
Stormwater:	Whittington Avenue Improvements	\$ 523,886	\$ 188,580
	Stormwater Building	24,084	5,616
Airport:	Rehabilitation Runway 5-23	152,395	62,775
	Drainage Improvements	612,960	12,400
	New Campus for Traffic Services Division	25,275	-
Solid Waste:	Transfer Station Upgrade	24,769	-
Water:	Desoto Pump Station	51,343	2,000
	2023 Waterline Improvements	509,720	770,883
	Water Master Plan	887,332	-
	15 MGD Water Treatment Plant	22,066,467	23,005,382
	Ouachita Raw and Finished Water Lines	64,548,587	11,806,777
	Lake Ouachita Intake Structure	21,400,808	595,400
	Clearwell Tank	4,410,835	91,379
	Easements	8,607	-
	Ouachita Water Treatment Plant Pump Station	38,578	-
	Ouachita Water Treatment Plant Backwash Lagoon	133,410	69,064
	Ouachita Water Treatment Plant Backwash Tank Paint & Repair	247,464	143,527
	Virtual Demand Metered Area Project	363,610	308,304
Wastewater:	Davidson Drive Wastewater Treatment Plant Improvements and Weir Gates	2,304,037	493,099
	Wastewater Hydraulic Model Update & Gulpha Station	559,800	-
	Guupha Pump Station Improvements	468,896	347,466
	Hot Springs Creek Evaluation	428,606	2,680
	Gulpha Force Main	607,971	184,250
	Lower Gulph Basin Interceptot	1,487,355	634,885
	Spring Street Sewer Replacement	275,844	203,217
Total construction commitments for Business-type activities		<u>\$ 122,162,637</u>	<u>\$ 38,927,684</u>

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, 2023

Capital asset activity for the discretely presented component unit for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 4,953,782	\$ -	\$ -	\$ 4,953,782
Construction in progress	16,863	2,819,856	(36,763)	2,799,956
Art and collectibles	553,701	-	-	553,701
Total capital assets not being depreciated	5,524,346	2,819,856	(36,763)	8,307,439
Capital assets being depreciated				
Buildings and structures	67,576,816	-	-	67,576,816
Improvements	13,696,510	6,100	-	13,702,610
Furniture, fixtures, and equipment	10,691,616	410,410	-	11,102,026
Total capital assets being depreciated	91,964,942	416,510	-	92,381,452
Accumulated depreciation	47,913,310	2,924,231	-	50,837,541
Total capital assets net of accumulated depreciation	\$ 44,051,632	\$ (2,507,721)	\$ -	\$ 41,543,911
Net capital assets	\$ 49,575,978	\$ 312,135	\$ (36,763)	\$ 49,851,350

Lease asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Lease assets - structures	\$ 220,369	\$ 96,212	\$ -	\$ 316,581
Accumulated amortization - structures	17,989	32,983	-	50,972
Net governmental activities lease assets	<u>\$ 202,380</u>	<u>\$ 63,229</u>	<u>\$ -</u>	<u>\$ 265,609</u>
Business-type activities				
Lease assets- structures	\$ 220,369	\$ 96,212	\$ -	\$ 316,581
Accumulated amortization - structures	17,989	32,983	-	50,972
Net business-type activities lease assets	<u>\$ 202,380</u>	<u>\$ 63,229</u>	<u>\$ -</u>	<u>\$ 265,609</u>

Subscription asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balance (As Restated)	Additions	Deletions	Ending Balance
Governmental Activities				
Subscription IT asset	\$ 490,239	\$ 285,329	\$ -	\$ 775,568
Less accumulated amortization - subscription IT asset	-	251,833	-	251,833
Subscription Assets, net	<u>\$ 490,239</u>	<u>\$ 33,496</u>	<u>\$ -</u>	<u>\$ 523,735</u>
Business-type activities				
Subscription IT asset	\$ 270,069	\$ -	\$ -	\$ 270,069
Less accumulated amortization - subscription IT asset	-	87,913	-	87,913
Subscription Assets, net	<u>\$ 270,069</u>	<u>\$ 87,913</u>	<u>\$ -</u>	<u>\$ 182,156</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

Interfund Receivables, Payables and Transfers.

Interfund receivables, payables and transfers 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. Following is the composition of interfund balances and transfers as of December 31, 2023:

Due to and Due from		
Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 376,853
	Stormwater	164,845
	Internal Service	187,494
	ARPA	8,814
	Nonmajor Governmental	1,216
Police Fund	Nonmajor Governmental	38,717
Water	Internal Service	802,036
Wastewater	Internal Service	826,313
Solid Waste	General Fund	2,264,370
Stormwater	General Fund	12,405
Internal Service	General Fund	48,400
Total Due To / Due From		<u>\$ 4,731,463</u>

The balances due to the general fund from nonmajor governmental, stormwater, internal service and ARPA funds are for accounts payable transactions and other expenditures in 2023 that were not reimbursed to the general fund before December 31, 2023. The amounts due to the internal service funds by the water and wastewater funds is the amount of administrative overhead that is charged to the water and wastewater funds by the utility billing fund and was paid in January, 2024. The amounts due to the general fund by the solid waste, stormwater and internal service funds is the amount of administrative overhead that is charged to those funds by the general fund and was paid in January, 2024.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

Transfers Out	Transfers In							Total
	General	Fire	Police	Nonmajor Governmental	Street	Stormwater	Parking	
General	\$ -	\$ 6,020,344	\$ 9,429,808	\$ 1,235,120	\$ 653,000	\$ -	\$ 198,038	\$ 17,536,310
Police				215,652				215,652
Street				47,749		91,903		139,652
Nonmajor Governmental				431,434				431,434
ARPA	4,521,483							4,521,483
	<u>\$ 4,521,483</u>	<u>\$ 6,020,344</u>	<u>\$ 9,429,808</u>	<u>\$ 1,929,955</u>	<u>\$ 653,000</u>	<u>\$ 91,903</u>	<u>\$ 198,038</u>	<u>\$ 22,844,531</u>

Transfers from the general fund to the fire, police, and street funds are to supplement their revenue for operations. Transfers from the general fund to the parking fund were used to compensate a consultant to assist the city with a parking plan and to supplement their revenue for operations. Transfers from the general, police, and street funds to nonmajor governmental funds were for grant match for various programs, capital projects and activities. The transfer from the ARPA fund to the general fund was used to reimburse the general fund for salaries and benefits and transfers from the general fund to the police and fire funds. Transfers between nonmajor governmental funds were for debt service payments for the Hot Springs Advertising & Promotion Commission and grant match for the District Court. The transfer from the stormwater fund to nonmajor governmental funds was for match in a grant fund.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

Leases

Lease receivable consists of amounts due from customers utilizing airport services as well as space on a communication tower and lease income is stated at the amount billed to customers plus any accrued and unpaid late fees.

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, 2023, the value of the lease receivable is \$369,788. The lessee is required to make monthly fixed payments of \$2,718. The lease has an interest rate of 1.84%. The value of the deferred inflow of resources as of December 31, 2023 was \$349,491, 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 2024 through 2033. 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.

As of December 31, 2023, the value of the lease receivable is \$847,909. The leases have an interest rate of 1.84%. The value of the deferred inflow of resources as of December 31, 2023 was \$833,321. Total revenue recognized under lease contracts during the year ended December 31, 2023 was \$94,046 which includes both lease revenue and interest.

Lease Receivable - Water - On January 1, 2023, the City entered into a 120 month lease as Lessor for the use of Water Communications Tower (Dish Wireless). An initial lease receivable was recorded in the amount of \$184,912. As of December 31, 2023, the value of the lease receivable is \$170,215. The lessee is required to make monthly fixed payments of \$1,470. The lease has an interest rate of 1.84%. The value of the deferred inflow of resources as of December 31, 2023 was \$166,421, and the City recognized lease revenue of \$18,491 during the fiscal year.

On January 1, 2023, the City entered into a 120 month lease as Lessor for the use of Water Communications Tower (T-Mobile). An initial lease receivable was recorded in the amount of \$240,484. As of December 31, 2023, the value of the lease receivable is \$224,711. The lessee is required to make monthly fixed payments of \$1,550. The lease has an interest rate of 1.84%. The value of the deferred inflow of resources as of December 31, 2023 was \$216,435, and the City recognized lease revenue of \$24,048 during the fiscal year.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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 the lease receivable as of December 31, 2023:

<u>Fiscal Years</u>	<u>Governmental Fund Leases</u>				<u>Proprietary Fund Leases</u>			
	<u>Beginning Balance</u>	<u>Lease Receipts</u>	<u>Interest Income</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Lease Receipts</u>	<u>Interest Income</u>	<u>Ending Balance</u>
2024	\$ 369,788	\$ 34,267	\$ 6,574	\$ 342,095	\$ 1,242,835	\$ 143,466	\$ 21,786	\$ 1,121,155
2025	342,095	35,638	6,048	312,505	1,121,155	125,737	19,675	1,015,093
2026	312,505	37,063	5,487	280,929	1,015,093	107,007	17,901	925,987
2027	280,929	38,546	4,889	247,272	925,987	102,880	16,277	839,384
2028	247,272	40,088	4,251	211,435	839,384	77,111	14,900	777,173
2029	211,435	41,691	3,573	173,317	777,173	78,542	13,733	712,364
2030	173,317	43,359	2,852	132,810	712,364	80,016	12,518	644,866
2031	132,810	45,093	2,085	89,802	644,866	81,534	11,253	574,585
2032	89,802	46,897	1,272	44,177	574,585	82,946	9,936	501,575
2033	44,177	44,588	410	-	501,575	29,412	9,034	481,197

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 2033. Revenue recognized for fixed payments under regulated lease contracts during the years ended December 31, 2023 was \$104,523. 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, 2023:

<u>Fiscal Year</u>	<u>Lease Revenue</u>
2024	109,261
2025	102,561
2026	84,136
2027	69,061
2028	69,061
2029-2033	284,096

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

Lease Liabilities

On January 1, 2022, the City 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 December 31, 2023, the value of the lease liability is \$389,726. The City is required to make monthly fixed payments of \$2,596. The lease has an interest rate of 1.84%. The value of the right to use asset as of December 31, 2023 of \$440,738 with accumulated amortization of \$71,957. The City has 4 extension option(s), each for 60 months.

On January 1, 2023, the City entered into a 77 month lease as Lessee for the use of Highway 7 South Tower. An initial lease liability was recorded in the amount of \$192,423. As of December 31, 2023, the value of the lease liability is \$166,094. The City is required to make monthly fixed payments of \$2,404. The lease has an interest rate of 1.84%. The value of the right to use asset as of December 31, 2023 of \$192,423 with accumulated amortization of \$29,988.

The following is the future principal and interest payments for the lease liabilities at December 31, 2023.

<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>
2024 \$	27,641	\$ 4,883	\$ 27,641	\$ 4,883
2025	29,314	4,360	29,314	4,360
2026	31,059	3,807	31,059	3,807
2027	32,880	3,220	32,880	3,220
2028	34,779	2,599	34,779	2,599
2029-2033	115,940	5,948	115,940	5,948
2034	6,298	19	6,298	19
Total	<u>\$ 277,911</u>	<u>\$ 24,836</u>	<u>\$ 277,911</u>	<u>\$ 24,836</u>

The following is a summary of the lease liabilities at December 31, 2023.

<u>Long-Term Lease Liability</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Funds	\$ 207,884	\$ 96,212	\$ 26,186	\$ 277,910
Proprietary Funds	<u>207,885</u>	<u>96,212</u>	<u>26,186</u>	<u>277,911</u>
Total	<u>\$ 415,769</u>	<u>\$ 192,424</u>	<u>\$ 52,372</u>	<u>\$ 555,821</u>

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2023 were as follows:

	Balance December 31, 2022	Increases	Decreases	Balance December 31, 2023	Amount due in One Year
Governmental Activities					
Bonds payable					
Special obligation bonds	\$ 8,370,000	\$ -	\$ 335,000	\$ 8,035,000	\$ 345,000
Bonds payable, net	8,370,000	-	335,000	8,035,000	345,000
Notes payable	4,592,494	2,284,000	1,684,894	5,191,600	1,963,724
Net pension liability	60,653,004	15,745,545		76,398,549	
Compensated absences	3,736,141	495,730	74,702	4,157,169	329,112
Leased liabilities	207,884	96,212	26,186	277,910	27,641
Subscription liabilities	-	702,067	265,749	436,318	238,872
OPEB liability	2,978,900	320,446	577,271	2,722,075	
Total governmental activities long-term liabilities	\$ 80,538,423	\$ 19,644,000	\$ 2,963,802	\$ 97,218,621	\$ 2,904,349
Business-type Activities					
Bonds payable					
Revenue bonds	\$ 259,828,222	\$ 47,930,000	\$ 9,683,222	\$ 298,075,000	\$ 7,765,000
Add issuance premiums	10,819,835	1,113,449	458,363	11,474,921	458,363
Less issuance discounts	2,135,920		75,309	2,060,611	75,309
Bonds payable, net	268,512,137	49,043,449	10,066,276	307,489,310	8,148,054
Note payable - Mid Arkansas Water Alliance	7,948,817		245,720	7,703,097	251,863
Post closure compost facility costs	814,530	27,304		841,834	
Net pension liability	13,213,278	235,414		13,448,692	
Compensated absences	1,276,701	65,637	13,842	1,328,496	160,747
Leased liabilities	207,885	96,212	26,186	277,911	27,641
Subscription liabilities	-	270,069	87,262	182,807	88,891
OPEB liability	1,747,291	188,200	339,032	1,596,459	
Total business-type activities long-term liabilities	\$ 293,720,639	\$ 49,926,285	\$ 10,778,318	\$ 332,868,606	\$ 8,677,196

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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, 2023, \$112,839 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, 2023, \$323,983 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:

Primary Government	Interest Rates	Final Maturity	Original Issue	Total Outstanding
General long-term obligations				
Special obligation bonds	1.977%-3.691%	2049	\$ 9,450,000	\$ 8,035,000
Notes payable	1.13%-3.66%	2028	\$ 10,587,750	\$ 5,191,600
Enterprise Funds				
Revenue bonds	0%-5%	2052	\$ 319,795,000	\$ 298,075,000
Notes payable	2.5%	2046	\$ 9,534,832	\$ 7,703,097

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, 2023

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.

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.

2023 Short-term Financing Note – The \$2,284,000 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 (3.66%) 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, 2023

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, 2023:

	Special Obligation Bonds		Notes Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	345,000	274,148	1,963,724	113,458
2025	350,000	264,433	1,451,476	76,577
2026	360,000	254,261	862,800	49,203
2027	370,000	243,510	456,800	25,078
2028	380,000	232,087	456,800	8,359
2029-2033	1,110,000	1,033,808		
2034-2038	1,300,000	842,237		
2039-2043	1,550,000	590,869		
2044-2048	1,855,000	286,987		
2049	415,000	15,318		
	<u>\$ 8,035,000</u>	<u>\$ 4,037,659</u>	<u>\$ 5,191,600</u>	<u>\$ 272,675</u>

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

December 31, 2023

Business-type Activities

Revenue bonds

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.

Waterworks Revenue Bonds Series 2023—These 30-year bonds were issued on January 31, 2023 with a face value of \$47,930,000 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. In addition, \$3,293,222 was used for refunding Waterworks Revenue Improvement Bonds Series 2010A. The interest rates range between 4.0% and 5.0%. Principal repayments are due annually on October 1, starting in 2023, and interest payments are due semiannually on October 1 and April 1.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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, 2023

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.

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 2023 debt service includes \$245,720 in principal and \$204,714 in interest

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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, 2023:

	Business-type Activities			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2024	7,765,000	10,618,253	251,863	192,577
2025	8,000,000	10,392,155	258,160	186,281
2026	9,130,000	10,156,440	264,614	179,827
2027	9,425,000	9,865,022	271,229	173,211
2028	9,705,000	9,560,132	278,010	166,431
2029-2033	49,965,000	42,563,704	1,497,845	724,359
2034-2038	54,650,000	32,841,032	1,694,674	527,530
2039-2043	55,170,000	22,550,476	1,917,368	304,836
2044-2048	57,725,000	12,651,219	1,269,333	63,989
2049-2052	36,540,000	2,983,032	-	-
	<u>\$ 298,075,000</u>	<u>\$ 164,181,463</u>	<u>\$ 7,703,097</u>	<u>\$ 2,519,043</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, 2023:

Governmental Type Activities

Unspent bond proceeds	\$ 163,330
Current principal and interest payments	120,043
Debt service reserve funds	215,805
Total restricted funds	<u>\$ 499,178</u>

Business-type Activities

Unspent bond proceeds	\$ 113,527,547
Current principal and interest payments	3,588,591
Renewal and replacement fund	9,529,999
Total restricted funds	<u>\$ 126,646,137</u>

ENTERGY PARK POLLINATOR GARDEN



City of Hot Springs, Arkansas
 NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2023

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 129 - 132.

As of December 31, 2023, the City had known unpaid claims totaling \$199,732. These unpaid claims are based on actual claims paid in the new fiscal year 2024 by the third-party administrator. 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
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
2023	300,000	(300,000)	2,775,100	\$ 2,475,100	300,000

The City's health insurance self-insurance fund has an increase in net position of \$1,261,167 for the fiscal year ended December 31, 2023. Due to the net position of the fund, the City did not increase health premiums for 2024. At the end of 2023, the fund had a net position of \$9.92 million.

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

December 31, 2023

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, 2023, 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, 2023

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, 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.

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, 2023

The employees covered by the Firemen’s Plan at December 31, 2022, the date of the actuarial valuation, are:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive or current employees entitled to but not yet receiving benefits	-
	51

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 2023 plan year totaled \$1,548,984.

Net Pension Liability

The City’s net pension liability of \$22,020,015 as of December 31, 2023 was measured as of December 31, 2022, 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, 2022 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 7.25% 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, 2023

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, 2022, 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
U.S. Stock - Large Cap	21.00%	4.05%	0.85%
U.S. Stock - Small Cap	21.00%	4.65%	0.98%
International Equity	9.00%	5.27%	0.47%
Emerging Markets	9.00%	7.49%	0.67%
U.S. Corporate Bonds	25.00%	-0.35%	-0.09%
Real Estate	5.00%	3.76%	0.19%
Private Equity	10.00%	9.10%	0.91%
Total	100.00%		3.98%
Expected Inflation			2.25%
Total Return			6.23%

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 7.25%; the municipal bond rate is 4.05% (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 4.05%.

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

December 31, 2023

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 26,700,427	\$ (1,461,565)	\$ 28,161,992
Charges for the year:			
Service cost			
Interest	475,314		475,314
Differences between expected and actual experience	419,635		419,635
Changes of assumptions	(5,227,611)		(5,227,611)
Contributions - employer		1,809,315	(1,809,315)
Net investment income			
Benefit payments, including refunds of employee contributions	(1,736,275)	(1,736,275)	
Administrative expense			
Net changes	(6,068,937)	73,040	(6,141,977)
Balance, end of year	\$ 20,631,490	\$ (1,388,525)	\$ 22,020,015

Changes of assumptions and other inputs reflect a change in the discount rate from 1.84% at July 1, 2022 to 4.05% at June 30, 2023.

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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
City's net pension liability	\$ 24,107,902	\$ 22,020,015	\$ 20,239,229

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, 2023

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

For the year ended December 31, 2023, the City recognized negative pension expense of (\$4,332,662). At December 31, 2023, 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	1,548,978	
Total	\$ 1,548,978	\$ -

At December 31, 2023, the City reported \$1,548,978 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, 2024. No other amounts are reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023.

Payable to the Pension Plan

At December 31, 2023, the City had no outstanding required contributions to the Firemen's Plan required for the year ended December 31, 2023.

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

December 31, 2023

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, 2022, the date of the actuarial valuation, are:

Inactive employees or beneficiaries currently receiving benefits	59
Inactive or current employees entitled to but not yet receiving benefits	0
	<hr/> 59

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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 2023 plan year totaled \$839,424.

Net Pension Liability

The City's net pension liability of \$8,711,236 as of December 31, 2023 was measured as of December 31, 2022, 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, 2022 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 7.25% 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, 2023

For each major asset class that is included in the pension plan’s target asset allocation as of December 31, 2022, 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
U.S. Stock - Large Cap	21.00%	4.05%	0.85%
U.S. Stock - Small Cap	21.00%	4.65%	0.98%
International Equity	9.00%	5.27%	0.47%
Emerging Markets	9.00%	7.49%	0.67%
U.S. Corporate Bonds	25.00%	-0.35%	-0.09%
Real Estate	5.00%	3.76%	0.19%
Private Equity	10.00%	9.10%	0.91%
Total	100.00%		3.98%
Expected Inflation			2.25%
Total Return			6.23%

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 7.25%; the municipal bond rate is 4.05% (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 7.25%.

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

December 31, 2023

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 23,621,638	\$ 17,845,958	\$ 5,775,680
Charges for the year:			
Service cost			
Interest	1,585,096		1,585,096
Differences between expected and actual experience	321,250		321,250
Changes of assumptions	(560,549)		(560,549)
Contributions - employer		983,562	(983,562)
Net investment income		(2,556,523)	2,556,523
Benefit payments, including refunds of employee contributions	(1,954,817)	(1,954,817)	
Administrative expense		(16,798)	16,798
Net changes	(609,020)	(3,544,576)	2,935,556
Balance, end of year	\$ 23,012,618	\$ 14,301,382	\$ 8,711,236

Changes of assumptions and other inputs reflect a change in the discount rate from 7.00% at July 1, 2002 to 7.25% at June 30, 2023.

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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
City's net pension liability	\$ 11,106,552	\$ 8,711,236	\$ 6,685,338

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, 2023

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

For the year ended December 31, 2023, the City recognized pension expense of \$402,575. At December 31, 2023 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	\$ 1,451,514	\$ -
City's contribution made subsequent to the measurement date of the net pension liability	839,424	
Total	\$ 2,290,938	\$ -

At December 31, 2023, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023, related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2024	\$ (32,131)
2025	275,357
2026	454,058
2027	754,230
2028	
Thereafter	
Total	\$ 1,451,514

Payable to the Pension Plan

At December 31, 2023, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2023.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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, 2023

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, 2023. Contributions to APERS from the City were \$3,007,206 for the year ended December 31, 2023.

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

At December 31, 2023, the City reported a liability of \$25,976,372 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 0.89%.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

For the year ended December 31, 2023, the City recognized APERS pension expense of \$4,746,681. At December 31, 2023, 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	\$ 1,466,312	\$ 142,703
Changes of assumptions	1,221,211	
Net difference between projected and actual earning on pension plan investments	3,233,126	
Changes in proportion and differences between City contributions and proportionate share of contributions	432,716	582,013
City contributions subsequent to the measurement date	1,533,771	
Total	<u>\$ 7,887,136</u>	<u>\$ 724,716</u>

At December 31, 2023 the City reported \$1,533,771 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, 2024. 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
2024	\$ 1,382,865
2025	653,073
2026	3,810,922
2027	(218,211)
Total	<u>\$ 5,628,649</u>

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

December 31, 2023

Actuarial assumptions. The total pension liability in the June 30, 2023 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	23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed fair value; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.0%
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	3.7241

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, 2023 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%	6.19%
International Equity	24.00%	6.77%
Real Assets	16.00%	3.34%
Absolute Return	5.00%	3.36%
Domestic Fixed	18.00%	1.79%
Total	100.00%	
Total Real Rate of Return		4.94%
Plus: Price Inflation - Actuary Assumption		2.50%
Net Expected Return		7.44%

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

December 31, 2023

Discount rate. The discount rate used to measure the total pension liability was 7.15% for the year ended June 30, 2023. The single discount rate was based on the expected rate of return on pension plan investments of 7%. 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%, 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%) or 1% 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	\$ 41,404,000	\$ 25,976,372	\$ 13,265,467

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, 2023, the City did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2023.

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, 2023

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, 2023

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, 2023

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 2023 plan year for police and fire were 25.56% and 26.25%, respectively, of annual covered payroll, based upon the December 31, 2022 actuarial report. Contributions to the pension plan from the City were \$3,009,991 for the year ended December 31, 2023.

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

December 31, 2023

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

At December 31, 2023, the City reported a liability of \$33,139,614 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 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 December 31, 2022, the City's proportion was 3.1%.

For the year ended December 31, 2023, the City recognized LOPFI pension expense of \$5,968,025. At December 31, 2023, 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	\$ 2,178,395	\$
Changes of assumptions	361,285	
Net difference between projected and actual investment earnings on pension plan investments	8,066,752	2,569,531
Changes in proportion and differences between City contributions and proportionate share of contributions	1,134,279	114
City's contribution made subsequent to the measurement date	3,010,148	
Total	<u>\$ 14,750,859</u>	<u>\$ 2,569,645</u>

As of December 31, 2023, \$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, 2024. 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
2024	\$ 1,312,942
2025	1,722,579
2026	2,321,025
2027	3,814,520
2028	
Thereafter	
Total	<u>\$ 9,171,066</u>

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

December 31, 2023

Actuarial assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.00%
Price inflation	2.50%
Salary increases	Based on merit and seniority
Investment rate of return	7.25%, 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, 2022, 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
U.S. Stock - Large Cap	21.00%	4.05%	0.85%
U.S. Stock - Small Cap	21.00%	4.65%	0.98%
International Equity	9.00%	5.27%	0.47%
Emerging Markets	9.00%	7.49%	0.67%
U.S. Corporate Bonds	25.00%	-0.35%	-0.09%
Real Estate	5.00%	3.76%	0.19%
Private Equity	10.00%	9.10%	0.91%
Total	100.00%		3.98%
Expected Inflation			2.25%
Total Return			6.23%

Discount rate. A single discount rate of 7.25% 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, 2023

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	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
City's proportionate share of the net pension liability	49,346,789	33,139,614	20,024,281

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, 2023, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2023.

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

December 31, 2023

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	\$ (22,020,015)	\$ (8,711,236)	\$ (25,976,372)	\$ (33,139,614)	\$ (89,847,237)
Fiduciary net position	(1,388,525)	14,301,382			12,912,857
Deferred outflows					
Difference between projected and actual earnings on pension plan investments		1,451,514	3,233,126	8,066,752	12,751,392
Changes of assumptions			1,221,211	361,285	1,582,496
Difference between expected and actual experience			1,466,312	2,178,395	3,644,707
Changes in proportionate share of contributions			432,716	1,134,279	1,566,995
Contributions subsequent to measurement date	1,548,978	839,424	1,533,771	3,010,148	6,932,321
Total deferred outflows	1,548,978	2,290,938	7,887,136	14,750,859	26,477,911
Deferred inflows					
Difference between expected and actual experience			(142,703)		(142,703)
Changes of assumptions			-	(2,569,531)	(2,569,531)
Changes in proportionate share of contributions			(582,013)	(114)	(582,127)
Total deferred inflows	-	-	(724,716)	(2,569,645)	(3,294,361)
Pension expenses/expenditures	\$ (4,332,662)	\$ 402,575	\$ 4,746,681	\$ 5,968,025	\$ 6,784,619

Numbers 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, 2023

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 \$1,014,276. Yearly costs were accrued at the amortized payment of \$27,304. 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, 2023, \$841,834 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, 2023

Employees Covered by Benefit Terms. At December 31, 2023, 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	14
Active employees	612
	626

Total OPEB Liability. The City's total OPEB liability of \$4,726,191 was measured as of December 31, 2023, and was determined by an actuarial valuation as December 31, 2023.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2023 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	4.0% as of December 31, 2023 and 4.31% as of December 31, 2022
Healthcare Trend Rates	8.0% 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 remain the same as last year and are 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
- 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, 2023

Changes in Total OPEB Liability

Balance at Beginning of Year	\$ 4,726,194
Changes for the Year	
Service cost	299,252
Interest	213,039
Changes in benefit terms	(1,010,275)
Changes in assumptions	297,127
Differences between expected and actual experience	(39,933)
Benefit payments	(166,871)
Net change in total OPEB liability	<u>(407,661)</u>
Balance at End of Year	<u>\$ 4,318,533</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.31% at January 1, 2023 to 4.0% at December 31, 2023.

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 (3.0%) or 1% higher (5.0%) than the current discount rate (4.0%):

	1% Decrease 3.00%	Current Discount Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	\$ 4,724,579	\$ 4,318,533	\$ 3,943,053

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 8.0% decreasing to an ultimate rate of 4.5%. The 1.0% decrease in healthcare trend rates would assume an initial rate of 7.0% decreasing to an ultimate rate of 3.5%. The 1.0% increase in healthcare trend rates would assume an initial rate of 9.0% decreasing to an ultimate rate of 5.5%.

	1% Decrease 7.00%	Healthcare Cost Trend Rate 8.00%	1% Increase 9.00%
Total OPEB Liability	\$ 3,789,071	\$ 4,318,533	\$ 4,949,263

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2023

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

For the year ended December 31, 2023, the City recognized a reduction in OPEB expense of \$749,432. At December 31, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ 9,947
Changes in assumptions	<u>818,139</u>
Total	<u>\$ 828,086</u>

At December 31, 2023, the City reported deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ (1,278,836)
Changes in assumptions	<u>(853,288)</u>
Total	<u>\$ (2,132,124)</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>
2024	\$ (251,450)
2025	(265,896)
2026	(204,897)
2027	(245,104)
2028	(258,272)
Thereafter	<u>(78,419)</u>
	<u>\$ (1,304,038)</u>

REQUIRED SUPPLEMENTARY INFORMATION

FIRE ARFF TRAINING



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, 2023

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 18,254,692	\$ 18,254,692	\$ 19,539,859	\$ 1,285,167
Mixed drink and other	1,000,000	1,000,000	1,336,132	336,132
Fees and permits:				
Code inspection	739,700	739,700	798,018	58,318
Business licenses	1,055,000	1,055,000	1,543,109	488,109
Alcoholic beverage	150,000	150,000	157,433	7,433
Franchise	2,812,500	2,812,500	3,180,610	368,110
Other	93,800	93,800	106,810	13,010
Intergovernmental:				
State turnback	568,950	568,950	579,003	10,053
County aid	576,403	594,115	624,238	30,123
Charge for services	3,006,144	3,006,144	3,020,944	14,800
Gaming and breakage	4,508,000	4,508,000	4,870,001	362,001
Fines and forfeitures	586,750	586,750	656,982	70,232
Investment earnings (loss)	75,000	75,000	1,756,450	1,681,450
Miscellaneous	240,500	266,123	430,757	164,634
Total revenues	<u>33,667,439</u>	<u>33,710,774</u>	<u>38,600,346</u>	<u>4,889,572</u>
EXPENDITURES				
General government:				
Board of Directors	197,170	197,170	64,216	132,954
City Manager	519,686	525,886	525,792	94
City Attorney	453,844	458,510	458,510	
Human Resources	668,129	668,129	449,752	218,377
Finance	1,257,074	1,257,074	1,202,704	54,370
City Clerk	297,262	297,262	218,896	78,366
Public Information	217,700	219,800	180,956	38,844
Information Systems	1,094,000	1,106,356	955,317	151,039
Special General Fund Appropriations	2,447,360	2,468,705	202,074	2,266,631
Total general government	<u>7,152,225</u>	<u>7,198,892</u>	<u>4,258,217</u>	<u>2,940,675</u>
Community Development:				
Planning and Development	2,149,770	2,421,076	1,545,519	875,557
Total Community Development	<u>2,149,770</u>	<u>2,421,076</u>	<u>1,545,519</u>	<u>875,557</u>
Parks and Recreation:				
Parks and Trails	2,073,576	2,292,295	1,557,402	734,893
Sport Recreation	1,375,678	1,391,968	757,025	634,943
Total Parks and Recreation	<u>3,449,254</u>	<u>3,684,263</u>	<u>2,314,427</u>	<u>1,369,836</u>
Public Works:				
Public Works Administration	1,713,394	1,886,365	1,067,937	818,428
Engineering	423,257	459,492	442,011	17,481
Traffic	1,039,466	1,107,689	908,215	199,474
Total Public Works	<u>3,176,117</u>	<u>3,453,546</u>	<u>2,418,163</u>	<u>1,035,383</u>
Total expenditures	<u>15,927,366</u>	<u>16,757,777</u>	<u>10,536,326</u>	<u>6,221,451</u>
Excess of revenues over expenditures	<u>17,740,073</u>	<u>16,952,997</u>	<u>28,064,020</u>	<u>11,111,023</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,914,313)	(19,173,929)	(17,536,310)	1,637,619
Transfers in	80,750	80,750	4,521,483	4,440,733
Issuance of debt	526,000	526,000	526,000	
Total other financing sources and uses	<u>(17,307,563)</u>	<u>(18,567,179)</u>	<u>(12,488,827)</u>	<u>6,078,352</u>
Net change in fund balances	432,510	(1,614,182)	15,575,193	17,189,375
Fund balances - beginning	22,537,722	22,537,722	22,537,722	
Fund balances - ending	<u>\$ 22,970,232</u>	<u>\$ 20,923,540</u>	<u>\$ 38,112,915</u>	<u>\$ 17,189,375</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, 2023

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,829,095	\$ 5,829,095	\$ 5,861,958	\$ 32,863
Fees and permits	117,000	117,000	142,654	25,654
Intergovernmental	1,589,099	1,589,099	1,625,241	36,142
Fines and forfeitures	60,000	60,000	74,705	14,705
Investment earnings (loss)	100	100	1,509	1,409
Miscellaneous	19,000	(70,085)	110,939	181,024
Total revenues	<u>7,614,294</u>	<u>7,525,209</u>	<u>7,817,006</u>	<u>291,797</u>
EXPENDITURES				
Public safety:				
Personnel	13,200,963	13,505,636	13,514,703	(9,067)
Services	1,337,494	1,476,111	1,185,283	290,828
Supplies	1,093,663	1,338,208	1,113,525	224,683
Intergovernmental exp	30,000	30,000	30,000	
Principal	472,651	472,651	385,488	87,163
Interest	41,362	41,362	43,449	(2,087)
Capital outlay	578,440	2,325,354	1,979,602	345,752
Total expenditures	<u>16,754,573</u>	<u>19,189,322</u>	<u>18,252,050</u>	<u>937,272</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,140,279)</u>	<u>(11,664,113)</u>	<u>(10,435,044)</u>	<u>1,229,069</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,703,279	9,699,953	9,429,808	(270,145)
Transfers out	(56,000)	(477,856)	(215,652)	262,204
Issuance of debt	493,000	493,000	493,000	
Total other financing sources (uses)	<u>9,140,279</u>	<u>9,715,097</u>	<u>9,707,156</u>	<u>(7,941)</u>
Net change in fund balances		(1,949,016)	(727,888)	1,221,128
Fund balance - beginning	2,883,252	2,883,252	2,883,252	
Fund balance - ending	<u>\$ 2,883,252</u>	<u>\$ 934,236</u>	<u>\$ 2,155,364</u>	<u>\$ 1,221,128</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, 2023

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,747,316	\$ 3,747,316	\$ 3,907,972	\$ 160,656
Fees and permits	15,400	15,400	24,704	9,304
Intergovernmental	850,000	850,000	959,148	109,148
Investment earnings (loss)			7,065	7,065
Miscellaneous	27,800	27,800	61,015	33,215
Total revenues	<u>4,640,516</u>	<u>4,640,516</u>	<u>4,959,904</u>	<u>319,388</u>
EXPENDITURES				
Public safety:				
Personnel	9,356,637	9,356,637	9,497,909	(141,272)
Services	967,670	969,333	772,279	197,054
Supplies	474,046	551,109	639,731	(88,622)
Principal	796,417	796,417	639,945	156,472
Interest	75,065	75,065	85,720	(10,655)
Capital outlay	973,000	1,151,490	222,541	928,949
Total expenditures	<u>12,642,835</u>	<u>12,900,051</u>	<u>11,858,125</u>	<u>1,041,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,002,319)</u>	<u>(8,259,535)</u>	<u>(6,898,221)</u>	<u>1,361,314</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,117,319	7,117,319	6,020,344	(1,096,975)
Issuance of debt	885,000	885,000	885,000	
Total other financing sources (uses)	<u>8,002,319</u>	<u>8,002,319</u>	<u>6,905,344</u>	<u>(1,096,975)</u>
Net change in fund balances		(257,216)	7,123	264,339
Fund balance - beginning	629,630	629,630	629,630	
Fund balance - ending	<u>\$ 629,630</u>	<u>\$ 372,414</u>	<u>\$ 636,753</u>	<u>\$ 264,339</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, 2023

	<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	\$ 34,433	\$ (15,567)
Intergovernmental	6,257,495	6,257,495	13,431,443	7,173,948
Investment earnings (loss)	2,000	2,000	537,805	535,805
Miscellaneous	500	500	146,602	146,102
Total revenues	<u>6,309,995</u>	<u>6,309,995</u>	<u>14,150,283</u>	<u>7,840,288</u>
EXPENDITURES				
Personnel	1,343,133	1,343,133	1,095,347	247,786
Services	6,123,810	9,138,043	4,998,684	4,139,359
Supplies	667,200	683,253	425,530	257,723
Principal	215,144	215,144	147,959	67,185
Interest	27,378	27,378	26,070	1,308
Capital outlay	526,000	839,456	542,463	296,993
Total expenditures	<u>8,902,665</u>	<u>12,246,407</u>	<u>7,236,053</u>	<u>5,010,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,592,670)</u>	<u>(5,936,412)</u>	<u>6,914,230</u>	<u>12,850,642</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	468,590	468,590	653,000	184,410
Transfers out	(150,000)	(639,466)	(139,652)	499,814
Issuance of debt	380,000	380,000	380,000	
Total other financing sources (uses)	<u>698,590</u>	<u>209,124</u>	<u>893,348</u>	<u>684,224</u>
Net change in fund balances	<u>(1,894,080)</u>	<u>(5,727,288)</u>	<u>7,807,578</u>	<u>13,534,866</u>
Fund balance - beginning	10,786,035	10,786,035	10,786,035	
Fund balance - ending	<u>\$ 8,891,955</u>	<u>\$ 5,058,747</u>	<u>\$ 18,593,613</u>	<u>\$ 13,534,866</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, 2023

Total OPEB Liability	2017	2018	2019	2020	2021	2022	2023
Service cost	\$ 306,471	\$ 370,071	\$ 335,464	\$ 408,243	\$ 480,175	\$ 417,268	\$ 299,252
Interest	165,934	187,234	213,267	195,804	140,672	125,892	213,039
Changes of benefit terms							(1,010,275)
Differences between expected and actual experience	79,562	(238,611)	728,016	571,909	(164,245)	(921,309)	(39,933)
Changes in assumptions or other inputs	36,028	(249,396)	(406,393)	(466,506)	(1,274,576)	-	297,127
Benefit payments	(86,058)	(90,882)	(119,734)	(131,838)	(172,360)	(146,338)	(166,871)
Net change in total OPEB liability	501,937	(21,584)	750,620	577,612	(990,334)	(524,487)	(407,661)
Total OPEB liability - beginning	4,432,427	4,934,364	4,912,780	5,663,400	6,241,012	5,250,678	4,726,191
Total OPEB liability - ending	\$ 4,934,364	\$ 4,912,780	\$ 5,663,400	\$ 6,241,012	\$ 5,250,678	\$ 4,726,191	\$ 4,318,530
Covered-employee payroll	\$ 24,145,025	\$ 24,929,738	\$ 25,796,450	\$ 26,634,835	\$ 26,906,957	\$ 32,082,788	\$ 32,822,596
Total OPEB liability as a percentage of							
Covered-employee payroll	20.44%	19.71%	21.95%	23.43%	19.50%	14.70%	13.20%

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 CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2023

Total Pension Liability	2015	2016	2017	2018	2019	2020	2021	2022	2023
Interest on the Total Pension Liability	\$ 1,390,952	\$ 992,623	\$ 935,891	\$ 946,832	\$ 857,169	\$ 883,599	\$ 707,516	\$ 540,373	\$ 475,314
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)	419,635
Changes of assumptions	10,059,689	(30,399)	(597,312)	1,288,459	(1,147,175)	2,614,637	2,261,469	638,396	(5,227,611)
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)	(1,736,275)
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)	(6,068,937)
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	26,700,427
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	\$ 20,631,490
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	\$ 1,809,315
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)	(1,736,275)
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)	73,040
Plan fiduciary net position - beginning	539,110	451,382	370,219	(287,079)	(461,134)	(1,268,106)	(1,299,633)	(1,303,733)	(1,461,565)
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)	\$ (1,388,525)
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	\$ 22,020,015
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%	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	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, 2023

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
2023	1,548,984	1,548,984		-	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: 12/31/2022

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	16 years beginning January 1, 2022
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 MXP-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.

Changes in assumptions:

The following single discount rates were used in each period:

2023: 4.05%	2018: 3.31%
2022: 1.84%	2017: 3.78%
2021: 2.00%	2016: 3.58%
2020: 2.75%	2015: 3.57%
2019: 3.71%	2014: 3.57%

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, 2023

Total Pension Liability	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	\$ 1,585,096
Differences between expected and actual experience	(13,618)	(1,596,791)	269,092	730,678	303,192	(718,675)	642,837	687,000	321,250
Changes of assumptions		404,504		1,538,172	-	-	-	(36,474)	(560,549)
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)	(1,954,817)
Net change in Total Pension Liability	30,133	(1,170,584)	74,952	2,036,633	6,376	(992,006)	314,986	297,317	(609,020)
Total Pension Liability - beginning	<u>23,023,831</u>	<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>
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>	<u>\$ 23,012,618</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	\$ 983,562
Net investment income	1,007,240	26,018	804,014	1,901,756	(414,996)	2,461,180	1,925,208	2,601,560	(2,556,523)
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)	(1,954,817)
Administrative expense	(23,934)	(32,964)	(25,891)	(24,381)	(27,513)	(21,645)	(23,810)	(21,592)	(16,798)
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	(3,544,576)
Plan Fiduciary Net Position - beginning	<u>14,269,462</u>	<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>
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>	<u>\$ 14,301,382</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>	<u>\$ 8,711,236</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%	62.15%
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	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, 2023

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
2023	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, 2022

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	16 years beginning January 1, 2022
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.

Changes in assumptions:

The following single discount rates were used in each period:

2023: 7.25%	2018: 7.00%
2022: 7.00%	2017: 7.75%
2021: 7.00%	2016: 7.75%
2020: 7.00%	2015: 8.00%
2019: 7.00%	2014: 8.00%

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, 2023

Plan Fiscal Year Ended June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	0.8260%	0.8225%	0.8483%	0.8606%	0.8561%	0.8923%	0.8900%	0.9220%	0.8914%
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	\$ 25,976,372
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	\$ 19,757,667
City's proportionate share of the net pension liability as a percentage of its covered payroll	106%	131%	140%	119%	124%	148%	38%	128%	131%
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%	77.94%

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, 2023

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%
2023	3,007,206	3,007,206		19,617,581	15.33%

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, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	2.6711%	2.7012%	2.7602%	2.7669%	2.7964%	2.7700%	2.8770%	2.9800%	3.1040%
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	\$ 33,139,614
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	12,073,377
City's proportionate share of the net pension liability as a percentage of its covered payroll	103%	151%	163%	197%	237%	202%	178%	124%	274%
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%	69.07%

*** 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, 2023

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%
2023	3,009,991	3,009,991		12,996,002	23.16%

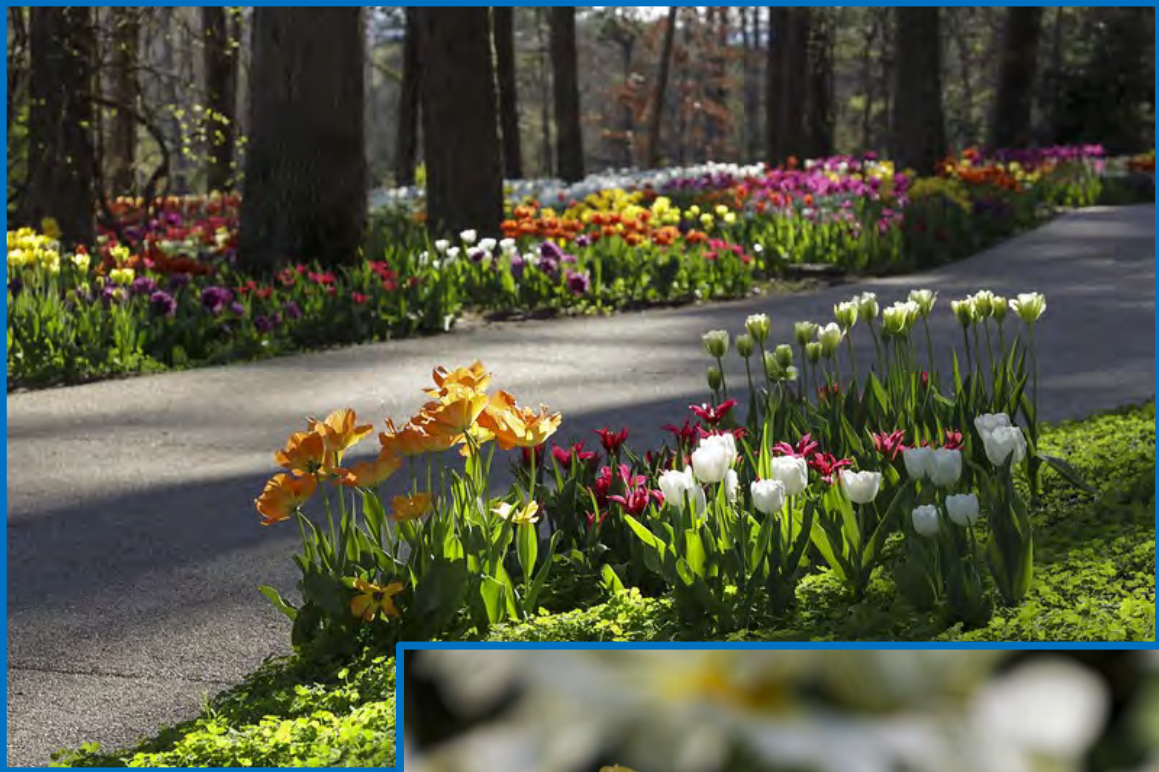
Notes to Schedule:

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

GARVAN GARDENS TULIPS



City of Hot Springs, Arkansas
EXPLANATION OF NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2023

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, 2023

	Special Revenue Funds			
	District Court	Miscellaneous Gift Fund	Public Transportation	CDBG Grant
ASSETS				
Cash and cash equivalents	\$ 252,346	\$ 29,610	\$ 13,884	\$ -
Investments	555,540	-	-	-
Interest receivable	877	-	-	-
Accounts receivable	97,753	-	-	-
Due from other funds	1,216	-	-	-
Intergovernmental receivables	1,966	-	370,429	69,818
Total assets	<u>909,698</u>	<u>29,610</u>	<u>384,313</u>	<u>69,818</u>
LIABILITIES				
Accounts payable	12,323	-	38,427	10,976
Accrued expenditures	17,354	-	18,259	-
Due to other governments	270	-	-	-
Due to other funds	88,382	-	215,718	54,285
Unearned revenue	480	29,610	24,801	4,557
Total liabilities	<u>118,809</u>	<u>29,610</u>	<u>297,205</u>	<u>69,818</u>
FUND BALANCES (DEFICIT)				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	-	-	-
Public safety	790,889	-	-	-
Public transportation	-	-	87,108	-
Public works	-	-	-	-
Total Fund Balances (Deficit)	<u>790,889</u>	<u>-</u>	<u>87,108</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 909,698</u>	<u>\$ 29,610</u>	<u>\$ 384,313</u>	<u>\$ 69,818</u>

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

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

December 31, 2023

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
ASSETS				
Cash and cash equivalents	\$ 82,542	\$ 68,939	\$ 311,973	\$ 8,776
Investments	-	-	666,404	-
Interest receivable	-	-	1,335	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Intergovernmental receivables	-	162,283	766,814	-
Total assets	<u>82,542</u>	<u>231,222</u>	<u>1,746,526</u>	<u>8,776</u>
LIABILITIES				
Accounts payable	-	122,315	3,523	8,776
Accrued expenditures	-	-	-	-
Due to other governments	-	-	1,044,496	-
Due to other funds	-	-	58,402	-
Unearned revenue	19,029	105,582	47,293	-
Total liabilities	<u>19,029</u>	<u>227,897</u>	<u>1,153,714</u>	<u>8,776</u>
FUND BALANCES (DEFICIT)				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	3,325	-	-
Public safety	-	-	592,812	-
Public transportation	-	-	-	-
Public works	63,513	-	-	-
Total Fund Balances (Deficit)	<u>63,513</u>	<u>3,325</u>	<u>592,812</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 82,542</u>	<u>\$ 231,222</u>	<u>\$ 1,746,526</u>	<u>\$ 8,776</u>

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

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

December 31, 2023

	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 148,149	\$ 674,099	\$ 1,590,318
Investments	198,742	1,076,872	2,497,558
Interest receivable	-	-	2,212
Accounts receivable	-	-	97,753
Due from other funds	-	-	1,216
Intergovernmental receivables	-	-	1,371,310
Total assets	346,891	1,750,971	5,560,367
LIABILITIES			
Accounts payable	1	-	196,341
Accrued expenditures	45,692	-	81,305
Due to other governments	-	-	1,044,766
Due to other funds	-	-	416,787
Unearned revenue	46,001	-	277,353
Total liabilities	91,694	-	2,016,552
FUND BALANCES (DEFICIT)			
Restricted:			
Debt service	255,197	-	255,197
Capital projects	-	1,750,971	1,750,971
Parks	-	-	3,325
Public safety	-	-	1,383,701
Public transportation	-	-	87,108
Public works	-	-	63,513
Total Fund Balances (Deficit)	255,197	1,750,971	3,543,815
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 346,891	\$ 1,750,971	\$ 5,560,367

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

City of Hot Springs, Arkansas
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	Special Revenue Funds			
	District Court	Miscellaneous Gift Fund	Public Transportation	CDBG Grant
REVENUES				
Taxes	\$	\$	\$	\$
Fees and permits				7,044
Charges for services			112,076	
Intergovernmental	541,657		1,546,897	476,483
Fines and forfeitures	226,072			
Investment earnings (loss)	15,367			
Miscellaneous	7,202	14,564	16,304	
Total revenues	<u>790,298</u>	<u>14,564</u>	<u>1,675,277</u>	<u>483,527</u>
EXPENDITURES				
Current:				
General government				10,357
Community development				369,063
Public transportation			1,670,447	
Public safety	1,324,118	14,564		
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay			496,447	104,107
Total expenditures	<u>1,324,118</u>	<u>14,564</u>	<u>2,166,894</u>	<u>483,527</u>
Excess (deficiency) of revenues over expenditures	<u>(533,820)</u>		<u>(491,617)</u>	
OTHER FINANCING SOURCES				
Transfers in	651,654		491,617	
Transfers out	(43,193)			
Total other financing sources	<u>608,461</u>		<u>491,617</u>	
Net Change in Fund Balance (deficit)	74,641			
Fund Balance (deficit), Beginning of Year	<u>716,248</u>		<u>87,108</u>	
Fund Balance (deficit), End of Year	<u>\$ 790,889</u>	<u>\$</u>	<u>\$ 87,108</u>	<u>\$</u>
Funds do not reconcile by:				

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

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, 2023

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
REVENUES				
Taxes	\$	\$	\$	\$
Fees and permits				
Charges for services				
Intergovernmental	69,680	484,524	4,541,324	
Fines and forfeitures				88,093
Investment earnings (loss)			24,161	
Miscellaneous	20,000		176,601	
Total revenues	<u>89,680</u>	<u>484,524</u>	<u>4,742,086</u>	<u>88,093</u>
EXPENDITURES				
Current:				
General government				
Community development				
Public transportation				
Public safety			4,932,970	93,433
Debt service:				
Principal				
Interest				(1)
Capital expenditures:				
Capital outlay	130,000	605,655	(20)	
Total expenditures	<u>130,000</u>	<u>605,655</u>	<u>4,932,950</u>	<u>93,432</u>
Excess (deficiency) of revenues over expenditures	<u>(40,320)</u>	<u>(121,131)</u>	<u>(190,864)</u>	<u>(5,339)</u>
OTHER FINANCING SOURCES				
Transfers in	40,320	121,131	215,652	21,340
Transfers out				
Total other financing sources	<u>40,320</u>	<u>121,131</u>	<u>215,652</u>	<u>21,340</u>
Net Change in Fund Balance (deficit)			24,788	16,001
Fund Balance (deficit), Beginning of Year	<u>63,513</u>	<u>3,325</u>	<u>568,024</u>	<u>(16,001)</u>
Fund Balance (deficit), End of Year	<u>\$ 63,513</u>	<u>\$ 3,325</u>	<u>\$ 592,812</u>	<u>\$</u>
Funds do not reconcile by:				

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

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, 2023

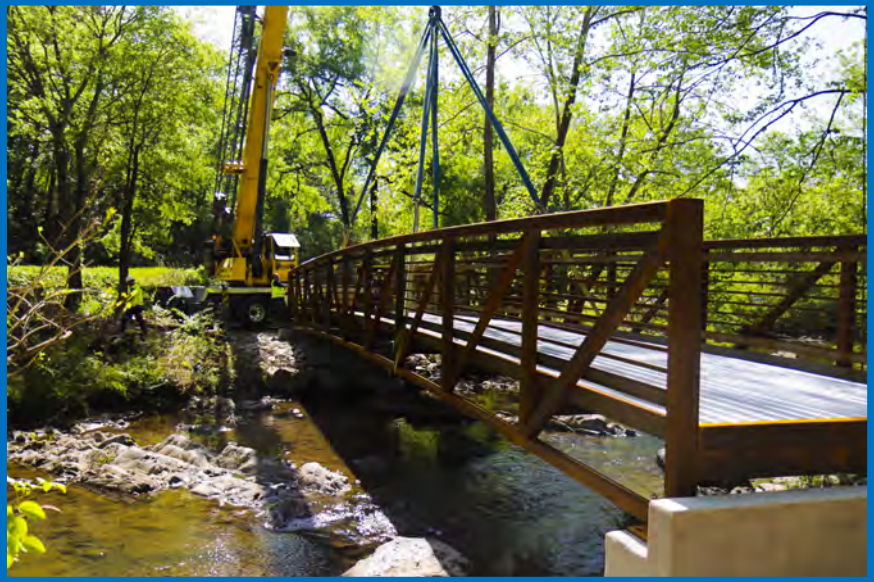
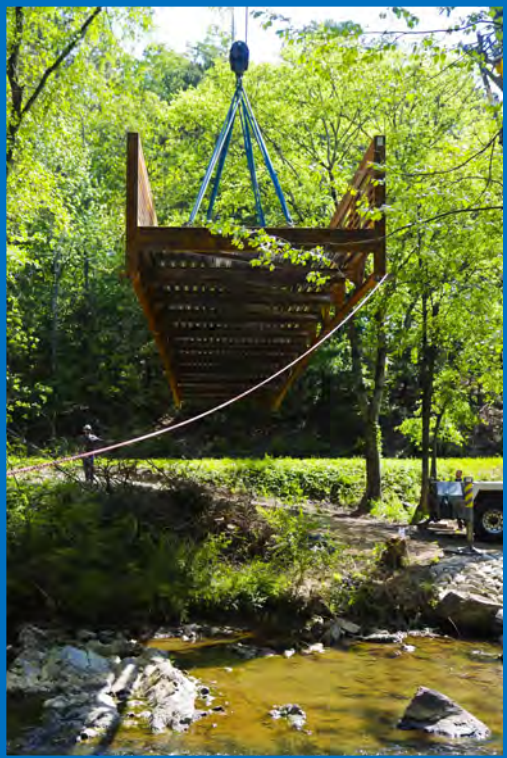
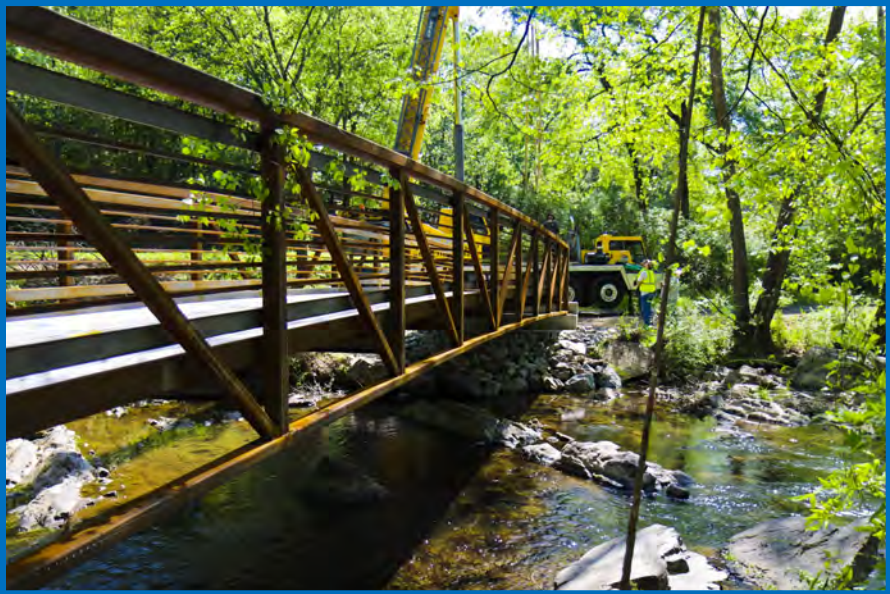
	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$	\$ 229	\$ 229
Fees and permits			7,044
Charges for services			112,076
Intergovernmental	596,186		8,256,751
Fines and forfeitures			314,165
Investment earnings (loss)	5,663	4,436	49,627
Miscellaneous			234,672
Total revenues	601,849	4,665	8,974,564
EXPENDITURES			
Current:			
General government	1,612		11,969
Community development			369,064
Public transportation			1,670,447
Public safety			6,365,085
Debt service:			
Principal	335,000		335,000
Interest	280,412		280,411
Capital expenditures:			
Capital outlay			1,336,189
Total expenditures	617,024		10,368,165
Excess (deficiency) of revenues over expenditures	(15,175)	4,665	(1,393,601)
OTHER FINANCING SOURCES			
Transfers in	431,434		1,973,148
Transfers out	(431,434)		(474,627)
Total other financing sources			1,498,521
Net Change in Fund Balance (deficit)	(15,175)	4,665	104,920
Fund Balance (deficit), Beginning of Year	270,372	1,746,306	3,438,895
Fund Balance (deficit), End of Year	\$ 255,197	\$ 1,750,971	\$ 3,543,815

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

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INTERNAL SERVICE FUNDS

GREENWAY BRIDGE INSTALLATION



City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2023

	<u>Fleet Service</u>	<u>Utility Administration</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 300	\$ 89,137	\$ 3,261,460	\$ 3,350,897
Investments		230,956	6,981,541	7,212,497
Accounts receivable		25	6,541	6,566
Due from other funds		48,400		48,400
Inventories	442,499	1,357,679		1,800,178
Total current assets	<u>442,799</u>	<u>1,726,197</u>	<u>10,249,542</u>	<u>12,418,538</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	473,723		757,677
Machinery and equipment	567,825	2,758,084		3,325,909
Less accumulated depreciation	(899,340)	(2,774,970)		(3,674,310)
Subscription assets, net		161,254		161,254
Total noncurrent assets (net of accumulated depreciation)	<u>190,352</u>	<u>1,564,568</u>		<u>1,754,920</u>
Total assets	<u>633,151</u>	<u>3,290,765</u>	<u>10,249,542</u>	<u>14,173,458</u>
LIABILITIES				
Current liabilities:				
Accounts payable	65,000	267,743	27,820	360,563
Due to other funds	187,494	1,628,349		1,815,843
Compensated absences	13,654	39,202		52,856
Accrued expenses	15,090	62,102	300,000	377,192
Total current liabilities	<u>281,238</u>	<u>1,997,396</u>	<u>327,820</u>	<u>2,606,454</u>
Noncurrent liabilities:				
Compensated absences	99,185	284,781		383,966
Subscription liability		160,129		160,129
Total noncurrent liabilities	<u>99,185</u>	<u>444,910</u>		<u>544,095</u>
Total liabilities	<u>380,423</u>	<u>2,442,306</u>	<u>327,820</u>	<u>3,150,549</u>
NET POSITION				
Net investment in capital assets	190,352	1,564,568		1,754,920
Unrestricted	62,376	(716,109)	9,921,722	9,267,989
Total net position	<u>\$ 252,728</u>	<u>\$ 848,459</u>	<u>\$ 9,921,722</u>	<u>\$ 11,022,909</u>

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

City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

	<u>Fleet Service</u>	<u>Utility Administration</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
OPERATING REVENUES				
Other service fees	\$	\$ 452,148	\$ 583,650	\$ 1,035,798
Reimbursement from other funds	1,143,234	5,266,689	4,850,096	11,260,019
Miscellaneous other revenue	5,699	20,510	347,799	374,008
Total operating revenues	<u>1,148,933</u>	<u>5,739,347</u>	<u>5,781,545</u>	<u>12,669,825</u>
OPERATING EXPENSES				
Salaries and benefits	941,038	3,279,637		4,220,675
Services	92,509	1,281,617	4,539,258	5,913,384
Supplies	106,674	931,984		1,038,658
Depreciation and Amortization	8,717	241,820		250,537
Total operating expenses	<u>1,148,938</u>	<u>5,735,058</u>	<u>4,539,258</u>	<u>11,423,254</u>
Operating income (loss)	<u>(5)</u>	<u>4,289</u>	<u>1,242,287</u>	<u>1,246,571</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings			18,883	18,883
Other		(4,286)		(4,286)
Total nonoperating revenue (expense)		<u>(4,286)</u>	<u>18,883</u>	<u>14,597</u>
Change in net position	(5)	3	1,261,170	1,261,168
Net position - beginning	<u>252,733</u>	<u>848,456</u>	<u>8,660,552</u>	<u>9,761,741</u>
Net position - ending	<u>\$ 252,728</u>	<u>\$ 848,459</u>	<u>\$ 9,921,722</u>	<u>\$ 11,022,909</u>

The notes to the 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, 2023

	<u>Fleet</u>	<u>Utility Admin</u>	<u>Employee Wellness Fund</u>	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATION ACTIVITIES				
Receipts from customers and users	\$ -	\$ 452,148	\$ 577,109	\$ 1,029,257
Other receipts	5,699	(27,907)	347,799	325,591
Receipts - other departments	1,285,542	5,447,622	4,850,096	11,583,260
Payments to suppliers and service providers	(356,809)	(2,074,133)	(4,609,727)	(7,040,669)
Payments to employees	(949,693)	(3,236,614)	-	(4,186,307)
Net cash provided by (used for) operating activities	<u>(15,261)</u>	<u>561,116</u>	<u>1,165,277</u>	<u>1,711,132</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(18,634)	(385,832)	-	(404,466)
Payment on related debt cost	-	(4,286)	-	(4,286)
Net cash used for capital and related financing activities	<u>(18,634)</u>	<u>(390,118)</u>	<u>-</u>	<u>(408,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(113,906)	(1,816,466)	(1,930,372)
Investment income	-	-	18,883	18,883
Net cash used for investing activities	<u>-</u>	<u>(113,906)</u>	<u>(1,797,583)</u>	<u>(1,911,489)</u>
Net change in cash and cash equivalents	(33,895)	57,092	(632,306)	(609,109)
Cash and cash equivalents -- January 1	34,195	32,045	3,893,766	3,960,006
Cash and Cash equivalents -- December 31	<u>\$ 300</u>	<u>\$ 89,137</u>	<u>\$ 3,261,460</u>	<u>\$ 3,350,897</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, 2023

	<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 (used for) Operating Activities:				
Operating income (loss)	\$ (5)	\$ 4,289	\$ 1,242,287	\$ 1,246,571
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Net cash provided by (used for) capital and related financing				
Depreciation expense	8,717	241,820	-	250,537
(Increases) decreases in assets				
Accounts receivable	-	(48,417)	(6,541)	(54,958)
Inventory	(86,318)	(428,110)	-	(514,428)
Increases (decreases) in liabilities				
Accounts payable	71,382	736,558	(70,469)	737,471
Compensated absences	(8,655)	43,023	-	34,368
Accrued expenses	(382)	11,953	-	11,571
Total adjustments	<u>(15,256)</u>	<u>556,827</u>	<u>(77,010)</u>	<u>464,561</u>
Net cash provided by operating activities	<u>\$ (15,261)</u>	<u>\$ 561,116</u>	<u>\$ 1,165,277</u>	<u>\$ 1,711,132</u>

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

CUSTODIAL FUNDS

GREENWAY TRAIL



City of Hot Springs, Arkansas
COMBINING STATEMENT OF NET POSITION
CUSTODIAL FUNDS

For the Year Ended December 31, 2023

	District Court Custodial Fund	Administration of Justice Fund	Royal Water Improvement District	Total Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 279,238	\$ -	\$ 79,749	\$ 358,987
Receivables				
Due from service providers	26,999	-	-	26,999
Collected for members	-	-	78,362	78,362
Total receivables	26,999	-	78,362	105,361
Total assets	306,237	-	158,111	464,348
LIABILITIES				
Accounts payable	-	-	158,111	158,111
Due to other governments	168,674	-	-	168,674
Total liabilities	168,674	-	158,111	326,785
NET POSITION				
Individuals, organizations, and other governments	137,563	-	-	137,563
Total net position	\$ 137,563	\$ -	\$ -	\$ 137,563

City of Hot Springs, Arkansas
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
CUSTODIAL FUNDS

For the Year Ended December 31, 2023

	<u>District Court Custodial Fund</u>	<u>Administration of Justice Fund</u>	<u>Royal Water Improvement District</u>	<u>Total Custodial Funds</u>
ADDITIONS				
District court fines collected	\$ 3,521,102	\$ 945,460	\$ -	\$ 4,466,562
Collections from customer on behalf of another party	<u>-</u>	<u>-</u>	<u>1,015,616</u>	<u>1,015,616</u>
Total additions	<u>\$ 3,521,102</u>	<u>\$ 945,460</u>	<u>\$ 1,015,616</u>	<u>\$ 5,482,178</u>
DEDUCTIONS				
District Court fines distributed to other governments	\$ 3,517,912	\$ 981,980	\$ -	\$ 4,499,892
Payments of customer collections	<u>-</u>	<u>-</u>	<u>1,015,616</u>	<u>1,015,616</u>
Total deductions	<u>\$ 3,517,912</u>	<u>\$ 981,980</u>	<u>\$ 1,015,616</u>	<u>\$ 5,515,508</u>
Net increase (decrease) in fiduciary net position	3,190	(36,520)	-	(33,330)
Net position-beginning	<u>134,373</u>	<u>36,520</u>	<u>-</u>	<u>170,893</u>
Net position-ending	<u><u>\$ 137,563</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 137,563</u></u>

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, 2023

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Sales	\$ 18,254,692	\$ 18,254,692	\$ 19,539,859	\$ 1,285,167
Mixed drink and other	1,000,000	1,000,000	1,336,132	336,132
Code inspection	739,700	739,700	798,018	58,318
Business licenses	1,055,000	1,055,000	1,543,109	488,109
Alcoholic beverage	150,000	150,000	157,433	7,433
Franchise	2,812,500	2,812,500	3,180,610	368,110
Other	93,800	93,800	106,810	13,010
State turnback	568,950	568,950	579,003	10,053
County aid	576,403	594,115	624,238	30,123
Charge for services	3,006,144	3,006,144	3,020,944	14,800
Gaming and breakage	4,508,000	4,508,000	4,870,001	362,001
Fines and forfeitures	586,750	586,750	656,982	70,232
Investment earnings	75,000	75,000	1,756,450	1,681,450
Miscellaneous	240,500	266,123	430,757	164,634
Total revenues	<u>33,667,439</u>	<u>33,710,774</u>	<u>38,600,346</u>	<u>4,889,572</u>
EXPENDITURES				
General Government				
Board of Directors				
Personnel Costs	1,370	1,370	1,120	250
Services	57,300	57,300	47,333	9,967
Supplies	38,500	38,500	15,763	22,737
Reserves	100,000	100,000		100,000
Total Board of Directors	<u>197,170</u>	<u>197,170</u>	<u>64,216</u>	<u>132,954</u>
City Manager				
Personnel Costs	465,836	472,036	490,858	(18,822)
Services	38,300	38,300	29,551	8,749
Supplies	5,550	6,750	5,383	1,367
Reserves	10,000	8,800		8,800
Total City Manager	<u>519,686</u>	<u>525,886</u>	<u>525,792</u>	<u>94</u>
City Attorney				
Personnel Costs	417,879	422,545	437,629	(15,084)
Services	23,465	23,465	12,730	10,735
Supplies	12,500	12,500	8,151	4,349
Total City Attorney	<u>453,844</u>	<u>458,510</u>	<u>458,510</u>	
Human Resources				
Personnel Costs	488,639	488,639	385,430	103,209
Services	153,300	147,572	46,350	101,222
Supplies	26,190	31,918	17,972	13,946
Total Human Resources	<u>668,129</u>	<u>668,129</u>	<u>449,752</u>	<u>218,377</u>
Finance				
Personnel Costs	985,352	985,352	946,273	39,079
Services	243,822	243,822	232,430	11,392
Supplies	27,900	27,900	24,001	3,899
Total Finance	<u>1,257,074</u>	<u>1,257,074</u>	<u>1,202,704</u>	<u>54,370</u>
City Clerk				
Personnel Costs	181,084	181,084	180,960	124
Services	113,521	113,521	36,896	76,625
Supplies	2,657	2,657	1,040	1,617
Total City Clerk	<u>297,262</u>	<u>297,262</u>	<u>218,896</u>	<u>78,366</u>
Public Information				
Personnel Costs	172,006	172,006	147,876	24,130
Services	32,174	32,174	26,094	6,080
Supplies	13,520	15,620	6,986	8,634
Total Public Information	<u>217,700</u>	<u>219,800</u>	<u>180,956</u>	<u>38,844</u>
Information Systems				
Personnel Costs	705,893	705,893	715,049	(9,156)
Services	205,257	201,357	179,857	21,500
Supplies	37,850	55,550	60,411	(4,861)
Capital Assets	145,000	143,556		143,556
Total Information Systems	<u>1,094,000</u>	<u>1,106,356</u>	<u>955,317</u>	<u>151,039</u>

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

The notes to the 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

(continued)

For the Year Ended December 31, 2023

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
Special Appropriations				
Personnel Costs	(50,000)	(50,000)	(987,253)	937,253
Services	433,241	433,241	344,542	88,699
Intergovernmental	82,175	82,175	74,985	7,190
Reserves	160,750	160,750		160,750
Transfers Out	1,170,000	1,191,345	240,046	951,299
Debt Service	651,194	651,194	529,754	121,440
Total Special Appropriations	<u>2,447,360</u>	<u>2,468,705</u>	<u>202,074</u>	<u>2,266,631</u>
Total General Government	<u>7,152,225</u>	<u>7,198,892</u>	<u>4,258,217</u>	<u>2,940,675</u>
Community Development				
Planning Development				
Personnel Costs	1,524,264	1,524,264	1,009,759	514,505
Services	446,725	670,497	377,901	292,596
Supplies	98,781	98,781	56,387	42,394
Capital Assets	80,000	127,534	101,472	26,062
Total Planning and Development	<u>2,149,770</u>	<u>2,421,076</u>	<u>1,545,519</u>	<u>875,557</u>
Total Community Development	<u>2,149,770</u>	<u>2,421,076</u>	<u>1,545,519</u>	<u>875,557</u>
Parks and Recreation				
Parks and Trails				
Personnel Costs	1,205,193	1,205,193	735,849	469,344
Services	320,870	328,501	314,153	14,348
Supplies	278,513	297,718	295,552	2,166
Capital Assets	269,000	460,883	211,848	249,035
Total Parks and Trails	<u>2,073,576</u>	<u>2,292,295</u>	<u>1,557,402</u>	<u>734,893</u>
Sport Recreation				
Personnel Costs	166,441	166,441	136,036	30,405
Services	174,475	190,765	212,333	(21,568)
Supplies	44,762	52,762	39,533	13,229
Capital Assets	990,000	982,000	369,123	612,877
Total Sport Recreation	<u>1,375,678</u>	<u>1,391,968</u>	<u>757,025</u>	<u>634,943</u>
Total Parks and Recreation	<u>3,449,254</u>	<u>3,684,263</u>	<u>2,314,427</u>	<u>1,369,836</u>
Public Works				
Public Works Administration				
Personnel Costs	553,049	553,049	125,115	427,934
Services	700,815	756,366	558,163	198,203
Supplies	119,530	126,950	143,279	(16,329)
Capital Assets	340,000	450,000	241,380	208,620
Total Public Works Admin	<u>1,713,394</u>	<u>1,886,365</u>	<u>1,067,937</u>	<u>818,428</u>
Engineering				
Personnel Costs	327,917	327,917	348,524	(20,607)
Services	43,340	49,575	29,238	20,337
Supplies	22,000	22,000	16,878	5,122
Capital Assets	30,000	60,000	47,371	12,629
Total Engineering	<u>423,257</u>	<u>459,492</u>	<u>442,011</u>	<u>17,481</u>
Traffic				
Personnel Costs	457,591	457,591	454,799	2,792
Services	210,275	243,075	226,191	16,884
Supplies	115,600	115,600	142,668	(27,068)
Capital Assets	256,000	291,423	84,557	206,866
Total Traffic	<u>1,039,466</u>	<u>1,107,689</u>	<u>908,215</u>	<u>199,474</u>
Total Public Works	<u>3,176,117</u>	<u>3,453,546</u>	<u>2,418,163</u>	<u>1,035,383</u>
Total expenditures	<u>15,927,366</u>	<u>16,757,777</u>	<u>10,536,326</u>	<u>6,221,451</u>
Excess (deficiency) of revenues over expenditures	<u>17,740,073</u>	<u>16,952,997</u>	<u>28,064,026</u>	<u>11,111,029</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,914,313)	(19,173,929)	(17,536,310)	1,637,619
Transfers in	80,750	80,750	4,521,483	4,440,733
Issuance of debt	526,000	526,000	526,000	
Total other financing sources and (uses)	<u>(17,307,563)</u>	<u>(18,567,179)</u>	<u>(12,488,827)</u>	<u>6,078,352</u>
Net change in fund balances	432,510	(1,614,182)	15,575,199	17,189,375
Fund balances - beginning	<u>22,537,722</u>	<u>22,537,722</u>	<u>22,537,722</u>	
Fund balances - ending	<u>\$ 22,970,232</u>	<u>\$ 20,923,540</u>	<u>\$ 38,112,921</u>	<u>\$ 17,189,375</u>

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

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, 2023

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 527,498	\$ 605,407	\$ 541,657	\$ (63,750)
Fines and forfeitures	276,800	276,800	226,072	(50,728)
Investment earnings (loss)	1,500	1,500	15,367	13,867
Miscellaneous	7,000	7,000	7,202	202
Total revenues	<u>812,798</u>	<u>890,707</u>	<u>790,298</u>	<u>(100,409)</u>
EXPENDITURES				
Public safety	1,333,478	1,439,642	1,324,118	115,524
Total expenditures	<u>1,333,478</u>	<u>1,439,642</u>	<u>1,324,118</u>	<u>115,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(520,680)</u>	<u>(548,935)</u>	<u>(533,820)</u>	<u>15,115</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	608,230	678,489	651,654	(26,835)
Transfers out	(40,000)	(40,000)	(43,193)	(3,193)
Total other financing sources (uses)	<u>568,230</u>	<u>638,489</u>	<u>608,461</u>	<u>(30,028)</u>
Net change in fund balance	47,550	89,554	74,641	(14,913)
Fund balances - beginning	716,248	716,248	716,248	-
Fund balances - ending	<u>\$ 763,798</u>	<u>\$ 805,802</u>	<u>\$ 790,889</u>	<u>\$ (14,913)</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, 2023

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 85,500	\$ 85,500	\$ 112,076	\$ 26,576
Intergovernmental	1,025,000	1,046,367	1,546,897	500,530
Miscellaneous	9,700	34,535	16,304	(18,231)
Total revenues	<u>1,120,200</u>	<u>1,166,402</u>	<u>1,675,277</u>	<u>508,875</u>
EXPENDITURES				
Public transportation	1,726,043	1,729,928	1,670,447	59,481
Capital outlay	25,000	521,198	496,447	24,751
Total expenditures	<u>1,751,043</u>	<u>2,251,126</u>	<u>2,166,894</u>	<u>84,232</u>
Total expenditures	<u>1,751,043</u>	<u>2,251,126</u>	<u>2,166,894</u>	<u>84,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(630,843)</u>	<u>(1,084,724)</u>	<u>(491,617)</u>	<u>593,107</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	630,843	630,843	491,617	(139,226)
Total other financing sources (uses)	<u>630,843</u>	<u>630,843</u>	<u>491,617</u>	<u>(139,226)</u>
Net change in fund balance	-	(453,881)	-	453,881
Fund balances - beginning	87,108	87,108	87,108	-
Fund balances - ending	<u>\$ 87,108</u>	<u>\$ (366,773)</u>	<u>\$ 87,108</u>	<u>\$ 453,881</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, 2023

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 91,313	\$ 91,313	\$ 88,093	\$ (3,220)
Total revenues	<u>91,313</u>	<u>91,313</u>	<u>88,093</u>	<u>(3,220)</u>
EXPENDITURES				
Public safety	91,313	98,090	93,433	4,657
Interest	-	-	(1)	1
Total expenditures	<u>91,313</u>	<u>98,090</u>	<u>93,432</u>	<u>4,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(6,777)</u>	<u>(5,339)</u>	<u>1,438</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	21,345	21,340	(5)
Total other financing sources (uses)	<u>-</u>	<u>21,345</u>	<u>21,340</u>	<u>(5)</u>
Net change in fund balance	-	14,568	16,001	1,433
Fund balances - beginning	(16,001)	(16,001)	(16,001)	-
Fund balances - ending	<u>\$ (16,001)</u>	<u>\$ (1,433)</u>	<u>\$ -</u>	<u>\$ 1,433</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	145
These Statements contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	153
These schedules contain information to help readers assess the City's most significant local revenue source -- sales tax.	
Debt Capacity	161
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	169
These schedules offer demographic and economic indications to help readers understand the environment within which the City's financial activities take place.	
Operating Information	173
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

MLK BENCH DEDICATION



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

	<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>	<u>2023</u>
Governmental activities										
Net investment in capital assets	\$ 25,044	\$ 24,549	\$ 24,845	\$ 24,314	\$ 26,126	\$ 25,859	\$ 25,664	\$ 18,847	\$ 20,492	\$ 23,807
Restricted	1,891	206	955	3,000	2,437	2,928	8,551	8,209	25,094	22,137
Unrestricted	1,642	(45,925)	(45,279)	(45,554)	(50,546)	(50,255)	(55,152)	(47,331)	(47,012)	(17,510)
Total Governmental activities net position	\$ 28,577	\$ (21,170)	\$ (19,479)	\$ (18,240)	\$ (21,983)	\$ (21,468)	\$ (20,937)	\$ (20,275)	\$ (1,426)	\$ 28,434
Business-type activities										
Net investment in capital assets	\$ 135,707	\$ 138,755	\$ 134,519	\$ 137,703	\$ 139,005	\$ 141,989	\$ 143,919	\$ 144,023	\$ 143,575	\$ 147,862
Restricted	7,716	3,658	10,221	10,077	10,674	10,574	12,070	11,651	12,072	13,119
Unrestricted	8,978	6,359	6,066	3,962	9,415	12,849	16,145	23,534	18,406	23,718
Total Business-type activities net position	\$ 152,401	\$ 148,772	\$ 150,806	\$ 151,742	\$ 159,094	\$ 165,412	\$ 172,134	\$ 179,208	\$ 174,053	\$ 184,699
Primary government										
Net investment in capital assets	\$ 160,751	\$ 163,304	\$ 159,364	\$ 162,017	\$ 165,131	\$ 167,848	\$ 169,583	\$ 162,870	\$ 164,067	\$ 171,669
Restricted	9,607	3,864	11,176	13,077	13,111	13,502	20,623	19,861	37,166	35,256
Unrestricted	10,620	(39,566)	(39,213)	(41,592)	(41,131)	(37,406)	(39,009)	(23,797)	(28,606)	6,208
Total Primary government net position	\$ 180,978	\$ 127,602	\$ 131,327	\$ 133,502	\$ 137,111	\$ 143,944	\$ 151,197	\$ 158,934	\$ 172,627	\$ 213,133

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

	2014	2015**	2016	2017	2018	2019	2020	2021	2022	2023
Expenses -										
Governmental activities										
General government	\$ 4,164	\$ 6,971	\$ 4,737	\$ 4,966	\$ 5,533	\$ 3,957	\$ 4,290	\$ 2,496	\$ 3,960	\$ 7,724
Community development	1,329	2,598	1,354	1,610	1,727	1,887	1,786	1,787	2,002	2,443
Parks and recreation	1,722	2,034	1,854	2,112	2,028	2,061	2,149	9,632	2,197	2,663
Public safety	22,909	31,177	23,065	25,806	30,313	29,052	31,782	32,722	29,539	30,204
Public transportation	1,684	1,974	1,394	1,586	1,644	1,652	1,729	1,590	1,821	1,778
Public works	6,318	6,806	5,421	6,123	5,958	6,239	6,040	5,998	9,234	9,888
Interest and long term debt	77	62	82	70	58	126	376	376	375	464
Total Governmental activities expenses	<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>54,601</u>	<u>49,128</u>	<u>55,163</u>
Business-type activities										
Water	10,189	11,654	11,610	12,046	12,990	13,930	15,814	17,057	19,352	21,443
Wastewater	14,947	15,096	15,513	15,387	16,402	17,717	19,252	17,628	20,381	22,212
Solid Waste	6,376	6,535	7,088	7,379	7,264	8,219	8,586	7,680	8,770	9,133
Airport	3,969	3,363	3,189	3,477	3,748	3,821	3,599	3,919	4,841	4,625
Stormwater	558	640	680	712	780	905	891	858	1,009	992
Parking	238	234	228	249	259	264	266	283	426	411
Total Business-type activities expenses	<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>47,426</u>	<u>54,779</u>	<u>58,816</u>
Total Primary government expenses	<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>\$ 102,027</u>	<u>\$ 103,907</u>	<u>\$ 113,979</u>
Program Revenues										
Governmental activities										
Charges for services*										
General Government	\$ 337	\$ 1,770	\$ 2,968	\$ 3,300	\$ 4,098	\$ 4,084	\$ 4,843	\$ 4,994	\$ 5,579	\$ 6,352
Community Development	331	412	258	326	549	689	587	705	834	1,241
Parks and Recreation	121	88	70	59	107	97	59	96	20	608
Public Safety	1,371	1,137	612	1,473	1,718	1,692	2,230	2,138	2,145	2,482
Public Transportation	161	161	149	157	147	141	112	104	132	128
Public Works	240	80	289	372	558	263	135	150	139	257
Operating grants/contributions	4,235	4,270	3,645	3,708	6,318	6,561	10,072	10,600	21,330	25,754
Capital grants/contributions	613	1,050	330	1,514	1,448	644	424	621	769	1,139
Total Governmental activities program revenues	<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>	<u>37,961</u>
Business Type Activities										
Charges for services	38,552	38,258	39,203	40,377	44,065	46,096	47,375	51,238	54,624	58,829
Operating grants/contributions				5	1,958	65	2,036	1,306	40	440
Capital grants/contributions	223	1,934	658	214	1,946	3,597	4,747	2,717	998	1,829
Total Business-type activities program revenues	<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>55,262</u>	<u>55,663</u>	<u>61,098</u>
Total Primary government program revenues	<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>\$ 74,670</u>	<u>\$ 86,610</u>	<u>\$ 99,059</u>
Net (Expense) Revenue										
Governmental activities	\$ (30,794)	\$ (42,654)	\$ (29,586)	\$ (31,364)	\$ (32,318)	\$ (30,803)	\$ (29,690)	\$ (35,193)	\$ (18,181)	\$ (17,202)
Business-type activities	2,498	2,670	1,553	1,346	6,526	4,902	5,750	7,836	884	2,282
Total Primary government net expense	<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>	<u>\$ (14,920)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Sales taxes	\$ 20,219	\$ 21,262	\$ 22,137	\$ 22,165	\$ 19,977	\$ 21,390	\$ 22,441	\$ 25,722	\$ 27,618	\$ 29,310
Franchise fees	2,679	2,519	2,631	2,705	2,711	2,655	2,810	2,678	2,921	3,181
Other taxes and revenues	6,112	6,312	6,479	9,311	5,711	6,806	6,188	7,631	8,306	9,451
Investment earnings	82	51	30	92	175	436	321	(141)	(1,657)	2,345
Transfers	0	0	0	0	0	31	(1,542)	(36)	(158)	2,776
Total Governmental activities	<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>35,855</u>	<u>37,030</u>	<u>47,063</u>
Business-type activities										
Sales tax	25	66	34	32	55	51	42	40	72	70
Investment earnings (loss)	707	666	447	563	769	1,397	920	(837)	(6,268)	8,004
Transfers	-	-	-	-	-	(31)	9	36	158	290
Total Business-type activities	<u>732</u>	<u>732</u>	<u>481</u>	<u>595</u>	<u>824</u>	<u>1,417</u>	<u>971</u>	<u>(761)</u>	<u>(6,039)</u>	<u>8,364</u>
Total Primary government	<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>	<u>\$ 55,426</u>
Change in Net Position										
Governmental activities	\$ (1,702)	\$ (12,510)	\$ 1,691	\$ 2,909	\$ (3,744)	\$ 515	\$ 529	\$ 662	\$ 18,848	\$ 29,860
Business-type activities	3,230	3,402	2,034	1,941	7,350	6,319	6,721	7,075	(5,155)	10,646
Total Primary government	<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>	<u>\$ 40,506</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>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>	<u>2023</u>
General Fund										
Nonspendable	\$ 328	\$ 387	\$ 455	\$ 482	\$ 1,132	\$ 1,143	\$ 641	\$ 785	\$ 837	\$ 984
Committed	421	194						2,993	10,853	11,643
Assigned			511	1,752	485	-	2,093	491	420	774
Unassigned	<u>5,065</u>	<u>4,527</u>	<u>3,757</u>	<u>3,441</u>	<u>4,223</u>	<u>5,924</u>	<u>9,576</u>	<u>14,147</u>	<u>10,428</u>	<u>24,712</u>
Total General Fund	<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>	<u>\$ 38,113</u>
All Other Governmental Funds										
Nonspendable	\$ 1									
Restricted	1,891	2,106	1,384	3,000	5,252	11,451	8,672	3,455	12,480	20,376
Committed								1,761	3,723	2,184
Assigned	547	433	1,643	1,590	2,372	-	3,301	3,109	1,550	2,369
Unassigned	<u>105</u>								<u>(16)</u>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 24,930</u>
Total governmental funds	<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>	<u>\$ 63,042</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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Taxes	\$ 24,308	\$ 21,833	\$ 23,457	\$ 24,454	\$ 25,192	\$ 22,173	\$ 23,060	\$ 26,643	\$ 28,792	\$ 30,646
Licenses, fees and permits	812	4,088	3,314	4,136	4,318	4,476	4,505	4,608	5,215	5,874
Charges for services	1,531	1,763	2,465	2,402	2,572	2,696	2,562	2,917	3,045	3,235
Intergovernmental	8,259	7,175	6,848	8,689	7,988	10,772	15,359	15,823	26,934	32,967
Intergovernmental - Gaming and breakage	1,528	1,939	2,081	2,263	2,397	3,414	2,979	3,947	4,397	4,870
Fines and penalties	1,074	867	1,096	985	947	830	909	918	752	1,046
Investment earnings	81	51	30	92	175	436	321	(141)	(1,657)	2,352
Other Revenue	401	542	405	517	422	312	604	739	681	1,003
Total Revenues	37,994	38,258	39,696	43,538	44,009	45,109	50,301	55,454	68,159	81,994
Expenditures										
General government	4,445	4,715	4,910	4,811	3,831	3,937	3,971	4,200	4,184	4,488
Community development	1,319	1,760	1,401	1,543	1,650	1,901	1,718	1,935	1,926	2,246
Parks and recreation	1,470	1,537	1,557	1,681	1,623	1,740	1,791	1,902	1,928	2,230
Public transportation	1,419	1,378	1,308	1,397	1,484	1,554	1,600	1,665	1,791	1,670
Public safety	21,969	22,345	22,591	23,729	25,423	26,261	27,431	29,199	31,515	33,119
Public works	5,286	4,793	4,208	4,861	4,668	5,365	5,207	5,185	8,603	8,980
Public utilities								354	1	-
Debt service										
Principal	965	1,335	1,672	1,656	1,619	1,313	1,650	1,928	2,144	2,020
Interest and other charges	75	83	82	70	57	126	376	376	371	454
Capital outlay	2,226	2,983	3,133	2,153	2,427	3,493	6,416	9,163	3,990	6,128
Total Expenditures	39,174	40,929	40,862	41,901	42,782	45,690	50,161	55,906	56,453	61,334
Excess of revenues over (under) expenditures	(1,180)	(2,671)	(1,166)	1,637	1,227	(582)	140	(452)	11,706	20,659
Other Financing Sources (Uses)										
Issuance of debt	1,370	1,963	1,272	878	2,097	9,889	1,358	2,946	1,987	2,284
Transfer in	12,660	13,201	13,255	13,287	14,540	16,044	14,014	15,674	17,407	22,598
Transfer out	(12,717)	(13,204)	(13,259)	(13,287)	(14,663)	(16,013)	(14,031)	(15,709)	(17,564)	(22,774)
Total Financing sources (uses)	1,313	1,960	1,268	878	1,973	9,919	1,341	2,910	1,829	2,108
Net change in fund balance	\$ 133	\$ (711)	\$ 102	\$ 2,515	\$ 3,200	\$ 9,337	\$ 1,481	\$ 2,458	\$ 13,535	\$ 22,767
Debt service as a percentage of noncapital expenditures	2.8%	3.7%	4.6%	4.3%	4.2%	3.4%	4.6%	4.9%	4.8%	4.5%

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

Function/Program	2014	2015	2016	2017	2018*	2019	2020	2021	2022	2023
Governmental activities:										
General government	\$ 338	\$ 1,770	\$ 3,244	\$ 3,350	\$ 4,127	\$ 4,100	\$ 4,862	\$ 5,351	\$ 9,264	\$ 19,642
Community development	331	412	550	685	917	1,162	1,065	1,329	939	1,718
Parks and recreation	120	88	177	233	1,806	404	331	417	393	1,134
Public safety	1,371	1,137	2,838	3,527	5,559	6,097	8,568	7,927	10,442	8,822
Public transportation	161	161	1,160	1,075	1,150	1,150	1,671	1,690	1,351	1,675
Public works	240	81	353	2,040	1,385	1,258	1,965	2,694	8,558	4,970
Subtotal Governmental activities	\$ 2,561	\$ 3,649	\$ 8,322	\$ 10,910	\$ 14,944	\$ 14,171	\$ 18,463	\$ 19,408	\$ 30,947	\$ 37,961
Business-type activities										
Water	12,668	12,157	12,334	12,654	15,965	16,455	20,029	19,588	20,163	23,325
Wastewater	14,688	15,719	15,780	16,521	17,897	17,785	19,548	19,004	19,839	21,895
Solid Waste	7,180	7,116	7,862	7,588	7,735	8,239	7,874	8,755	9,527	9,360
Airport	3,219	2,493	2,938	2,611	4,791	5,604	4,980	6,144	4,069	4,342
Stormwater	701	690	858	1,126	1,352	1,575	1,656	1,673	1,679	2,093
Parking	96	83	88	96	229	99	72	96	384	84
Subtotal Business-type activities	\$ 38,552	\$ 38,258	\$ 39,860	\$ 40,596	\$ 47,969	\$ 49,757	\$ 54,158	\$ 55,261	\$ 55,663	\$ 61,098
Total Primary government	\$ 41,113	\$ 41,907	\$ 48,182	\$ 51,506	\$ 62,913	\$ 63,928	\$ 72,620	\$ 74,669	\$ 86,610	\$ 99,059

* 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

NEW LADDER TRUCK



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
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
2023	29,310		1,494	3,181	1,543	4,870	40,398
Change							
2014-2023	45.0%	N/A	140.6%	18.7%	114.9%	218.7%	56.8%

* These revenues are set by the state and are included as intergovernmental revenues in the financial statements.

** 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		Fiscal Year 2023				Fiscal Year 2022			
		Taxable Sales	Tax Collected	Percentage of Total City Sales Tax	Rank	Taxable Sales	Tax Collected	Percentage of Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(3,662)	(55)	-0.18%	21	(5,840)	(88)	-0.31%	21
21	Mining	(418)	(6)	-0.02%	20	(40)	(1)	0.00%	20
22	Utilities	38,844	583	1.94%	10	41,786	627	2.20%	8
23	Construction	23,823	357	1.19%	12	17,579	264	0.93%	12
31-33	Manufacturing	46,115	692	2.30%	8	45,458	681	2.40%	7
42	Wholesale Trade	130,050	1,951	6.48%	3	117,877	1,768	6.22%	3
44-45	Retail Trade	1,125,958	16,890	56.13%	1	1,074,628	15,308	56.69%	1
48-49	Transportation and Warehousing	7,237	108	0.36%	14	7,279	109	0.38%	14
51	Information	48,177	723	2.40%	7	48,409	726	2.55%	6
52	Finance and Insurance	2,751	41	0.14%	16	2,150	32	0.11%	16
53	Real Estate and Rental and Leasing	42,124	632	2.10%	9	34,754	521	1.83%	10
54	Professional, Scientific and Technical Services	11,863	178	0.59%	13	12,330	185	0.65%	13
55	Management of Companies and Enterprises	87	1	0.00%	19	106	2	0.01%	18
56	Admin, Support, Waste Mgmt and Remediation Svcs	36,319	545	1.81%	11	34,651	520	1.83%	11
61	Educational Services	2,322	35	0.12%	17	2,379	36	0.13%	15
62	Health Care and Social Assistance	1,247	19	0.06%	18	1,091	16	0.06%	17
71	Arts, Entertainment and Recreation	61,501	923	3.07%	5	36,251	544	1.91%	9
72	Accommodation and Food Services	288,120	4,322	14.36%	2	270,188	4,053	14.25%	2
81	Other Services (except Public Administration)	53,026	795	2.64%	6	48,411	726	2.55%	5
92-99	Government (except Schools, Hospitals, and USPS)	4,384	66	0.22%	15	12	-	0.00%	19
	Uncategorized *	86,245	1,294	4.30%	4	105,999	1,589	5.59%	4
	Totals	\$ 2,006,113	\$ 30,094	100.00%		\$ 1,895,458	\$ 27,618	100.00%	

NAICS Economic		Fiscal Year 2021				Fiscal Year 2020			
		Taxable Sales	Tax Collected	Percentage of Total City Sales Tax	Rank	Taxable Sales	Tax Collected	Percentage of Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(3,478)	(52)	-0.20%	22	(2,271)	(34)	-0.15%	20
21	Mining	123	2	0.01%	18	(208)	(3)	-0.01%	19
22	Utilities	32,709	491	1.85%	8	17,241	259	1.12%	10
23	Construction	11,782	177	0.67%	12	9,939	149	0.64%	12
31-33	Manufacturing	38,435	577	2.17%	7	34,623	520	2.25%	7
42	Wholesale Trade	110,085	1,651	6.23%	3	99,167	1,488	6.43%	3
44-45	Retail Trade	1,037,723	15,566	58.71%	1	943,374	14,151	61.19%	1
48-49	Transportation and Warehousing	6,149	92	0.35%	14	2,641	39	0.17%	14
51	Information	44,632	669	2.53%	5	38,902	584	2.52%	5
52	Finance and Insurance	2,079	31	0.12%	15	2,122	32	0.14%	15
53	Real Estate and Rental and Leasing	32,120	482	1.82%	9	30,186	453	1.96%	8
54	Professional, Scientific and Technical Services	10,592	159	0.60%	13	8,138	122	0.53%	13
55	Management of Companies and Enterprises	17	-	0.00%	20	11	-	0.00%	18
56	Admin, Support, Waste Mgmt and Remediation Svcs	31,803	477	1.80%	10	26,541	398	1.72%	9
61	Educational Services	1,422	21	0.08%	16	510	8	0.03%	17
62	Health Care and Social Assistance	1,100	17	0.06%	17	790	12	0.05%	16
71	Arts, Entertainment and Recreation	26,691	400	1.51%	11	12,992	195	0.84%	11
72	Accommodation and Food Services	253,762	3,806	14.36%	2	200,030	3,000	12.98%	2
81	Other Services (except Public Administration)	43,973	660	2.49%	6	36,767	552	2.38%	6
92	Public Administration	19	-	0.00%	19	-	-	0.00%	
	Uncategorized *	85,826	1,287	4.86%	4	80,125	1,202	5.20%	4
	Totals	\$ 1,767,564	\$ 26,513	100.00%		\$ 1,541,620	\$ 23,127	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		Fiscal Year 2019				Fiscal Year 2018			
		Taxable		Percentage of		Taxable		Percentage of	
		Sales	Tax Collected	Total City Sales Tax	Rank	Sales	Tax Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(3,439)	(52)	-0.23%	19	(5,013)	(75)	-0.37%	19
21	Mining	(18)	-	0.00%	18	(580)	(9)	-0.04%	18
22	Utilities	20,989	315	1.43%	10	867	13	0.06%	16
23	Construction	11,425	171	0.78%	12	10,284	154	0.76%	12
31-33	Manufacturing	33,991	509	2.32%	7	32,951	495	2.45%	7
42	Wholesale Trade	95,454	1,432	6.51%	3	81,003	1,215	6.02%	3
44-45	Retail Trade	841,706	12,626	57.36%	1	764,163	11,463	56.83%	1
48-49	Transportation and Warehousing	1,212	18	0.08%	15	11,145	167	0.83%	11
51	Information	41,387	621	2.82%	5	52,304	785	3.89%	5
52	Finance and Insurance	1,892	28	0.13%	14	1,605	24	0.12%	14
53	Real Estate and Rental and Leasing	33,088	496	2.26%	8	28,384	426	2.11%	8
54	Professional, Scientific and Technical Services	4,405	66	0.30%	13	2,903	44	0.22%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	-	-	0.00%		21,451	322	1.60%	9
61	Educational Services	22,691	340	1.55%	9	(79)	(1)	-0.01%	17
62	Health Care and Social Assistance	781	12	0.05%	17	970	15	0.07%	15
71	Arts, Entertainment and Recreation	1,131	17	0.08%	16	20,744	311	1.54%	10
72	Accommodation and Food Services	18,944	284	1.29%	11	212,349	3,185	15.79%	2
81	Other Services (except Public Administration)	228,840	3,433	15.60%	2	34,287	514	2.55%	6
92	Public Administration	38,570	579	2.63%	6	-	-	0.00%	
	Uncategorized*	74,244	1,114	5.06%	4	74,859	1,123	5.57%	4
	Totals	\$ 1,467,293	\$ 22,009	100.00%		\$ 1,344,597	\$ 20,171	100.00%	

NAICS Economic Sector		Fiscal Year 2017				Fiscal Year 2016			
		Taxable		Percentage of		Taxable		Percentage of	
		Sales	Tax Collected	Total City Sales Tax	Rank	Sales	Tax Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(2,844)	(43)	-0.21%	19	(4,032)	(60)	-0.30%	19
21	Mining	13	-	0.00%	17	99	1	0.01%	17
22	Utilities	3,724	56	0.28%	11	9,659	145	0.73%	11
23	Construction	8,989	135	0.68%	12	8,137	122	0.62%	12
31-33	Manufacturing	33,492	502	2.52%	7	32,069	481	2.42%	7
42	Wholesale Trade	78,939	1,184	5.93%	3	77,924	1,169	5.89%	3
44-45	Retail Trade	771,291	11,569	57.94%	1	775,551	11,633	58.64%	1
48-49	Transportation and Warehousing	9,677	146	0.73%	13	7,626	114	0.58%	13
51	Information	49,906	749	3.75%	5	40,913	614	3.09%	5
52	Finance and Insurance	1,112	17	0.08%	15	1,319	20	0.10%	15
53	Real Estate and Rental and Leasing	29,557	443	2.22%	8	26,196	393	1.98%	8
54	Professional, Scientific and Technical Services	3,063	46	0.23%	14	2,439	37	0.18%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	20,352	305	1.53%	9	19,654	295	1.49%	9
61	Educational Services	(1,734)	(26)	-0.13%	18	(1,349)	(20)	-0.10%	18
62	Health Care and Social Assistance	711	11	0.05%	16	1,073	16	0.08%	16
71	Arts, Entertainment and Recreation	17,185	258	1.29%	10	15,778	237	1.19%	10
72	Accommodation and Food Services	204,375	3,066	15.35%	2	212,225	3,183	16.05%	2
81	Other Services (except Public Administration)	32,524	488	2.44%	6	32,988	495	2.49%	6
92	Public Administration	692	10	0.05%		-	-	0.00%	
	Uncategorized*	70,173	1,053	5.27%	4	64,257	960	4.86%	4
	Totals	\$ 1,331,197	\$ 19,969	100.00%		\$ 1,322,526	\$ 19,835	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		Fiscal Year 2015				Fiscal Year 2014			
		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	(998)	(15)	-0.08%	18	(1,235)	(19)	-0.10%	18
21	Mining	32		0.00%	17	205	3	0.02%	17
22	Utilities	40,911	614	3.25%	5	55,043	826	4.61%	4
23	Construction	9,597	144	0.76%	13	2,739	41	0.23%	14
31-33	Manufacturing	32,054	481	2.55%	7	32,037	481	2.69%	6
42	Wholesale Trade	85,205	1,278	6.77%	3	86,554	1,298	7.25%	3
44-45	Retail Trade	715,557	10,733	56.87%	1	685,130	10,277	57.43%	1
48-49	Transportation and Warehousing	10,775	162	0.86%	12	10,763	161	0.90%	12
51	Information	50,085	751	3.98%	4	42,220	633	3.54%	5
52	Finance and Insurance	762	11	0.06%	16	1,602	24	0.13%	15
53	Real Estate and Rental and Leasing	20,677	310	1.64%	9	20,566	308	1.72%	8
54	Professional, Scientific and Technical Services	3,268	49	0.26%	14	2,698	40	0.23%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	19,125	287	1.52%	10	17,662	265	1.48%	9
61	Educational Services	(3,183)	(48)	-0.25%	19	(1,813)	(27)	-0.15%	19
62	Health Care and Social Assistance	828	12	0.07%	15	635	10	0.05%	16
71	Arts, Entertainment and Recreation	14,589	219	1.16%	11	15,725	236	1.32%	10
72	Accommodation and Food Services	193,393	2,901	15.37%	2	178,345	2,675	14.95%	2
81	Other Services (except Public Administration)	31,707	476	2.52%	8	29,842	448	2.50%	7
92	Public Administration	33,807	507	2.69%	6	14,344	215	1.20%	11
Totals		<u>1,258,191</u>	<u>\$ 18,872</u>	<u>100.00%</u>		<u>1,193,063</u>	<u>\$ 17,895</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
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
2023	1.5	1.0	0.5

SALES TAX RECEIVED

Fiscal Year	Total	General Fund	Fire and Police
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
2023	29,309,789	19,539,859	9,769,930

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DEBT CAPACITY

HSPD BADGE PINNING



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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	Special Obligation		Notes			Water	Wastewater	Airport	Notes				
	Bonds	Payable	Leases	SBITAs	Bonds	Bonds	Bonds	Payable	Leases	SBITAs			
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	207		144,484	124,028		7,949	207		289,837	17.79%	7,605
2023	8,035	5,192	278	436	176,950	121,125		7,703	278	183	320,180	18.05%	8,402

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
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
2023	8,035	120	7,915	78.01%	201.79

Notes: Details regarding this bond issue can be found on page 65 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	\$ 13,941	100.00%	\$ 13,941
<u>Overlapping</u>			
Garland County	-	40.66%	-
National Park Community College	27,615	40.66%	11,228
Lake Hamilton School District	60,915	2.58%	1,572
Hot Springs School District	94,700	98.39%	93,175
Lakeside School District	75,300	32.42%	24,412
Fountain Lake School District	11,055	2.09%	231
Cutter Morning Star School District	18,400	33.86%	6,230
Mountain Pine School District	<u>5,845</u>	5.78%	<u>338</u>
Total overlapping	<u>293,830</u>		<u>137,186</u>
Total direct and estimated overlapping bonded debt	<u>\$ 307,771</u>		<u>\$ 151,127</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>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>	<u>2023</u>
Debt limit	\$ 166,789	\$ 169,599	\$ 173,304	\$ 191,487	\$ 191,487	\$ 210,016	\$ 215,915	\$ 221,593	\$ 250,938	\$ 268,762
Total net debt applicable to limit	3,257	4,005	3,730	3,341	3,819	12,394	12,102	13,119	12,962	13,227
Legal debt margin	\$ 163,532	\$ 165,594	\$ 169,574	\$ 188,146	\$ 187,668	\$ 197,622	\$ 203,813	\$ 208,474	\$ 237,976	\$ 255,535

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	\$ 1,075,049
Debt limit:	
General obligation debt limitation (2)	215,010
Short-term financing debt limitation (3)	<u>53,752</u>
Total Debt Limitation	<u>268,762</u>
Debt applicable to limit:	
General obligation bonds	8,035
Short-term notes	<u>5,192</u>
Total net debt applicable to limit	<u>13,227</u>
Legal net margin	<u>\$ 255,535</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)

Water Revenue Bonds

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2023	22,670	10,911	11,759	3,350	5,801	1.28

Wastewater Revenue Bonds

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2023	21,615	12,471	9,144	3,040	4,267	1.25

(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	Airport Revenue Bonds			Debt Service		Coverage
	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Principal	Interest	
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	-	-	-	-	-	-
2023	-	-	-	-	-	-

(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
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%
2023	38,109	1,773,479	46,537	44.7	7,407	3.8%

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.

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

2023 Population and Unemployment from the US Census Bureau and US Department of Labor

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

Year	2023			2022			2021			2020			2019		
Total Employment Numbers	39,600			37,830			36,330			35,480			39,809		
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	2	1,258	3.18%	1	1,700	4.49%	1	1,400	3.85%	1	1,700	4.79%	1	1,700	4.27%
Oaklawn Park	1	1,520	3.84%	2	1,275	3.37%	2	945	2.60%	2	1,275	3.59%	2	1,275	3.20%
Wal-Mart Stores	4	799	2.02%	4	810	2.14%	4	795	2.19%	4	810	2.28%	4	810	2.03%
National Park Medical Center	3	913	2.31%	3	900	2.38%	3	820	2.26%	3	900	2.54%	3	900	2.26%
City of Hot Springs	5	644	1.63%	5	632	1.67%	5	615	1.69%	5	632	1.78%	5	632	1.59%
Hot Springs School District	6	470	1.19%	6	467	1.23%	6	450	1.24%	6	467	1.32%	6	467	1.17%
National Park Community College	8	427	1.08%	9	400	1.06%	6	450	1.24%	8	400	1.13%	8	400	1.00%
StarTek (Formerly ACCENT) Marketing Services			0.00%	9	400	1.06%	8	400	1.10%	8	400	1.13%	8	400	1.00%
Berry Plastics (Formerly Rexam)			0.00%		-	0.00%		271	0.75%		300	0.85%		300	0.75%
Garland County	7	460	1.16%	7	431	1.14%	7	438	1.21%	7	431	1.21%	7	431	1.08%
Xpress Boat*	9	410	1.04%	8	410	1.08%			0.00%			0.00%	-	-	0.00%
Kroger's Stores	10	345	0.87%			0.00%	9	345	0.95%	10	345	0.97%	10	345	0.87%
Radius Aerospace (formerly Triumph Fabrications)			0.00%	10	385	1.02%	10	300	0.83%	9	385	1.09%	9	385	0.97%

Year	2018			2017			2016			2015			2014		
Total Employment Numbers	39,146			38,805			38,443			35,742			37,691		
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	4.04%	1	1,600	4.12%	1	2,300	5.98%	1	1,700	4.76%	1	2,300	6.10%
Oaklawn Park	2	1,400	3.54%	2	1,400	3.61%	2	1,300	3.38%	2	1,368	3.83%	2	1,300	3.45%
Wal-Mart Stores	4	765	1.93%	4	810	2.09%	3	1,026	2.67%	3	1,026	2.87%	3	1,026	2.72%
National Park Medical Center	3	900	2.27%	3	850	2.19%	4	664	1.73%	4	653	1.83%	4	664	1.76%
City of Hot Springs	5	628	1.59%	5	631	1.63%	5	615	1.60%	5	591	1.65%	5	615	1.63%
Hot Springs School District	7	465	1.17%	6	507	1.31%	6	588	1.53%	6	560	1.57%	6	588	1.56%
National Park Community College	8	400	1.01%		342	0.88%		332	0.86%			0.00%			0.00%
StarTek (Formerly ACCENT) Marketing Services			0.00%	9	400	1.03%	7	477	1.24%	7	480	1.34%	7	477	1.27%
Berry Plastics (Formerly Rexam)	9	360	0.91%	7	470	1.21%	9	380	0.99%			0.00%	9	380	1.01%
Rexam & Containers			0.00%			0.00%		0	0.00%	9	390	1.09%	10	350	0.93%
Xerox Document Imaging Svcs			0.00%			0.00%	8	450	1.17%	8	426	1.19%	8	450	1.19%
Arlington			0.00%			0.00%			0.00%	10	380	1.06%			0.00%
Kroger's Stores			0.00%		305	0.79%		341	0.89%			0.00%			0.00%
Garland County	6	516	1.30%	8	432	1.11%		350	0.91%			0.00%			0.00%
Triumph Fabricating (Formerly Chem Fab Corp)	10	364	0.93%	10	364	0.94%	10	376	0.98%	10	376	1.05%	10	376	1.00%

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

TORCH RUN FOR SPECIAL OLYMPICS



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

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Function/Program	City attorney	3.5	3.5	3.5	3.5	3.5	2.3	4	4	4	4	
	General government											
	City manager	2	2	2.3	2.3	2.3	3.5	4	4	4	4	
	Human resources	4.5	4.5	4.5	4.5	4.5	4.5	5	5	5	5	
	Finance	13	13	13	13.33	14.33	14	14	14	14	15	
	City clerk	2.6	2.6	2.5	2.5	1.5	1.5	2	2	2	2	
	Public information	2	2	2	2	2	2	2	2	2	2	
	Information systems	8	10	9	9	9	9	10	10	11	11	
	Property maintenance	2.3	2.3	2.3	2.3	2.3	2.3	2	2	2	2	
	Community development											
	Planning and zoning	18	18	17	19	19	19	19	19	19	23	23
	Parks & Trails	17	17	17	18	19	19	19	19	19	18	21.5
	Sport recreation	2	2.5	2	1	1	1	1	1	1	2	2
	Public works											
Admin	2.25	2.25	2	2	2	2	3	3	3	3	3	
Engineering	2.45	2.45	2.5	3.45	2.45	2.7	9	10	10	10	11	
Urban forestry	3	3	3	4	4	4	4	4	4	4	4	
Traffic services	7.5	7.5	7.3	7.34	7.34	7.67	8.5	8	8	8	8	
Animal services*	9	9.5	9				-	-	-	-	-	
Special revenue												
Police												
Uniform	106	111.2	111.2	111.2	111.2	111.17	108	108	110	115	115	
Communication	13	13	13	6	6	6	15	15	17	17	17	
Clerical	14.8	9	9	16	16	16	15	15	17	17	17	
Animal Services *				9.5	9.5	9.5	8.5	8.5	8.5	9	9	
Fire												
Uniform	77	77	77	77	77	77	75	78	78	80	80	
Communication	2	2	2	2	2	2	2	-	-	-	-	
Clerical	1.4	1	1	1	1	1	1	-	-	-	-	
Street and drainage	25	25	25	24	24	24	24	24	24	24	24	
Court	16	16.5	18	19.5	19.5	17	17	16	16	19	19	
Intracity transit	14	16	14	16	16	16	16	16	16	16	16	
Enterprise funds												
Water	40	40	40	40	40	41	38	38	38	38	38	
Wastewater	63	63	64	67	70	70	67	67	67	67	67	
Solid Waste	68.25	68.25	68.4	70.4	70.4	70.4	69	72	72	72	72	
Recycling center	3	3	3	3	3	3	3	-	-	-	-	
Stormwater	3	3	3	4	4	3.1	3	3	3	3	3	
Airport	11.1	11.1	12.1	12.1	12.1	12.1	12	12	12	12	12	
Parking	0.5	0.5	0	0.50	0.5	0.5	-	0.5	0.5	0.5	0.5	
Internal service												
Fleet	16	16	16	16	16	16	16	16	16	16	16	
Utility administration	41.35	41.35	40.3	42.08	42.08	41.08	38	38	40	42	42	
Total		615	619.0	616	622.0	634.5	631.3	634.0	634	647	665	

*The 2020 and 2021 reflects actual physical locations of employees.

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

Function/Program			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Community development:												
	New construction building permits issued (C)		62	84	61	63	18	71	-	-	-	-
	New construction residential building permits issued								79	74	79	70
	New construction commercial building permits issued								19	26	17	14
Parks:	Number of parks		18	18	18	20	20	20	20	21	22	22
	Acreage		215	215	215	218	218	218	218	219	222	222
Trails:	Number of miles (A)											
	Paved Trails					4.50	5.00	5.00	5.00	5.00	5.00	11.00
	Natural Surface					3.35	3.35	3.35	3.35	3.35	3.35	3.35
Public works:	Engineering:	Floodplain reviews	66	81	62	63	67	59	92	72	111	123
		Work item requests (B)	607	827	2,157	1,715	2,462	2,543	2,161	1,971	1,642	6,388
	Traffic:	Pavement markings (linear feet) on contract	240,722	235,359	178,341	153,000	335,353	158,477	181,771	181,771	513,619	219,810
		Signs installed/repaired	926	515/283	182/173	413/190	348/280	183/215	276/111	165/119	202/120	322/203
Police:	Parking violations		1,684	1,167	1,823	1,866	1,759	772	653	994	287	423
	Traffic violations		9,611	16,329	7,039	7,267	5,591	5,064	2,875	5,135	6,198	4,458
	Physical Arrests		5,047	8,420	4,174	4,597	6,780	7,208	4,444	4,213	2,753	3,995
	Animal services:	Animals in	2,030	2,448	1,999	1,962	1,802	1,852	1,777	1,947	1,969	2,221
		Animals adopted	542	646	487	537	551	580	657	668	874	1,407
		Animals reclaimed	256	272	243	265	195	198	275	202	243	241
Fire:	Calls answered		1,770	1,889	2,085	2,294	2,317	2,473	2,546	2,812	2,970	2,677
	Hydrants		1,925	2,006	2,099	2,114	2,136	2,180	2,546	2,212	2,235	2,307
Street/Engineering	Paving cuts		544	385	406	459	513	527	253	255	265	127
Intracity Transit:	Riders including transfers		164,355	175,908	144,606	177,749	163,416	168,628	120,256	105,762	121,927	136,356
Water:	Consumers		89,632	90,603	91,169	91,769	92,196	90,487	90,636	91,316	90,787	91,988
	Average daily consumption		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	7,871,433
Wastewater:	Consumers		67,394	67,915	68,292	68,830	69,308	68,636	69,057	69,595	70,200	71,318
	Miles of lines		690	696	705	708	710	710	710	712	713	716
Solid Waste:	Consumers		14,104	14,028	14,042	14,533	14,628	18,109	13,056	15,240	15,510	17,090
	Tons of recycled material		3,807	3,700	2,231	2,539	3,932	4,122	4,462	4,541	4,267	4,337
	Tons of residential and commercial garbage collected		49,089	41,897	42,386	42,151	43,401	43,490	43,295	49,992	45,937	47,561
Airport:	Aviation fuel and oil sales		\$ 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	\$ 2,285,028
Parking:	Parking meter revenue		\$ 96,060	\$ 81,630	\$ 87,195	\$ 95,975	\$ 95,622	\$ 94,518	\$ 70,846	\$ 102,949	\$ 95,978	\$ 91,486

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		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Parks	Number of parks	18	18	18	20	20	20	20	21	22	22
	Playgrounds (A)	18	18	18	20	20	20	20	20	20	21
	Boat ramps	4	4	4	5	5	5	5	5	5	5
Public works	Traffic signals	71	71	72	72	72	68	72	73	73	70
Police	Stations (B)	3	3	2	2	2	2	2	2	2	2
	Patrol units	126	134	134	132	132	131	132	141	164	148
	Animal services dog units	4	4	4	4	4	4	4	4	6	9
Fire	Stations	5	5	5	5	5	5	5	5	5	5
	Fire trucks	8	8	8	8	8	8	8	7	7	7
	Trucks								4	4	4
	Boats								2	2	2
Street/Engineering	Miles of streets (C)	299	299	303	303	314	307	304	304	312	312
	Number of street lights	5,198	5,227	5,246	5,258	5,277	5,298	5,308	5,308	5,397	5,418
Intracity Transit	Buses	8	8	6	6	6	5	5	6	6	7
	Vans/mini buses	5	4	6	5	5	4	4	5	5	4
Water	Water mains (miles)	884	896	904	910	914	919	925	930	934	940
	Storage capacity (gallons in thousands)	15,600	15,600	15,600	15,600	15,600	15,600	18,600	18,600	18,600	18,600
Wastewater	Miles of lines	690	696	705	708	710	710	710	712	713	716
	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	13,050,001
Solid Waste	Collection vehicles	25	25	25	25	25	25	25	26	26	26
	Transfer vehicles/trailers	21	21	21	21	21	21	21	19	19	20
	Equipment -- backhoe, loaders, bobcats	9	9	9	9	9	10	10	11	11	11
	Recycling vehicles/trailers	8	8	8	8	8	8	8	6	6	6
Airport	Square feet of hangar rentals	225,895	225,895	238,335	238,335	238,335	238,335	238,335	238,335	238,335	284,331
Parking	Parking meters	300	300	300	300	300	300	297	297	311	301

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

(A) Certain Parks have multiple playgrounds

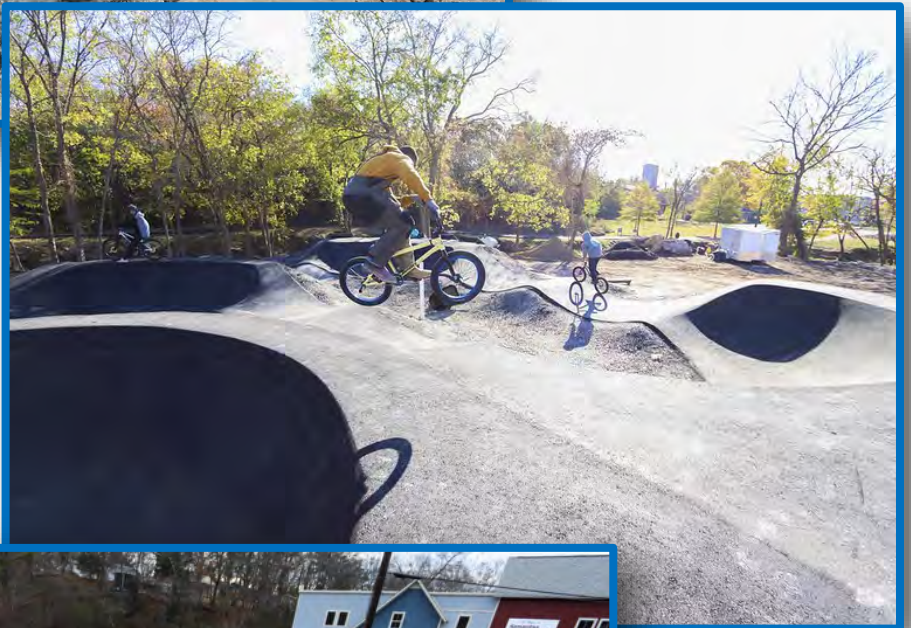
(B) 641 Malvern Ave is open 24/7, 128 Exchange Street is only open intermittently. 805 Park Ave is no longer operational.

(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

VELOCITY PARK



City of Hot Springs, Arkansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Total Federal Expenditures	Passed Through To Subrecipients
Awarding Agency - U. S. Department of Transportation			
Direct Program:			
<i>Airport Improvement Program</i>			
20.106	Airport Improvement Program (631) 3.05.0031.28.2020	94,967	
20.106	Airport Improvement Program (631) 3.05.0031.30.2020	158,593	
20.106	Airport Improvement Program (631) 3.05.0031.32.2021	3,553	
20.106	Airport Improvement Program (631) 3.05.0031.34.2022	469,840	
20.106	Airport Improvement Program (631) 3.05.0031.35.2023	144,776	
Total Airport Improvement Program		871,729	-
<i>Highway Planning and Construction</i>			
Pass-Through From:			
Arkansas Department of Transportation			
20.205	Hot Springs Creek Greenway Trail PH 6 (TAP-16)(S)(314) ArDOT Job #061535	331,366	
20.205	Hot Springs Creek Greenway Trail PH 6 (TAP-16)(S)(314) ArDOT Job #061601	153,158	
Total Highway Planning and Construction		484,524	-
<i>State and Community Highway Safety Cluster</i>			
Pass-Through From:			
Arkansas State Police Highway Safety Office			
20.600	Selective Traffic Enforcement (372) OP-2023-02-02-13, SE-2023-01-01-13, M5X-2023-06-06-13, M8DDLE-2023-02-02-13	58,380	
20.600	Selective Traffic Enforcement (372) OP-2024-02-02-13, SE-2024-01-01-13, AL-2024-06-06-13, M8DDLE-2024-02-02-13	17,955	
Total Selective Traffic Enforcement		76,335	-
Pass-Through From:			
Arkansas State Police Highway Safety Office			
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) M5CS-2023-13-13-02	24,450	
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) M5CS-2024-13-13-02	1,966	
Total Alcohol and Impaired Driving Countermeasures Program		26,416	-
Total State and Community Highway Safety Cluster		102,751	-
Direct Program:			
<i>Federal Transit and Formula Grants Cluster</i>			
20.507	Intracity Transit System Section 1B (382) AR-90-X176 2020 CARES	420,000	
20.507	Intracity Transit System Section 1B (382) AR-90-X180 2020	25,000	
20.507	Intracity Transit System Section 1B (382) AR-90-X198 2022	397,447	
20.507	Intracity Transit System Section 1B (382) 1504-2023-1 2022 ARPA	157,005	
20.507	Intracity Transit System Section 1B (382) AR-34-0038 2019	21,367	
20.507	Intracity Transit System Section 1B (382) Pending 2023	349,062	
Total Federal Transit and Formula Grants Cluster		1,369,881	-
Total U. S. Department of Transportation		2,828,885	-
Awarding Agency - Department of the Interior			
Pass-Through From:			
Department of Arkansas Heritage			
15.904	Historic Preservation Fund Grants-In-Aid (346) 22-CLG-04	828	
15.904	Historic Preservation Fund Grants-In-Aid (346) 23-CLG-04	9,279	
Total Department of the Interior		10,107	-

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, 2023

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Total Federal Expenditures	Passed Through To Subrecipients
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	69,680	
15.916	Hot Springs Pedestrian Improvement (318) ArDOT 61455	417,114	
Total Department of the Interior National Park Service		486,794	-
Awarding Agency - U.S. Department of Justice			
Direct Programs:			
16.607	Bullet Proof Vest Partnership (371)	9,271	
<i>Edward Byrne Memorial Justice Assistance Program Cluster</i>			
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 15PBJA-22-GG-01146-JAGX	19,684	
16.710	Community Oriented Policing Service COPS (375) 15JCOPS-21-GG-03412-UHPX	198,002	
<i>Total Edward Byrne Memorial Justice Assistance Program</i>		<i>217,686</i>	<i>-</i>
Pass-Through From:			
Arkansas Department of Finance and Administration			
16.754/16.838	COAP-Comprehensive Opioid Abuse Program (378) FY2018 & FY2019	36,093	
16.609	Project Safe Neighborhoods (374) 2020-GP-BX-0016	2,567	
Total U. S. Department of Justice		265,617	-
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) FY2017 B-17-MC-05-0014	13,414	6,614
14.218	Community Development Block Grants/Entitlement Grants (390) FY2018 B-18-MC-05-0014	1,316	1,316
14.218	Community Development Block Grants/Entitlement Grants (390) FY2019 B-19-MC-05-0014	711	711
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MC-05-0014	41,472	-
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MW-05-0014 CARES	127,950	119,312
14.218	Community Development Block Grants/Entitlement Grants (390) FY2022 B-22-MC-05-0014	249,133	2,499
14.218	Community Development Block Grants/Entitlement Grants (390) FY2023 Pending	31,693	-
<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>		<i>465,689</i>	<i>130,452</i>
Total U.S. Department of Housing and Urban Development		465,689	130,452
Awarding Agency - Department of Treasury			
Direct Program:			
21.027	American Rescue Plan Act (ARPA) SLT-2077 (333)	7,491,458	-
Total Department of Treasury		7,491,458	-
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)	528,115	-
Total U.S. Department of Health and Human Services		528,115	-
Awarding Agency - U.S. Department of Homeland Security			
Direct Program:			
97.044	Assistance to Fire Fighters Grant-AFG (347) EMW-2020-FG-14615	6,253	-
Total U. S. Department of Homeland Security		6,253	-
Total Federal Awards		\$ 12,082,918	\$ 130,452

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, 2023

State Grantor/Program Title	State Expenditures
Awarding Agency - Arkansas Aeronautics Department	
Airport Improvement Program (631) 3.05.0031.34.2022	24,728
Airport Improvement Program (631) 3.05.0031.35.2023	7,620
<i>Total Arkansas Aeronautics Department</i>	32,348
 Total State Awards	 \$ 32,348

City of Hot Springs, Arkansas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2023

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, 2023. The information in the Federal 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 Schedules present 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 Schedules are reported on the modified accrual (governmental funds) and accrual (enterprise funds) basis of accounting. Federal 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, 2023

**City of Hot Springs, Arkansas
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2023**

**Section I – Summary of Auditor’s Results
 Financial Statements**

1. The 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 the major federal award 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 programs:
 Unmodified Qualified Adverse Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Fund
20.106	Airport Improvement Program (Including COVID Funding)

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
For the Year Ended December 31, 2023

**City of Hot Springs, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2023**

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

**City of Hot Springs, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023**

Reference Number	Summary of Finding	Status
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No matters are reportable.

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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 (City), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2024.

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 Mazars, LLP

**Little Rock, Arkansas
June 28, 2024**

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' (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, 2023. 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, 2023.

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. 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.

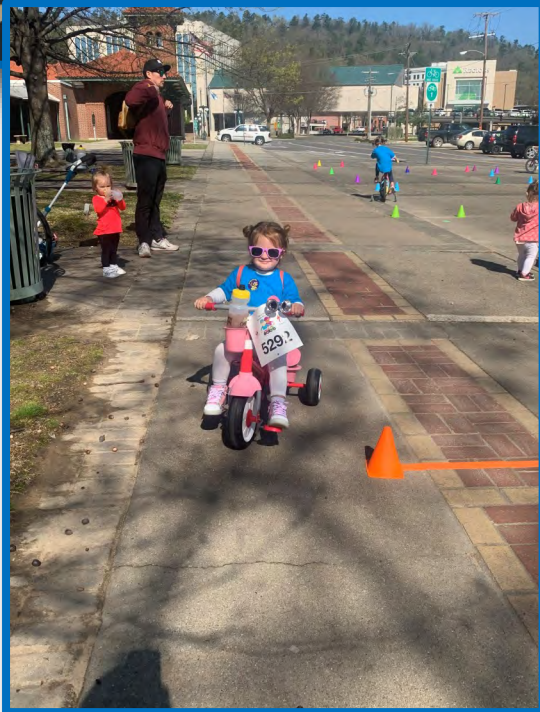
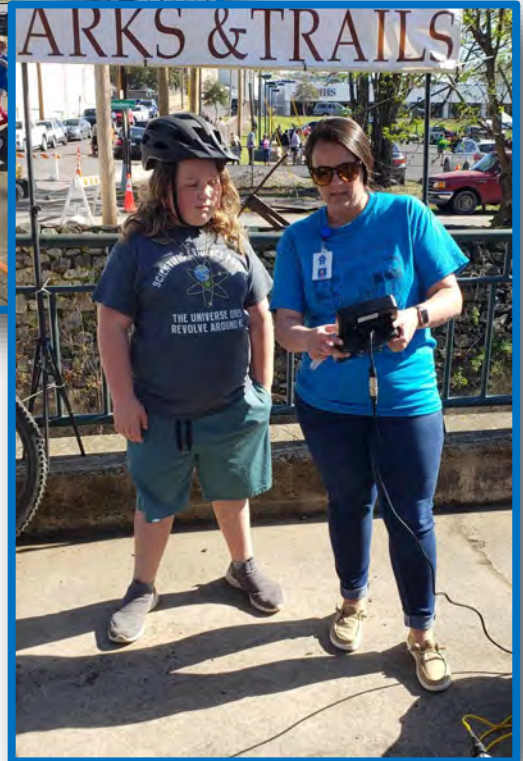
The Honorable Mayor, Members of the Board of Directors, and City Manager
City of Hot Springs, Arkansas

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 Mazars, LLP

**Little Rock, Arkansas
June 28, 2024**

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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 (City) complied with the requirements of the *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2023.

- (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, 2023 is fairly stated, in all material respects.

Forvis Mazars, LLP

**Little Rock, Arkansas
June 28, 2024**

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