

# City of Hot Springs, Arkansas Annual Comprehensive Financial Report

For Year Ended December 31, 2024

# CITY OF HOT SPRINGS, ARKANSAS

## Annual Comprehensive Financial Report

### For the Year Ended December 31, 2024

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**City of Hot Springs, Arkansas**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**For the Year Ended December 31, 2024**

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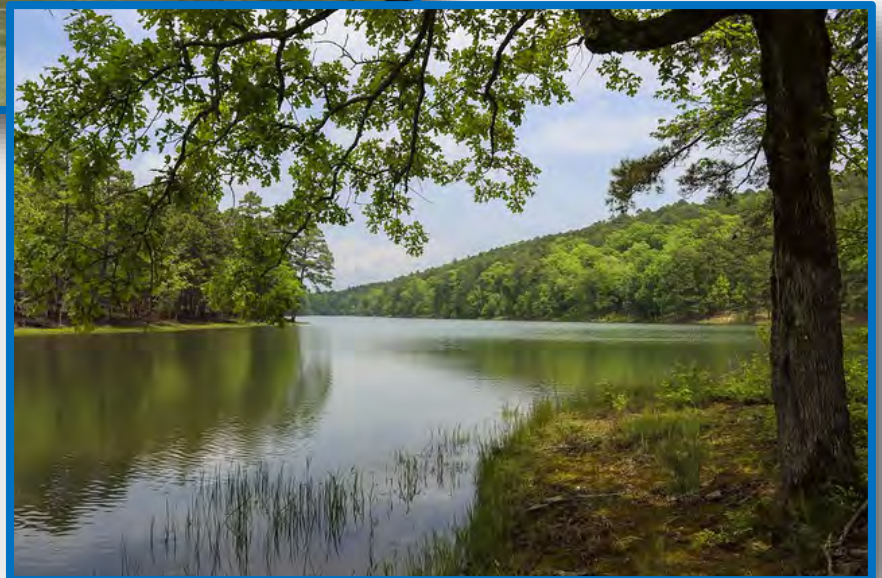
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# INTRODUCTORY SECTION

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# *WELCOME TO HOT SPRINGS*

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City of Hot Springs  
Finance Department



Post Office Box 6300  
Hot Springs National Park

June 30, 2025

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, 2024.

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, 2024. 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 continue to be unpredictable and influenced by events on the macro-level that filter down throughout the economy. On the national level, the fear of inflation and rising interest rate environment, as well as uncertainties from the new federal administration continue 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 2025 showed a 1.1% increase above forecast or \$44 million in available net revenues. 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 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 2023 National Park Service report showed 2.5 million visitors to Hot Springs National Park spending \$184 million in the local community. The associated visitor spending support 2,591 jobs with a positive benefit of \$248 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 connects to Lake Hamilton. The trail has been largely funded by Transportation Alternative Grant funds. As of year-end 2024, 4.2 miles of trail have been completed with the recent addition of a mile of trail that takes it to TV Hill Road. The Jean White Wallace Wetlands Trailhead and the kayak/canoe launch are currently under construction and are set to be open in the fall of 2025. With the addition of this section of trail, South Hot Springs residents will have direct access to the Hot Springs Creek Greenway Trail via Central Avenue to TV Hill Road. Along its 4.2-mile length, the trail offers many scenic views and beautiful works of art. This trail is a green level trail (easy) and is 100% ADA compliant.

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.

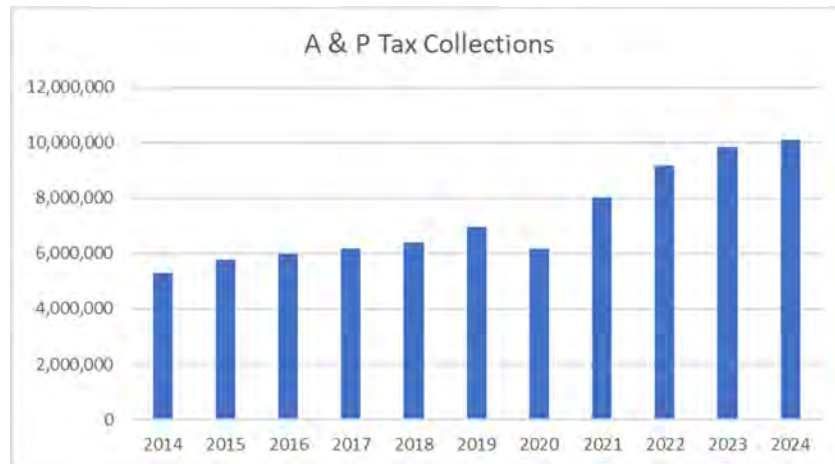
In addition to being a tourist destination, Hot Springs is a popular retirement community. Due to this, the health care industry has a significant economic presence in Hot Springs with two major hospitals and many other healthcare facilities. Both of these hospitals are two of the top ten employers in 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 was 3.4% in January 2024 and 3.6% in December 2024. The Hot Springs Metropolitan Statistical Area (MSA), which includes Garland County) fluctuated from a high of 4.3% in January 2024 to a low 3.4% unemployment rate in April 2024.

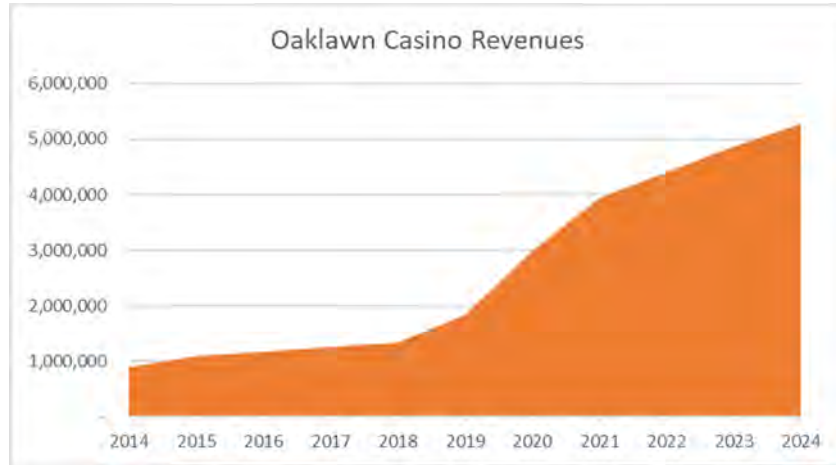
The promotion of Hot Springs is accomplished through an advertising and promotion commission (A&P). It is funded by a 3% tax on restaurants, motels, and hotels. Its responsibilities include promoting Hot Springs and managing the Convention Center and Mid-America Science Museum (<https://hotsprings.org/>). 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 2024 outpaced 2023 by \$256,424 or 2.61%, bringing in \$10,082,368.

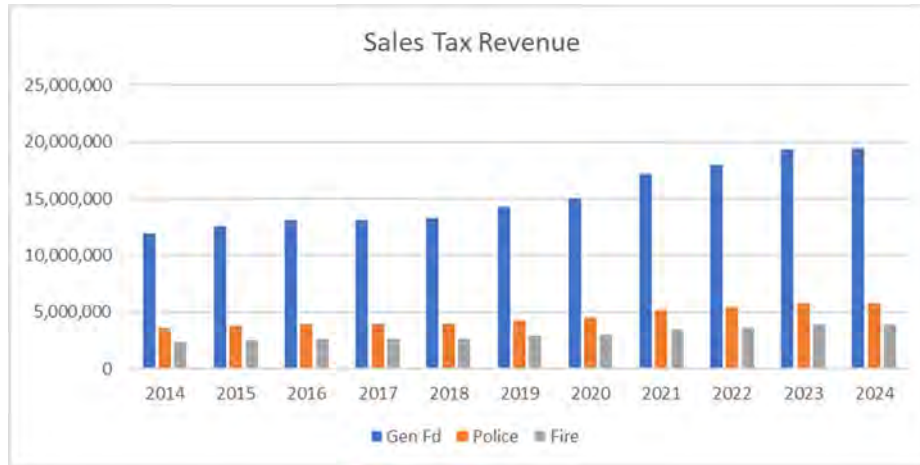
The biggest driver of the Hot Springs economy is Oaklawn Racing Casino Resort (hereinafter referred to as Oaklawn), a premier thoroughbred horse racing track and casino. Oaklawn officially opened in 1904. In 2006, voters of Arkansas voted to legalize electronic games of skill at Oaklawn and a dog racing 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. Rebounding from the COVID pandemic, 2022 revenues were up 10.78% over 2021. Revenues have continued on an upward trend with total revenues in 2023 up by 10.06% and in 2024 revenues were up by 8.12%. The following graph provides historical information on Oaklawn casino revenue.



Currently, 51% 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 2024, the City collected approximately \$29.15 million from this combined tax. The tax increased 4.91% in 2020, 14.62% in 2021, 7.58% in 2022, 7.75% in 2023, and 0.4% in 2024. A conservative 3% increase has been projected for 2025 due to the trend analysis, anticipated growth from new businesses, 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 24 years, sales tax has increased every year, except for 2009 (the end of the Great Recession) when it declined by 2.4%.

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 opened in Hot Springs in May 2019. Since medical marijuana is taxable, it has had a very positive impact on our sales tax. However, that dispensary closed in June 2024, and we have seen a slight decrease in total sales tax collections since then.

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:

	2020	2021	2022	2023	2024
New Business Opened	10	24	17	27	15
Commercial Properties Sold in Downtown	8	21	19	13	13
Value of Commercial Properties Sold	\$3M	\$8.3M	\$12.9M	\$23.1M	\$8.8M
Downtown Investment	\$3.85M	\$20.8M	\$14.6M	\$28.7M	\$34.7M

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 \$223,000. Homes sold have 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:

	2022		2023		2024	
	# of Permits	Valuation	# of Permits	Valuation	# of Permits	Valuation
New Commercial	30	\$ 26,999,128	14	\$ 98,246,220	29	\$ 23,972,198
Existing Commercial	178	\$ 45,721,639	225	\$ 37,147,106	179	\$ 39,527,680
<b>Total</b>		<u>\$ 72,720,767</u>		<u>\$ 135,393,326</u>		<u>\$ 63,499,878</u>

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. The Metro Partnership is very active in the retention and growth efforts of our existing industries and continues to be instrumental in adding new jobs to the area.

Here are the growth highlights that they provided for 2024:

### **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 continued in 2024, and we are optimistic that we will have a viable prospect or two in 2025.

### **Workforce Development**

Gary Troutman and Gary Jackson redesigned their program to speak to local students and inform them of the career opportunities that are offered by Garland County employers. They also organized panel discussions to bring local industry leaders into the classroom. In 2024, they gave their new presentation to approximately 3,000 students and hundreds of teachers and administrators from all the seven local school districts.

The HSMP hosted 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 1,400 students from 20 schools and 53 local companies exhibited. It was the biggest event of its kind in the state.

The HSMP collaborated with National Park College for the successful \$6 million grant award for NPC to build a new welding facility to service one of the greatest labor deficiencies in Hot Springs.

Through facilitated meetings of our five local aerospace companies, we were able to embed skills needed to work in that industry into the machine tools class at National Park College and NPC launched a stand-alone Aerospace Fundamentals class.

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 by the 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. All but one of our goals have been met towards our Work Ready Community designation.

The HSMP presented two \$1,000 scholarships to two seniors at each of the seven public schools: one who is going to college and one who is going directly into the local workforce.

## **Broadband Expansion**

Much of 2024 was spent collaborating with the new Arkansas Broadband Office and the Garland County Broadband Committee to develop a statewide plan to deploy the \$1.024 billion in broadband funding Arkansas received from the federal Broadband Equity, Access, and Deployment (BEAD) Program. The Arkansas Broadband Office intends to use the majority of the funds in 2025 to partner with internet providers to build new broadband infrastructure. Several local internet providers plan to apply for these funds to build projects in Garland County to get us to 98% coverage.

HyperFiber, a new to the market fiber internet provider, announced it was coming to Hot Springs in March and Hot Springs Village in August. By the end of the year, they had built out many neighborhoods and had quite a few customers in Hot Springs.

## **Business Development**

The new Amazon Last Mile Facility opening at 3315 Central Ave., was the largest economic development project of the year. The HSMP began talks with Amazon in 2023 to locate the new Amazon facility in Hot Springs to distribute packages daily to this region. Amazon purchased the former Xerox building in March 2024, and we announced Amazon's plans for the property later that month. The facility opened on October 16. At the end of 2024, local management reported 50 employees working in the plant, 60 Amazon delivery drivers, and 60 additional "flex" delivery drivers that pick up shifts similar to Uber drivers. The facility is currently operating at about 40% capacity and as it continues to ramp up, more hiring is expected.

2024 was a huge year of growth for commercial development in Hot Springs. Over \$60 million in new commercial construction and redevelopment resulted in many new retailers opening, such as: Whataburger, Chipotle, 7 Brew Coffee, Burlington, Blue Ember Smokehouse, Hawaii Express Poke, Little Italy, Brina Thai Restaurant, Cajun Boilers, and La Casa de la Tortilla. The new resort-style luxury apartment campus, The Hamilton, opened in October. Home Depot announced it was coming to Higdon Ferry Rd., and much more is to be announced in 2025.

Origami Sake, an HSMP project that opened in 2023, has grown to distribute sake to 25 states and has grown its workforce from 9 employees when it opened to close to 30 in 2024 with hopes to continue growing.

HSMP staff met with site consultants in Dallas, Atlanta, and Little Rock throughout the year and attended the ICSC Deal-Making Red River Conference to recruit retail business and commercial developers to Hot Springs.

The HSMP partnered with Arkansas Business to develop the Hot Springs Growth Report, a 20-page feature on recent growth in business in Hot Springs that was delivered to all Arkansas Businesses subscribers and is available online.

HSMP hosted the Arkansas Economic Developers and Chamber Executives conference of 207 attendees in Hot Springs in August.

## **Economic Outlook**

The most exciting prospect we see in 2025 and beyond is the opening of the city's new water plant in late 2025. Since water capacity has been a limiting factor for development in years past, doubling our local water capacity should spur new development. The additional 23 million gallons per day that will be added to our existing water supply will support new commercial and residential development; already a 106 new house neighborhood is being developed on Burchwood Bay Road and a new subdivision, La Cala Estates, is building houses. The increased water supply will sustain Hot Springs for generations.

Interest rates are a topic that comes up in all of our conversations. Rates show no signs of dropping significantly in the near future. For the last two years, interest rate shock, inflation, and the rise in construction costs have kept wary investment on the sidelines, but developers seem to acknowledge that this investment environment is here to stay and are looking for ways to move forward with developments. Having the presidential election behind us will bring some stability to investors' minds as well.

Tourism sales tax collections have grown at an average rate of more than 10% each year for the last decade. Visit Hot Springs has speculated that this high rate of growth is not sustainable and will slow down at some point. In 2024, collections grew, but fell well below the 10% mark. We may be seeing a leveling out of an incredible growth period for tourism in Hot Springs.

## **Downtown**

Downtown continues to grow at a record pace. In 2024:

- 15 new businesses for the year
- 13 commercial property sales with a total sales value of \$8.8 million
- \$34.7 million in capital investment

Total in last 11 years (since Majestic Hotel Fire February 2014):

- 237 new businesses opened
- 177 commercial property sales
- \$200 million in capital investment

## **Downtown Growth Report**

An analysis of the 237 new businesses opened in the last 11 years downtown shows that 72% are still open, far surpassing the national small business survival rate of 50%.

Go Foto Yourself Selfie Studio, Eureka Clothing Co., Indulge, Aqua, Angel's, The Mood Flower Co., Espresso Yourself, and the Underground Lounge are just a few of the new businesses that opened in 2024.

Some large investment projects were started in 2024. Embassy Suites began a \$14 million renovation of its convention center hotel, and the new owner of the long vacant Park Hotel began a \$5.5 million renovation of that property.

The Lofts at Creek St., was the largest historic rehabilitation project that opened for the year with Soul STR and Bathhouse Row Lofts also opening after multi-million dollar historic restorations. The Arlington Hotel, the largest hotel in Arkansas, remains open while it continues its ongoing multi-million dollar rehabilitation. Rusty Thompson purchased his 6th building in the 900 block of Central Ave., and it is under renovation. Scott Hamby is building a rooftop entertaining area on one of his recently acquired buildings at 829 Central Avenue.

### **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 annual update to the Board 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, 2023. 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-one consecutive years (fiscal years ended December 31, 1993 through 2023). 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 unflinching support for maintaining the highest standards of integrity and professionalism in the management of the City of Hot Springs' finances.

Respectfully submitted,



Bill Burroughs, City Manager



Karen Scott, Finance Director

# COMMUNITY RESOURCE CENTER





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hot Springs  
Arkansas**

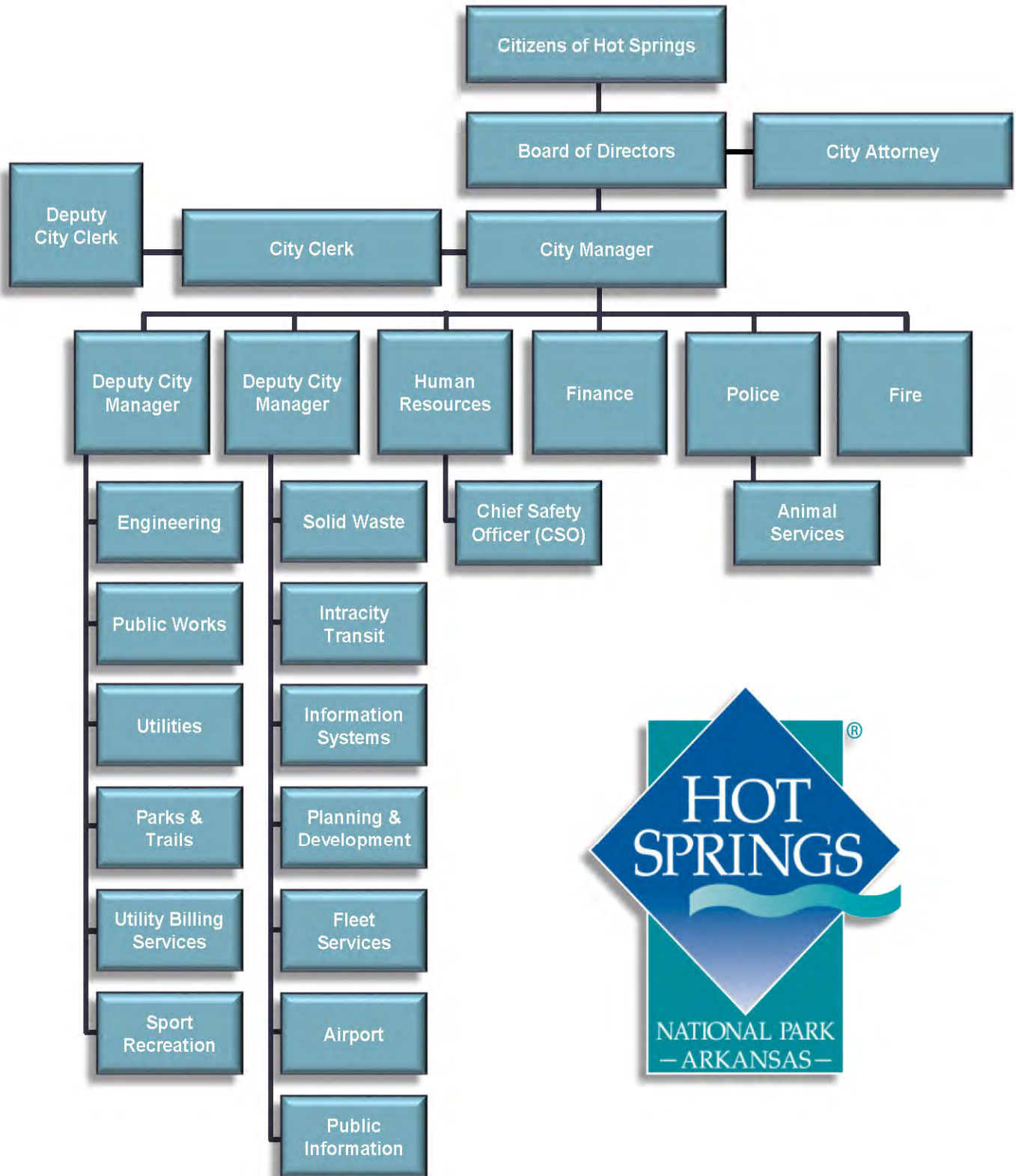
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2023

*Christopher P. Morrill*

Executive Director/CEO

# ORGANIZATIONAL CHART



# ELECTED OFFICIALS

## Board of Directors



Mayor  
Pat McCabe



District 1  
Erin Holliday



District 2  
Phyllis Beard



District 3  
Marcia Dobbs-Smith



District 4  
Dudley Webb



District 5  
Karen Garcia



District 6  
Steve Trusty

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

# APPOINTED OFFICIALS

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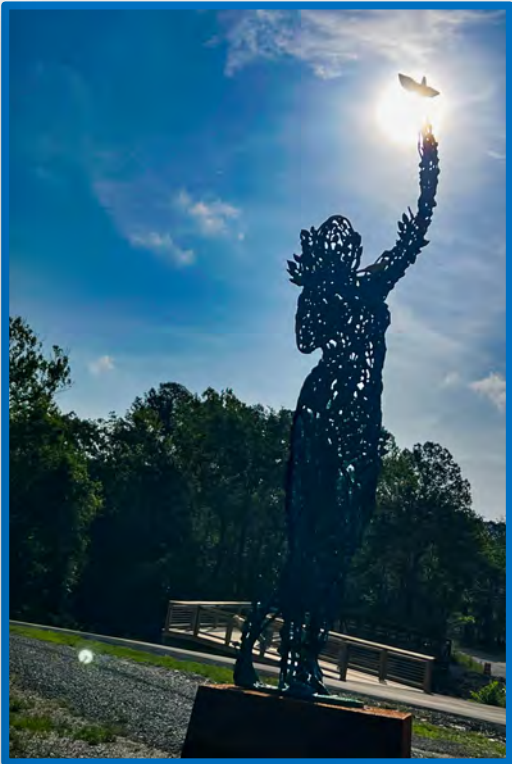
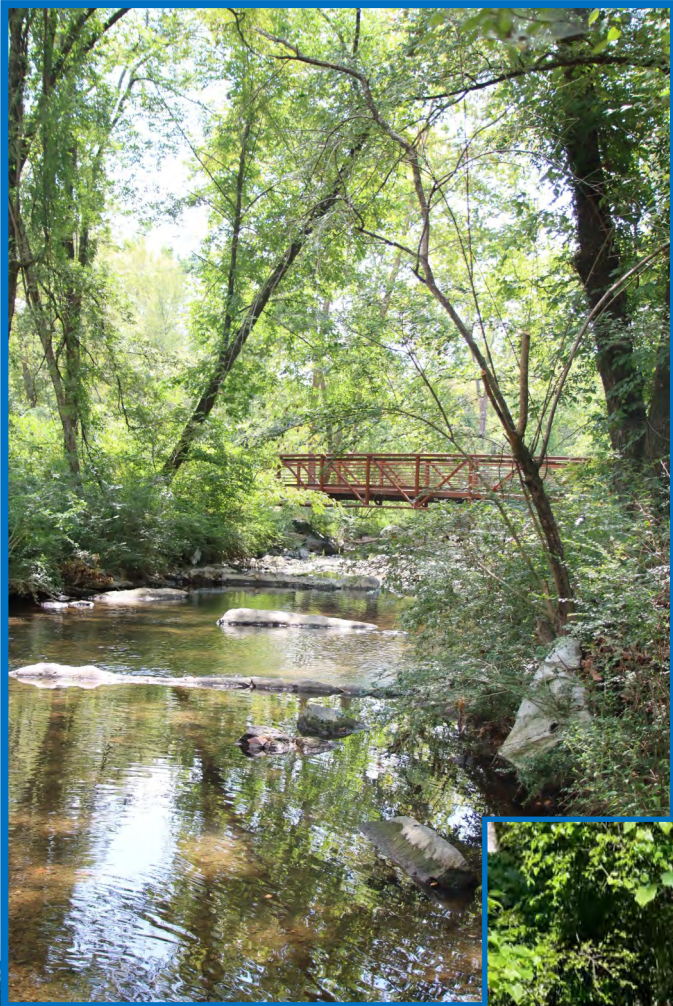
City Manager	Bill Burrough
City Attorney	Brian Albright
Deputy City Manager	Lance Spicer
Deputy City Manager	Denny McPhate
City Clerk	Harmony Morrissey
Human Resources Director	Brooke Gilbert
Finance Director/Treasurer	Karen Scott
Police Chief	Billy Hrvatin
Fire Chief	Ed Davis
City Engineer	Gary Carnahan
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

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# GREENWAY TRAIL

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas (City), as of and for the year ended December 31, 2024 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, 2024 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, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 30, 2025 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 30, 2025**

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

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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, 2024. 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 \$650,337,924 and deferred outflows of \$23,959,859 exceeded its liabilities of \$434,373,462 and deferred inflows of \$6,730,974 by \$233,193,347. This is an increase of \$20,060,291 over the previous year.
- The net position of the governmental activities increased by \$7,215,592.
- The net position of the business-type activities increased by \$12,844,699.
- As of December 31, 2024, the City of Hot Springs governmental funds reported combined ending fund balances of \$66,562,900, an increase of \$3,520,434 over 2023. Approximately 47% of this amount, \$31,474,470 is available for spending at the City's discretion (unassigned fund balance).
- At the end of 2024, the unassigned fund balance for the General Fund was \$31,632,277 or 207% of total General Fund expenditures.
- A comparison of total liabilities for 2024 and 2023, as stated on the statement of net position, shows a decrease of \$15,120,686. This was due primarily to increases in net pension liabilities and long-term debt.
- The City's component unit had a net position of \$67,646,789 as of December 31, 2024. This was an increase of \$583,180 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 2024. 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 30 through 32 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 16 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, and Street Fund, all of which are considered to be major funds. Data from the other 12 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 116 through 120.

The basic governmental fund financial statements are on pages 33 through 66 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. Information is presented separately for its water, wastewater, and solid waste funds, all of which are considered to be major funds. Data from the other three enterprise funds is combined into a single aggregate presentation. 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 131 of this report. The basic proprietary fund financial statements are on pages 37 through 41 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 43 and 44 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 45 through 101 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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>						
Current and other assets	\$ 83,593,527	\$ 75,823,919	\$ 123,175,641	\$ 170,512,000	\$ 206,769,168	\$ 246,335,919
Capital, lease, and subscription assets	40,468,593	37,849,753	403,100,163	353,393,784	443,568,756	391,243,537
<b>Total Assets</b>	<u>124,062,120</u>	<u>113,673,672</u>	<u>526,275,804</u>	<u>523,905,784</u>	<u>650,337,924</u>	<u>637,579,456</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	<u>16,937,919</u>	<u>22,909,014</u>	<u>7,021,940</u>	<u>9,236,947</u>	<u>23,959,859</u>	<u>32,145,961</u>
<b>LIABILITIES</b>						
Other liabilities	9,193,313	6,283,752	10,724,762	13,123,167	19,918,075	19,406,919
Long-term liabilities	91,935,649	97,218,621	322,519,738	332,868,607	414,455,387	430,087,228
<b>Total Liabilities</b>	<u>101,128,962</u>	<u>103,502,373</u>	<u>333,244,500</u>	<u>345,991,774</u>	<u>434,373,462</u>	<u>449,494,147</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	<u>4,221,300</u>	<u>4,646,126</u>	<u>2,509,674</u>	<u>2,452,086</u>	<u>6,730,974</u>	<u>7,098,212</u>
<b>NET POSITION</b>						
Net investment in capital assets	29,299,846	23,806,788	154,054,811	147,862,230	183,354,657	171,669,018
Restricted	20,892,084	22,137,432	14,141,386	13,118,589	35,033,470	35,256,021
Unrestricted	(14,542,152)	(17,510,034)	29,347,373	23,718,052	14,805,221	6,208,018
<b>Total Net Position</b>	<u>\$ 35,649,778</u>	<u>\$ 28,434,186</u>	<u>\$ 197,543,570</u>	<u>\$ 184,698,871</u>	<u>\$ 233,193,348</u>	<u>\$ 213,133,057</u>

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 \$233,193,348 as of December 31, 2024.

The City’s net investment in capital assets as of December 31, 2024 was \$183,354,657. In addition, there was \$3,848,482 restricted for debt service, \$12,275,604 restricted for capital improvements, \$2,011,508 restricted for public safety mandates, and \$16,897,876 restricted for public works, community development, transportation, and park projects. This left a remaining unrestricted net position of \$14,805,221.

The next table shows the changes in net position at year-end and revenue and expense comparisons to 2023.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 14,333,386	\$ 11,067,934	\$ 60,985,955	\$ 58,829,301	\$ 75,319,341	\$ 69,897,235
Operating Grants and Contributions	16,217,413	25,754,041	269,385	439,526	16,486,798	26,193,567
Capital Grants and Contributions	889,013	1,138,678	5,783,541	1,829,489	6,672,554	2,968,167
General revenues:						
Sales tax	29,044,929	29,309,789	72,379	69,985	29,117,308	29,379,774
Franchise tax	3,032,758	3,180,610			3,032,758	3,180,610
Property tax	-	229			-	229
Other taxes	1,565,389	1,493,565			1,565,389	1,493,565
Grants not restricted to specific programs	8,964,148	7,957,084			8,964,148	7,957,084
Investment income	2,950,836	2,345,391	6,364,118	8,003,684	9,314,954	10,349,075
<b>Total revenues</b>	<b>76,997,872</b>	<b>82,247,321</b>	<b>73,475,378</b>	<b>69,171,985</b>	<b>150,473,250</b>	<b>151,419,306</b>
<b>Expenses</b>						
General government	4,911,071	4,658,438			4,911,071	4,658,438
Community development	6,315,356	2,442,832			6,315,356	2,442,832
Parks, trails and recreation	2,801,224	2,662,582			2,801,224	2,662,582
Public safety	36,390,118	30,203,543			36,390,118	30,203,543
Public transportation	2,025,263	1,777,603			2,025,263	1,777,603
Public works	16,646,179	9,887,811			16,646,179	9,887,811
Interest on long-term debt	450,938	464,315			450,938	464,315
Water			22,479,100	21,442,987	22,479,100	21,442,987
Wastewater			22,560,369	22,211,628	22,560,369	22,211,628
Solid waste			9,675,995	9,132,989	9,675,995	9,132,989
Airport			4,698,506	4,625,182	4,698,506	4,625,182
Stormwater			1,061,191	991,922	1,061,191	991,922
Parking			397,649	411,302	397,649	411,302
<b>Total expenses</b>	<b>69,540,149</b>	<b>52,097,124</b>	<b>60,872,810</b>	<b>58,816,010</b>	<b>130,412,959</b>	<b>110,913,134</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>7,457,723</b>	<b>30,150,197</b>	<b>12,602,568</b>	<b>10,355,975</b>	<b>20,060,291</b>	<b>40,506,172</b>
<b>Other Financing Sources</b>						
Transfers in			242,131	289,941	242,131	289,941
Transfers out	(242,131)	(289,941)			(242,131)	(289,941)
<b>Total other financing sources</b>	<b>(242,131)</b>	<b>(289,941)</b>	<b>242,131</b>	<b>289,941</b>		
<b>Change in net position</b>	<b>7,215,592</b>	<b>29,860,256</b>	<b>12,844,699</b>	<b>10,645,916</b>	<b>20,060,291</b>	<b>40,506,172</b>
<b>Net position – beginning of year</b>	<b>28,434,186</b>	<b>(1,426,070)</b>	<b>184,698,871</b>	<b>174,052,955</b>	<b>213,133,057</b>	<b>172,626,885</b>
<b>Net position – end of year</b>	<b>\$ 35,649,778</b>	<b>\$ 28,434,186</b>	<b>\$ 197,543,570</b>	<b>\$ 184,698,871</b>	<b>\$ 233,193,348</b>	<b>\$ 213,133,057</b>

### **Governmental Activities**

Governmental activities increased the City of Hot Springs' net position by \$7,215,592 in fiscal year 2024 as compared to \$29,860,256 in 2023.

The major changes from 2023 to 2024 are as follows:

1. Sales tax decreased 1%, a decrease of \$265,000 in revenue.
2. Oaklawn revenues increased by approximately \$328,906.
3. Operating and capital grants and contributions decreased by \$9.787 million due to one time funds received from the ARPA grant and applied to general government operations in 2023.
4. Pension expense for 2024 was approximately \$10.47 million compared to \$6.78 million in 2023.
5. Charges for services increased by \$240,000 and was due in part to slight increased revenue from administrative allocations from business-type funds.
6. Investment income increased by \$606,000 due to the stable increase in interest rates and our ability to keep several million dollars invested therefore generating higher interest earnings.
7. Total expenses increased over 2023 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. In the following years (2022 and 2023) sales tax collections continued to increase. However, in 2024, the City experienced a reduction in sales tax collections for the first time in several years. We did, however, have an increase in direct revenue from the casino. The following chart shows comparable taxable sales for 2023 and 2024. 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.

<b>Description of Tax Source</b>	<b>2024 Taxable</b>	<b>2023 Taxable</b>	<b>%</b>
	<b>Sales</b>	<b>Sales</b>	<b>Increase</b>
Utilities	\$ 41,055	\$ 38,844	5.69%
Manufacturing	51,934	46,115	12.62%
Wholesale Trade	129,468	130,050	-0.45%
Retail Trade	1,102,357	1,125,958	-2.10%
Information	47,932	48,177	-0.51%
Real Estate Rental & Leasing	47,275	42,124	12.23%
Admin, Support, Waste Mgmt.	39,626	36,319	9.11%
Accommodation & Food Services	296,887	288,120	3.04%
All Other	231,721	250,406	-7.46%
<b>Total</b>	<b>\$ 1,988,255</b>	<b>\$ 2,006,113</b>	<b>-0.89%</b>

### ***Business-Type Activities***

The City of Hot Springs' business-type activities had an increase in net position of approximately \$12.84 million. The Water Fund posted an increase in net position of \$4,074,418 and the Wastewater Fund posted an increase of \$8,156,930. Increases in net position were attributable to increases in charges for services due to increased average daily consumption, as well as increased earnings on investments. The Solid Waste Fund posted an increase in net position of \$206,731. Increases in net position were attributable to increases in charges for services due to increased garbage collections, as well as increased earnings on investments. Nonmajor enterprise funds posted an increase in net position of \$539,768. Increases in net position were attributable to increased investment earnings.

### **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, 2024, the City's governmental funds reported combined ending fund balance of \$66,562,900, an increase of \$3,520,434 over the prior fiscal year. Of the ending balance, \$31,474,470 or 47% is unassigned and is available to the City for future spending. Some of the remaining balance is restricted for debt service (\$226,618), capital projects (\$1,756,082), public safety (\$2,011,508) or parks, public transportation, or public works (\$16,897,876). Other balances are committed for capital projects, public safety, and street paving (\$10,738,051). The nonspendable balance is for prepaids (\$1,190,296) and the assigned balance (\$2,267,999) is for open encumbrances at December 31, 2024.

General Fund – Revenue, transfers in, and issuance of debt exceeded expenditures and transfers out by \$5,271,135. This increase is primarily due to increases in sales tax, and Oaklawn casino revenue as well as a issuance of new debt in the form of subscriptions & leases.

Police, Fire, and Street Funds – Revenue, transfers in, and issuance of debt exceeded expenditures by \$16,420 (Fire Fund), and \$270,421 (Police Fund). The Police and Fire Funds are normally balanced by transfers from General Fund and do not keep a very large fund balance. Revenues, transfers in, and issuance of debt was less than expenditures and transfers out by \$1,758,792 (Street Fund) due to higher than budgeted public works expenditures for street paving projects. This still led to a positive restricted fund balance in the Street Fund of \$16,831,038.

Nonmajor governmental funds – Revenues and transfers were less expenditures and transfers out by \$278,750. This increase is primarily due to transfers in offset with higher expenditures in 2024.

The following is a comparison of the net change in fund balance for governmental funds for 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Revenue	\$ 39,051,974	\$ 38,600,352	\$ 451,622	1%
Expenditures	(15,265,996)	(10,536,326)	4,729,670	45%
Transfers in		4,521,483	4,521,483	(100)%
Transfers out	(19,513,548)	(17,536,310)	1,977,238	11%
Issuance of debt	998,705	526,000	472,705	90%
Net change in fund balance	<u>\$ 5,271,135</u>	<u>\$ 15,575,199</u>	<u>\$ (10,304,064)</u>	<u>(66)%</u>
<b>Police Fund</b>				
Revenue	\$ 8,133,316	\$ 7,817,006	\$ 316,310	4%
Expenditures	(18,438,496)	(18,252,050)	186,446	1%
Transfers in	10,155,182	9,429,808	725,374	8%
Transfers out	(236,447)	(215,652)	20,795	10%
Issuance of debt	656,866	493,000	163,866	33%
Net change in fund balance	<u>\$ 270,421</u>	<u>\$ (727,888)</u>	<u>\$ 998,309</u>	<u>137%</u>
<b>Fire Fund</b>				
Revenue	\$ 4,881,919	\$ 4,959,904	\$ (77,985)	(2)%
Expenditures	(13,608,016)	(11,858,125)	1,749,891	15%
Transfers in	7,679,517	6,020,344	1,659,173	28%
Transfers out				
Issuance of debt	1,063,000	885,000	178,000	20%
Net change in fund balance	<u>\$ 16,420</u>	<u>\$ 7,123</u>	<u>\$ 9,297</u>	<u>(131)%</u>
<b>Street Fund</b>				
Revenue	\$ 11,249,819	\$ 14,150,283	\$ (2,900,464)	(20)%
Expenditures	(13,798,576)	(7,236,053)	6,562,523	91%
Transfers in		653,000	(653,000)	(100)%
Transfers out	(67,035)	(139,652)	(72,617)	(52)%
Issuance of debt	857,000	380,000	477,000	126%
Net change in fund balance	<u>\$ (1,758,792)</u>	<u>\$ 7,807,578</u>	<u>\$ (9,566,370)</u>	<u>(123)%</u>
<b>Nonmajor governmental funds</b>				
Revenue	\$ 13,310,445	\$ 16,466,022	\$ (3,155,577)	(19)%
Expenditures	15,196,249	(13,338,141)	(28,534,390)	(214)%
Transfers in	1,607,054	1,929,955	(322,901)	(17)%
Transfers out		(4,952,917)	(4,952,917)	(100)%
Net change in fund balance	<u>\$ 30,113,748</u>	<u>\$ 104,919</u>	<u>\$ 30,008,829</u>	<u>(28602)%</u>

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	\$	4,688,745
Wastewater		9,824,556
Solid Waste		2,966,562
Nonmajor Enterprise		7,203,473
Internal Service Funds		<u>9,736,853</u>
Total	\$	<u><u>34,420,189</u></u>

### General Fund Budgetary Highlights

The original budget provided a net increase in fund balance of \$487,639. The final amended budget resulted in a decrease of \$2,302,533, a difference of (\$2,790,172). Of this amount, \$1,751,252 was reappropriations. The remainder was emergency capital or building repairs.

The actual increase in fund balance for the year was \$5,271,135, a positive variance over the final amended budget of \$7.57 million. There are several differences:

1. Sales tax growth was slightly higher than estimated, producing an additional \$378,406 over the budget.
2. Investment earnings were \$1.81 million over budget due to steady favorable market conditions.
3. All other general fund revenues were \$708,540 over the budgeted amount.
4. Due to supply chain and construction issues, approximately \$540,000 in budgeted assets were not purchased. This will impact reappropriations for 2025.
5. Personnel costs were below budget due to vacancies.
6. Services expenses were under budget \$875,063 because actual expenditures for contracted services were lower than expected.

**Long-Term Debt.** The City’s total bonded debt decreased by \$8,493,054 (2.69%) during 2024. The following table details the breakdown of the principal due on this debt.

Government wide:	2024	2023
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019	\$ 7,000,000	\$ 7,185,000
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018	690,000	850,000
Waterworks Revenue Bonds, Series 2018	16,672,221	17,294,180
Waterworks Revenue Refunding Bonds, Series 2019	4,208,450	4,427,680
Waterworks Revenue Bonds Series 2020	104,213,940	106,728,130
Waterworks Revenue Refunding Bonds, Series 2021	8,530,000	9,110,000
Wastewater Refunding Revenue Bonds, Series 2017	18,500,232	19,641,399
Wastewater Refunding and Construction Revenue Bonds, Series 2016	2,975,000	3,690,000
Wastewater Revenue Bonds Taxable Refunding Series 2020A	32,305,000	33,655,000
Wastewater Revenue Bonds Construction Series 2020B	18,263,194	18,249,663
Wastewater Revenue Bonds Construction Series 2022A	9,255,000	10,110,000
Wastewater Revenue Bonds Construction Series 2022B	8,835,000	8,835,000
Wastewater Revenue Bonds Construction Series 2022C	26,800,104	26,781,926
Water Revenue Bonds Construction Series 2023	48,783,116	48,966,333
Total bonded indebtedness	<u>\$ 307,031,257</u>	<u>\$ 315,524,311</u>

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 2024, the City had outstanding GO (special obligation) debt of \$7.69 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 \$5.65 million are well below the statutory limit of \$56.1 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, 2024, the City's investment in capital, lease, and subscription assets for its governmental and business-type activities was \$443,568,756 (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 \$136.84 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. It is expected that all of these water projects will be complete in 2025.
- Capital expenditures of \$33.967 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 \$3.32 million due to additional equipment needs throughout the city.

Additional information regarding capital assets can be found in Note 4 – *Capital Assets* of this report.

### **Economic Factors and the Next Year's Budget and Rates**

The City of Hot Springs, Arkansas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2025 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2025 continues to be maintaining quality service for citizens and visitors while observing prudent and sustainable spending practices.

The strategic priorities are as follows:

- Development/Zoning Code Update to Align with the 2040 Comprehensive Plan
- Gulpha Basin Wastewater Project
- Affordable Housing Strategy Plan Adopted by Board of Directors and begin implementation
- Develop Congregate Feeding Program and Operate Warming/Cooling Shelter, as needed
- Asbestos Mitigation and Demolition at the Old Hospital Building Utilized by the Arkansas School for Mathematics, Sciences, and Arts
- Purchase Storage Facility and Make Renovations for Various City Departments
- Engage Consultant to Develop Near and Long-Term Sports Master Plan
- Build New Fire Station

Highlights of the 2025 budget include:

- Balanced budget, with total revenues and fund balance or net position equal to or greater than total expenditures
- Total City budget \$169.5 million
- Projected 3% increase in sales tax revenue
- Implementation of new downtown parking program
- Capital improvements of \$5.29 million in governmental funds and \$8.74 million in business-type activities (funded by operations)

For 2025, water rates will increase approximately 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](http://www.cityhs.net).

# BASIC FINANCIAL STATEMENTS

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**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**December 31, 2024**

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,678,639	\$ 5,684,579	\$ 17,363,218	\$ 12,058,551
Investments	31,455,457	14,549,830	46,005,287	
Interest receivable	67,407	120,461	187,868	
Accounts receivable (net of allowance for uncollectible)	7,878,688	2,877,973	10,756,661	1,089,453
Lease receivable	342,095	1,032,079	1,374,174	
Internal balances	(2,047,371)	2,047,371		
Accrued revenues		3,551,103	3,551,103	
Due from other governments	1,628,109	5,479,435	7,107,544	
Due from primary government				900,000
Inventories	521,344	1,443,139	1,964,483	12,251
Prepaid items	1,191,689	1,461,820	2,653,509	722,424
Restricted				
Cash and cash equivalents	11,111,378	26,890,554	38,001,932	90,473
Investments	19,744,294	57,550,736	77,295,030	6,465,017
Interest receivable	21,798	486,561	508,359	
Capital Assets				
Capital assets not being depreciated	13,282,126	205,757,955	219,040,081	6,220,695
Capital assets, net of accumulated depreciation	26,517,351	196,865,328	223,382,679	44,830,537
Capital assets, net of accumulated amortization	669,116	476,880	1,145,996	63,550
Total assets	<u>124,062,120</u>	<u>526,275,804</u>	<u>650,337,924</u>	<u>72,452,951</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on bond refunding		4,510,501	4,510,501	
OPEB - changes in assumptions	372,860	235,841	608,701	
Pension - changes in assumptions	492,442	406,454	898,896	121,091
Pension - difference between expected and actual experience	4,155,803	452,618	4,608,421	134,845
Pension - changes in proportion and differences between contribution and proportionate share of contributions	910,576	204,325	1,114,901	354,084
Pension - contributions subsequent to the measurement date	7,292,793	873,857	8,166,650	339,041
Pension - difference between actual and expected investment earnings	3,713,445	338,344	4,051,789	100,799
Total deferred outflows of resources	<u>\$ 16,937,919</u>	<u>\$ 7,021,940</u>	<u>\$ 23,959,859</u>	<u>\$ 1,049,860</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, 2024**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,617,420	\$ 6,831,854	\$ 13,449,274	\$ 967,092
Due to other governments	706,640	124,232	830,872	
Due to component unit	900,000		900,000	
Customer deposits		1,150,960	1,150,960	
Unearned revenue	325,484	66,296	391,780	959,429
Accrued expenses	1,400,789	427,279	1,828,068	285,941
Accrued interest payable	142,979	2,124,141	2,267,120	
Noncurrent liabilities				
Due within one year				
Notes payable	2,052,596	258,160	2,310,756	
Compensated absences	410,986	152,755	563,741	
Lease liabilities	29,315	29,315	58,630	
Subscription liabilities	311,466	147,288	458,754	
Total OPEB liability	87,181	49,531	136,712	
Bonds payable	350,000	8,383,054	8,733,054	
Due in more than one year				
Bonds payable	7,340,000	290,958,203	298,298,203	
Notes payable	3,601,706	7,193,073	10,794,779	
Post closure liability		866,147	866,147	
Total OPEB liability	2,558,207	1,503,797	4,062,004	
Compensated absences	3,675,749	1,083,442	4,759,191	
Lease liabilities	220,956	220,955	441,911	26,830
Subscription liabilities	35,765	10,916	46,681	
Net pension liability	70,361,722	11,663,102	82,024,824	3,474,666
Total liabilities	<u>101,128,961</u>	<u>333,244,500</u>	<u>434,373,461</u>	<u>5,713,958</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow from bond refunding		99,217	99,217	
Deferred inflow from leases	314,000	997,035	1,311,035	
OPEB - changes in assumptions	480,440	295,505	775,945	
OPEB - difference between expected and actual experience	786,935	484,974	1,271,909	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	771,180	156,091	927,271	
Pension - difference between actual and expected experience	443,188	476,852	920,040	142,064
Pension - changes in assumption	1,425,557		1,425,557	
Total deferred inflows of resources	<u>4,221,300</u>	<u>2,509,674</u>	<u>6,730,974</u>	<u>142,064</u>
<b>NET POSITION</b>				
Net investment in capital assets	29,299,846	154,054,811	183,354,657	50,389,431
Restricted for:				
Debt service	226,618	3,621,864	3,848,482	
Capital improvements	1,756,082	10,519,522	12,275,604	8,419,692
Parks grants	3,325		3,325	
Public safety mandates	2,011,508		2,011,508	
Public works projects	16,894,551		16,894,551	
Unrestricted (deficit)	<u>(14,542,152)</u>	<u>29,347,373</u>	<u>14,805,221</u>	<u>8,837,666</u>
Total net position	<u>\$ 35,649,778</u>	<u>\$ 197,543,570</u>	<u>\$ 233,193,348</u>	<u>\$ 67,646,789</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, 2024**

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	
<b>Governmental activities:</b>								
General government	\$ 4,911,071	\$ 10,848,391	\$ 7,032,731	\$ -	\$ 12,970,051	\$ -	\$ 12,970,051	\$
Community development	6,315,356	762,065	396,166	518,915	(4,638,210)		(4,638,210)	
Parks, trails and recreation	2,801,224	107,029	34,218	283,456	(2,376,521)		(2,376,521)	
Public safety	36,390,118	2,332,455	7,208,151		(26,849,512)		(26,849,512)	
Public transportation	2,025,263	126,867	985,998	85,150	(827,248)		(827,248)	
Public works	16,646,179	156,579	560,149	1,492	(15,927,959)		(15,927,959)	
Interest on long-term debt	450,938				(450,938)		(450,938)	
<b>Total governmental activities</b>	<b>69,540,149</b>	<b>14,333,386</b>	<b>16,217,413</b>	<b>889,013</b>	<b>(38,100,337)</b>	<b>-</b>	<b>(38,100,337)</b>	
<b>Business-type activities:</b>								
Water	22,479,100	23,602,998				1,123,898	1,123,898	
Wastewater	22,560,369	22,695,312	31,162	5,000,000		5,166,105	5,166,105	
Solid Waste	9,675,995	9,681,042	76,083			81,130	81,130	
Airport	4,698,506	3,284,581	6,495	783,541		(623,889)	(623,889)	
Stormwater	1,061,191	1,640,356	155,645			734,810	734,810	
Parking	397,649	81,666				(315,983)	(315,983)	
<b>Total business-type activities</b>	<b>60,872,810</b>	<b>60,985,955</b>	<b>269,385</b>	<b>5,783,541</b>	<b>-</b>	<b>6,166,071</b>	<b>6,166,071</b>	
<b>Total primary government</b>	<b>\$ 130,412,959</b>	<b>\$ 75,319,341</b>	<b>\$ 16,486,798</b>	<b>\$ 6,672,554</b>	<b>(38,100,337)</b>	<b>6,166,071</b>	<b>(31,934,266)</b>	
<b>Component unit:</b>								
Advertising and promotion	15,069,187	4,674,477						(10,394,710)
<b>General revenues:</b>								
Sales taxes					29,044,929	72,379	29,117,308	10,161,245
Franchise fees					3,032,758		3,032,758	
Alcoholic beverage permit and taxes					1,565,389		1,565,389	
Grants and contributions not restricted to specific programs					8,964,148		8,964,148	
Investment earnings					2,950,836	6,364,118	9,314,954	816,645
Transfers					(242,131)	242,131		
<b>Total general revenues and transfers</b>					<b>45,315,929</b>	<b>6,678,628</b>	<b>51,994,557</b>	<b>10,977,890</b>
<b>Change in net position</b>					<b>7,215,592</b>	<b>12,844,699</b>	<b>20,060,291</b>	<b>583,180</b>
<b>Net position - beginning of year</b>					<b>28,434,186</b>	<b>184,698,871</b>	<b>213,133,057</b>	<b>67,063,609</b>
<b>Net position - end of year</b>					<b>\$ 35,649,778</b>	<b>\$ 197,543,570</b>	<b>\$ 233,193,348</b>	<b>\$ 67,646,789</b>

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

**City of Hot Springs, Arkansas**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2024**

	Special Revenue				Other Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,058,861	\$ 779,299	\$ 180,807	\$ 6,619,731	\$ 3,095,391	\$ 18,734,089
Investments	27,373,491	1,107,384	184,366	13,904,483	2,149,787	44,719,511
Interest receivable	67,366	41		20,635	1,163	89,205
Accounts receivable	4,664,273	1,177,398	669,264	1,153,354	93,634	7,757,923
Leases Receivable			342,095			342,095
Due from other funds	5,213,297	144,351				5,357,648
Intergovernmental receivables	85,352	3,528	13,313	364,089	1,161,827	1,628,109
Prepaid items	1,162,795	8,719	14,999	3,783		1,190,296
<b>Total assets</b>	<b>46,625,435</b>	<b>3,220,720</b>	<b>1,404,844</b>	<b>22,066,075</b>	<b>6,501,802</b>	<b>79,818,876</b>
<b>LIABILITIES</b>						
Accounts payable	502,341	249,417	119,153	5,178,663	456,179	6,505,753
Accrued expenditures	361,800	492,407	250,632	36,275	75,378	1,216,492
Due to other governments	14,463				692,177	706,640
Due to component unit					900,000	900,000
Due to other funds	2,336,591	37,961	57,027	16,316	839,712	3,287,607
Unearned revenue	26,184	15,150	10,859		273,291	325,484
<b>Total liabilities</b>	<b>3,241,379</b>	<b>794,935</b>	<b>437,671</b>	<b>5,231,254</b>	<b>3,236,737</b>	<b>12,941,976</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflow from leases			314,000			314,000
<b>Total deferred inflows of resources</b>			<b>314,000</b>			<b>314,000</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>3,241,379</b>	<b>794,935</b>	<b>751,671</b>	<b>5,231,254</b>	<b>3,236,737</b>	<b>13,255,976</b>
<b>FUND BALANCES</b>						
Nonspendable	1,162,795	8,719	14,999	3,783		1,190,296
Restricted						
Debt service					226,618	226,618
Capital projects					1,756,082	1,756,082
Parks					3,325	3,325
Public safety			638,174		1,373,334	2,011,508
Public works				16,831,038	63,513	16,894,551
Committed	10,588,984	149,067				10,738,051
Assigned		2,267,999				2,267,999
Unassigned	31,632,277				(157,807)	31,474,470
Total fund balances	<b>43,384,056</b>	<b>2,425,785</b>	<b>653,173</b>	<b>16,834,821</b>	<b>3,265,065</b>	<b>66,562,900</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 46,625,435</b>	<b>\$ 3,220,720</b>	<b>\$ 1,404,844</b>	<b>\$ 22,066,075</b>	<b>\$ 6,501,802</b>	<b>\$ 79,818,876</b>

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, 2024

Total fund balances - governmental funds (page 33) \$ 66,562,900

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. 40,250,499

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. 6,728,722

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. (17,915,852)

Net pension liabilities are not reported in the funds. (70,361,722)

Total other postemployment benefits liability are not reported in the funds. (2,645,388)

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)	16,565,059
Deferred pension inflows (GASB 68)	(2,639,925)
Deferred OPEB inflows (GASB 75)	(1,267,375)
Deferred OPEB outflows (GASB 75)	372,860

Net position of governmental activities \$ 35,649,778

**City of Hot Springs, Arkansas**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2024**

	Special Revenue				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund		
<b>REVENUES</b>						
Taxes	\$ 20,762,383	\$ 5,808,986	\$ 3,872,657	\$	\$	\$ 30,444,026
Fees and permits	5,285,165	142,022	7,374	29,665		5,464,226
Charges for services	3,427,269				119,667	3,546,936
Intergovernmental	1,079,947	1,780,238	959,359	10,419,982	12,526,509	26,766,035
Intergovernmental - gaming and breakage	5,198,907					5,198,907
Fines and forfeitures	673,258	69,783			286,185	1,029,226
Investment earnings	2,108,657	1,415	6,574	777,392	63,372	2,957,410
Miscellaneous	516,388	330,872	35,955	22,780	314,712	1,220,707
Total revenues	<u>39,051,974</u>	<u>8,133,316</u>	<u>4,881,919</u>	<u>11,249,819</u>	<u>13,310,445</u>	<u>76,627,473</u>
<b>EXPENDITURES</b>						
Current:						
General government	4,018,685				162,005	4,180,690
Community development	2,003,750				4,248,758	6,252,508
Parks and recreation	2,338,452					2,338,452
Public transportation					1,921,023	1,921,023
Public safety		17,094,511	11,431,625		6,537,265	35,063,401
Public works	2,704,689			13,114,001	43,975	15,862,665
Public utilities					21,405	21,405
Debt service:						
Principal	1,219,502	630,193	1,028,076	351,824	345,000	3,574,595
Interest	45,321	38,946	64,227	28,296	274,148	450,938
Capital outlay	2,935,597	674,846	1,084,088	304,455	1,642,670	6,641,656
Total expenditures	<u>15,265,996</u>	<u>18,438,496</u>	<u>13,608,016</u>	<u>13,798,576</u>	<u>15,196,249</u>	<u>76,307,333</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,785,978</u>	<u>(10,305,180)</u>	<u>(8,726,097)</u>	<u>(2,548,757)</u>	<u>(1,885,804)</u>	<u>320,140</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in		10,155,182	7,679,517		1,607,054	19,441,753
Transfers out	(19,513,548)	(236,447)		(67,035)		(19,817,030)
Issuance of debt	998,705	656,866	1,063,000	857,000		3,575,571
Total other financing sources (uses)	<u>(18,514,843)</u>	<u>10,575,601</u>	<u>8,742,517</u>	<u>789,965</u>	<u>1,607,054</u>	<u>3,200,294</u>
Changes in fund balances	5,271,135	270,421	16,420	(1,758,792)	(278,750)	3,520,434
Fund balances - beginning	<u>38,112,921</u>	<u>2,155,364</u>	<u>636,753</u>	<u>18,593,613</u>	<u>3,543,815</u>	<u>63,042,466</u>
Fund balances - ending	<u>\$ 43,384,056</u>	<u>\$ 2,425,785</u>	<u>\$ 653,173</u>	<u>\$ 16,834,821</u>	<u>\$ 3,265,065</u>	<u>\$ 66,562,900</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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2024**

Net Changes in Fund Balances – total governmental funds (page 26) \$ 3,520,434

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. 2,712,722

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position. (121,625)

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. (976)

Some expenses for compensated absences 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. 70,282

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. 503,001

Other postemployment benefits is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. (9,792)

Pension expense is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. 541,546

Change in the net position of governmental activities \$ 7,215,592

**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

**December 31, 2024**

	Business-type Activities					Internal Service Funds
	Water	Wastewater	Solid Waste	Nonmajor Enterprise	Total	
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 4,107,395	\$ 6,746,241	\$ 1,354,281	\$ 3,014,048	\$ 15,221,965	\$ 4,177,201
Investments	4,273,110	2,728,968	2,328,373	4,983,749	14,314,200	6,574,441
Interest receivable	49,388	59,762	3,556	7,755	120,461	
Accounts receivable (net of allowance for uncollectible)	1,180,594	1,116,339	391,849	188,135	2,876,917	120,790
Lease receivable	359,517			673,593	1,033,110	
Due from other funds	860,625	1,953,113	2,266,370	12,405	5,092,513	191,447
Accrued revenues	1,314,048	1,470,644	644,716	121,695	3,551,103	
Intergovernmental receivables		5,031,162	76,083	372,190	5,479,435	
Inventories	11,010			112,417	123,427	1,841,056
Prepaid items	880,115	560,468	3,596	11,550	1,455,729	7,484
Restricted assets:						
Cash and cash equivalents	6,009,635	11,086,923			17,096,558	
Investments	28,757,809	29,069,693			57,827,502	
Interest receivable	347,749	138,812			486,561	
<b>Total current assets</b>	<b>48,150,995</b>	<b>59,962,125</b>	<b>7,068,824</b>	<b>9,497,537</b>	<b>124,679,481</b>	<b>12,912,419</b>
Noncurrent Assets:						
Capital assets:						
Land	5,372,001	662,533	275,121	8,132,163	14,441,818	68,265
Nondepreciable assets	11,552,246				11,552,246	
Buildings and systems	11,798,653	14,457,850	1,778,655	17,702,745	45,737,903	1,116,125
Improvements other than buildings	107,414,292	164,765,358	986,424	29,094,746	302,260,820	817,242
Machinery and equipment	29,982,975	39,288,496	13,918,692	3,885,633	87,075,796	3,479,419
Construction in progress	143,475,074	33,967,387	24,769	2,278,509	179,745,739	
		(123,208,629)			(239,617,475)	
Less accumulated depreciation	(73,095,980)	)	(11,440,091)	(31,872,775)	)	(3,836,521)
Lease assets, net	79,558	60,019	93,049		232,626	
Subscription assets, net	70,480	6,867	4,244	12,373	93,964	150,290
<b>Total noncurrent assets</b>	<b>236,649,299</b>	<b>129,999,881</b>	<b>5,640,863</b>	<b>29,233,394</b>	<b>401,523,437</b>	<b>1,794,820</b>
<b>Total assets</b>	<b>284,800,294</b>	<b>189,962,006</b>	<b>12,709,687</b>	<b>38,730,931</b>	<b>526,202,918</b>	<b>14,707,239</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on bond refunding	36,512	4,473,989			4,510,501	
OPEB - changes in assumptions	61,021	90,524	68,037	16,259	235,841	
Pension - changes in assumptions	120,092	140,140	113,807	32,415	406,454	
Pension - difference between expected and actual experience	133,732	156,058	126,733	36,095	452,618	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	60,371	70,449	57,211	16,294	204,325	
Pension - contributions subsequent to the measurement date	258,192	301,296	244,679	69,690	873,857	
Pension - difference between actual and expected investment earnings	99,968	116,657	94,736	26,983	338,344	
<b>Total deferred outflows of resources</b>	<b>\$ 769,888</b>	<b>\$ 5,349,113</b>	<b>\$ 705,203</b>	<b>\$ 197,736</b>	<b>\$ 7,021,940</b>	<b>\$</b>

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, 2024**

	Business-type Activities				Total	Internal Service Funds
	Water	Wastewater	Solid Waste	Nonmajor Enterprise		
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 2,731,246	\$ 3,496,597	\$ 164,384	\$ 225,087	\$ 6,617,314	\$ 326,207
Due to other funds	1,183,991	3,795,532		309,271	5,288,794	2,065,207
Intergovernmental payables	48,517		67,002	8,713	124,232	
Compensated absences	28,666	46,398	39,937	6,126	121,127	44,046
Customer deposits payable	1,150,960				1,150,960	
Lease liability	10,026	7,563	11,726		29,315	
Subscription liability	1,513	2,668	2,883	4,361	11,425	135,863
Unearned revenue		2,828		63,468	66,296	
Total OPEB liability	13,945	17,362	15,052	3,172	49,531	
Accrued expenses	77,185	108,509	119,127	34,269	339,090	415,465
Notes payable	258,160				258,160	
Revenue bonds payable - current	4,272,496	4,110,558			8,383,054	
Accrued interest payable	1,770,954	353,187			2,124,141	
Total current liabilities	<u>11,547,659</u>	<u>11,941,202</u>	<u>420,111</u>	<u>654,467</u>	<u>24,563,439</u>	<u>2,986,788</u>
Noncurrent liabilities:						
Revenue bonds payable	178,101,331	112,856,872			290,958,203	
Other liabilities		866,147			866,147	
Notes payable	7,193,073				7,193,073	
Total other postemployment benefits obligation	346,264	606,539	443,997	106,997	1,503,797	
Compensated absences	203,360	329,148	283,103	43,459	859,070	324,641
Lease liability	75,566	57,007	88,382		220,955	
Subscription liability				7,865	7,865	3,051
Net pension liability	3,446,013	4,021,305	3,265,657	930,127	11,663,102	
Total noncurrent liabilities	<u>189,365,607</u>	<u>118,737,018</u>	<u>4,081,139</u>	<u>1,088,448</u>	<u>313,272,212</u>	<u>327,692</u>
Total liabilities	<u>200,913,266</u>	<u>130,678,220</u>	<u>4,501,250</u>	<u>1,742,915</u>	<u>337,835,651</u>	<u>3,314,480</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflow from bond refunding	99,217				99,217	
Deferred inflow from leases	340,317			656,718	997,035	
OPEB - changes in assumptions	82,283	105,720	87,054	20,448	295,505	
OPEB - difference between expected and actual experience	131,236	175,342	144,929	33,467	484,974	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	46,119	53,818	43,705	12,449	156,091	
Pension - difference between actual and expected liability experience	140,892	164,413	133,518	38,029	476,852	
Total deferred inflows of resources	<u>840,064</u>	<u>499,293</u>	<u>409,206</u>	<u>761,111</u>	<u>2,509,674</u>	
<b>NET POSITION</b>						
Net investment in capital assets	71,983,666	47,312,105	5,537,872	29,221,168	154,054,811	1,655,906
Restricted						
Debt service	2,969,441	652,423			3,621,864	
Capital projects	4,175,000	6,344,522			10,519,522	
Unrestricted	4,688,745	9,824,556	2,966,562	7,203,473	24,683,336	9,736,853
Total net position	<u>\$ 83,816,852</u>	<u>\$ 64,133,606</u>	<u>\$ 8,504,434</u>	<u>\$ 36,424,641</u>	<u>\$ 192,879,533</u>	<u>\$ 11,392,759</u>

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time

4,664,037

Net position of the business-type activities (page 28)

\$ 197,543,570

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, 2024**

	Business-type Activities							Total Enterprise Funds
	Water	Wastewater	Solid Waste	Formerly Major Fund Airport	Formerly Major Fund Stormwater	Formerly Major Fund Parking	Nonmajor Enterprise	
<b>OPERATING REVENUES</b>								
Charges for sales and services:								
Water sales	\$ 22,802,355							\$ 22,802,355
Wastewater charges		21,722,005						21,722,005
Refuse collections and compaction			9,379,213					9,379,213
Stormwater fees							1,598,227	1,598,227
Fuel and merchandise sales							2,049,730	2,049,730
Parking and rental fees							1,236,138	1,236,138
Other service fees	619,071	755,178	208,528				39,295	1,622,072
Reimbursement from other funds								
Miscellaneous other revenue	181,574	183,833	93,301				170,261	628,969
<b>Total operating revenues</b>	<b>23,603,000</b>	<b>22,661,016</b>	<b>9,681,042</b>				<b>5,093,651</b>	<b>61,038,709</b>
<b>OPERATING EXPENSES</b>								
Salaries and benefits	2,830,318	4,089,559	4,677,034				1,240,721	12,837,632
Services	7,049,144	6,339,076	2,787,276				1,414,490	17,589,986
Post closure expense		24,313						24,313
Supplies	1,786,193	2,391,909	1,297,708				1,734,188	7,209,998
Depreciation and Amortization	4,554,736	5,199,544	911,622				1,767,018	12,432,920
<b>Total operating expenses</b>	<b>16,220,391</b>	<b>18,044,401</b>	<b>9,673,640</b>				<b>6,156,417</b>	<b>50,094,849</b>
Operating income (expense)	7,382,609	4,616,615	7,402				(1,062,766)	10,943,860
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Intergovernmental		31,162	76,083				162,140	269,385
Investment earnings	1,559,446	2,513,839	134,161				315,849	4,523,295
Net increase (decrease) in fair value of investments	1,391,072	476,986	(8,560)				(18,675)	1,840,823
Interest expense	(6,258,709)	(4,515,968)	(2,355)				(929)	(10,777,961)
Gain (loss) on sale of assets		34,296					(14,669)	19,627
<b>Total nonoperating revenue (expense)</b>	<b>(3,308,191)</b>	<b>(1,459,685)</b>	<b>199,329</b>				<b>443,716</b>	<b>(4,124,831)</b>
Income before contributions and transfers	4,074,418	3,156,930	206,731				(619,050)	6,819,029
Capital grants		5,000,000					783,541	5,783,541
Transfers in							375,277	375,277
Change in net position	4,074,418	8,156,930	206,731				539,768	12,977,847
Total net position, beginning of year	79,742,434	55,976,676	8,297,703	24,611,841	7,517,428	3,755,604		179,901,686
Change within financial reporting entity (major to nonmajor)				(24,611,841)	(7,517,428)	(3,755,604)	35,884,873	
Total net position, beginning of year, restated	79,742,434	55,976,676	8,297,703				35,884,873	179,901,686
Total net position - end of year	<b>\$ 83,816,852</b>	<b>\$ 64,133,606</b>	<b>\$ 8,504,434</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 36,424,641</b>	<b>\$ 192,879,533</b>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.								(133,148)
Changes in net position of business-type activities (page 29)								<u>\$ (133,148)</u>

The notes to the financial statements 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, 2024**

	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Water sales	\$
Wastewater charges	
Refuse collections and compaction	
Stormwater fees	
Fuel and merchandise sales	
Parking and rental fees	
Other service fees	849,727
Reimbursement from other funds	10,840,554
Miscellaneous other revenue	839,739
Total operating revenues	12,530,020
<b>OPERATING EXPENSES</b>	
Salaries and benefits	4,306,409
Services	6,393,319
Post closure expense	
Supplies	1,094,370
Depreciation and Amortization	371,470
Total operating expenses	12,165,568
Operating income (expense)	364,452
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental	
Investment earnings	18,746
Net increase (decrease) in fair value of investments	
Interest expense	(13,348)
Gain (loss) on sale of assets	
Total nonoperating revenue (expense)	5,398
Income before contributions and transfers	369,850
Capital grants	
Transfers in	
Change in net position	369,850
Total net position, beginning of year	11,022,909
Change within financial reporting entity (major to nonmajor)	
Total net position, beginning of year, restated	11,022,909
Total net position - end of year	\$ 11,392,759

*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, 2024**

	Business-type Activities					Total Internal Service Funds
	Water	Wastewater	Solid Waste	Nonmajor Enterprise	Total Enterprise	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 24,927,304	\$ 20,317,829	\$ 9,550,827	\$ 5,535,018	\$ 60,330,978	\$ 11,682,374
Other receipts	181,574	183,833	93,301	170,261	628,969	839,739
Payments to suppliers and service providers	(10,385,104)	(8,015,631)	(4,002,130)	(3,076,710)	(25,479,575)	(7,532,134)
Customer deposits received	41,360				41,360	
Payments to employees	(2,748,865)	(3,996,437)	(4,539,049)	(1,237,197)	(12,521,548)	(4,374,544)
Net cash provided by operating activities	<u>12,016,269</u>	<u>8,489,594</u>	<u>1,102,949</u>	<u>1,391,372</u>	<u>23,000,184</u>	<u>615,435</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds				375,277	375,277	-
Net cash provided by noncapital financing activities				<u>375,277</u>	<u>375,277</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(35,039,623)	(26,163,616)	(549,916)	(1,829,370)	(63,582,525)	(411,370)
Capital grants and contributions		5,031,162	76,083	945,681	6,052,926	
Principal paid on debt	(4,312,620)	(4,002,643)	(11,006)	(3,512)	(8,329,781)	(21,215)
Interest paid on debt	(6,290,950)	(4,198,405)	(2,355)	(929)	(10,492,639)	(13,348)
Sale of capital assets		29,592		(14,669)	14,923	
Net cash used for capital and related financing activities	<u>(45,643,193)</u>	<u>(29,303,910)</u>	<u>(487,194)</u>	<u>(902,799)</u>	<u>(76,337,096)</u>	<u>(445,933)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Sale of investments	27,943,198	17,945,002		8	45,888,208	638,056
Purchases of investments			(234,544)	(39,467)	(274,011)	
Interest on investments	2,914,368	2,937,279	128,789	303,353	6,283,789	18,746
Net cash provided by (used for) investing activities	<u>30,857,566</u>	<u>20,882,281</u>	<u>(105,755)</u>	<u>263,894</u>	<u>51,897,986</u>	<u>656,802</u>
Net change in cash and cash equivalents	(2,769,358)	67,965	510,000	1,127,744	(1,063,649)	826,304
Cash and cash equivalents -- Beginning of year	12,886,388	17,765,199	844,281	1,886,304	33,382,172	3,350,897
Cash and cash equivalents -- End of year	<u>\$ 10,117,030</u>	<u>\$ 17,833,164</u>	<u>\$ 1,354,281</u>	<u>\$ 3,014,048</u>	<u>\$ 32,318,523</u>	<u>\$ 4,177,201</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>						
Cash and cash equivalents	4,107,395	6,746,241	1,354,281	3,014,048	15,221,965	4,177,201
Restricted cash and cash equivalents	6,009,635	11,086,923			17,096,558	
Total Cash and cash equivalents	<u>\$ 10,117,030</u>	<u>\$ 17,833,164</u>	<u>\$ 1,354,281</u>	<u>\$ 3,014,048</u>	<u>\$ 32,318,523</u>	<u>\$ 4,177,201</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, 2024**

	Business-type Activities					Total Internal Service Funds
	Water	Wastewater	Solid Waste	Nonmajor Enterprise	Total Enterprise	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>						
Operating income (loss)	\$ 7,382,609	\$ 4,616,615	\$ 7,402	\$ (1,062,766)	\$ 10,943,860	\$ 364,452
Adjustments to reconcile operating income (loss) net cash provided by operating activities:						
Depreciation and amortization expense	4,554,736	5,199,544	911,622	1,767,018	12,432,920	371,470
(Increase) decrease in deferred outflows - pensions	540,918	642,543	595,211	150,971	1,929,643	
(Increase) decrease in deferred outflows - OPEB	21,279	27,673	(89,926)	(3,120)	(44,094)	
Increase (decrease) in deferred inflows - pensions	91,861	106,308	89,499	25,039	312,707	
Increase (decrease) in deferred inflows - OPEB	(7,580)	(10,630)	(9,099)	(1,826)	(29,135)	
Increase (decrease) in deferred inflows - leases	(42,539)			(176,603)	(219,142)	
(Increase) decrease in assets						
Accounts receivable	33,750	(5,106,936)	9,637	455,378	(4,608,171)	(257,271)
Lease receivable	35,409		(71,342)	174,316	138,383	
Due from other funds	(58,589)	(1,126,800)	(2,000)		(1,187,389)	
Accrued revenue	353,856	278,850	26,791	14,111	673,608	
Inventory				(15,348)	(15,348)	(40,878)
Prepaid items	14,211	(94,644)	(3,596)	(11,550)	(95,579)	(7,484)
Increase (decrease) in liabilities						
Accounts payable	(1,593,881)	847,549	44,097	76,035	(626,200)	(34,356)
Due to other funds	1,183,991	3,795,532		144,426	5,123,949	249,364
Compensated absences	(2,943)	21,370	(16,211)	(26,532)	(24,316)	(68,135)
Accrued expenses	29,903	(13,238)	42,353	22,831	81,849	38,273
Customer deposits	41,360				41,360	
Total other post employment benefits	(12,148)	(15,113)	(13,108)	(2,762)	(43,131)	
Net pension liability	(549,934)	(679,029)	(418,381)	(138,246)	(1,785,590)	
Total adjustments	<u>4,633,660</u>	<u>3,872,979</u>	<u>1,095,547</u>	<u>2,454,138</u>	<u>12,056,324</u>	<u>250,983</u>
Net cash provided by operating activities	<u>\$ 12,016,269</u>	<u>\$ 8,489,594</u>	<u>\$ 1,102,949</u>	<u>\$ 1,391,372</u>	<u>\$ 23,000,184</u>	<u>\$ 615,435</u>
<b>Noncash investing and financing activities:</b>						
Increase in fair value of investments	1,391,072	476,986	63,971	(18,675)	1,913,354	
Issued subscription based IT arrangement	90,317	14,984	7,888	5,890	119,079	162,810
Capital assets acquisitions included in accounts payable	<u>732,902</u>	<u>2,399,277</u>			<u>3,132,179</u>	
Total noncash investing, capital and financing activities	<u>\$ 2,214,291</u>	<u>\$ 2,891,247</u>	<u>\$ 71,859</u>	<u>\$ (12,785)</u>	<u>\$ 5,164,612</u>	<u>\$ 162,810</u>

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

**City of Hot Springs, Arkansas**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2024**

	<b>Total Custodial Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 526,702
Receivables	
Due from service providers	21,175
Collected for members	78,080
Total receivables	99,255
Total assets	625,957
 <b>LIABILITIES</b>	
Accounts payable	162,247
Due to other governments	124,297
Total liabilities	286,544
 <b>NET POSITION</b>	
Restricted for:	
Individuals, organizations, and other governments	339,413
Total net position	\$ 339,413

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

**City of Hot Springs, Arkansas**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2024**

	<b>Total Custodial Funds</b>
<b>ADDITIONS</b>	
District court fines collected	\$ 3,705,575
Collections from customer on behalf of another party	1,018,229
Total additions	4,723,804
<b>DEDUCTIONS</b>	
District Court fines distributed to other governments	3,503,725
Payments of customer collections	1,018,229
Total deductions	4,521,954
Net decrease in fiduciary net position	201,850
Net position – beginning	137,563
Net position – ending	\$ 339,413

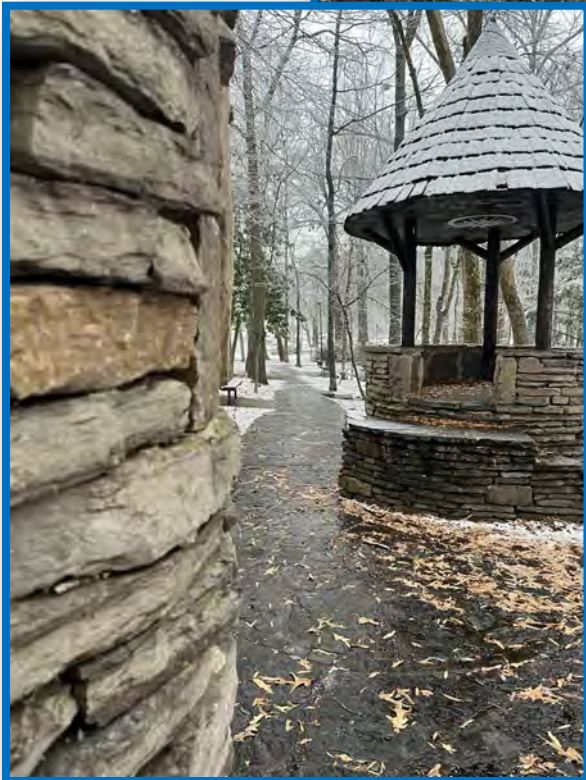
*The notes to the financial statements are an integral part of this statement.*

# NOTES TO THE FINANCIAL STATEMENTS

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# *HOLLYWOOD PARK—JANUARY 2024*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024

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**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.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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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 lease 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.

The City reports the following major enterprise 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.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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

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.

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.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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**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 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, 2024, the total amount of Unearned Revenue was \$391,780 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, lease assets, and subscription assets, 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

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

**December 31, 2024**

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>	<u>Primary Government</u> <u>Years</u>	<u>Component Unit</u> <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.

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.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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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 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.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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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. The City's policy is that leave earned in the current period is used before leave earned in prior periods. 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 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.

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

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December 31, 2024

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 seven 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 seven items that qualify as deferred inflows of resources as of December 31, 2024. 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 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 2024 the City had \$10,738,051 in committed funds.

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

**December 31, 2024**

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 2024 the City had \$2,267,999 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 in 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.

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, 2024:

Statement No.	Name	Effective Date	City of Hot Springs Implementation Date (if applicable)
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
104	Disclosure of Certain Capital Assets	Reporting periods beginning after June 15, 2025	January 1, 2026

Accounting Pronouncements Adopted

GASB Statement No. 100 – Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. As a result of the adoption of GASB 100 the City reported a change within financial reporting entity.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*GASB Statement No. 101 – Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement was effective for reporting periods beginning after December 15, 2023. The City of Hot Springs adopted the standard in fiscal year 2024. Adoption of GASB 101 had no effect on beginning net position or fund balances at January 1, 2023.

*Change in Reporting Entity*

During 2024, the City had several funds that were previously reported as major funds that no longer met the criteria to be reported as major funds. As a result, the following adjustments made to fund balance:

	<b>Net Position 12/31/2023 As Previously Reported</b>	<b>Change Within the Financial Reporting Entity</b>	<b>Net Position 12/31/2023 As Restated</b>
<b>Proprietary Funds</b>			
Major Funds			
Airport	24,611,841	(24,611,841)	
Stormwater	7,517,428	(7,517,428)	
Parking	3,755,604	(3,755,604)	
Nonmajor Funds		35,884,873	35,884,873
<b>Total Proprietary Funds</b>	<u>35,884,873</u>	<u></u>	<u>35,884,873</u>

**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 \$40,250,499 are as follows:

Capital assets not being depreciated	\$ 13,232,013
Buildings	18,881,238
Less : Accumulated depreciation – buildings	(12,365,166)
Improvements other than buildings	93,229,311
Less : Accumulated depreciation-improvements other than buildings	(86,175,563)
Machinery and equipment	43,687,724
Less: Accumulated depreciation – machinery and equipment	(30,908,174)
Lease assets	316,581
Subscription assets	1,318,105
Less: Accumulated amortization	<u>(965,570)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 40,250,499</u>

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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 \$6,728,722 difference are as follows:

Net position of the internal service funds	\$ 11,392,759
Less: Utilities Administration Fund net position reported in the business-type funds net position	(848,455)
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	(3,948,730)
Plus: Reduction in internal payables - current year	133,148
 Net adjustment to increase fund balance – total governmental funds to arrive at net position – governmental activities	 \$ 6,728,722

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 \$(17,915,852) difference are as follows:

Bonds payable	\$ (7,690,000)
Notes payable	(5,654,302)
Lease liability	(250,271)
Compensated absences (excluding ISF Fleet)	(3,974,048)
Subscription liability	(347,231)
 Net adjustment to decrease fund balance – total governmental funds to arrive at net position – governmental activities	 \$ (17,915,852)

**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 \$2,712,722 difference are as follows:

Capital outlay	\$ 6,641,656
Depreciation expense (excluding ISF)	(3,928,934)
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	 \$ 2,712,722

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,

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 \$(976) are as follows:

Debt issued or incurred:	
General obligation notes	\$ (3,033,033)
SBITAs	(542,538)
Principal repayments	
Special obligation bonds	345,000
General obligation notes	2,570,331
Leases	27,639
SBITAs	<u>631,625</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (976)</u>

**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, Public Safety 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 7, 2023 the Board of Directors approved the appropriations for the 2024 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 2024, the board made several changes in the General Fund including re-appropriation of \$1,751,252 for

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**December 31, 2024**

2023 purchases not received until 2024. Reflected on the final General Fund budget was a \$2,302,533 decrease in fund balance.

**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, 2024, 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	\$ 59,491,356	
Cash on hand	4,495	
Total Deposits		\$ 59,495,851
Investments:		
U.S. treasury & agency obligations:		
Maturing within less than 3 years	53,943,275	53,943,275
General obligation bonds		
Maturing within less than 3 years	65,753,043	65,753,043
Total Investments		119,696,318
<b><u>Total Deposits and Investments</u></b>		<b>\$ 179,192,169</b>

**Reconciliation to Statement of Net Position**

Current assets:	
Cash and cash equivalents	\$ 17,363,218
Investments	46,005,287
Restricted assets:	
Cash and cash equivalents	38,001,932
Investments	77,295,030
Total – Statement of Net Position	178,665,467
Fiduciary Funds	526,702
<b><u>Total Deposits and Investments</u></b>	<b>\$ 179,192,169</b>

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**December 31, 2024**

<b>Discretely Presented Component Unit – Deposits by Type</b>	<u>Carrying Value</u>
Demand deposits, including certificates of deposit	\$ 18,614,041
Total Deposits	<u>\$ 18,614,041</u>
 <u>Reconciliation to Statement of Net Position</u>	
Current assets:	
Cash and cash equivalents	\$ 12,058,551
Noncurrent assets:	
Cash and cash equivalents – Restricted	90,473
Certificates of deposit	<u>\$ 6,465,017</u>
Total – Statement of Net Position	<u>\$ 18,614,041</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 2024, 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 \$179,192,169, with corresponding bank balances of \$220,138,671 (including cash on hand). Of this balance, \$53,943,275 was invested in United States government-backed securities, \$500,000 was covered by federal deposit insurance, \$11,456,874 was invested in municipal bonds, \$58,881,853 was collateralized with securities, and \$4,494 was held in cash. None of the amounts collateralized with securities and money market mutual funds were subject to custodial credit risk. The discretely presented component unit had deposits of \$12,058,551, none of which 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;

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**City of Hot Springs, Arkansas**  
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**December 31, 2024**

- 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, 2024 were classified as Level 2. The discretely presented component unit held certificate of deposits at amortized cost.

*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**  
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**December 31, 2024**

**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:

		<b>Receivables</b>							
		<b>Interest</b>	<b>Taxes</b>	<b>Accounts</b>	<b>Leases</b>	<b>Inter- governmental</b>	<b>Gross Receivables</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Receivables</b>
<b>Governmental Activities</b>									
General Fund	\$	67,366	\$ 3,346,323	\$ 1,379,486		\$ 85,352	\$ 4,878,527	\$ (61,536)	\$ 4,816,991
Police Fund		41	1,003,897	178,501		3,528	1,185,967	(5,000)	1,180,967
Fire Fund			669,264		342,095	13,313	1,024,672		1,024,672
Street Fund		20,635	1,153,179	175		364,089	1,538,078		1,538,078
Employee Wellness Fund				120,765			120,765		120,765
Nonmajor		1,163		93,634		1,161,827	1,256,624		1,256,624
Totals	\$	<u>89,205</u>	<u>\$ 6,172,663</u>	<u>\$ 1,772,561</u>	<u>\$ 342,095</u>	<u>\$ 1,628,109</u>	<u>\$ 10,004,633</u>	<u>\$ (66,536)</u>	<u>\$ 9,938,097</u>
<b>Business-Type Activities</b>			<b>Accrued</b>						
		<b>Interest</b>	<b>Revenues</b>	<b>Accounts</b>	<b>Leases</b>	<b>Inter- governmental</b>	<b>Gross Receivables</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Receivables</b>
Solid Waste Fund		3,556	644,716	474,010		76,083	1,198,365	(82,161)	1,116,204
Water Fund		397,137	1,314,048	1,403,986	359,517	-	3,474,688	(223,392)	3,251,296
Wastewater Fund		198,574	1,470,644	1,394,248		5,031,162	8,094,628	(277,909)	7,816,719
Nonmajor		7,755	121,695	352,720	673,593	372,190	1,527,953	(164,560)	1,363,393
Totals	\$	<u>607,022</u>	<u>\$ 3,551,103</u>	<u>\$ 3,624,964</u>	<u>\$ 1,033,110</u>	<u>\$ 5,479,435</u>	<u>\$ 14,295,634</u>	<u>\$ (748,022)</u>	<u>\$ 13,547,612</u>

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**December 31, 2024**

**Capital Assets**

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Construction in progress	\$ 2,347,398	\$ 6,099,119	\$ (5,126,519)	\$ 121,625	\$ 3,198,373
Art and collectibles	274,251				274,251
Land	9,489,968	-	319,534	-	9,809,502
<b>Total capital assets not being depreciated</b>	<b>12,111,617</b>	<b>6,099,119</b>	<b>(4,806,985)</b>	<b>121,625</b>	<b>13,282,126</b>
Capital assets being depreciated:					
Buildings	18,440,106	-	628,932	-	19,069,038
Improvements other than buildings	92,113,553	-	1,399,712	-	93,513,265
Machinery and equipment	41,802,530	40,715	2,761,360	308,341	44,296,264
<b>Total capital assets being depreciated</b>	<b>152,356,189</b>	<b>40,715</b>	<b>4,790,004</b>	<b>308,341</b>	<b>156,878,567</b>
Less accumulated depreciation for:					
Buildings	11,974,055	481,867	-	-	12,455,922
Improvements other than buildings	85,736,217	723,300	-	-	86,459,517
Machinery and equipment	29,697,124	2,073,975	(16,981)	308,341	31,445,777
<b>Total accumulated depreciation</b>	<b>127,407,396</b>	<b>3,279,142</b>	<b>(16,981)</b>	<b>308,341</b>	<b>130,361,216</b>
<b>Net capital assets being depreciated</b>	<b>24,948,793</b>	<b>(3,238,427)</b>	<b>4,806,985</b>	<b>-</b>	<b>26,517,351</b>
Capital assets being amortized:					
Lease assets – structures	316,581	-	-	-	316,581
Subscription IT assets	775,568	542,537	-	-	1,318,105
<b>Total capital assets being amortized</b>	<b>1,092,149</b>	<b>542,537</b>	<b>-</b>	<b>-</b>	<b>1,634,686</b>
Less accumulated amortization for:					
Lease assets – structures	50,972	32,984	-	-	83,956
Subscription IT assets	251,833	629,781	-	-	881,614
<b>Total accumulated amortization</b>	<b>302,805</b>	<b>662,765</b>	<b>-</b>	<b>-</b>	<b>965,570</b>
<b>Net capital assets being amortized</b>	<b>789,344</b>	<b>(120,228)</b>	<b>-</b>	<b>-</b>	<b>669,116</b>
<b>Net governmental capital assets</b>	<b>\$ 37,849,754</b>	<b>\$ 2,740,464</b>	<b>\$ -</b>	<b>\$ 121,625</b>	<b>\$ 40,468,593</b>

**City of Hot Springs, Arkansas**  
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**December 31, 2024**

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets not being depreciated					
Construction in progress	\$ 122,150,235	\$ 60,432,252	\$ (2,723,267)	\$ 113,480	\$ 179,745,740
Water Rights	11,552,246	-	-	-	11,552,246
Land	14,454,854	-	5,115	-	14,459,969
<b>Total capital assets not being depreciated</b>	<b>148,157,335</b>	<b>60,432,252</b>	<b>(2,718,152)</b>	<b>113,480</b>	<b>205,757,955</b>
Capital assets being depreciated					
Buildings	46,666,229	-	-	-	46,666,229
Improvements other than buildings	300,734,109	-	2,000,483	-	302,734,592
Machinery and equipment	88,907,546	1,448,605	737,152	1,104,022	89,989,281
<b>Total capital assets being depreciated</b>	<b>436,307,884</b>	<b>1,448,605</b>	<b>2,737,635</b>	<b>1,104,022</b>	<b>439,390,102</b>
Less accumulated depreciation for:					
Buildings	26,788,890	1,014,559	-	-	27,803,449
Improvements other than buildings	138,008,756	7,913,706	-	-	145,922,462
Machinery and equipment	66,273,788	3,609,614	19,483	1,104,022	68,798,863
<b>Total accumulated depreciation</b>	<b>231,071,434</b>	<b>12,537,879</b>	<b>19,483</b>	<b>1,104,022</b>	<b>242,524,774</b>
<b>Net capital assets being depreciated</b>	<b>205,236,450</b>	<b>(11,089,274)</b>	<b>2,718,152</b>	<b>-</b>	<b>196,865,328</b>
Capital assets being amortized:					
Lease assets – structures	316,581	-	-	-	316,581
Subscription IT assets	270,833	281,889	-	-	552,722
<b>Total capital assets being amortized</b>	<b>587,414</b>	<b>281,889</b>	<b>-</b>	<b>-</b>	<b>869,303</b>
Less accumulated amortization for:					
Lease assets – structures	50,972	32,983	-	-	83,955
Subscription IT assets	87,913	220,555	-	-	308,468
<b>Total accumulated amortization</b>	<b>138,885</b>	<b>253,538</b>	<b>-</b>	<b>-</b>	<b>392,423</b>
<b>Net capital assets being amortized</b>	<b>\$ 448,529</b>	<b>\$ 28,351</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 476,880</b>
<b>Net business capital assets</b>	<b>\$ 353,393,785</b>	<b>\$ 49,342,978</b>	<b>\$ -</b>	<b>\$ 113,480</b>	<b>\$ 403,100,163</b>

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

**Governmental Activities**

General government	\$ 648,493
Community development	86,458
Parks, trails, and recreation	485,632
Public safety	1,668,763
Public transportation	122,980
Public works	916,608
Capital assets held by the Fleet Service Internal Service Fund and charged to various functions based on usage	12,973
<b>Total Depreciation and Amortization Expense – Governmental Activities</b>	<b>\$ 3,941,907</b>

**City of Hot Springs, Arkansas**  
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**December 31, 2024**

**Business-Type Activities**

Solid Waste	\$	911,622
Wastewater		5,199,544
Water		4,554,736
Nonmajor		1,767,018
Capital assets held by the Utility Administration Internal Service Fund and charged to Wastewater and Water Funds based on usage		358,497
Total Depreciation and Amortization Expense – Business-Type Activities	<u>\$</u>	<u>12,791,417</u>

**Construction Commitments.** As of December 31, 2024, the City had the following active construction projects:

<b><u>Governmental Activities</u></b>		<b><u>Expenditures to Date</u></b>	<b><u>Remaining Commitment</u></b>
<b>General Fund:</b>	Wetlands Trailhead Design & Construction - ARDOT 61601	\$ 345,039	\$ 355,477
	Hot Springs Greenway Trail - ARDOT 61535	735,728	57,877
	Velocity Park	138,512	126,412
	Kayak Launch	32,313	63,770
	New Fire Station & Training Grounds	161,791	96,209
	Tools & Equipment	1,314	35,001
	Emory and Seventh Street Sidewalks - ARDOT 61635	127,295	127,910
	324 Malvern Elevator Repair	67,114	130,587
Total construction commitments for Governmental activities		<u>\$ 1,609,106</u>	<u>\$ 993,243</u>
<b><u>Business-Type Activities</u></b>		<b><u>Expenditures to Date</u></b>	<b><u>Remaining Commitment</u></b>
<b>Stormwater:</b>	Whittington Avenue Improvements	\$ 714,774	\$ 34,535
<b>Parking:</b>	Integrated Smart Parking System	194,521	89,931
<b>Airport:</b>	Rehabilitation Runway 5-23	164,968	514,911
	Hangar Project	38,128	65,972
	Taxiway Rehabilitations	728,066	1,064,430
	Roof Replacement	15,009	95,000
<b>Solid Waste:</b>	Transfer Station Upgrade	24,769	33,934
<b>Water:</b>	2024-2025 Waterline Improvements	151,200	100,800
	15 MGD Water Treatment Plant	37,617,057	7,706,075
	Ouachita Raw and Finished Water Lines	77,424,003	271,069
	Clearwell Tank	4,475,867	12,157
	Amity Storage Tank	9,500	59,100
	Virtual Demand Metered Area Project Year 3–5	468,408	154,053
<b>Wastewater:</b>	Hot Springs Creek Pump Station Improvements	938,020	424,895
	Davidson Drive Wastewater Treatment Plant Improvements and Weir Gates	16,437,787	22,038,499
	Gulpha Force Main	6,433,232	245,331
	Gulpha Pump Station	7,605,919	5,014,216
	Lower Gulpha Basin Interceptor Project	1,663,837	458,661
	Spring St. Sewer Replacement	328,792	173,560
Total construction commitments for Business-type activities		<u>\$ 155,433,855</u>	<u>\$ 38,557,129</u>

There are active construction projects remaining with no remaining commitments in various stages of progress or have not been put into service that are excluded from the listing above.

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

**December 31, 2024**

Capital asset activity for the discretely presented component unit for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 4,953,782			\$ 4,953,782
Construction in progress	2,799,956	3,047,556	(5,134,300)	713,212
Art and collectibles	553,701			553,701
<b>Total capital assets not being depreciated</b>	<b>8,307,439</b>	<b>3,047,556</b>	<b>(5,134,300)</b>	<b>6,220,695</b>
Capital assets being depreciated and amortized				
Buildings and structures	67,576,816		(515)	67,576,816
Improvements	13,702,610	2,746,066	(141,535)	16,448,676
Furniture, fixtures, and equipment	11,102,025	3,787,492	(1,394,453)	16,283,970
Lease assets	63,550			63,550
<b>Total capital assets being depreciated and amortized</b>	<b>92,445,001</b>	<b>6,533,558</b>	<b>(1,536,503)</b>	<b>100,373,012</b>
Accumulated depreciation and amortization	50,837,541	3,140,512	(1,500,872)	55,478,925
<b>Total capital assets net of accumulated depreciation</b>	<b>41,607,460</b>	<b>3,393,046</b>	<b>(35,631)</b>	<b>44,894,087</b>
<b>Net capital assets</b>	<b>\$ 49,914,899</b>	<b>\$ 6,440,602</b>	<b>\$ (5,169,931)</b>	<b>\$ 51,114,782</b>

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

**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, 2024:

Receivable Fund	Due to and Due from		Amount
	Payable Fund		
General	Nonmajor Governmental		\$ 695,361
	Police Fund		37,961
	Fire Fund		57,027
	Street Fund		16,316
	Wastewater Fund		3,795,532
	Nonmajor Enterprise		309,271
	Internal Service		301,829
Police Fund	Nonmajor Governmental		144,351
Wastewater Fund	Water Fund		1,050,360
	Internal Service		902,753
Water Fund	Internal Service		860,625
Solid Waste	General Fund		2,266,370
Nonmajor Enterprise	General Fund		12,405
Internal Service	General Fund		57,816
	Water Fund		133,631
Total Due To/Due From			<u>\$ 10,641,608</u>

The balances due to the general fund from nonmajor governmental, police, fire, street, water, wastewater, and internal service funds are for accounts payable transactions and other expenditures in 2024 that were not reimbursed to the general fund before December 31, 2024. 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, 2025. 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, 2025.

Transfers Out	Fire		Nonmajor		Total
	Police	Governmental	Enterprise		
General	\$ 7,679,517	\$ 10,155,182	\$ 1,303,572	\$ 375,277	\$ 19,513,548
Police			236,447		236,447
Street			67,035		67,035
	<u>\$ 7,679,517</u>	<u>\$ 10,155,182</u>	<u>\$ 1,607,054</u>	<u>\$ 375,277</u>	<u>\$ 19,817,030</u>

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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Transfers from the general fund to the fire and police are to supplement their revenue for operations. Transfers from the general fund to the nonmajor enterprise funds 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. Transfers from the general fund and nonmajor governmental funds were for debt service payments for the Hot Springs Advertising & Promotion Commission and grant match for the District Court.

**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, 2024, the value of the lease receivable is \$342,095. 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, 2024 was \$314,000, and the City of Hot Springs recognized revenue of \$42,065, 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 (nonmajor enterprise fund) – 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 2025 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, 2024, the value of the lease receivable is \$673,593. The leases have an interest rate of 1.84%. The value of the deferred inflow of resources as of December 31, 2024 was \$656,718. Total revenue recognized under lease contracts during the year ended December 31, 2024 was \$35,591 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, 2024, the value of the lease receivable is \$154,960. 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, 2024 was \$147,929, and the City recognized lease revenue of \$18,491 during the fiscal year.

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

**December 31, 2024**

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, 2024, the value of the lease receivable is \$204,558. 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, 2024 was \$192,387, and the City recognized lease revenue of \$24,048 during the fiscal year.

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, 2024:

<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>
2025	\$ 342,095	\$ 35,638	\$ 6,048	\$ 312,505	\$ 1,032,079	\$ 86,803	\$ 18,417	\$ 963,693
2026	312,505	37,063	5,487	280,929	963,693	81,473	17,188	899,408
2027	280,929	38,546	4,889	247,272	899,408	77,346	16,024	838,086
2028	247,272	40,088	4,251	211,435	838,086	77,111	14,900	775,875
2029	211,435	41,691	3,573	173,317	775,875	78,542	13,733	711,066
2030--2034	173,317	179,936	6,619		711,066	303,328	51,397	459,135
2035--2039	-				459,135	147,060	37,357	349,432
2040--2044	-				349,432	147,060	26,794	229,166
2045--2049	-				229,166	147,060	15,213	97,319
2050--2053	-				97,319	100,491	3,172	

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, 2024 was \$137,928. 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, 2024:

<u>Fiscal Year</u>	<u>Lease Revenue</u>
2025	\$ 127,151
2026	108,726
2027	93,651
2028	93,651
2029	69,061
2030--2033	213,893

**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.

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

**December 31, 2024**

As of December 31, 2024, the value of the lease liability is \$361,849. 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, 2024 of \$440,738 with accumulated amortization of \$107,936. 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, 2024, the value of the lease liability is \$138,689. 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, 2024 of \$192,423 with accumulated amortization of \$59,976.

The following is the future principal and interest payments for the lease liabilities at December 31, 2024.

<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>
2025	\$ 29,315	\$ 4,360	\$ 29,315	\$ 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	6,297	19
Total	<u>\$ 250,271</u>	<u>\$ 19,953</u>	<u>\$ 250,270</u>	<u>\$ 19,953</u>

The following is a summary of the lease liabilities at December 31, 2024.

<u>Long-Term Lease Liability</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Funds	\$ 277,910		\$ 27,639	\$ 250,271
Proprietary Funds	277,911		27,641	250,270
Total	<u>\$ 555,821</u>		<u>\$ 55,280</u>	<u>\$ 500,541</u>

**Subscription Liabilities**

The City has entered into various subscription IT arrangements. The term for these subscriptions range from 12 to 60 months and carried interest rates of 4.5%.

The City recognized related right-to-use subscription assets as of December 31, 2024 of \$1,870,827 and related accumulated amortization of \$1,190,082.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

The following is the future principal and interest payments for the subscription liabilities at December 31, 2024.

<u>Fiscal Years</u>	<u>Governmental Fund Subscriptions</u>		<u>Proprietary Fund Subscriptions</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 311,466	\$ 16,482	\$ 147,288	\$ 60,302
2026	29,040	3,015	6,897	365
2027	<u>6,725</u>	<u>934</u>	<u>4,019</u>	<u>430</u>
Total	<u>\$ 347,231</u>	<u>\$ 20,431</u>	<u>\$ 158,204</u>	<u>\$ 61,097</u>

The following is a summary of the subscription liabilities at December 31, 2024.

<u>Subscription Liability</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Funds	\$ 436,318	\$ 542,538	\$ 631,625	\$ 347,231
Proprietary Funds	<u>182,807</u>	<u>281,889</u>	<u>306,492</u>	<u>158,204</u>
Total	<u>\$ 619,125</u>	<u>\$ 824,427</u>	<u>\$ 938,117</u>	<u>\$ 505,435</u>

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

**Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2024 were as follows:

	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2024	Amount due in One Year
<b>Governmental Activities</b>					
Bonds payable					
Special obligation bonds	\$ 8,035,000	\$ -	\$ 345,000	\$ 7,690,000	\$ 350,000
Bonds payable, net	<u>8,035,000</u>		<u>345,000</u>	<u>7,690,000</u>	<u>350,000</u>
Notes payable	5,191,600	3,033,033	2,570,331	5,654,302	2,052,596
Net pension liability	76,398,549	-	6,036,827	70,361,722	-
Compensated absences*	4,157,169	-	70,434	4,086,735	410,986
Lease liabilities	277,910	-	27,639	250,271	29,315
Subscription liabilities	436,318	542,538	631,625	347,231	311,466
OPEB liability	<u>2,722,075</u>	<u>-</u>	<u>76,687</u>	<u>2,645,388</u>	<u>87,181</u>
Total governmental activities					
long-term liabilities	<u>\$ 97,218,621</u>	<u>\$ 3,575,571</u>	<u>\$ 9,758,543</u>	<u>\$ 91,035,649</u>	<u>\$ 3,241,544</u>
*Change in compensated absences is presented net					
<b>Business-type Activities</b>					
Bonds payable					
Revenue bonds	\$ 298,075,000	\$ -	\$ 7,765,000	\$ 290,310,000	\$ 8,000,000
Add issuance premiums	11,474,921	-	458,363	11,016,558	458,363
Less issuance discounts	<u>2,060,611</u>		<u>75,310</u>	<u>1,985,301</u>	<u>75,309</u>
Bonds payable, net	<u>307,489,310</u>		<u>8,148,053</u>	<u>299,341,257</u>	<u>8,383,054</u>
Note payable - Mid Arkansas Water Alliance	7,703,100	-	251,863	7,451,237	258,160
Post closure compost facility costs	841,834	24,313		866,147	
Net pension liability	13,448,692	-	1,785,590	11,663,102	
Compensated absences*	1,328,496	-	92,299	1,236,197	152,755
Lease liabilities	277,911	-	27,641	250,270	29,315
Subscription liabilities	182,807	281,889	306,492	158,204	147,288
OPEB liability	<u>1,596,459</u>	<u>-</u>	<u>43,131</u>	<u>1,553,328</u>	<u>49,531</u>
Total business-type activities					
long-term liabilities	<u>\$ 332,868,609</u>	<u>\$ 306,202</u>	<u>\$ 10,655,069</u>	<u>\$ 322,519,742</u>	<u>\$ 9,020,103</u>
*Change in compensated absences is presented net					

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

**December 31, 2024**

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, 2024, \$112,687 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, 2024, \$256,000 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	\$ 7,690,000
Notes payable	1.13%-4.38%	2028	\$ 13,282,616	\$ 5,654,302
Enterprise Funds				
Revenue bonds	0%-5%	2052	\$ 319,795,000	\$ 290,310,000
Notes payable	2.5%	2046	\$ 9,534,832	\$ 7,451,237

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.

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

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**December 31, 2024**

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*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.

**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.

**2024 Short-term Financing Note** – The \$3,033,033 promissory note was issued to finance the cost of acquiring various capital items for use by the City, and other special equipment for general government operations. Principal payments are paid annually, and interest payments (4.38%) 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, 2024**

**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, 2024:

	<b>Governmental Activities</b>			
	Special Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2025	\$ 350,000	\$ 264,433	\$ 2,052,596	\$ 172,153
2026	360,000	254,261	1,469,407	142,196
2027	370,000	243,510	1,063,407	91,501
2028	380,000	232,087	1,068,892	48,213
2029	210,000	220,153		
2030–034	1,140,000	999,320		
2035–2039	1,350,000	796,476		
2040–2044	1,605,000	534,578		
2045–2049	1,925,000	218,692		
	\$ 7,690,000	\$ 3,763,511	\$ 5,654,302	\$ 454,063

The following is a summary of pledged revenues of the governmental activities for the year ended December 31, 2024.

<b>Debt</b>	<b>Revenue Pledged</b>	<b>Total Pledged Revenue</b>	<b>Portion of Pledged Revenue Stream</b>	<b>Percentage of Pledged Revenue Stream</b>
Hotel and Restaurant Gross Receipts Tax Bonds - Series 2018	Hotel and Restaurant Sales Tax	4,499,506	188,900	4.20%
Hotel and Restaurant Gross Receipts Tax Bonds - Series 2019	Hotel and Restaurant Sales Tax	4,499,506	430,248	9.56%

*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

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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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.

**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.

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

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December 31, 2024

**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, 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

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 2024 debt service includes \$251,863 in principal and \$192,577 in interest

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

**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, 2024:

	<b>Business-Type Activities</b>			
	<b>Revenue Bonds</b>		<b>Notes Payable</b>	
	Principal	Interest	Principal	Interest
2025	\$ 8,000,000	\$ 10,392,156	\$ 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	9,285,000	9,218,654	284,960	159,481
2030–2034	51,340,000	40,722,564	1,535,291	686,913
2035–2039	54,725,000	30,797,039	1,737,041	485,163
2040–2044	55,245,000	20,482,988	1,965,302	256,902
2045–2049	59,640,000	10,734,719	856,629	32,256
2050–2052	23,815,000	1,633,507		
	<u>\$ 290,310,000</u>	<u>\$ 153,563,219</u>	<u>\$ 7,451,237</u>	<u>\$ 2,326,465</u>

The following is a summary of pledged revenues of the business-type activities for the year ended December 31, 2024.

<b>Debt</b>	<b>Revenue Pledged</b>	<b>Total Pledged Revenue</b>	<b>Portion of Pledged Revenue Stream</b>	<b>Percentage of Pledged Revenue Stream</b>
Waterworks Revenue Bonds, Series 2018	Revenues of the Water Fund	22,802,355	1,229,481	5.39%
Waterworks Revenue Refunding Bonds, Series 2019	Revenues of the Water Fund	22,802,355	338,400	1.48%
Waterworks Revenue Bonds, Series 2020	Revenues of the Water Fund	22,802,355	5,553,931	24.36%
Waterworks Revenue Refunding Bonds, Series 2021	Revenues of the Water Fund	22,802,355	747,624	3.28%
Waterworks Revenue Bonds, Series 2023	Revenues of the Water Fund	22,802,355	2,349,794	10.31%
Wastewater Refund and Construction Revenue Bonds, Series 2016	Revenues of the Wastewater Fund	21,722,005	794,790	3.66%
Wastewater Refunding Revenue Bonds, Series 2017	Revenues of the Wastewater Fund	21,722,005	1,723,531	7.93%
Wastewater Refund and Construction Revenue Bonds, Taxable Series 2020A	Revenues of the Wastewater Fund	21,722,005	2,318,692	10.67%
Wastewater Refund and Construction Bonds, Construction Series 2020B	Revenues of the Wastewater Fund	21,722,005	511,913	2.36%
Wastewater Refund and Construction Bonds, Construction Series 2022A	Revenues of the Wastewater Fund	21,722,005	1,291,752	5.95%

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

**December 31, 2024**

<b>Debt</b>	<b>Revenue Pledged</b>	<b>Total Pledged Revenue</b>	<b>Portion of Pledged Revenue Stream</b>	<b>Percentage of Pledged Revenue Stream</b>
Wastewater Refund and Construction Bonds, Construction Series 2022B	Revenues of the Wastewater Fund	21,722,005	319,827	1.47%
Wastewater Refund and Construction Bonds, Construction Series 2022C	Revenues of the Wastewater Fund	21,722,005	1,203,519	5.54%

# *KIMERY PARK*

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City of Hot Springs, Arkansas  
 NOTES TO THE FINANCIAL STATEMENTS  
 (continued)  
 December 31, 2024

**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 127 - 130.

As of December 31, 2024, the City had known unpaid claims totaling \$165,534. These unpaid claims are based on actual claims paid in the new fiscal year 2025 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
2024	\$ 300,000	\$ (300,000)	\$ 2,752,571	\$ 2,452,571	\$ 300,000

The City's health insurance self-insurance fund has an increase in net position of \$370,399 for the fiscal year ended December 31, 2024. Due to the net position of the fund, the City did not increase health premiums for 2024. At the end of 2024, the fund had a net position of \$10.29 million.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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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, 2024, 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.

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

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**December 31, 2024**

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**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, 2024**

The employees covered by the Firemen’s Plan at December 31, 2023, the date of the actuarial valuation, are:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive or current employees entitled to but not yet receiving benefits	<u>48</u>

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 and actual contributions for the 2024 plan year totaled \$1,615,224 and \$1,724,131, respectively.

**Net Pension Liability**

The City’s net pension liability of \$21,564,330 as of December 31, 2024 was measured as of December 31, 2023, 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, 2023 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 7.00% per year
- B) The assumption that benefits will increase 3% per year after retirement

Mortality rates were based on the Pub-2010 Amount Weighted General Below Median Income Healthy Retiree tables set forward one year for males and two years for females, Disabled Retiree and Employee mortality tables for males and females. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

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, 2024**

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, 2023, these best estimates are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Allocation-Weighted Long-Term Expected Real Rate of Return</b>
U.S. Stock – Large Cap	21.00%	5.62%	1.18%
U.S. Stock – Small Cap	21.00%	5.86%	1.23%
International Equity	9.00%	6.92%	0.62%
Emerging Markets	9.00%	8.95%	0.81%
U.S. Corporate Bonds	25.00%	2.29%	0.57%
Real Estate	5.00%	3.61%	0.18%
Private Equity	10.00%	9.48%	0.95%
<b>Total</b>	<b>100.00%</b>		<b>5.54%</b>
Expected Inflation			2.25%
<b>Total Return</b>			<b>7.79%</b>

*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 3.77% (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, 2024**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	\$ 20,631,490	\$ (1,388,525)	\$ 22,020,015
Charges for the year:			
Service cost			
Interest	800,274		800,274
Differences between expected and actual experience	99,863		99,863
Changes of assumptions	520,155		520,155
Contributions – employer		1,875,977	(1,875,977)
Benefit payments, including refunds of employee contributions	(1,743,290)	(1,743,290)	
Administrative expense			
Net changes	(322,998)	132,687	(455,685)
Balance, end of year	\$ 20,308,492	\$ (1,255,838)	\$ 21,564,330

Changes of assumptions and other inputs reflect a change in the discount rate from 4.05% at January 1, 2023 to 3.77% at December 31, 2024.

*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 3.77%, 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 (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	Current		
	1% Decrease 2.77%	Discount Rate 3.77%	1% Increase 4.77%
City's net pension liability	\$ 23,634,646	\$ 21,564,330	\$ 19,801,360

*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, 2024**

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

For the year ended December 31, 2024, the City recognized pension expense of \$1,420,292. At December 31, 2024, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
City's contribution made subsequent to the		
measurement date of the net pension liability	\$ 1,724,131	\$
Total	\$ 1,724,131	\$ -

At December 31, 2024, the City reported \$1,724,131 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, 2025. No other amounts are reported as deferred outflows of resources and deferred inflows of resources at December 31, 2024.

**Payable to the Pension Plan**

At December 31, 2024, the City had no outstanding required contributions to the Firemen's Plan required for the year ended December 31, 2024.

**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, retirant's benefit is increased at age 60 by 1.25% of highest year's pay for service over 25 years. Maximum benefit is 100% of final salary.

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

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

**December 31, 2024**

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, 2023, the date of the actuarial valuation, are:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive or current employees entitled to but not yet receiving benefits	58
	58

**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 and actual contributions for the 2023 plan year totaled \$839,424 and \$983,384, respectively.

**Net Pension Liability**

The City’s net pension liability of \$7,486,357 as of December 31, 2024 was measured as of December 31, 2023, 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, 2023 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 Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables set forward one year for males and two years for females, Disabled Retiree and Employee mortality tables for males and females. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

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, 2024**

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, 2023, these best estimates are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Allocation-Weighted Long-Term Expected Real Rate of Return</b>
U.S. Stock – Large Cap	21.00%	5.62%	1.18%
U.S. Stock – Small Cap	21.00%	5.86%	1.23%
International Equity	9.00%	6.92%	0.62%
Emerging Markets	9.00%	8.95%	0.81%
U.S. Corporate Bonds	25.00%	2.29%	0.57%
Real Estate	5.00%	3.61%	0.18%
Private Equity	10.00%	9.48%	0.95%
<b>Total</b>	<b>100.00%</b>		<b>5.54%</b>
Expected Inflation			2.25%
<b>Total Return</b>			<b>7.79%</b>

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 3.77% (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, 2024**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balance, beginning of year	\$ 23,012,618	\$ 14,301,382	\$ 8,711,236
Charges for the year:			
Service cost			
Interest	1,596,607		1,596,607
Differences between expected and actual experience	275,155		275,155
Changes of assumptions			-
Contributions – employer		983,384	(983,384)
Net investment income		2,131,115	(2,131,115)
Benefit payments, including refunds of employee contributions	(1,980,910)	(1,980,910)	
Administrative expense		(17,858)	17,858
Net changes	(109,148)	1,115,731	(1,224,879)
Balance, end of year	\$ 22,903,470	\$ 15,417,113	\$ 7,486,357

*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	\$ 9,829,132	\$ 7,486,357	\$ 5,500,279

*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, 2024**

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

For the year ended December 31, 2024, the City recognized pension expense of \$631,232. At December 31, 2024 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 578,787	\$ -
City's contribution made subsequent to the measurement date of the net pension liability	983,155	
Total	\$ 1,561,942	\$ -

At December 31, 2023, the City reported \$983,155, 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, 2024, related to pensions will be recognized in pension expense as follows:

	<b>Net Deferred Outflows of Resources</b>
<b>Year ended December 31:</b>	
2025	\$ 49,143
2026	227,844
2027	528,016
2028	(226,216)
Total	\$ 578,787

**Payable to the Pension Plan**

At December 31, 2024, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2024.

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2024

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**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%

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.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

*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, 2024. Contributions to APERS from the City were \$3,147,578 for the year ended December 31, 2024.

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

At December 31, 2024, the City reported a liability of \$22,502,876 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2024, the City's proportion was 0.90441239%.

For the year ended December 31, 2024, the City recognized APERS pension expense of \$3,925,543. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 873,290	\$ 920,040
Changes of assumptions	784,215	
Net difference between projected and actual earning on pension plan investments	652,801	
Changes in proportion and differences between City contributions and proportionate share of contributions	394,228	334,625
City contributions subsequent to the measurement date	1,686,025	
Total	\$ 4,390,559	\$ 1,254,665

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

**December 31, 2024**

At December 31, 2024, the City reported \$1,686,025 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
2025	\$ (196,745)
2026	3,091,207
2027	(975,056)
2028	(469,537)
Total	\$ 1,449,869

Actuarial assumptions. The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	16 years (5.6 years for District Judges New Plan/Paid Off Old Plan and 12 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed fair value; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15% (7.00% for District Judges Still Paying Old Plan)
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

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

**December 31, 2024**

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, 2024 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	39.00%	5.03%
International Equity	17.00%	6.34%
Real Assets	16.00%	4.51%
Private Equity	5.00%	9.00%
Hedge Funds	2.00%	3.63%
Domestic Fixed	21.00%	3.38%
<b>Total</b>	<b>100.00%</b>	
<b>Total Real Rate of Return</b>		<b>5.00%</b>
Plus: Price Inflation - Actuary Assumption		2.50%
<b>Net Expected Return</b>		<b>7.50%</b>

*Discount rate.* The discount rate used to measure the total pension liability was 7.15% for the year ended June 30, 2024. 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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>6%</u>	<u>Discount Rate</u>	<u>8%</u>
	<u>6%</u>	<u>7%</u>	<u>8%</u>
City's proportionate share of the net pension liability	\$ 38,398,029	\$ 22,502,883	\$ 9,398,507

*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>.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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**Payable to the Pension Plan**

At December 31, 2024, the City did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2024.

**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.

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).

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

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**December 31, 2024**

*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.

*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

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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).

*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 2024 plan year for police and fire were 26.5% of annual covered payroll, based upon the December 31, 2023 actuarial report. Contributions to the pension plan from the City were \$3,773,339 for the year ended December 31, 2024.

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

At December 31, 2024, the City reported a liability of \$30,471,261 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 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 December 31, 2023, the City's proportion was 3.04427%.

For the year ended December 31, 2024, the City recognized LOPFI pension expense of \$4,489,693. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,735,131	
Changes of assumptions	114,681	1,425,557
Net difference between projected and actual investment earnings on pension plan investments	2,820,201	
Changes in proportion and differences between City contributions and proportionate share of contributions	720,673	592,646
City's contribution made subsequent to the measurement date	3,773,339	
Total	\$ 11,164,025	\$ 2,018,203

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

**December 31, 2024**

As of December 31, 2024, \$3,773,339 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
2025	\$ 1,372,046
2026	2,251,632
2027	2,834,089
2028	(1,085,284)
Total	\$ 5,372,483

*Actuarial assumptions.* The total pension liability in the December 31, 2023 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).

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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, 2023, these best estimates are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Allocation-Weighted Long-Term Expected Real Rate of Return</b>
U.S. Stock - Large Cap	21.00%	5.62%	1.18%
U.S. Stock - Small Cap	21.00%	5.86%	1.23%
International Equity	9.00%	6.92%	0.62%
Emerging Markets	9.00%	8.95%	0.81%
U.S. Corporate Bonds	25.00%	2.29%	0.57%
Real Estate	5.00%	3.61%	0.18%
Private Equity	10.00%	9.48%	0.95%
<b>Total</b>	100.00%		5.54%
Expected Inflation			2.25%
<b>Total Return</b>			7.79%

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.

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 7.25%, 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 (6.25%) 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 proportionate share of the net pension liability	50,199,344	30,471,261	17,316,258

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

*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, 2024, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2024.

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
<b>Net pension liability</b>	\$ (21,564,330)	\$ (7,486,357)	\$ (22,502,876)	\$ (30,471,261)	\$ (82,024,824)
<b>Fiduciary net position</b>	(1,255,838)	15,417,113			14,161,275
<b>Deferred outflows</b>					
Net difference between projected and actual earnings on pension plan investments		578,787	652,801	2,820,201	4,051,789
Changes of assumptions			784,215	114,681	898,896
Difference between expected and actual experience			873,290	3,735,131	4,608,421
Changes in proportionate share of contributions			394,228	720,673	1,114,901
Contributions subsequent to measurement date	<u>1,724,131</u>	<u>983,155</u>	<u>1,686,025</u>	<u>3,773,339</u>	<u>8,166,650</u>
Total deferred outflows	1,724,131	1,561,942	4,390,559	11,164,025	18,840,657
<b>Deferred inflows</b>					
Difference between expected and actual experience			(920,040)		(920,040)
Changes of assumptions				(1,425,557)	(1,425,557)
Changes in proportionate share of contributions			<u>(334,625)</u>	<u>(592,646)</u>	<u>(927,271)</u>
Total deferred inflows			(1,254,665)	(2,018,203)	(3,272,868)
<b>Pension expenses/expenditures</b>	<u>\$ 1,420,292</u>	<u>\$ 631,232</u>	<u>\$ 3,925,543</u>	<u>\$ 4,489,693</u>	<u>\$ 10,466,760</u>

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.

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

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**December 31, 2024**

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**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, 2024, \$866,147 has been recognized as a liability. 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 2024, the City paid \$96,925 for OPEB as the benefits came due.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

Employees Covered by Benefit Terms. At December 31, 2024, 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	631
	645
	645

Total OPEB Liability. The City’s total OPEB liability of \$4,198,716 was measured as of December 31, 2024, and was determined by an actuarial valuation as December 31, 2023.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2024 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	4.28% as of December 31, 2024 and 4.00% as of December 31, 2023
Healthcare Trend Rates	7.50% for 2024 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, 2024**

**Changes in Total OPEB Liability**

Balance at Beginning of Year	\$	4,318,533
Changes for the Year		
Service cost		259,773
Interest		181,213
Changes in assumptions		(105,813)
Differences between expected and actual experience		(358,065)
Benefit payments		(96,925)
Net change in total OPEB liability		(119,817)
Balance at End of Year	\$	4,198,716

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0% at January 1, 2023 to 4.28% at December 31, 2024.

**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 (3.28%) or 1% higher (5.28%) than the current discount rate (4.28%):

	1% Decrease 3.28%	Current Discount Rate 4.28%	1% Increase 5.28%
Total OPEB Liability	\$ 4,587,524	\$ 4,198,716	\$ 3,840,588

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate. The current healthcare trend rate starts at an initial rate of 7.5% decreasing to an ultimate rate of 4.5%. The 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 6.50%	Healthcare Cost Trend Rate 7.50%	1% Increase 8.50%
Total OPEB Liability	\$ 3,662,254	\$ 4,198,716	\$ 4,840,084

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2024**

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

For the year ended December 31, 2024, the City recognized OPEB expense of \$112,223. At December 31, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

Changes in assumptions	\$ 608,701
Total	<u>\$ 608,701</u>

At December 31, 2024, the City reported deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ (1,271,909)
Changes in assumptions	<u>(775,945)</u>
Total	<u>\$ (2,047,854)</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>
2025	\$ (343,209)
2026	(282,210)
2027	(322,417)
2028	(335,585)
2029	<u>(155,732)</u>
	<u>\$ (1,439,153)</u>

**NOTE 8: Subsequent Events**

The City issued Wastewater Revenue Bonds Series 2025A and 2025B on April 15, 2025, in the amount of \$71,995,000. The bonds are being issued to fund capital improvements to the Wastewater System.

# REQUIRED SUPPLEMENTARY INFORMATION

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# *LIVE FIRE TRAINING*

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**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, 2024**

	Budgeted			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes:				
Sales	\$ 18,984,880	\$ 18,984,880	\$ 19,363,286	\$ 378,406
Mixed drink and other	1,200,000	1,200,000	1,399,097	199,097
Fees and permits:				
Code inspection	871,200	871,200	759,450	(111,750)
Business licenses	1,277,500	1,277,500	1,341,458	63,958
Alcoholic beverage	150,000	150,000	166,292	16,292
Franchise	3,041,100	3,041,100	3,032,758	(8,342)
Other	102,500	102,500	101,477	(1,023)
Intergovernmental:				
State turnback	568,950	568,950	572,738	3,788
County aid	463,903	463,903	507,209	43,306
Charge for services	3,313,777	3,313,777	3,330,882	17,105
Gaming and breakage	4,832,100	4,832,100	5,198,907	366,807
Fines and forfeitures	686,750	686,750	673,258	(13,492)
Investment earnings (loss)	300,000	300,000	2,108,657	1,808,657
Miscellaneous	363,667	363,667	496,505	132,838
Total revenues	<u>36,156,327</u>	<u>36,156,327</u>	<u>39,051,974</u>	<u>2,895,647</u>
<b>EXPENDITURES</b>				
General government:				
Board of Directors	204,550	194,550	47,669	146,881
City Manager	533,903	545,469	541,323	4,146
City Attorney	462,046	474,127	474,125	2
Human Resources	450,877	496,877	446,369	50,508
Finance	1,364,694	1,364,694	995,882	368,812
City Clerk	334,789	334,789	244,713	90,076
Public Information	223,813	230,898	190,166	40,732
Information Systems	998,483	996,398	782,638	213,760
Special General Fund Appropriations	1,359,640	1,359,640	1,577,709	(218,069)
Total general government	<u>5,932,795</u>	<u>5,997,442</u>	<u>5,300,594</u>	<u>696,848</u>
Community Development:				
Planning and Development	2,535,263	2,682,568	2,030,668	651,900
Total Community Development	<u>2,535,263</u>	<u>2,682,568</u>	<u>2,030,668</u>	<u>651,900</u>
Parks and Recreation:				
Parks and Trails	2,254,144	2,871,299	2,289,470	581,829
Sport Recreation	672,932	1,235,811	1,702,167	(466,356)
Total Parks and Recreation	<u>2,927,076</u>	<u>4,107,110</u>	<u>3,991,637</u>	<u>115,473</u>
Public Works:				
Public Works Administration	2,196,689	3,024,062	2,271,099	752,963
Engineering	469,816	475,816	471,720	4,096
Traffic	1,025,108	1,232,547	1,217,364	15,183
Total Public Works	<u>3,691,613</u>	<u>4,732,425</u>	<u>3,960,183</u>	<u>772,242</u>
Total expenditures	<u>15,086,747</u>	<u>17,519,545</u>	<u>15,283,082</u>	<u>2,236,463</u>
Excess of revenues over expenditures	<u>21,069,580</u>	<u>18,636,782</u>	<u>23,768,892</u>	<u>5,132,110</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(21,098,858)	(21,456,232)	(19,496,462)	1,959,770
Transfers in	60,750	60,750		(60,750)
Issuance of debt	456,167	456,167	998,705	542,538
Total other financing sources and uses	<u>(20,581,941)</u>	<u>(20,939,315)</u>	<u>(18,497,757)</u>	<u>2,441,558</u>
Net change in fund balances	487,639	(2,302,533)	5,271,135	7,573,668
Fund balances - beginning	38,112,921	38,112,921	38,112,921	
Fund balances - ending	<u>\$ 38,600,560</u>	<u>\$ 35,810,388</u>	<u>\$ 43,384,056</u>	<u>\$ 7,573,668</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, 2024**

	<u>Budgeted</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 6,062,259	\$ 6,062,259	\$ 5,808,986	\$ (253,273)
Fees and permits	134,200	134,200	142,022	7,822
Intergovernmental	1,693,079	1,693,079	1,780,238	87,159
Fines and forfeitures	80,000	80,000	69,783	(10,217)
Investment earnings (loss)	500	500	1,415	915
Miscellaneous	19,000	(11,678)	330,872	342,550
<b>Total revenues</b>	<u>7,989,038</u>	<u>7,958,360</u>	<u>8,133,316</u>	<u>174,956</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel	14,742,278	14,742,278	14,470,663	271,615
Services	1,475,275	1,644,996	1,436,201	208,795
Supplies	1,310,508	1,398,125	1,157,113	241,012
Intergovernmental exp	30,000	30,000	30,534	(534)
Principal	509,494	509,494	630,193	(120,699)
Interest	69,598	69,598	38,946	30,652
Capital outlay	666,866	976,964	674,846	302,118
<b>Total expenditures</b>	<u>18,804,019</u>	<u>19,371,455</u>	<u>18,438,496</u>	<u>932,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,814,981)</u>	<u>(11,413,095)</u>	<u>(10,305,180)</u>	<u>1,107,915</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,574,115	10,574,115	10,155,182	(418,933)
Transfers out	(416,000)	(416,000)	(236,447)	179,553
Issuance of debt	656,866	656,866	656,866	
<b>Total other financing sources (uses)</b>	<u>10,814,981</u>	<u>10,814,981</u>	<u>10,575,601</u>	<u>(239,380)</u>
<b>Net change in fund balances</b>		<u>(598,114)</u>	<u>270,421</u>	<u>868,535</u>
Fund balance - beginning	2,155,364	2,155,364	2,155,364	
<b>Fund balance - ending</b>	<u>\$ 2,155,364</u>	<u>\$ 1,557,250</u>	<u>\$ 2,425,785</u>	<u>\$ 868,535</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, 2024**

	<u>Budgeted</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 3,897,209	\$ 3,897,209	\$ 3,872,657	\$ (24,552)
Fees and permits	15,400	15,400	7,374	(8,026)
Intergovernmental	959,150	959,150	959,359	209
Investment earnings (loss)			6,574	6,574
Miscellaneous	33,623	33,623	35,955	2,332
Total revenues	<u>4,905,382</u>	<u>4,905,382</u>	<u>4,881,919</u>	<u>(23,463)</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel	10,247,385	10,247,385	10,224,074	23,311
Services	760,349	840,538	713,944	126,594
Supplies	593,080	565,059	493,607	71,452
Principal	997,529	997,529	1,028,076	(30,547)
Interest	120,356	120,356	64,227	56,129
Capital outlay	1,348,000	2,425,268	1,084,088	1,341,180
Total expenditures	<u>14,066,699</u>	<u>15,196,135</u>	<u>13,608,016</u>	<u>1,588,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,161,317)</u>	<u>(10,290,753)</u>	<u>(8,726,097)</u>	<u>1,564,656</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,098,317	8,098,317	7,679,517	(418,800)
Issuance of debt	1,063,000	1,063,000	1,063,000	
Total other financing sources (uses)	<u>9,161,317</u>	<u>9,161,317</u>	<u>8,742,517</u>	<u>(418,800)</u>
Net change in fund balances		(1,129,436)	16,420	1,145,856
Fund balance - beginning	636,753	636,753	636,753	
Fund balance - ending	<u>\$ 636,753</u>	<u>\$ (492,683)</u>	<u>\$ 653,173</u>	<u>\$ 1,145,856</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, 2024**

	<u>Budgeted</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Fees and permits	\$ 50,000	\$ 50,000	\$ 29,665	\$ (20,335)
Intergovernmental	5,381,563	5,381,563	10,419,982	5,038,419
Investment earnings (loss)	50,000	50,000	777,392	727,392
Miscellaneous	<u>920,713</u>	<u>920,713</u>	<u>22,780</u>	<u>(897,933)</u>
Total revenues	<u>6,402,276</u>	<u>6,402,276</u>	<u>11,249,819</u>	<u>4,847,543</u>
<b>EXPENDITURES</b>				
Personnel	1,400,817	1,400,817	1,344,541	56,276
Services	2,359,767	4,160,130	11,107,832	(6,947,702)
Supplies	593,700	1,167,998	661,628	506,370
Principal	327,197	327,197	351,824	(24,627)
Interest	75,539	75,539	28,296	47,243
Capital outlay	<u>882,000</u>	<u>1,408,620</u>	<u>304,455</u>	<u>1,104,165</u>
Total expenditures	<u>5,639,020</u>	<u>8,540,301</u>	<u>13,798,576</u>	<u>(5,258,275)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>763,256</u>	<u>(2,138,025)</u>	<u>(2,548,757)</u>	<u>(410,732)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	579,744	579,744		(579,744)
Transfers out	(200,000)	(942,290)	(67,035)	875,255
Issuance of debt	<u>857,000</u>	<u>857,000</u>	<u>857,000</u>	
Total other financing sources (uses)	<u>1,236,744</u>	<u>494,454</u>	<u>789,965</u>	<u>295,511</u>
Net change in fund balances	2,000,000	(1,643,571)	(1,758,792)	(115,221)
Fund balance - beginning	18,593,613	18,593,613	18,593,613	
Fund balance - ending	<u>\$ 20,593,613</u>	<u>\$ 16,950,042</u>	<u>\$ 16,834,821</u>	<u>\$ (115,221)</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, 2024**

<b>Total OPEB Liability</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Service cost	\$ 306,471	\$ 370,071	\$ 335,464	\$ 408,243	\$ 480,175	\$ 417,268	\$ 299,252	\$ 259,773
Interest	165,934	187,234	213,267	195,804	140,672	125,892	213,039	181,213
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)	(358,065)
Changes in assumptions or other inputs	36,028	(249,396)	(406,393)	(466,506)	(1,274,576)	-	297,127	(105,813)
Benefit payments	(86,058)	(90,882)	(119,734)	(131,838)	(172,360)	(146,338)	(166,871)	(96,925)
<b>Net change in total OPEB liability</b>	<b>501,937</b>	<b>(21,584)</b>	<b>750,620</b>	<b>577,612</b>	<b>(990,334)</b>	<b>(524,487)</b>	<b>(407,661)</b>	<b>(119,817)</b>
<b>Total OPEB liability - beginning</b>	<b>4,432,427</b>	<b>4,934,364</b>	<b>4,912,780</b>	<b>5,663,400</b>	<b>6,241,012</b>	<b>5,250,678</b>	<b>4,726,191</b>	<b>4,318,530</b>
<b>Total OPEB liability - ending</b>	<b>\$ 4,934,364</b>	<b>\$ 4,912,780</b>	<b>\$ 5,663,400</b>	<b>\$ 6,241,012</b>	<b>\$ 5,250,678</b>	<b>\$ 4,726,191</b>	<b>\$ 4,318,530</b>	<b>\$ 4,198,713</b>
<b>Covered-employee payroll</b>	<b>\$ 24,145,025</b>	<b>\$ 24,929,738</b>	<b>\$ 25,796,450</b>	<b>\$ 26,634,835</b>	<b>\$ 26,906,957</b>	<b>\$ 32,082,788</b>	<b>\$ 32,822,596</b>	<b>\$ 36,051,198</b>
<b>Total OPEB liability as a percentage of</b>								
<b>Covered-employee payroll</b>	<b>20.44%</b>	<b>19.71%</b>	<b>21.95%</b>	<b>23.43%</b>	<b>19.50%</b>	<b>14.70%</b>	<b>13.20%</b>	<b>11.60%</b>

**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, 2024**

<b>Total Pension Liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
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	\$ 800,274
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	99,863
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)	520,155
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)	(1,743,290)
<b>Net change in total pension liability</b>	<b>10,401,707</b>	<b>(1,351,029)</b>	<b>(1,370,081)</b>	<b>1,162,588</b>	<b>(2,368,375)</b>	<b>1,917,293</b>	<b>1,301,516</b>	<b>(1,198,800)</b>	<b>(6,068,937)</b>	<b>(322,998)</b>
<b>Total pension liability - beginning</b>	<b>18,205,608</b>	<b>28,607,315</b>	<b>27,256,286</b>	<b>25,886,205</b>	<b>27,048,793</b>	<b>24,680,418</b>	<b>26,597,711</b>	<b>27,899,227</b>	<b>26,700,427</b>	<b>20,631,490</b>
<b>Total pension liability - ending</b>	<b>\$ 28,607,315</b>	<b>\$ 27,256,286</b>	<b>\$ 25,886,205</b>	<b>\$ 27,048,793</b>	<b>\$ 24,680,418</b>	<b>\$ 26,597,711</b>	<b>\$ 27,899,227</b>	<b>\$ 26,700,427</b>	<b>\$ 20,631,490</b>	<b>\$ 20,308,492</b>
<b>Plan fiduciary net position</b>										
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	\$ 1,875,977
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)	(1,743,290)
Administrative expense	(820)	(1,381)	(692)							
<b>Net change in plan fiduciary net position</b>	<b>(87,728)</b>	<b>(81,163)</b>	<b>(657,298)</b>	<b>(174,055)</b>	<b>(806,972)</b>	<b>(31,527)</b>	<b>(4,100)</b>	<b>(157,832)</b>	<b>73,040</b>	<b>132,687</b>
<b>Plan fiduciary net position - beginning</b>	<b>539,110</b>	<b>451,382</b>	<b>370,219</b>	<b>(287,079)</b>	<b>(461,134)</b>	<b>(1,268,106)</b>	<b>(1,299,633)</b>	<b>(1,303,733)</b>	<b>(1,461,565)</b>	<b>(1,388,525)</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 451,382</b>	<b>\$ 370,219</b>	<b>\$ (287,079)</b>	<b>\$ (461,134)</b>	<b>\$ (1,268,106)</b>	<b>\$ (1,299,633)</b>	<b>\$ (1,303,733)</b>	<b>\$ (1,461,565)</b>	<b>\$ (1,388,525)</b>	<b>\$ (1,255,838)</b>
<b>City's net pension liability - ending</b>	<b>\$ 28,155,933</b>	<b>\$ 26,886,067</b>	<b>\$ 26,173,284</b>	<b>\$ 27,509,927</b>	<b>\$ 25,948,524</b>	<b>\$ 27,897,344</b>	<b>\$ 29,202,960</b>	<b>\$ 28,161,992</b>	<b>\$ 22,020,015</b>	<b>\$ 21,564,330</b>
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%	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	N/A

**Notes to Schedule:**

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, 2024**

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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
2024	1,615,224	1,724,131	(108,907)		N/A

2024: 3.77%	2019: 3.71%
2023: 4.05%	2018: 3.31%
2022: 1.84%	2017: 3.78%
2021: 2.00%	2016: 3.58%
2020: 2.75%	2015: 3.57%

**City of Hot Springs, Arkansas**  
**POLICEMEN'S PENSION AND RELIEF FUND**  
**SCHEDULE OF CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2024**

<b>Total Pension Liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
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	\$ 1,596,607
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	275,155
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)	(1,980,910)
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)	(109,148)
Total Pension Liability - beginning	23,023,831	23,053,964	21,883,380	21,958,332	23,994,965	24,001,341	23,009,335	23,324,321	23,621,638	23,012,618
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>	<u>\$ 22,903,470</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 1,129,350	\$ 1,108,489	\$ 1,036,800	\$ 1,023,337	\$ 970,994	\$ 991,034	\$ 977,149	\$ 980,737	\$ 983,562	\$ 983,384
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)	2,131,115
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)	(1,980,910)
Administrative expense	(23,934)	(32,964)	(25,891)	(24,381)	(27,513)	(21,645)	(23,810)	(21,592)	(16,798)	(17,858)
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)	1,115,731
Plan Fiduciary Net Position - beginning	14,269,462	14,653,122	14,002,151	13,997,481	15,036,352	13,655,210	15,198,412	16,204,008	17,845,958	14,301,382
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>	<u>\$ 15,417,113</u>
<b>Net Pension Liability</b>	<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>	<u>\$ 7,486,357</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%	67.31%
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	N/A

**City of Hot Springs, Arkansas**  
**POLICEMEN'S PENSION AND RELIEF FUND**  
**SCHEDULE OF CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2024**

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
2024	839,424	983,155			N/A

**Valuation date:** December 31, 2023

**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	15 years beginning January 1, 2023
Asset Valuation Method	5-year smoothed fair value; 20% corridor (for funding purposes)
Price Inflation	2.25%
Salary Increases	3.00%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2017–2020.
Mortality	Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables set forward for one year for males and two years for females, Disabled Retiree and Employee mortality tables for males and females. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

**Other Information:**

**Notes** There were no benefit changes during the year. The assumed investment rate of return is 7.25%, the wage inflation assumption is 3.00% and the price inflation assumption is 2.25%.  
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:

2024: 7.25%	2019: 7.00%
2023: 7.25%	2018: 7.00%
2022: 7.00%	2017: 7.75%
2021: 7.00%	2016: 7.75%
2020: 7.00%	2015: 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, 2024**

Plan Fiscal Year Ended June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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%	0.9044%
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	\$ 22,502,883
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	\$ 20,408,842
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%	110%
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%	81.61%

**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.

**City of Hot Springs, Arkansas**  
**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2024**

<b>Year Ended December 31</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
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%
2024	3,147,578	3,147,578		20,412,309	15.42%

**City of Hot Springs, Arkansas**  
**LOCAL POLICE AND FIRE RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**For the Year Ended December 31, 2024**

	<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>	<u>2024</u>
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%	3.0443%
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	\$ 30,471,261
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	14,003,059
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%	218%
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%	69.20%

\*\*\* 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.

**City of Hot Springs, Arkansas**  
**LOCAL POLICE AND FIRE RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2024**

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%
2024	3,773,339	3,773,339		14,029,278	26.90%

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**City of Hot Springs, Arkansas**  
**EXPLANATION OF NONMAJOR GOVERNMENTAL FUNDS**  
**SPECIAL REVENUE**  
**December 31, 2024**

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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.
- i. Court Peer Recovery Specialist Fund is used to account for grant revenues received from the State for the salary, benefits and miscellaneous expenses associated with a Court Peer Recovery Specialist who works in the District Court to provide support to defendants with drug-related charges.
- j. ARPA Fund is used to account for all activities associated with The American Rescue Plan Act of 2021.

**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.

# *MAJESTIC PARK*

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**City of Hot Springs, Arkansas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2024**

	<b>Special Revenue Funds</b>			
	<b>District Court</b>	<b>Miscellaneous Gift Fund</b>	<b>Public Transportation</b>	<b>CDBG Grant</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 352,745	\$ 12,202	\$ 38,938	\$ 45,758
Investments	488,006	-	-	-
Interest receivable	555	-	-	-
Accounts receivable	93,634	-	-	-
Intergovernmental receivables	-	-	62,051	123,020
Total assets	<u>934,940</u>	<u>12,202</u>	<u>100,989</u>	<u>168,778</u>
<b>LIABILITIES</b>				
Accounts payable	16,795	-	39,767	16,117
Accrued expenditures	29,686	-	-	-
Due to other governments	270	-	-	-
Due to component unit	-	-	-	-
Due to other funds	87,167	-	172,236	148,105
Unearned revenue	480	12,202	29,100	4,557
Total liabilities	<u>134,398</u>	<u>12,202</u>	<u>241,103</u>	<u>168,779</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	-	-	-
Public safety	800,542	-	-	-
Public works	-	-	-	-
Unassigned	-	-	(140,114)	(1)
Total Fund Balances (Deficit)	<u>800,542</u>	<u>-</u>	<u>(140,114)</u>	<u>(1)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 934,940</u>	<u>\$ 12,202</u>	<u>\$ 100,989</u>	<u>\$ 168,778</u>

**City of Hot Springs, Arkansas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(continued)**  
**December 31, 2024**

	<b>Special Revenue Funds</b>			
	<b>Public Works Projects</b>	<b>Parks &amp; Trails</b>	<b>Public Safety</b>	<b>Jail Expense Fines</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,607	\$ 137,303	\$ 620,043	\$ 5,052
Investments	-	-	498,982	-
Interest receivable	-	-	608	-
Accounts receivable	-	-	-	-
Intergovernmental receivables	119,034	97,880	759,842	-
Total assets	<u>129,641</u>	<u>235,183</u>	<u>1,879,475</u>	<u>5,052</u>
<b>LIABILITIES</b>				
Accounts payable	34,477	22,900	316,115	10,008
Accrued expenditures	-	-	-	-
Due to other governments	-	-	691,907	-
Due to component unit	-	-	-	-
Due to other funds	31,650	119,407	240,429	12,736
Unearned revenue	1	89,551	58,232	-
Total liabilities	<u>66,128</u>	<u>231,858</u>	<u>1,306,683</u>	<u>22,744</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	3,325	-	-
Public safety	-	-	572,792	-
Public works	63,513	-	-	-
Unassigned	-	-	-	(17,692)
Total Fund Balances (Deficit)	<u>63,513</u>	<u>3,325</u>	<u>572,792</u>	<u>(17,692)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 129,641</u>	<u>\$ 235,183</u>	<u>\$ 1,879,475</u>	<u>\$ 5,052</u>

**City of Hot Springs, Arkansas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(continued)**  
**December 31, 2024**

	<b>Special Revenue Funds</b>			
	<b>Court Peer Recovery Specialist</b>	<b>ARPA Fund</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,484	\$ 4,344	\$ 1,044,890	\$ 792,025
Investments	-	-	198,742	964,057
Interest receivable	-	-	-	-
Accounts receivable	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total assets	<u>31,484</u>	<u>4,344</u>	<u>1,243,632</u>	<u>1,756,082</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	-
Accrued expenditures	-	-	45,692	-
Due to other governments	-	-	-	-
Due to component unit	-	-	900,000	-
Due to other funds	23,638	4,344	-	-
Unearned revenue	7,846	-	71,322	-
Total liabilities	<u>31,484</u>	<u>4,344</u>	<u>1,017,014</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted:				
Debt service	-	-	226,618	-
Capital projects	-	-	-	1,756,082
Parks	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	<u>-</u>	<u>-</u>	<u>226,618</u>	<u>1,756,082</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 31,484</u>	<u>\$ 4,344</u>	<u>\$ 1,243,632</u>	<u>\$ 1,756,082</u>

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

**December 31, 2024**

	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,095,391
Investments	2,149,787
Interest receivable	1,163
Accounts receivable	93,634
Intergovernmental receivables	1,161,827
Total assets	6,501,802
<b>LIABILITIES</b>	
Accounts payable	456,179
Accrued expenditures	75,378
Due to other governments	692,177
Due to component unit	900,000
Due to other funds	839,712
Unearned revenue	273,291
Total liabilities	3,236,737
<b>FUND BALANCES (DEFICIT)</b>	
Restricted:	
Debt service	226,618
Capital projects	1,756,082
Parks	3,325
Public safety	1,373,334
Public works	63,513
Unassigned	(157,807)
Total Fund Balances (Deficit)	3,265,065
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 6,501,802</b>

**City of Hot Springs, Arkansas**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2024**

	<b>Special Revenue Funds</b>			
	<b>District Court</b>	<b>Miscellaneous Gift Fund</b>	<b>Public Transportation</b>	<b>CDBG Grant</b>
<b>REVENUES</b>				
Charges for services	\$	\$	\$ 119,667	\$ 915,081
Intergovernmental	553,833		1,071,148	
Fines and forfeitures	192,703			
Investment earnings (loss)	18,037			
Miscellaneous	5,931	37,578	7,200	
<b>Total revenues</b>	<b>770,504</b>	<b>37,578</b>	<b>1,198,015</b>	<b>915,081</b>
<b>EXPENDITURES</b>				
Current:				
General government				40,329
Community development				323,332
Public transportation			1,921,023	
Public safety	1,375,232	14,120		
Public works				
Public utilities				
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay		23,458	106,438	551,421
<b>Total expenditures</b>	<b>1,375,232</b>	<b>37,578</b>	<b>2,027,461</b>	<b>915,082</b>
Excess (deficiency) of revenues over expenditures	(604,728)		(829,446)	(1)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	614,381		602,224	
<b>Total other financing sources</b>	<b>614,381</b>		<b>602,224</b>	
<b>Net Change in Fund Balance (deficit)</b>	<b>9,653</b>		<b>(227,222)</b>	<b>(1)</b>
<b>Fund Balance (deficit), Beginning of Year</b>	<b>790,889</b>		<b>87,108</b>	
<b>Change from Major to Nonmajor Fund</b>				
<b>Fund Balance (deficit), End of Year</b>	<b>\$ 800,542</b>	<b>\$</b>	<b>\$ (140,114)</b>	<b>\$ (1)</b>

**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, 2024**

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
<b>REVENUES</b>				
Charges for services	\$	\$	\$	\$
Intergovernmental	155,514	283,456	4,544,814	
Fines and forfeitures				93,482
Investment earnings (loss)			22,123	
Miscellaneous		65,532	198,471	
Total revenues	<u>155,514</u>	<u>348,988</u>	<u>4,765,408</u>	<u>93,482</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Community development				
Public transportation				
Public safety			4,989,533	116,226
Public works	43,975			
Public utilities				
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay	173,439	436,038	32,342	
Total expenditures	<u>217,414</u>	<u>436,038</u>	<u>5,021,875</u>	<u>116,226</u>
Excess (deficiency) of revenues over expenditures	<u>(61,900)</u>	<u>(87,050)</u>	<u>(256,467)</u>	<u>(22,744)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	61,900	87,050	236,447	5,052
Total other financing sources	<u>61,900</u>	<u>87,050</u>	<u>236,447</u>	<u>5,052</u>
<b>Net Change in Fund Balance (deficit)</b>			(20,020)	(17,692)
<b>Fund Balance (deficit), Beginning of Year</b>	63,513	3,325	592,812	
<b>Change from Major to Nonmajor Fund</b>				
<b>Fund Balance (deficit), End of Year</b>	<u>\$ 63,513</u>	<u>\$ 3,325</u>	<u>\$ 572,792</u>	<u>\$ (17,692)</u>

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

**For the Year Ended December 31, 2024**

	<u>Special Revenue Funds</u>			
	<u>Court Peer Recovery Specialist</u>	<u>ARPA Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>REVENUES</b>				
Charges for services	\$	\$	\$	\$
Intergovernmental	42,154	461,002	4,499,507	
Fines and forfeitures				
Investment earnings (loss)			18,101	5,111
Miscellaneous				
Total revenues	<u>42,154</u>	<u>461,002</u>	<u>4,517,608</u>	<u>5,111</u>
<b>EXPENDITURES</b>				
Current:				
General government		120,063	1,613	
Community development			3,925,426	
Public transportation				
Public safety	42,154			
Public works				
Public utilities		21,405		
Debt service:				
Principal			345,000	
Interest			274,148	
Capital expenditures:				
Capital outlay		319,534		
Total expenditures	<u>42,154</u>	<u>461,002</u>	<u>4,546,187</u>	
Excess (deficiency) of revenues over expenditures			<u>(28,579)</u>	<u>5,111</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in				
Total other financing sources				
<b>Net Change in Fund Balance (deficit)</b>			(28,579)	5,111
<b>Fund Balance (deficit), Beginning of Year</b>			255,197	1,750,971
<b>Change from Major to Nonmajor Fund</b>				
<b>Fund Balance (deficit), End of Year</b>	<u>\$</u>	<u>\$</u>	<u>\$ 226,618</u>	<u>\$ 1,756,082</u>

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

(continued)

For the Year Ended December 31, 2024

	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>	
Charges for services	\$ 119,667
Intergovernmental	12,526,509
Fines and forfeitures	286,185
Investment earnings (loss)	63,372
Miscellaneous	314,712
Total revenues	13,310,445
<b>EXPENDITURES</b>	
Current:	
General government	162,005
Community development	4,248,758
Public transportation	1,921,023
Public safety	6,537,265
Public works	43,975
Public utilities	21,405
Debt service:	
Principal	345,000
Interest	274,148
Capital expenditures:	
Capital outlay	1,642,670
Total expenditures	15,196,249
Excess (deficiency) of revenues over expenditures	(1,885,804)
<b>OTHER FINANCING SOURCES</b>	
Transfers in	1,607,054
Total other financing sources	1,607,054
<b>Net Change in Fund Balance (deficit)</b>	(278,750)
<b>Fund Balance (deficit), Beginning of Year</b>	3,543,815
<b>Change from Major to Nonmajor Fund</b>	
<b>Fund Balance (deficit), End of Year</b>	\$ 3,265,065

# Nonmajor Enterprise Funds

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**City of Hot Springs, Arkansas**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**December 31, 2024**

	Airport	Stormwater	Parking	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,176,320	\$ 1,831,534	\$ 6,194	\$ 3,014,048
Investments	2,135,841	2,847,908		4,983,749
Interest receivable	3,319	4,427	9	7,755
Accounts receivable (net of allowance for uncollectible)	121,335	65,931	869	188,135
Lease receivable	673,593			673,593
Due from other funds		12,405		12,405
Accrued revenues		121,695		121,695
Intergovernmental receivables	345,372	26,818		372,190
Inventories	112,417			112,417
Prepaid items	9,605		1,945	11,550
Restricted assets:				
Total current assets	<u>4,577,802</u>	<u>4,910,718</u>	<u>9,017</u>	<u>9,497,537</u>
Noncurrent Assets:				
Capital assets:				
Land	7,269,061	194,255	668,847	8,132,163
Buildings and systems	12,098,974		5,603,771	17,702,745
Improvements other than buildings	24,587,184	4,033,912	473,650	29,094,746
Machinery and equipment	2,546,037	1,136,410	203,186	3,885,633
Construction in progress	946,171	1,137,817	194,521	2,278,509
Less accumulated depreciation	(26,175,814)	(2,381,380)	(3,315,581)	(31,872,775)
Subscription assets, net	10,566	1,772	35	12,373
Total noncurrent assets	<u>21,282,179</u>	<u>4,122,786</u>	<u>3,828,429</u>	<u>29,233,394</u>
Total assets	<u>25,859,981</u>	<u>9,033,504</u>	<u>3,837,446</u>	<u>38,730,931</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB - changes in assumptions	4,194	12,065		16,259
Pension - changes in assumptions	23,725	8,061	629	32,415
Pension - difference between expected and actual experience	26,419	8,976	700	36,095
Pension - changes in proportion and differences between contribution and proportionate share of contributions	11,926	4,052	316	16,294
Pension - contributions subsequent to the measurement date	51,007	17,331	1,352	69,690
Pension - difference between actual and expected investment earnings	19,749	6,710	524	26,983
Total deferred outflows of resources	<u>\$ 137,020</u>	<u>\$ 57,195</u>	<u>\$ 3,521</u>	<u>\$ 197,736</u>

**City of Hot Springs, Arkansas**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**(continued)**

**December 31, 2024**

	<u>Airport</u>	<u>Stormwater</u>	<u>Parking</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 183,707	\$ 27,024	\$ 14,356	\$ 225,087
Due to other funds		309,271		309,271
Intergovernmental payables	8,034		679	8,713
Compensated absences	4,903	1,223		6,126
Subscription liability	4,162	159	40	4,361
Unearned revenue	54,784	8,684		63,468
OPEB liability	2,338	834		3,172
Accrued expenses	25,856	7,224	1,189	34,269
Total current liabilities	<u>283,784</u>	<u>354,419</u>	<u>16,264</u>	<u>654,467</u>
Noncurrent liabilities:				
Total other postemployment benefits obligation	71,016	35,981		106,997
Compensated absences	34,780	8,679		43,459
Subscription liability	7,865			7,865
Net pension liability	680,775	231,305	18,047	930,127
Total noncurrent liabilities	<u>794,436</u>	<u>275,965</u>	<u>18,047</u>	<u>1,088,448</u>
Total liabilities	<u>1,078,220</u>	<u>630,384</u>	<u>34,311</u>	<u>1,742,915</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow from leases	656,718			656,718
OPEB - changes in assumptions	15,406	5,042		20,448
OPEB - difference between expected and actual experience	20,378	13,089		33,467
Pension - changes in proportion and differences between contribution and proportionate share of contributions	9,111	3,096	242	12,449
Pension - difference between actual and expected liability experience	27,834	9,457	738	38,029
Total deferred inflows of resources	<u>729,447</u>	<u>30,684</u>	<u>980</u>	<u>761,111</u>
<b>NET POSITION</b>				
Net investment in capital assets	21,270,152	4,122,627	3,828,389	29,221,168
Restricted				
Unrestricted	2,919,182	4,307,004	(22,713)	7,203,473
Total net position	<u>\$ 24,189,334</u>	<u>\$ 8,429,631</u>	<u>\$ 3,805,676</u>	<u>\$ 36,424,641</u>

**City of Hot Springs, Arkansas**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2024**

	<u>Airport</u>	<u>Stormwater</u>	<u>Parking</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Stormwater fees	\$	\$ 1,598,227	\$	\$ 1,598,227
Fuel and merchandise sales	2,049,730			2,049,730
Parking and rental fees	1,154,551		81,587	1,236,138
Other service fees		39,295		39,295
Miscellaneous other revenue	167,348	2,834	79	170,261
Total operating revenues	<u>3,371,629</u>	<u>1,640,356</u>	<u>81,666</u>	<u>5,093,651</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	904,082	306,886	29,753	1,240,721
Services	838,047	397,083	179,360	1,414,490
Supplies	1,670,352	49,597	14,239	1,734,188
Depreciation and Amortization	1,285,254	307,470	174,294	1,767,018
Total operating expenses	<u>4,697,735</u>	<u>1,061,036</u>	<u>397,646</u>	<u>6,156,417</u>
Operating income (expense)	<u>(1,326,106)</u>	<u>579,320</u>	<u>(315,980)</u>	<u>(1,062,766)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	6,495	155,645		162,140
Investment earnings	136,843	176,188	2,818	315,849
Net increase (decrease) in fair value of investments	(7,840)	(10,830)	(5)	(18,675)
Interest expense	(771)	(155)	(3)	(929)
Gain (loss) on sale of assets	(14,669)			(14,669)
Total nonoperating revenue (expense)	<u>120,058</u>	<u>320,848</u>	<u>2,810</u>	<u>443,716</u>
Income before contributions and transfers	<u>(1,206,048)</u>	<u>900,168</u>	<u>(313,170)</u>	<u>(619,050)</u>
Capital grants	783,541			783,541
Transfers in		12,035	363,242	375,277
Change in net position	<u>(422,507)</u>	<u>912,203</u>	<u>50,072</u>	<u>539,768</u>
Total net position, beginning of year				
Change within financial reporting entity (major to nonmajor)	<u>24,611,841</u>	<u>7,517,428</u>	<u>3,755,604</u>	<u>35,884,873</u>
Total net position, beginning of year, restated	<u>24,611,841</u>	<u>7,517,428</u>	<u>3,755,604</u>	<u>35,884,873</u>
Total net position - end of year	<u>\$ 24,189,334</u>	<u>\$ 8,429,631</u>	<u>\$ 3,805,676</u>	<u>\$ 36,424,641</u>

**City of Hot Springs, Arkansas**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2024**

	<b>Nonmajor Airport</b>	<b>Nonmajor Stormwater</b>	<b>Nonmajor Parking</b>	<b>Total Nonmajor</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,482,432	\$ 1,971,868	\$ 80,718	\$ 5,535,018
Other receipts	167,348	2,834	79	170,261
Payments to suppliers and service providers	(2,446,627)	(448,339)	(181,744)	(3,076,710)
Payments to employees	(907,559)	(302,914)	(26,724)	(1,237,197)
Net cash provided by (used for) operating activities	<u>295,594</u>	<u>1,223,449</u>	<u>(127,671)</u>	<u>1,391,372</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	12,035	363,242	375,277
Net cash provided by noncapital financing activities	<u>-</u>	<u>12,035</u>	<u>363,242</u>	<u>375,277</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(807,010)	(790,141)	(232,219)	(1,829,370)
Capital grants and contributions	790,036	155,645		945,681
Principal paid on debt	(3,515)	2	1	(3,512)
Interest paid on debt	(771)	(155)	(3)	(929)
Sale of capital assets	(14,669)			(14,669)
Net cash used for capital and related financing activities	<u>(35,929)</u>	<u>(634,649)</u>	<u>(232,221)</u>	<u>(902,799)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale of investments			8	8
Purchases of investments	(21,922)	(17,545)		(39,467)
Investment income	131,936	168,613	2,804	303,353
Net cash provided by investing activities	<u>110,014</u>	<u>151,068</u>	<u>2,812</u>	<u>263,894</u>
Net change in cash and cash equivalents	369,679	751,903	6,162	1,127,744
Cash and cash equivalents – Beginning of year	806,641	1,079,631	32	1,886,304
Cash and cash equivalents – End of year	<u>1,176,320</u>	<u>1,831,534</u>	<u>6,194</u>	<u>3,014,048</u>

**City of Hot Springs, Arkansas**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2024**

	<u>Nonmajor Airport</u>	<u>Nonmajor Stormwater</u>	<u>Nonmajor Parking</u>	<u>Total Nonmajor</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating income (loss)	\$ (1,326,106)	\$ 579,320	\$ (315,980)	\$ (1,062,766)
Adjustments to reconcile operating income (loss)				
net cash provided by operating activities:				
Depreciation and amortization expense	1,285,254	307,470	174,294	1,767,018
(Increase) decrease in deferred outflows - pension	104,932	44,299	1,740	150,971
(Increase) decrease in deferred outflows - OPEB	3,731	(6,851)		(3,120)
Increase (decrease) in deferred inflows- pensions	18,299	6,172	568	25,039
Increase (decrease) in deferred inflows- OPEB	(1,434)	(392)		(1,826)
Increase (decrease) in deferred inflows- leases	(176,603)			(176,603)
(Increase) decrease in assets				
Accounts receivable	280,438	175,809	(869)	455,378
Lease receivable	174,316			174,316
Due from other funds				
Accrued revenue		14,111		14,111
Inventory	(15,348)			(15,348)
Prepaid items	(9,605)		(1,945)	(11,550)
Increase (decrease) in liabilities				
Accounts payable	75,819	(12,763)	12,979	76,035
Due to other funds		144,426		144,426
Compensated absences	(24,682)	(1,850)		(26,532)
Unearned revenue				
Accrued expenses	10,906	11,104	821	22,831
Customer deposits				
Other post employment benefits	(2,037)	(725)		(2,762)
Net pension liability	(102,286)	(36,681)	721	(138,246)
Total adjustments	<u>1,621,700</u>	<u>644,129</u>	<u>188,309</u>	<u>2,454,138</u>
Net cash provided by (used for) operating activities	<u>\$ 295,594</u>	<u>\$ 1,223,449</u>	<u>\$ (127,671)</u>	<u>\$ 1,391,372</u>
<b>Noncash investing and financing activities:</b>				
Subscription based IT arrangements issued	\$ 888	\$ 4,905	\$ 97	\$ 5,890
Increase in fair value of investments	<u>(7,840)</u>	<u>(10,830)</u>	<u>(5)</u>	<u>(18,675)</u>
Total noncash investing, capital and financing activities	<u>\$ (7,840)</u>	<u>\$ (10,830)</u>	<u>\$ (5)</u>	<u>\$ (12,785)</u>

# INTERNAL SERVICE FUNDS

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**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**December 31, 2024**

	<u>Fleet Service</u>	<u>Utility Administration</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 42,037	\$ 119,148	\$ 4,016,016	\$ 4,177,201
Investments		96,326	6,478,115	6,574,441
Accounts receivable		25	120,765	120,790
Due from other funds		191,447		191,447
Inventories	521,344	1,319,712		1,841,056
Prepaid items	1,393	6,091		7,484
Total current assets	<u>564,774</u>	<u>1,732,749</u>	<u>10,614,896</u>	<u>12,912,419</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	533,288		817,242
Machinery and equipment	608,540	2,870,879		3,479,419
Less accumulated depreciation	(912,313)	(2,924,208)		(3,836,521)
Subscription assets, net		150,290		150,290
Total noncurrent assets (net of accumulated depreciation)	<u>218,094</u>	<u>1,576,726</u>		<u>1,794,820</u>
Total assets	<u>782,868</u>	<u>3,309,475</u>	<u>10,614,896</u>	<u>14,707,239</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	88,893	214,539	22,775	326,207
Due to other funds	301,829	1,763,378		2,065,207
Compensated absences	12,418	31,628		44,046
Subscription liability		135,863		135,863
Accrued expenses	27,276	88,189	300,000	415,465
Total current liabilities	<u>430,416</u>	<u>2,233,597</u>	<u>322,775</u>	<u>2,986,788</u>
Noncurrent liabilities:				
Compensated absences	100,269	224,372		324,641
Subscription liability		3,051		3,051
Total noncurrent liabilities	<u>100,269</u>	<u>227,423</u>		<u>327,692</u>
Total liabilities	<u>530,685</u>	<u>2,461,020</u>	<u>322,775</u>	<u>3,314,480</u>
<b>NET POSITION</b>				
Net investment in capital assets	218,094	1,437,812		1,655,906
Unrestricted	34,089	(589,357)	10,292,121	9,736,853
Total net position	<u>\$ 252,183</u>	<u>\$ 848,455</u>	<u>\$ 10,292,121</u>	<u>\$ 11,392,759</u>

**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2024**

	<b>Fleet Service</b>	<b>Utility Administration</b>	<b>Employee Wellness Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Other service fees	\$	\$ 446,138	\$ 403,589	\$ 849,727
Reimbursement from other funds	1,141,569	5,542,398	4,156,587	10,840,554
Miscellaneous other revenue		11,033	828,706	839,739
Total operating revenues	<u>1,141,569</u>	<u>5,999,569</u>	<u>5,388,882</u>	<u>12,530,020</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	964,632	3,341,777		4,306,409
Services	113,961	1,242,129	5,037,229	6,393,319
Supplies	50,548	1,043,822		1,094,370
Depreciation and Amortization	12,973	358,497		371,470
Total operating expenses	<u>1,142,114</u>	<u>5,986,225</u>	<u>5,037,229</u>	<u>12,165,568</u>
Operating income (loss)	<u>(545)</u>	<u>13,344</u>	<u>351,653</u>	<u>364,452</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings			18,746	18,746
Interest expense		(13,348)		(13,348)
Total nonoperating revenue (expense)		<u>(13,348)</u>	<u>18,746</u>	<u>5,398</u>
Change in net position	(545)	(4)	370,399	369,850
Net position - beginning	<u>252,728</u>	<u>848,459</u>	<u>9,921,722</u>	<u>11,022,909</u>
Net position - ending	<u>\$ 252,183</u>	<u>\$ 848,455</u>	<u>\$ 10,292,121</u>	<u>\$ 11,392,759</u>

**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2024**

	<u>Fleet</u>	<u>Utility Admin</u>	<u>Employee Wellness Fund</u>	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,255,904	\$ 5,980,518	\$ 4,445,952	\$ 11,682,374
Other receipts		11,033	828,706	839,739
Payments to suppliers and service providers	(208,668)	(2,281,192)	(5,042,274)	(7,532,134)
Payments to employees	(964,784)	(3,409,760)		(4,374,544)
Net cash provided by operating activities	<u>82,452</u>	<u>300,599</u>	<u>232,384</u>	<u>615,435</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(40,715)	(370,655)		(411,370)
Principal paid on debt		(21,215)		(21,215)
Interest paid on debt		(13,348)		(13,348)
Net cash used for capital and related financing activities	<u>(40,715)</u>	<u>(405,218)</u>		<u>(445,933)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments		134,630	503,426	638,056
Investment income			18,746	18,746
Net cash used for investing activities		<u>134,630</u>	<u>522,172</u>	<u>656,802</u>
Net change in cash and cash equivalents	41,737	30,011	754,556	826,304
Cash and cash equivalents – January 1	300	89,137	3,261,460	3,350,897
Cash and Cash equivalents – December 31	<u>\$ 42,037</u>	<u>\$ 119,148</u>	<u>\$ 4,016,016</u>	<u>\$ 4,177,201</u>

**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2024**

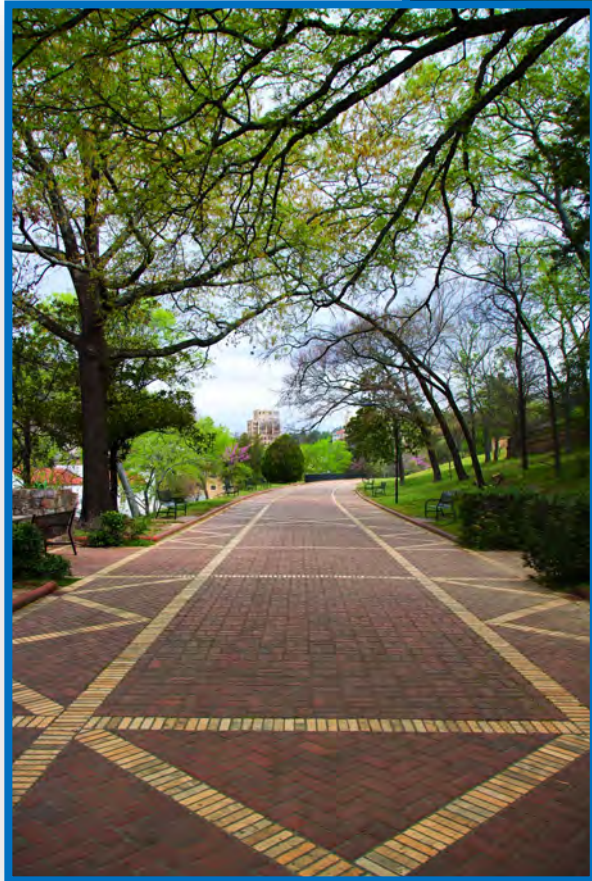
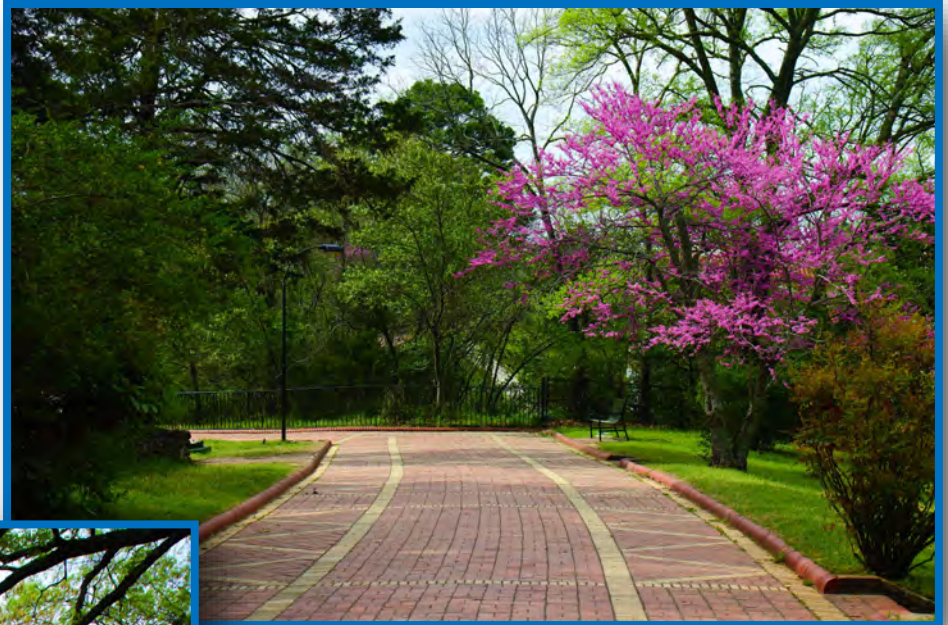
	<u>Fleet</u>	<u>Utility Admin</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (545)	\$ 13,344	\$ 351,653	\$ 364,452
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Net cash provided by (used for) capital and related financing				
Depreciation expense	12,973	358,497	-	371,470
(Increases) decreases in assets				
Due from other funds		(143,047)	(114,224)	(257,271)
Prepays	(1,393)	(6,091)		(7,484)
Inventory	(78,845)	37,967		(40,878)
Increases (decreases) in liabilities				
Accounts payable	23,893	(53,204)	(5,045)	(34,356)
Due to other funds	114,335	135,029		249,364
Compensated absences	(152)	(67,983)		(68,135)
Accrued expenses	12,186	26,087		38,273
Total adjustments	<u>82,997</u>	<u>287,255</u>	<u>(119,269)</u>	<u>250,983</u>
Net cash provided by operating activities	<u>\$ 82,452</u>	<u>\$ 300,599</u>	<u>\$ 232,384</u>	<u>\$ 615,435</u>
<b>Noncash investing and financing activities</b>				
Subscription based IT arrangements issued	<u>\$ -</u>	<u>\$ 162,810</u>	<u>-</u>	<u>\$ 162,810</u>

# CUSTODIAL FUNDS

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# *THE GRAND PROMENADE*

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**City of Hot Springs, Arkansas**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**CUSTODIAL FUNDS**  
**December 31, 2024**

	District Court Custodial Fund	Royal Water Improvement District	Total Custodial Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 442,535	\$ 84,167	\$ 526,702
Receivables			
Due from service providers	21,175		21,175
Collected for members		78,080	78,080
Total receivables	21,175	78,080	99,255
Total assets	463,710	162,247	625,957
<b>LIABILITIES</b>			
Accounts payable		162,247	162,247
Due to other governments	124,297		124,297
Total liabilities	124,297	162,247	286,544
<b>NET POSITION</b>			
Individuals, organizations, and other governments	339,413		339,413
Total net position	\$ 339,413		\$ 339,413

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

**For the Year Ended December 31, 2024**

	District Court Custodial Fund	Royal Water Improvement District	Total Custodial Funds
<b>ADDITIONS</b>			
District court fines collected	\$ 3,705,575		\$ 3,705,575
Collections from customer on behalf of another party		1,018,229	1,018,229
Total additions	<u>\$ 3,705,575</u>	<u>\$ 1,018,229</u>	<u>\$ 4,723,804</u>
<b>DEDUCTIONS</b>			
District Court fines distributed to other governments	\$ 3,503,725		\$ 3,503,725
Payments of customer collections	-	1,018,229	1,018,229
Total deductions	<u>\$ 3,503,725</u>	<u>\$ 1,018,229</u>	<u>\$ 4,521,954</u>
Net increase (decrease) in fiduciary net position	201,850		201,850
Net position – beginning	<u>137,563</u>		<u>137,563</u>
Net position – ending	<u><u>\$ 339,413</u></u>		<u><u>\$ 339,413</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, 2024**

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Sales	\$ 18,984,880	\$ 18,984,880	\$ 19,363,286	\$ 378,406
Mixed drink and other	1,200,000	1,200,000	1,399,097	199,097
Code inspection	871,200	871,200	759,450	(111,750)
Business licenses	1,277,500	1,277,500	1,341,458	63,958
Alcoholic beverage	150,000	150,000	166,292	16,292
Franchise	3,041,100	3,041,100	3,032,758	(8,342)
Other	102,500	102,500	101,477	(1,023)
State turnback	568,950	568,950	572,738	3,788
County aid	463,903	463,903	507,209	43,306
Charge for services	3,313,777	3,313,777	3,330,882	17,105
Gaming and breakage	4,832,100	4,832,100	5,198,907	366,807
Fines and forfeitures	686,750	686,750	673,258	(13,492)
Investment earnings	300,000	300,000	2,108,657	1,808,657
Miscellaneous	363,667	363,667	496,505	132,838
Total revenues	<u>36,156,327</u>	<u>36,156,327</u>	<u>39,051,974</u>	<u>2,895,647</u>
<b>EXPENDITURES</b>				
General Government				
Board of Directors				
Personnel Costs	750	750	580	170
Services	65,300	65,300	23,426	41,874
Supplies	38,500	38,500	23,663	14,837
Reserves	100,000	90,000		90,000
Total Board of Directors	<u>204,550</u>	<u>194,550</u>	<u>47,669</u>	<u>146,881</u>
City Manager				
Personnel Costs	477,553	489,119	505,912	(16,793)
Services	39,300	49,300	30,849	18,451
Supplies	7,050	7,050	4,562	2,488
Reserves	10,000			
Total City Manager	<u>533,903</u>	<u>545,469</u>	<u>541,323</u>	<u>4,146</u>
City Attorney				
Personnel Costs	425,021	437,102	449,592	(12,490)
Services	22,525	22,525	14,284	8,241
Supplies	14,500	14,500	10,249	4,251
Total City Attorney	<u>462,046</u>	<u>474,127</u>	<u>474,125</u>	<u>2</u>
Human Resources				
Personnel Costs	371,087	371,087	360,427	10,660
Services	51,800	97,800	74,935	22,865
Supplies	27,990	27,990	11,007	16,983
Total Human Resources	<u>450,877</u>	<u>496,877</u>	<u>446,369</u>	<u>50,508</u>
Finance				
Personnel Costs	1,082,520	1,067,520	985,670	81,850
Services	261,774	276,774	(7,623)	284,397
Supplies	20,400	20,400	17,835	2,565
Total Finance	<u>1,364,694</u>	<u>1,364,694</u>	<u>995,882</u>	<u>368,812</u>
City Clerk				
Personnel Costs	183,874	183,874	185,685	(1,811)
Services	148,210	148,210	58,293	89,917
Supplies	2,705	2,705	735	1,970
Total City Clerk	<u>334,789</u>	<u>334,789</u>	<u>244,713</u>	<u>90,076</u>
Public Information				
Personnel Costs	171,734	171,734	170,475	1,259
Services	34,559	41,644	12,703	28,941
Supplies	17,520	17,520	6,988	10,532
Total Public Information	<u>223,813</u>	<u>230,898</u>	<u>190,166</u>	<u>40,732</u>
Information Systems				
Personnel Costs	755,376	755,376	749,794	5,582
Services	205,257	203,172	3,801	199,371
Supplies	37,850	37,850	29,043	8,807
Total Information Systems	<u>998,483</u>	<u>996,398</u>	<u>782,638</u>	<u>213,760</u>

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

**City of Hot Springs, Arkansas**

**GENERAL FUND**

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

**For the Year Ended December 31, 2024**

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
Special Appropriations				
Personnel Costs	(50,000)	(50,000)	(120,063)	70,063
Services	546,500	546,500	363,517	182,983
Intergovernmental	83,575	83,575	52,346	31,229
Reserves	60,750	60,750		60,750
Transfers Out	12,034	12,034	17,086	(5,052)
Debt Service	706,781	706,781	1,264,823	(558,042)
Total Special Appropriations	1,359,640	1,359,640	1,577,709	(218,069)
Total General Government	5,932,795	5,997,442	5,300,594	696,848
Community Development				
Planning Development				
Personnel Costs	1,692,212	1,692,212	1,545,764	146,448
Services	745,201	869,334	498,906	370,428
Supplies	87,850	84,960	(40,920)	125,880
Capital Assets	10,000	36,062	26,918	9,144
Total Planning and Development	2,535,263	2,682,568	2,030,668	651,900
Total Community Development	2,535,263	2,682,568	2,030,668	651,900
Parks and Recreation				
Parks and Trails				
Personnel Costs	1,335,932	1,335,932	1,269,542	66,390
Services	350,541	418,252	349,565	68,687
Supplies	303,404	317,404	302,584	14,820
Capital Assets	264,267	799,711	367,779	431,932
Total Parks and Trails	2,254,144	2,871,299	2,289,470	581,829
Sport Recreation				
Personnel Costs	184,802	184,802	177,610	7,192
Services	193,370	193,370	180,367	13,003
Supplies	44,760	53,660	58,784	(5,124)
Capital Assets	250,000	803,979	1,285,406	(481,427)
Total Sport Recreation	672,932	1,235,811	1,702,167	(466,356)
Total Parks and Recreation	2,927,076	4,107,110	3,991,637	115,473
Public Works				
Public Works Administration				
Personnel Costs	570,419	570,419	559,376	11,043
Services	1,075,630	941,244	656,873	284,371
Supplies	129,230	121,122	117,579	3,543
Capital Assets	426,000	1,395,867	937,271	458,596
Total Public Works Admin	2,201,279	3,028,652	2,271,099	757,553
Engineering				
Personnel Costs	348,836	348,836	362,347	(13,511)
Services	44,490	47,490	42,102	5,388
Supplies	21,900	24,900	23,766	1,134
Capital Assets	50,000	50,000	43,505	6,495
Total Engineering	465,226	471,226	471,720	(494)
Traffic				
Personnel Costs	466,733	466,733	490,887	(24,154)
Services	233,275	266,510	232,090	34,420
Supplies	125,100	224,129	219,669	4,460
Capital Assets	200,000	275,175	274,718	457
Total Traffic	1,025,108	1,232,547	1,217,364	15,183
Total Public Works	3,691,613	4,732,425	3,960,183	772,242
Total expenditures	15,086,747	17,519,545	15,283,082	2,236,463
Excess (deficiency) of revenues over expenditures	21,069,580	18,636,782	23,768,892	5,132,110
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(21,098,858)	(21,456,232)	(19,496,462)	1,959,770
Transfers in	60,750	60,750		(60,750)
Issuance of debt	456,167	456,167	998,705	542,538
Total other financing sources and (uses)	(20,581,941)	(20,939,315)	(18,497,757)	2,441,558
Net change in fund balances	487,639	(2,302,533)	5,271,135	7,573,668
Fund balances - beginning	38,112,921	38,112,921	38,112,921	
Fund balances - ending	\$ 38,600,560	\$ 35,810,388	\$ 43,384,056	\$ 7,573,668

**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, 2024**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 534,923	\$ 607,623	\$ 553,833	\$ (53,790)
Fines and forfeitures	241,800	241,800	192,703	(49,097)
Investment earnings (loss)	7,000	7,000	18,037	11,037
Miscellaneous	7,000	7,000	5,931	(1,069)
Total revenues	<u>790,723</u>	<u>863,423</u>	<u>770,504</u>	<u>(92,919)</u>
<b>EXPENDITURES</b>				
Public safety	1,411,661	1,484,361	1,375,232	109,129
Total expenditures	<u>1,411,661</u>	<u>1,484,361</u>	<u>1,375,232</u>	<u>109,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(620,938)</u>	<u>(620,938)</u>	<u>(604,728)</u>	<u>16,210</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	634,955	703,555	614,381	(89,174)
Transfers out	(40,000)	(40,000)	-	40,000
Total other financing sources (uses)	<u>594,955</u>	<u>663,555</u>	<u>614,381</u>	<u>(49,174)</u>
Net change in fund balance	(25,983)	42,617	9,653	(32,964)
Fund balances - beginning	790,889	790,889	790,889	-
Fund balances - ending	<u>\$ 764,906</u>	<u>\$ 833,506</u>	<u>\$ 800,542</u>	<u>\$ (32,964)</u>

**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, 2024**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 95,000	\$ 95,000	\$ 119,667	\$ 24,667
Intergovernmental	1,137,000	1,517,650	1,071,148	(446,502)
Miscellaneous	9,700	9,700	7,200	(2,500)
Total revenues	<u>1,241,700</u>	<u>1,622,350</u>	<u>1,198,015</u>	<u>(424,335)</u>
<b>EXPENDITURES</b>				
Public transportation	1,981,286	2,197,287	1,921,023	276,264
Capital outlay	-	224,760	106,438	118,322
Total expenditures	<u>1,981,286</u>	<u>2,422,047</u>	<u>2,027,461</u>	<u>394,586</u>
Total expenditures	<u>1,981,286</u>	<u>2,422,047</u>	<u>2,027,461</u>	<u>394,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(739,586)</u>	<u>(799,697)</u>	<u>(829,446)</u>	<u>(29,749)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	739,586	784,749	602,224	(182,525)
Total other financing sources (uses)	<u>739,586</u>	<u>784,749</u>	<u>602,224</u>	<u>(182,525)</u>
Net change in fund balance	-	(14,948)	(227,222)	(212,274)
Fund balances - beginning	87,108	87,108	87,108	-
Fund balances - ending	<u>\$ 87,108</u>	<u>\$ 72,160</u>	<u>\$ (140,114)</u>	<u>\$ (212,274)</u>

**City of Hot Springs, Arkansas**  
**PUBLIC SAFETY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2024**

	<u>Budgeted</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 3,975,000	\$ 4,633,470	\$ 4,528,814	\$ (104,656)
Investment earnings (loss)	-	-	22,123	22,123
Miscellaneous	-	15,000	198,471	183,471
Total revenues	<u>3,975,000</u>	<u>4,648,470</u>	<u>4,749,408</u>	<u>100,938</u>
<b>EXPENDITURES</b>				
Public safety	4,363,528	4,951,786	4,973,533	(21,747)
Capital outlay	-	32,344	32,342	2
Total expenditures	<u>4,363,528</u>	<u>4,984,130</u>	<u>5,005,875</u>	<u>(21,745)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(388,528)</u>	<u>(335,660)</u>	<u>(256,467)</u>	<u>79,193</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	518,397	236,447	(281,950)
Total other financing sources (uses)	<u>-</u>	<u>518,397</u>	<u>236,447</u>	<u>(281,950)</u>
Net change in fund balance	(388,528)	182,737	(20,020)	(202,757)
Fund balances - beginning	592,812	592,812	592,812	-
Fund balances - ending	<u>\$ 204,284</u>	<u>\$ 775,549</u>	<u>\$ 572,792</u>	<u>\$ (202,757)</u>

**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, 2024**

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fines and forfeitures	\$ 111,175	\$ 111,175	\$ 93,482	\$ (17,693)
Total revenues	<u>111,175</u>	<u>111,175</u>	<u>93,482</u>	<u>(17,693)</u>
<b>EXPENDITURES</b>				
Public safety	<u>111,175</u>	<u>111,175</u>	<u>116,226</u>	<u>(5,051)</u>
Total expenditures	<u>111,175</u>	<u>111,175</u>	<u>116,226</u>	<u>(5,051)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(22,744)</u>	<u>(22,744)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>5,052</u>	<u>5,052</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,052</u>	<u>5,052</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(17,692)</u>	<u>(17,692)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,692)</u>	<u>\$ (17,692)</u>

# STATISTICAL SECTION

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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.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b>	142
These Statements contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	147
These schedules contain information to help readers assess the City's most significant local revenue source – sales tax.	
<b>Debt Capacity</b>	152
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.	
<b>Demographic and Economic Information</b>	158
These schedules offer demographic and economic indications to help readers understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	160
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.

# FINANCIAL TRENDS

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# *VELOCITY PARK*

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

	<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>	<u>2024</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 24,549	\$ 24,845	\$ 24,314	\$ 26,126	\$ 25,859	\$ 25,664	\$ 18,847	\$ 20,492	\$ 23,807	\$ 29,300
Restricted	206	955	3,000	2,437	2,928	8,551	8,209	25,094	22,137	20,892
Unrestricted	(45,925)	(45,279)	(45,554)	(50,546)	(50,255)	(55,152)	(47,331)	(47,012)	(17,510)	(14,542)
<b>Total Governmental activities net position</b>	<b>\$ (21,170)</b>	<b>\$ (19,479)</b>	<b>\$ (18,240)</b>	<b>\$ (21,983)</b>	<b>\$ (21,468)</b>	<b>\$ (20,937)</b>	<b>\$ (20,275)</b>	<b>\$ (1,426)</b>	<b>\$ 28,434</b>	<b>\$ 35,650</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 138,755	\$ 134,519	\$ 137,703	\$ 139,005	\$ 141,989	\$ 143,919	\$ 144,023	\$ 143,575	\$ 147,862	\$ 154,055
Restricted	3,658	10,221	10,077	10,674	10,574	12,070	11,651	12,072	13,119	14,141
Unrestricted	6,359	6,066	3,962	9,415	12,849	16,145	23,534	18,406	23,718	29,347
<b>Total Business-type activities net position</b>	<b>\$ 148,772</b>	<b>\$ 150,806</b>	<b>\$ 151,742</b>	<b>\$ 159,094</b>	<b>\$ 165,412</b>	<b>\$ 172,134</b>	<b>\$ 179,208</b>	<b>\$ 174,053</b>	<b>\$ 184,699</b>	<b>\$ 197,544</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 163,304	\$ 159,364	\$ 162,017	\$ 165,131	\$ 167,848	\$ 169,583	\$ 162,870	\$ 164,067	\$ 171,669	\$ 183,355
Restricted	3,864	11,176	13,077	13,111	13,502	20,623	19,861	37,166	35,256	35,033
Unrestricted	(39,566)	(39,213)	(41,592)	(41,131)	(37,406)	(39,009)	(23,797)	(28,606)	6,208	14,805
<b>Total Primary government net position</b>	<b>\$ 127,602</b>	<b>\$ 131,327</b>	<b>\$ 133,502</b>	<b>\$ 137,111</b>	<b>\$ 143,944</b>	<b>\$ 151,197</b>	<b>\$ 158,934</b>	<b>\$ 172,627</b>	<b>\$ 213,133</b>	<b>\$ 233,193</b>

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

	2015**	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Expenses -</b>										
Governmental activities										
General government	\$ 6,971	\$ 4,737	\$ 4,966	\$ 5,533	\$ 3,957	\$ 4,290	\$ 2,496	\$ 3,960	\$ 7,724	\$ 4,911
Community development	2,598	1,354	1,610	1,727	1,887	1,786	1,787	2,002	2,443	6,315
Parks and recreation	2,034	1,854	2,112	2,028	2,061	2,149	9,632	2,197	2,663	2,801
Public safety	31,177	23,065	25,806	30,313	29,052	31,782	32,722	29,539	30,204	36,390
Public transportation	1,974	1,394	1,586	1,644	1,652	1,729	1,590	1,821	1,778	2,025
Public works	6,806	5,421	6,123	5,958	6,239	6,040	5,998	9,234	9,888	16,646
Interest and long term debt	62	82	70	58	126	376	376	375	464	451
Total Governmental activities expenses	<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>	<u>69,540</u>
Business-type activities										
Water	11,654	11,610	12,046	12,990	13,930	15,814	17,057	19,352	21,443	22,479
Wastewater	15,096	15,513	15,387	16,402	17,717	19,252	17,628	20,381	22,212	22,560
Solid Waste	6,535	7,088	7,379	7,264	8,219	8,586	7,680	8,770	9,133	9,676
Airport	3,363	3,189	3,477	3,748	3,821	3,599	3,919	4,841	4,625	4,699
Stormwater	640	680	712	780	905	891	858	1,009	992	1,061
Parking	234	228	249	259	264	266	283	426	411	398
Total Business-type activities expenses	<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>54,780</u>	<u>58,816</u>	<u>60,873</u>
Total Primary government expenses	<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>\$ 103,908</u>	<u>\$ 113,979</u>	<u>\$ 130,413</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services*										
General Government	\$ 1,770	\$ 2,968	\$ 3,300	\$ 4,098	\$ 4,084	\$ 4,843	\$ 4,994	\$ 5,579	\$ 6,352	\$ 10,848
Community Development	412	258	326	549	689	587	705	834	1,241	762
Parks and Recreation	88	70	59	107	97	59	96	20	608	107
Public Safety	1,137	612	1,473	1,718	1,692	2,230	2,138	2,145	2,482	2,332
Public Transportation	161	149	157	147	141	112	104	132	128	127
Public Works	80	289	372	558	263	135	150	139	257	157
Operating grants/contributions	4,270	3,645	3,708	6,318	6,561	10,072	10,600	21,330	25,754	16,217
Capital grants/contributions	1,050	330	1,514	1,448	644	424	621	769	1,139	889
Total Governmental activities program revenues	<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>30,948</u>	<u>37,961</u>	<u>31,440</u>
Business Type Activities										
Charges for services	38,258	39,203	40,377	44,065	46,096	47,375	51,238	54,624	58,829	60,986
Operating grants/contributions			5	1,958	65	2,036	1,306	40	440	269
Capital grants/contributions	1,934	658	214	1,946	3,597	4,747	2,717	998	1,829	5,784
Total Business-type activities program revenues	<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>	<u>67,039</u>
Total Primary government program revenues	<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>\$ 86,611</u>	<u>\$ 99,059</u>	<u>\$ 98,479</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (42,654)	\$ (29,586)	\$ (31,364)	\$ (32,318)	\$ (30,803)	\$ (29,690)	\$ (35,193)	\$ (18,180)	\$ (17,202)	\$ (38,100)
Business-type activities	2,670	1,553	1,346	6,526	4,902	5,750	7,836	883	2,282	6,166
Total Primary government net expense	<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>\$ (17,297)</u>	<u>\$ (14,920)</u>	<u>\$ (31,934)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes										
Sales taxes	\$ 21,262	\$ 22,137	\$ 22,165	\$ 19,977	\$ 21,390	\$ 22,441	\$ 25,722	\$ 27,618	\$ 29,310	\$ 29,045
Franchise fees	2,519	2,631	2,705	2,711	2,655	2,810	2,678	2,921	3,181	3,033
Other taxes and revenues	6,312	6,479	9,311	5,711	6,806	6,188	7,631	8,306	9,451	10,530
Investment earnings	51	30	92	175	436	321	(141)	(1,657)	2,345	2,951
Loss on disposal of capital assets	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	31	(1,542)	(36)	(158)	2,776	(242)
Total Governmental activities	<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>37,031</u>	<u>47,063</u>	<u>45,316</u>
Business-type activities										
Sales tax	66	34	32	55	51	42	40	72	70	72
Investment earnings (loss)	666	447	563	769	1,397	920	(837)	(6,268)	8,004	6,364
Transfers					(31)	9	36	158	290	242
Total Business-type activities	<u>732</u>	<u>481</u>	<u>595</u>	<u>824</u>	<u>1,417</u>	<u>971</u>	<u>(761)</u>	<u>(6,038)</u>	<u>8,364</u>	<u>6,679</u>
Total Primary government	<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>\$ 30,993</u>	<u>\$ 55,426</u>	<u>\$ 51,995</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (12,510)	\$ 1,691	\$ 2,909	\$ (3,744)	\$ 515	\$ 529	\$ 662	\$ 18,851	\$ 29,860	\$ 7,216
Business-type activities	3,402	2,034	1,941	7,350	6,319	6,721	7,075	(5,155)	10,646	12,845
Total Primary government	<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>\$ 13,696</u>	<u>\$ 40,506</u>	<u>\$ 20,060</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 BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

	Fiscal Year									
	<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>	<u>2024</u>
General Fund										
Nonspendable	\$ 387	\$ 455	\$ 482	\$ 1,132	\$ 1,143	\$ 641	\$ 785	\$ 837	\$ 984	\$ 1,163
Committed	194						2,993	10,853	11,643	10,589
Assigned		511	1,752	485		2,093	491	420	774	-
Unassigned	<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>	<u>31,632</u>
Total General Fund	<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>	<u>\$ 43,384</u>
All Other Governmental Funds										
Nonspendable										28
Restricted	2,106	1,384	3,000	5,252	11,451	8,672	3,455	12,480	20,376	20,892
Committed							1,761	3,723	2,184	149
Assigned	433	1,643	1,590	2,372		3,301	3,109	1,550	2,369	2,268
Unassigned								(16)		(158)
Total all other governmental funds	<u>\$ 2,539</u>	<u>\$ 3,027</u>	<u>\$ 4,590</u>	<u>\$ 7,624</u>	<u>\$ 11,451</u>	<u>\$ 11,973</u>	<u>\$ 8,325</u>	<u>\$ 17,737</u>	<u>\$ 24,930</u>	<u>\$ 23,179</u>
Total governmental funds	<u>\$ 7,647</u>	<u>\$ 7,750</u>	<u>\$ 10,265</u>	<u>\$ 13,464</u>	<u>\$ 18,518</u>	<u>\$ 24,284</u>	<u>\$ 26,741</u>	<u>\$ 40,275</u>	<u>\$ 63,042</u>	<u>\$ 66,563</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**

<b>Revenues</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Taxes	\$ 21,833	\$ 23,457	\$ 24,454	\$ 25,192	\$ 22,173	\$ 23,060	\$ 26,643	\$ 28,792	\$ 30,646	\$ 30,444
Licenses, fees and permits	4,088	3,314	4,136	4,318	4,476	4,505	4,608	5,215	5,874	5,464
Charges for services	1,763	2,465	2,402	2,572	2,696	2,562	2,917	3,045	3,235	3,547
Intergovernmental	7,175	6,848	8,689	7,988	10,772	15,359	15,823	26,934	32,967	26,766
Intergovernmental - Gaming and breakage	1,939	2,081	2,263	2,397	3,414	2,979	3,947	4,397	4,870	5,199
Fines and penalties	867	1,096	985	947	830	909	918	752	1,046	1,029
Investment earnings	51	30	92	175	436	321	(141)	(1,657)	2,352	2,957
Other Revenue	542	405	517	422	312	604	739	681	1,003	1,221
<b>Total Revenues</b>	<b>38,258</b>	<b>39,696</b>	<b>43,538</b>	<b>44,009</b>	<b>45,109</b>	<b>50,301</b>	<b>55,454</b>	<b>68,159</b>	<b>81,994</b>	<b>76,627</b>
<b>Expenditures</b>										
General government	4,715	4,910	4,811	3,831	3,937	3,971	4,200	4,184	4,488	4,181
Community development	1,760	1,401	1,543	1,650	1,901	1,718	1,935	1,926	2,246	6,253
Parks and recreation	1,537	1,557	1,681	1,623	1,740	1,791	1,902	1,928	2,230	2,338
Public transportation	1,378	1,308	1,397	1,484	1,554	1,600	1,665	1,791	1,670	1,921
Public safety	22,345	22,591	23,729	25,423	26,261	27,431	29,199	31,515	33,119	35,063
Public works	4,793	4,208	4,861	4,668	5,365	5,207	5,185	8,603	8,980	15,863
Public utilities							354	1	-	21
Debt service										
Principal	1,335	1,672	1,656	1,619	1,313	1,650	1,928	2,144	2,020	3,575
Interest and other charges	83	82	70	57	126	376	376	371	454	451
Capital outlay	2,983	3,133	2,153	2,427	3,493	6,416	9,163	3,990	6,128	6,642
<b>Total Expenditures</b>	<b>40,929</b>	<b>40,862</b>	<b>41,901</b>	<b>42,782</b>	<b>45,690</b>	<b>50,161</b>	<b>55,906</b>	<b>56,452</b>	<b>61,334</b>	<b>76,307</b>
Excess of revenues over (under) expenditures	(2,671)	(1,166)	1,637	1,227	(582)	140	(452)	11,707	20,659	320
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	1,963	1,272	878	2,097	9,889	1,358	2,946	1,987	2,284	3,576
Transfer in	13,201	13,255	13,287	14,540	16,044	14,014	15,674	17,407	22,598	19,442
Transfer out	(13,204)	(13,259)	(13,287)	(14,663)	(16,013)	(14,031)	(15,709)	(17,564)	(22,774)	(19,817)
<b>Total Financing sources (uses)</b>	<b>1,960</b>	<b>1,268</b>	<b>878</b>	<b>1,973</b>	<b>9,919</b>	<b>1,341</b>	<b>2,910</b>	<b>1,829</b>	<b>2,108</b>	<b>3,200</b>
<b>Net change in fund balance</b>	<b>\$ (711)</b>	<b>\$ 102</b>	<b>\$ 2,515</b>	<b>\$ 3,200</b>	<b>\$ 9,337</b>	<b>\$ 1,481</b>	<b>\$ 2,458</b>	<b>\$ 13,536</b>	<b>\$ 22,767</b>	<b>\$ 3,520</b>
Debt service as a percentage of noncapital expenditures	3.7%	4.6%	4.3%	4.2%	3.4%	4.6%	4.9%	4.8%	4.5%	5.8%

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

<b>Function/Program</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018*</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Governmental activities:</b>										
General government	\$ 1,770	\$ 3,244	\$ 3,350	\$ 4,127	\$ 4,100	\$ 4,862	\$ 5,351	\$ 9,264	\$ 19,642	\$ 17,881
Community development	412	550	685	917	1,162	1,065	1,329	939	1,718	1,677
Parks and recreation	88	177	233	1,806	404	331	417	393	1,134	425
Public safety	1,137	2,838	3,527	5,559	6,097	8,568	7,927	10,442	8,822	9,541
Public transportation	161	1,160	1,075	1,150	1,150	1,671	1,690	1,351	1,675	1,198
Public works	81	353	2,040	1,385	1,258	1,965	2,694	8,558	4,970	718
<b>Subtotal Governmental activities</b>	<b>\$ 3,649</b>	<b>\$ 8,322</b>	<b>\$ 10,910</b>	<b>\$ 14,944</b>	<b>\$ 14,171</b>	<b>\$ 18,463</b>	<b>\$ 19,408</b>	<b>\$ 30,947</b>	<b>\$ 37,961</b>	<b>\$ 31,440</b>
<b>Business-type activities</b>										
Water	12,157	12,334	12,654	15,965	16,455	20,029	19,588	20,163	23,325	23,603
Wastewater	15,719	15,780	16,521	17,897	17,785	19,548	19,004	19,839	21,895	27,726
Solid Waste	7,116	7,862	7,588	7,735	8,239	7,874	8,755	9,527	9,360	9,757
Airport	2,493	2,938	2,611	4,791	5,604	4,980	6,144	4,069	4,342	4,075
Stormwater	690	858	1,126	1,352	1,575	1,656	1,673	1,679	2,093	1,796
Parking	83	88	96	229	99	72	96	384	84	82
<b>Subtotal Business-type activities</b>	<b>\$ 38,258</b>	<b>\$ 39,860</b>	<b>\$ 40,596</b>	<b>\$ 47,969</b>	<b>\$ 49,757</b>	<b>\$ 54,158</b>	<b>\$ 55,261</b>	<b>\$ 55,662</b>	<b>\$ 61,098</b>	<b>\$ 67,039</b>
<b>Total Primary government</b>	<b>\$ 41,907</b>	<b>\$ 48,182</b>	<b>\$ 51,506</b>	<b>\$ 62,913</b>	<b>\$ 63,928</b>	<b>\$ 72,620</b>	<b>\$ 74,669</b>	<b>\$ 86,609</b>	<b>\$ 99,059</b>	<b>\$ 98,479</b>

\* 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.

# REVENUE CAPACITY

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**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)**

<b>Fiscal Year</b>	<b>Sales and Use Tax</b>	<b>Property Tax</b>	<b>Alcohol Taxes and Permits</b>	<b>Franchise Fees</b>	<b>Business License Fees</b>	<b>Breakage/ Gaming *</b>	<b>Total</b>
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	31,961
2018**	19,977	201	807	2,711	736	2,397	56,393
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
2024	29,045		1,565	3,033	1,321	5,199	40,163
Change							
2015–2024	36.6%	N/A	127.5%	20.4%	80.5%	168.1%	48.0%

\* 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)**

		Fiscal Year 2024				Fiscal Year 2023			
NAICS		Taxable		Percentage of		Taxable		Percentage of	
Economic		Sales	Tax	Total City	Rank	Sales	Tax	Total City	Rank
Sector	Description	Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	\$ (1,289)	\$ (19)	-0.06%	20	\$ (3,662)	\$ (55)	-0.18%	21
21	Mining	(1,860)	(28)	-0.09%	21	(418)	(6)	-0.02%	20
22	Utilities	41,055	616	2.06%	10	38,844	583	1.94%	10
23	Construction	24,019	360	1.21%	12	23,823	357	1.19%	12
31-33	Manufacturing	51,934	779	2.61%	5	46,115	692	2.30%	8
42	Wholesale Trade	129,468	1,942	6.51%	3	130,050	1,951	6.48%	3
44-45	Retail Trade	1,102,357	16,535	55.44%	1	1,125,958	16,890	56.13%	1
48-49	Transportation and Warehousing	5,553	83	0.28%	14	7,237	108	0.36%	14
51	Information	47,932	719	2.41%	7	48,177	723	2.40%	7
52	Finance and Insurance	2,551	38	0.13%	15	2,751	41	0.14%	16
53	Real Estate and Rental and Leasing	47,275	709	2.38%	8	42,124	632	2.10%	9
54	Professional, Scientific and Technical Services	12,190	183	0.61%	13	11,863	178	0.59%	13
55	Management of Companies and Enterprises	103	2	0.01%	19	87	1	0.00%	19
56	Admin, Support, Waste Mgmt and Remediation Svcs	39,626	594	1.99%	11	36,319	545	1.81%	11
61	Educational Services	1,740	26	0.09%	17	2,322	35	0.12%	17
62	Health Care and Social Assistance	1,039	16	0.05%	18	1,247	19	0.06%	18
71	Arts, Entertainment and Recreation	44,945	674	2.26%	9	61,501	923	3.07%	5
72	Accommodation and Food Services	296,887	4,453	14.93%	2	288,120	4,322	14.36%	2
81	Other Services (except Public Administration)	50,618	759	2.55%	6	53,026	795	2.64%	6
92-99	Government (except Schools, Hospitals, and USPS)	1,935	29	0.10%	16	4,384	66	0.22%	15
	Uncategorized *	90,177	575	4.54%	4	86,245	1,294	4.30%	4
	<b>Totals</b>	<u>\$ 1,988,255</u>	<u>\$ 29,045</u>	<u>100.00%</u>		<u>\$ 2,006,113</u>	<u>\$ 30,094</u>	<u>100.00%</u>	

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

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

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

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

**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 2016				Fiscal Year 2015			
		Taxable	Tax	Percentage of	Rank	Taxable	Tax	Percentage of	Rank
Sector	Description	Sales	Collected	Sales Tax		Sales	Collected	Sales Tax	
11	Agriculture, Forestry, Fishing and Hunting	\$ -4,032	\$ -60	-0.30%	19	\$ (998)	\$ (15)	-0.08%	18
21	Mining	99	1	0.01%	17	32		0.00%	17
22	Utilities	9,659	145	0.73%	11	40,911	614	3.25%	5
23	Construction	8,137	122	0.62%	12	9,597	144	0.76%	13
31-33	Manufacturing	32,069	481	2.42%	7	32,054	481	2.55%	7
42	Wholesale Trade	77,924	1,169	5.89%	3	85,205	1,278	6.77%	3
44-45	Retail Trade	775,551	11,633	58.64%	1	715,557	10,733	56.87%	1
48-49	Transportation and Warehousing	7,626	114	0.58%	13	10,775	162	0.86%	12
51	Information	40,913	614	3.09%	5	50,085	751	3.98%	4
52	Finance and Insurance	1,319	20	0.10%	15	762	11	0.06%	16
53	Real Estate and Rental and Leasing	26,196	393	1.98%	8	20,677	310	1.64%	9
54	Professional, Scientific and Technical Services	2,439	37	0.18%	14	3,268	49	0.26%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	19,654	295	1.49%	9	19,125	287	1.52%	10
61	Educational Services	-1,349	-20	-0.10%	18	(3,183)	(48)	-0.25%	19
62	Health Care and Social Assistance	1,073	16	0.08%	16	828	12	0.07%	15
71	Arts, Entertainment and Recreation	15,778	237	1.19%	10	14,589	219	1.16%	11
72	Accommodation and Food Services	212,225	3,183	16.05%	2	193,393	2,901	15.37%	2
81	Other Services (except Public Administration)	32,988	495	2.49%	6	31,707	476	2.52%	8
92	Public Administration	64,257	960	4.86%	4	33,807	507	2.69%	6
<b>Totals</b>		<u>1,322,526</u>	<u>\$ 19,835</u>	<u>100.00%</u>		<u>1,258,192</u>	<u>\$ 18,872</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**

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>General Fund</b>	<b>Fire and Police</b>
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
2024	1.5	1.0	0.5

**SALES TAX RECEIVED**

<b>Fiscal Year</b>	<b>Total</b>	<b>General Fund</b>	<b>Fire and Police</b>
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
2024	29,044,929	19,363,286	9,681,643

# DEBT CAPACITY

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# A FEW MURALS OF HOT SPRINGS

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**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 Bonds	Notes Payable	Leases	SBITAs	Water Bonds	Wastewater Bonds	Airport Bonds	Notes Payable	Leases	SBITAs			
2015	\$ 513	\$ 4,005			\$ 25,480	\$ 74,034	\$ 425	\$ 115			\$ 104,572	8.09%	2,931
2016	389	3,730			24,417	72,503	349	195			101,583	7.43%	2,755
2017	264	3,077			23,268	71,301	269	9,241			107,420	7.55%	2,914
2018	1,575	2,244			42,251	68,594		8,978			123,642	8.77%	3,260
2019	9,310	3,084			40,271	65,818		8,709			127,192	8.55%	3,422
2020	9,005	3,097			148,056	84,297		8,434			252,889	15.97%	6,466
2021	8,690	4,429			146,194	81,339		8,188			248,840	14.55%	6,453
2022	8,370	4,592	182		144,484	124,028		7,949	182		289,787	17.79%	7,605
2023	8,035	5,192	278	436	176,950	121,125		7,703	278	183	320,180	18.05%	8,402
2024	7,690	5,654	250	347	182,374	116,967		7,451	250	158	321,141	17.72%	8,229

**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**

<u>Fiscal Year</u>	<u>Special Obligation Bonds</u>	<u>Less Debt Service</u>	<u>Net Special Obligation Bonds</u>	<u>Net Bond as a Percentage of Sales Tax</u>	<u>Per Capita</u>
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	345	7,690	78.01%	201.79
2024	7,690	350	7,340	72.24%	193.51

**Notes:** Details regarding this bond issue can be found on page 63 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	\$ 13,344	100.00%	\$ 13,344
<u>Overlapping</u>			
Garland County		39.77%	
National Park Community College	26,915	39.77%	10,704
Lake Hamilton School District	58,010	2.51%	1,456
Hot Springs School District	94,700	98.47%	93,251
Lakeside School District	67,437	32.22%	21,728
Fountain Lake School District	10,480	2.06%	216
Cutter Morning Star School District	17,890	32.50%	5,814
Mountain Pine School District	<u>5,650</u>	5.92%	<u>334</u>
Total overlapping	<u>281,082</u>		<u>133,504</u>
Total direct and estimated overlapping bonded debt	<u>\$ 294,426</u>		<u>\$ 146,848</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>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>	<u>2024</u>
Debt limit	\$ 169,599	\$ 173,304	\$ 191,487	\$ 191,487	\$ 210,016	\$ 215,915	\$ 221,593	\$ 250,938	\$ 268,762	\$ 280,532
Total net debt applicable to limit	4,005	3,730	3,341	3,819	12,394	12,102	13,119	12,962	13,227	13,344
Legal debt margin	\$ 165,594	\$ 169,574	\$ 188,146	\$ 187,668	\$ 197,622	\$ 203,813	\$ 208,474	\$ 237,976	\$ 255,535	\$ 267,188

**Legal Debt Margin Calculation for Fiscal Year 2024**

Assessed Value	\$ 1,122,126
Debt limit:	
General obligation debt limitation (3)	224,425
Short-term financing debt limitation (4)	<u>56,106</u>
Total Debt Limitation	<u>280,532</u>
Debt applicable to limit:	
General obligation bonds	7,690
Short-term notes	<u>5,654</u>
Total net debt applicable to limit	<u>13,344</u>
Legal net margin	<u>\$ 267,188</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	
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
2024	23,603	11,666	11,937	3,795	6,424	1.17

**Wastewater Revenue Bonds**

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2024	22,661	12,845	9,816	3,970	4,194	1.20

(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)

**Airport Revenue Bonds**

<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
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	-	-	-	-	-	-
2024	-	-	-	-	-	-

(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**

<b>Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
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%
2024	37,930	1,761,507	46,441	45.1	7,130	3.6%

**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

**2024 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	2024			2023			2022			2021			2020		
<b>Total Employment Numbers</b>	<b>41,700</b>			<b>39,600</b>			<b>37,830</b>			<b>36,330</b>			<b>35,480</b>		
<b>Name of Firm or Company</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>
CHI St. Vincent Hot Springs	2	1,258	3.02%	2	1,258	3.18%	1	1,700	4.49%	1	1,400	3.85%	1	1,700	4.79%
Oaklawn Park	1	1,520	3.65%	1	1,520	3.84%	2	1,275	3.37%	2	945	2.60%	2	1,275	3.59%
Wal-Mart Stores	3	799	1.92%	4	799	2.02%	4	810	2.14%	4	795	2.19%	4	810	2.28%
National Park Medical Center	4	913	2.19%	3	913	2.31%	3	900	2.38%	3	820	2.26%	3	900	2.54%
City of Hot Springs	5	644	1.54%	5	644	1.63%	5	632	1.67%	5	615	1.69%	5	632	1.78%
Hot Springs School District	6	470	1.13%	6	470	1.19%	6	467	1.23%	6	450	1.24%	6	467	1.32%
National Park Community College	7	427	1.02%	8	427	1.08%	9	400	1.06%	6	450	1.24%	8	400	1.13%
StarTek (Formerly ACCENT) Marketing Services			0.00%			0.00%	9	400	1.06%	8	400	1.10%	8	400	1.13%
Berry Plastics (Formerly Rexam)			0.00%			0.00%		-	0.00%		271	0.75%		300	0.85%
Garland County	8	460	1.10%	7	460	1.16%	7	431	1.14%	7	438	1.21%	7	431	1.21%
Xpress Boat*	9	410	0.98%	9	410	1.04%	8	410	1.08%			0.00%			0.00%
Kroger's Stores	10	345	0.83%	10	345	0.87%			0.00%	9	345	0.95%	10	345	0.97%
Radius Aerospace (formerly Triumph Fabrications)			0.00%			0.00%	10	385	1.02%	10	300	0.83%	9	385	1.09%

Year	2019			2018			2017			2016			2015		
<b>Total Employment Numbers</b>	<b>39,809</b>			<b>39,146</b>			<b>38,805</b>			<b>38,443</b>			<b>35,742</b>		
<b>Name of Firm or Company</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>
CHI St. Vincent Hot Springs	1	1,700	4.27%	1	1,600	4.09%	1	1,600	4.12%	1	2,300	5.98%	1	1,700	4.76%
Oaklawn Park	2	1,275	3.20%	2	1,400	3.58%	2	1,400	3.61%	2	1,300	3.38%	2	1,368	3.83%
Wal-Mart Stores	4	810	2.03%	4	765	1.95%	4	810	2.09%	3	1,026	2.67%	3	1,026	2.87%
National Park Medical Center	3	900	2.26%	3	900	2.30%	3	850	2.19%	4	664	1.73%	4	653	1.83%
City of Hot Springs	5	632	1.59%	5	628	1.60%	5	631	1.63%	5	615	1.60%	5	591	1.65%
Hot Springs School District	6	467	1.17%	7	465	1.19%	6	507	1.31%	6	588	1.53%	6	560	1.57%
National Park Community College	8	400	1.00%	8	400	1.02%		342	0.88%		332	0.86%			0.00%
StarTek (Formerly ACCENT) Marketing Services	8	400	1.00%			0.00%	9	400	1.03%	7	477	1.24%	7	480	1.34%
Berry Plastics (Formerly Rexam)		300	0.75%	9	360	0.92%	7	470	1.21%	9	380	0.99%			0.00%
Rexam & Containers			0.00%			0.00%			0.00%		0	0.00%	9	390	1.09%
Xerox Document Imaging Svcs			0.00%			0.00%			0.00%	8	450	1.17%	8	426	1.19%
Arlington			0.00%			0.00%			0.00%			0.00%	10	380	1.06%
Kroger's Stores	10	345	0.87%			0.00%		305	0.79%		341	0.89%			0.00%
Garland County	7	431	1.08%	6	516	1.32%	8	432	1.11%		350	0.91%			0.00%
Triumph Fabricating (Formerly Chem Fab Corp)	9	385	0.97%	10	364	0.93%	10	364	0.94%	10	376	0.98%	10	376	1.05%

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

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# SPECIAL EVENTS

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The World's Shortest  
St. Patrick's Day Parade



Running of the Tubs

Bridge Street Live



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

Function/Program		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government	City attorney	3.5	3.5	3.5	3.5	2.3	4	4	4	4	4
	City manager	2	2.3	2.3	2.3	3.5	4	4	4	4	4
	Human resources	4.5	4.5	4.5	4.5	4.5	5	5	5	5	5
	Finance	13	13	13.33	14.33	14	14	14	14	15	15
	City clerk	2.6	2.5	2.5	1.5	1.5	2	2	2	2	2
	Public information	2	2	2	2	2	2	2	2	2	2
	Information systems	10	9	9	9	9	10	10	11	11	11
	Property maintenance	2.3	2.3	2.3	2.3	2.3	2	2	2	2	2
Community development	Planning and zoning	18	17	19	19	19	19	19	23	23	23
	Parks & Trails	17	17	18	19	19	19	19	18	21.5	23.5
	Sport recreation	2.5	2	1	1	1	1	1	2	2	3
Public works	Admin	2.25	2	2	2	2	3	3	3	3	4
	Engineering	2.45	2.5	3.45	2.45	2.7	9	10	10	11	11
	Urban forestry	3	3	4	4	4	4	4	4	4	4
	Traffic services	7.5	7.3	7.34	7.34	7.67	8.5	8	8	8	8
	Animal services*	9.5	9				-	-	-	-	-
Special revenue											
Police	Uniform	111.2	111.2	111.2	111.2	111.17	108	108	110	115	115
	Communication	13	13	6	6	6	15	15	17	17	17
	Clerical	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	75	78	78	80	80
	Communication	2	2	2	2	2	2	-	-	-	-
	Clerical	1	1	1	1	1	1	-	-	-	-
Street and drainage											
		25	25	24	24	24	24	24	24	24	24
Court		16.5	18	19.5	19.5	17	17	16	16	19	19
Intracity transit		16	14	16	16	16	16	16	16	16	17
Enterprise funds	Water	40	40	40	40	41	38	38	38	38	38
	Wastewater	63	64	67	70	70	67	67	67	67	67
	Solid Waste	68.25	68.4	70.4	70.4	70.4	69	72	72	72	72
	Recycling center	3	3	3	3	3	3	-	-	-	-
	Stormwater	3	3	4	4	3.1	3	3	3	3	4
	Airport	11.1	12.1	12.1	12.1	12.1	12	12	12	12	12
	Parking	0.5	0	0.50	0.5	0.5	-	0.5	0.5	0.5	1.0
Internal service	Fleet	16	16	16	16	16	16	16	16	16	16
	Utility administration	41.35	40.3	42.08	42.08	41.08	38	38	40	42	42
<b>Total</b>		<b>619.0</b>	<b>616</b>	<b>622.0</b>	<b>634.5</b>	<b>631.3</b>	<b>634.0</b>	<b>634</b>	<b>647</b>	<b>665</b>	<b>671</b>

\*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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Community development:										
	New construction building permits issued (C)	84	61	63	18	71	-	-	-	-
	New construction residential building permits issued						79	74	79	85
	New construction commercial building permits issued						19	26	17	16
Parks:	Number of parks	18	18	20	20	20	20	21	22	22
	Acreage	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	6.00
	Natural Surface			3.35	3.35	3.35	3.35	3.35	3.35	3.35
Public works:	Engineering:									
	Floodplain reviews	81	62	63	67	59	92	72	111	183
	Work item requests (B)	827	2,157	1,715	2,462	2,543	2,161	1,971	1,642	3,968
	Traffic:									
	Pavement markings (linear feet) on contract	235,359	178,341	153,000	335,353	158,477	181,771	181,771	513,619	396,602
	Signs installed/repaired	515/283	182/173	413/190	348/280	183/215	276/111	165/119	202/120	322/203
Police:	Parking violations	1,167	1,823	1,866	1,759	772	653	994	287	413
	Traffic violations	16,329	7,039	7,267	5,591	5,064	2,875	5,135	6,198	3,656
	Physical Arrests	8,420	4,174	4,597	6,780	7,208	4,444	4,213	2,753	4,201
	Animal services:									
	Animals in	2,448	1,999	1,962	1,802	1,852	1,777	1,947	1,969	2,133
	Animals adopted	646	487	537	551	580	657	668	874	1,191
	Animals reclaimed	272	243	265	195	198	275	202	243	281
Fire:	Calls answered	1,889	2,085	2,294	2,317	2,473	2,546	2,812	2,970	3,186
	Hydrants	2,006	2,099	2,114	2,136	2,180	2,546	2,212	2,235	2,253
Street/Engineering	Paving cuts	385	406	459	513	527	253	255	265	173
Intracity Transit:	Riders including transfers	175,908	144,606	177,749	163,416	168,628	120,256	105,762	121,927	148,915
Water:	Consumers	90,603	91,169	91,769	92,196	90,487	90,636	91,316	90,787	86,908
	Average daily consumption	8,062,351	7,983,988	7,778,211	7,789,205	7,277,608	7,516,705	7,793,912	7,727,192	8,140,400
Wastewater:	Consumers	67,915	68,292	68,830	69,308	68,636	69,057	69,595	70,200	71,115
	Miles of lines	696	705	708	710	710	710	712	713	720
Solid Waste:	Consumers	14,028	14,042	14,533	14,628	18,109	13,056	15,240	15,510	15,326
	Tons of recycled material	3,700	2,231	2,539	3,932	4,122	4,462	4,541	4,267	4,474
	Tons of residential and commercial garbage collected	41,897	42,386	42,151	43,401	43,490	43,295	49,992	45,937	48,667
Airport:	Aviation fuel and oil sales	\$ 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	\$ 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		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Parks	Number of parks	18	18	20	20	20	20	21	22	22	22
	Playgrounds (A)	18	18	20	20	20	20	20	20	21	21
	Boat ramps	4	4	5	5	5	5	5	5	5	5
Public works	Traffic signals	71	72	72	72	68	72	73	73	70	75
Police	Stations (B)	3	2	2	2	2	2	2	2	2	2
	Patrol units	134	134	132	132	131	132	141	164	148	151
	Animal services dog units	4	4	4	4	4	4	4	6	9	8
Fire	Stations	5	5	5	5	5	5	5	5	5	5
	Fire trucks	8	8	8	8	8	8	7	7	7	8
	Trucks							4	4	4	5
	Boats							2	2	2	2
Street/Engineering	Miles of streets (C)	299	303	303	314	307	304	304	312	312	312
	Number of street lights	5,227	5,246	5,258	5,277	5,298	5,308	5,308	5,397	5,418	5,513
Intracity Transit	Buses	8	6	6	6	5	5	6	6	7	7
	Vans/mini buses	4	6	5	5	4	4	5	5	4	4
Water	Water mains (miles)	896	904	910	914	919	925	930	934	940	958
	Storage capacity (gallons in thousands)	15,600	15,600	15,600	15,600	15,600	18,600	18,600	18,600	18,600	18,600
Wastewater	Miles of lines	696	705	708	710	710	710	712	713	716	720
	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	13,050,001	13,050,001
Solid Waste	Collection vehicles	25	25	25	25	25	25	26	26	26	26
	Transfer vehicles/trailers	21	21	21	21	21	21	19	19	20	20
	Equipment -- backhoe, loaders, bobcats	9	9	9	9	10	10	11	11	11	11
	Recycling vehicles/trailers	8	8	8	8	8	8	6	6	6	6
Airport	Square feet of hangar rentals	225,895	238,335	238,335	238,335	238,335	238,335	238,335	238,335	284,331	248,955
Parking	Parking meters (D)	300	300	300	300	300	297	297	311	301	-
	Parking Kiosk	-	-	-	-	-	-	-	-	-	29

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.

(D) In October 2024, all parking meters were removed and the City began transition to electronic payment kiosk for 3 designated parking zone types through out the downtown area.

# SINGLE AUDIT AND COMPLIANCE SECTION

# *BATHHOUSE ROW*

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**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2024**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Transportation</b>				
Airport Improvement Program	20.106		\$ -	\$ 17,951
Airport Improvement Program	20.106		-	86,062
Airport Improvement Program	20.106		-	547,779
Airport Improvement Program	20.106		-	69,764
		<i>Total Airport Improvement Program</i>	-	721,556
<b>Highway Planning and Construction</b>				
<i>Passed through Arkansas Department of Transportation</i>				
Highway Planning and Construction	20.205	ArDOT Job # 061534	-	99,814
Highway Planning and Construction	20.205	ArDOT Job# 061535	-	14,594
Highway Planning and Construction	20.205	ArDOT Job# 061601	-	215,656
Highway Planning and Construction	20.205	ArDOT Job #061755	-	35,180
		<i>Total Highway Planning and Construction</i>	-	365,244
<b>State and Community Highway Safety Cluster</b>				
<i>Passed through Arkansas State Police Highway Safety Office</i>				
State and Community Highway Safety	20.600	OP-2024-02-02-13, SE-2024-01-01-13, AL-2024-06-06-13, M8DDLE-2024-02-02-13	-	53,171
State and Community Highway Safety	20.600	OP-2025-02-02-13, SC-2025-01-01-13, AL-2025-06-06-13, M8DDLE-2025-02-02-13	-	33,317
		<i>Total State and Community Highway Safety Cluster</i>	-	86,488
<b>Federal Transit and Formula Grants Cluster</b>				
Federal Transit Formual Grants	20.507		-	3,663
Federal Transit Formual Grants	20.507		-	2,592
Federal Transit Formual Grants	20.507		-	77,762
Federal Transit Formual Grants	20.507		-	4,796
Federal Transit Formual Grants	20.507		-	651,576
Federal Transit Formual Grants	20.507		-	153,743
		<i>Total Federal Transit and Formula Grants Cluster</i>	-	894,132
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	M5CS-2024-13-13-02	-	27,121
			-	2,094,541
<b>Total U.S. Department of Transportation Programs</b>				
<b>U.S. Department of Interior</b>				
<i>Passed through Arkansas Department of Heritage</i>				
Historic Preservation Fund Grants-in-Aid	15.904	23-CLG-04	-	20,134
Historic Preservation Fund Grants-in-Aid	15.904	24-CLG-05	-	30,552
		<i>Total Historic Preservation Fund Grants-in-Aid</i>	-	50,686
<b>Total U.S. Department of Interior</b>				
<b>Department of the Interior National Park Service</b>				
<i>Passed through Federal Lands Access Program</i>				
Outdoor Recreation Acquisition, Development and Planning	15.916	Wayfinding Signage 61577	-	1,492
Outdoor Recreation Acquisition, Development and Planning	15.916	ARDOT #61455	-	155,645
		<i>Total Outdoor Recreation Acquisition, Development and Planning</i>	-	157,137
<b>Total Department of the Interior National Park Service</b>				

**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**For the Year Ended December 31, 2024**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607		-	23,418
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	16,000
Public Safety Partnership and Community Policing Grants	16.710		-	212,000
<i>Passed through Arkansas Department of Finance and Administration</i>				
Project Safe Neighborhoods	16.609	2019-GP-BX-0007	-	17,266
Project Safe Neighborhoods	16.609	2020-GP-BX-0007	-	19,710
		<i>Total Project Safe Neighborhoods</i>	-	36,976
<b>Total U.S. Department of Justice</b>			-	288,394
<b>U.S. Department of Housing and Urban Development</b>				
<i>Community Development Block Grants/Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		3,456	3,456
Community Development Block Grants/Entitlement Grants	14.218		2,835	3,053
Community Development Block Grants/Entitlement Grants	14.218		778	12,770
Community Development Block Grants/Entitlement Grants	14.218		47	69,428
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218		89,730	196,520
Community Development Block Grants/Entitlement Grants	14.218		-	357,599
Community Development Block Grants/Entitlement Grants	14.218		1,519	125,466
Community Development Block Grants/Entitlement Grants	14.218		-	70,745
Community Development Block Grants/Entitlement Grants	14.218		-	35,716
		<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>	98,365	874,753
<b>Total U.S. Department of Housing and Urban Development</b>			-	874,753
<b>Department of Treasury</b>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		-	461,002
<i>Passed through Arkansas Natural Resources Division</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	02168-ARPA-G	-	5,000,000
		<i>Total COVID-19 - Coronavirus State and Local Fiscal Recover Funds</i>	-	5,461,002
<b>Total Department of Treasury</b>			-	5,461,002
			<b>Total Expenditures of Federal Awards</b>	<b>\$ 8,926,513</b>

**City of Hot Springs, Arkansas**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2024**

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**Note 1: Basis of Presentation –**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal 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, 2024. 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 Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City.

**Note 2: Summary of Significant Accounting Policies –**

Expenditures reported on the Schedule are reported on the modified accrual (governmental funds) and accrual (enterprise funds) basis of accounting. 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, 2024**

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:

- Material weakness(es) identified?       Yes       No  
 Significant deficiency(ies) identified?       Yes       None reported

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

**Federal Awards**

4. Internal control over the major federal award programs:

- Material weakness(es) identified?       Yes       No  
 Significant deficiency(ies) identified?       Yes       None reported

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
14.218	Community Development Block Grants/Entitlement Grants
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Fund

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

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

City of Hot Springs, Arkansas

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

For the Year Ended December 31, 2024

**Section II – Financial Statement Findings**

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

**Section III – Federal Award Findings and Questioned Costs**

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

City of Hot Springs, Arkansas

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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For the Year Ended December 31, 2024

**Reference  
Number**

**Finding**

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No matters are reportable.

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

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

We have audited, in accordance with the 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, 2024, 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 30, 2025.

### **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***

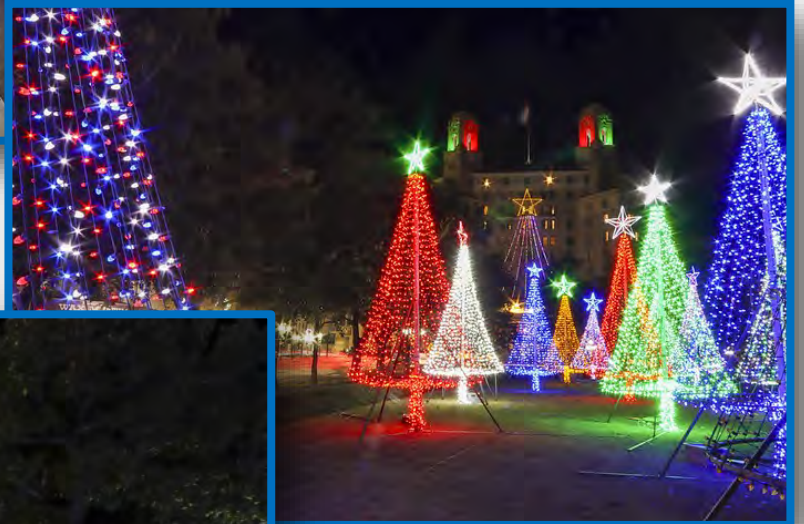
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in 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 30, 2025**

# *HOLIDAY LIGHTS DOWNTOWN*

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## **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, 2024. 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, 2024.

#### ***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.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

**Forvis Mazars, LLP**

**Little Rock, Arkansas  
June 30, 2025**

## 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, 2024.

- (A) Arkansas Municipal Accounting Law, §14-59-101 et seq.
- (B) Arkansas District Courts and City Courts Accounting Law, §16-10-201 et seq.
- (C) Improvement contracts, §§ 22-9-202 – 22-9-204
- (D) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.
- (E) Investment of public funds, § 19-1-501 et seq.
- (F) Deposit of public funds, §§ 19-8-101 – 19-8-107

The City's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion 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 complied with the aforementioned requirements during the year ended December 31, 2024 is fairly stated, in all material respects.

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

**Forvis Mazars, LLP**

**Little Rock, Arkansas  
June 30, 2025**