

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATING: (BAM Insured) S&P: AA (stable outlook)**

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds, and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of Arkansas income taxation and the Bonds are exempt from property taxation in the State of Arkansas. See **LEGAL MATTERS, Tax Exemption**.*

**\$27,300,000  
CITY OF HOT SPRINGS, ARKANSAS  
WASTEWATER REVENUE BONDS  
SERIES 2022C**

Dated: Date of Delivery

Due: December 1, as described herein

The Bonds will not be general obligations of the City of Hot Springs, Arkansas (the "City"), but will be special obligations secured by a pledge of and payable from the net revenues derived from the operation of the City's wastewater system, which pledge in favor of the Bonds is on a parity with certain obligations of the City described herein.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2022, and the Bonds mature (on December 1 of each year), bear interest and are priced to yield as set forth on the inside front cover.

**(FOR THE MATURITY SCHEDULES, SEE THE INSIDE FRONT COVER)**

The Bonds of each maturity will be initially issued as a single registered Bond registered in the name of Cede & Co., the nominee of The Depository Trust Company (DTC), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of the Bonds. Payments of principal of and interest on the Bonds will be made by Bank OZK, Little Rock Arkansas, as Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy or policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds are offered when, as and if issued and received by the Underwriters named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and subject to satisfaction of certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**RAYMOND JAMES®**

**Stephens Inc.**

Dated: June 28, 2022.

## MATURITY SCHEDULE

\$5,025,000 4.250% Term Bonds due December 1, 2042 to Yield 4.380%  
\$9,935,000 4.375% Term Bonds due December 1, 2047 to Yield 4.520%  
\$12,340,000 4.500% Term Bonds due December 1, 2052 to Yield 4.620%

No dealer, broker, salesman or any other person has been authorized by the City, the Financial Advisor, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under BOND INSURANCE and Appendix C - Specimen Municipal Bond Insurance Policy.

## CONTENTS OF OFFICIAL STATEMENT

	<u>Page</u>
INTRODUCTION TO THE OFFICIAL STATEMENT	1
THE BONDS	2
Book-Entry Only System	2
Generally	4
Redemption	5
Purposes for Bonds	6
Security	7
COVID-19 Disclosure	7
Cybersecurity Risk	7
Climate Change Risk	7
THE CITY AND THE COUNTY	7
General	7
Governmental Organization	8
Executive Officers	8
Population	8
Economic Data	8
Employment	9
Public School Enrollment	9
Arkansas School for Mathematics, Sciences and the Arts	9
National Park College	9
Major Employers	10
Medical Facilities	10
Litigation	10
THE SYSTEM	10
General	10
Description of System	10
Users	11

Litigation	11
Rates	11
BOND INSURANCE	13
Bond Insurance Policy	13
Build America Mutual Assurance Company	13
BAM GreenStar Bonds	14
Credit Insights Videos	15
Credit Profiles	15
Disclaimers	15
THE AUTHORIZING ORDINANCE	15
Rates and General Covenants to Operate	15
Funds and Disposition of Revenues	16
Parity Bonds	17
Accounts and Records	18
Maintenance; Insurance	18
Defeasance	18
Default and Remedies	19
Amendment of Authorizing Ordinance	20
The Trustee	20
Investments	20
Nonarbitrage	22
FINANCIAL INFORMATION	22
Generally	22
Historical Revenues and Expenses	22
Forecasted Revenues and Expenses	23
PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS	24
DEBT SERVICE REQUIREMENTS	26
DEBT SERVICE COVERAGE	28
CONTINUING DISCLOSURE AGREEMENT	28
Past Compliance	28
Purpose of the Continuing Disclosure Agreement	29
Definitions	29
Provision of Annual Report	30
Content of Annual Reports	31
Reporting of Listed Events	31
Termination of Reporting Obligation	32
Dissemination Agent	32
Amendment; Waiver	32
Additional Information	33
Default	33
Duties of Dissemination Agent and Right of Indemnity	33
Beneficiaries	33
LEGAL MATTERS	33
Legal Proceedings	33
Legal Opinions	33

Tax Exemption	33
FORWARD-LOOKING STATEMENTS	35
MISCELLANEOUS	35
Enforceability of Remedies	35
Bankruptcy	35
Underwriting	35
Financial Advisor	35
Rating	36
Information in the Official Statement	36
APPENDIX A - Annual Comprehensive Financial Report of the City for the Fiscal Year Ended December 31, 2020	
APPENDIX B - Unaudited Statement of Revenues, Expenses and Changes in Net Position of the System for the Fiscal Year Ended December 31, 2021	
APPENDIX C - Specimen Municipal Bond Insurance Policy	

## OFFICIAL STATEMENT

**\$27,300,000**  
**CITY OF HOT SPRINGS, ARKANSAS**  
**WASTEWATER REVENUE BONDS**  
**SERIES 2022C**

### INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and appendices hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Hot Springs, Arkansas (the "City") of its Wastewater Revenue Bonds, Series 2022C, in the aggregate principal amount of \$27,300,000 (the "Bonds"). The Bonds are being issued to finance all or a portion of the costs of acquiring, constructing and equipping betterments and improvements to the City's wastewater system (the "System"), to pay the premiums for the Insurance Policy (hereinafter defined) and the Reserve Policy (hereinafter defined) for the Bonds and to pay expenses of issuing the Bonds. See **THE BONDS, Purposes for Bonds**. Simultaneously with the issuance of the Bonds, the City is also issuing its Wastewater Revenue Bond, Taxable Series 2022A in the principal amount of \$10,110,000 (the "Series 2022A Bond") and its Wastewater Revenue Bond, Series 2022B in the principal amount of \$8,835,000 (the "Series 2022B Bond") to finance a portion of the costs of the Project (hereinafter defined). The Series 2022A Bond and the Series 2022B Bond (collectively, the "2022 Parity Bonds") are being privately placed.

The City is a city of the first class organized under the laws of the State of Arkansas (the "State") located in Garland County, Arkansas, which is in the southwest portion of the State. The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTY**.

The Bonds are not general obligations of the City. The Bonds are special obligations payable solely from the revenues derived from the operation of the System that remain after provision has been made for the operation and maintenance of the System ("Net System Revenues"). The pledge of Net System Revenues in favor of the Bonds is on a parity with the pledge in favor of the City's Wastewater Refunding and Construction Revenue Bonds, Series 2016, the City's Wastewater Refunding Revenue Bonds, Series 2017, the City's Wastewater Revenue Bonds, Taxable Refunding Series 2020A, the City's Wastewater Revenue Bonds, Construction Series 2020B and the 2022 Parity Bonds (collectively, the "Parity Bonds"). See **THE BONDS, Security**. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, including particularly the Authorizing Legislation and Ordinance No. 6430 adopted by the Board of Directors of the City on June 21, 2022 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

The Bonds will be issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS, Book-Entry Only System**. The Bonds will contain such other terms and provisions as described herein. See **THE BONDS, Generally**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest is payable December 1, 2022 and semiannually thereafter on each June 1 and December 1. Principal is payable at the principal office of Bank OZK, Little Rock, Arkansas, which is the Trustee and Paying Agent for the registered owners of the Bonds (the "Trustee"). Interest is payable by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the 15th day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000),

but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy or policies (collectively, the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Appendix C. It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P") will assign a rating of "AA (stable outlook)" to the Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **MISCELLANEOUS, Rating**.

The Bonds are subject to optional redemption on and after December 1, 2027. The Bonds are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on December 1 in the years 2042, 2047 and 2052 are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days' notice of redemption. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) interest on the Bonds is exempt from State income tax and (iv) the Bonds are exempt from property taxes in the State. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about July 28, 2022, through the facilities of The Depository Trust Company, in New York, New York.

The City will enter into a Continuing Disclosure Agreement in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement, each summarized herein, are available upon request from Raymond James & Associates, Inc., 1 Information Way, Suite 102, Little Rock, Arkansas 72202, Attention: Public Finance and Stephens Inc., 111 Center Street, Suite 1720, Little Rock, Arkansas, 72201, Attention: Public Finance.

## **THE BONDS**

**Book-Entry Only System**. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed

Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent only to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriters nor the City make any representation or warranty regarding the accuracy or completeness thereof.

**So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.**

Generally. The Bonds shall be dated, mature and bear interest and interest is payable on the Bonds as set forth on the inside front cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. In the event any Bond is mutilated, lost or destroyed, the Trustee shall authenticate and deliver to the registered owner a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Bond is exchangeable or transferable by any registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to the owner of any Bond for the privilege of registration, but any owner requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of any Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

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

(1) Extraordinary Redemption. The Bonds must be redeemed from proceeds of the not needed for the purposes intended, on any interest payment date, in whole or in part, at a price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity (and by lot within a maturity in such manner as the Trustee may determine).

(2) Optional Redemption. The Bonds shall be subject to redemption at the option of the City from funds from any source on and after December 1, 2027, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(3) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Bonds maturing on December 1 in the years 2042, 2047 and 2052 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on December 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing December 1, 2042

<u>Years (December 1)</u>	<u>Principal Amounts</u>
2040	\$1,605,000
2041	1,675,000
2042 (maturity)	1,745,000

Bonds Maturing December 1, 2047

<u>Years (December 1)</u>	<u>Principal Amounts</u>
2043	\$1,820,000
2044	1,900,000
2045	1,985,000
2046	2,070,000
2047 (maturity)	2,160,000

Bonds Maturing December 1, 2052

<u>Years (December 1)</u>	<u>Principal Amounts</u>
2048	\$2,255,000
2049	2,355,000
2050	2,465,000
2051	2,575,000
2052 (maturity)	2,690,000

In case any outstanding Bond is in a denomination greater than \$5,000, each \$5,000 of face value of such Bond shall be treated as a separate Bond of the denomination of \$5,000.

The Trustee shall give notice of the call for redemption by first class mail or other standard means, including electronic or facsimile communication, sent not less than thirty days prior to the date fixed for redemption, to the registered owner of any Bond called for redemption, addressed to such registered owner's registered address. Failure to send such notice to one or more registered owners of Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Bonds as to which notice of redemption is duly given. After the date specified in such call, the Bond or Bonds so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.**

Purposes for Bonds. The Bonds are being issued to finance a portion of the costs of acquiring, constructing and equipping betterments and improvements to the System (the "Project"), to pay the premiums for the Insurance Policy and the Reserve Policy (hereinafter defined) for the Bonds and to pay expenses of issuing the Bonds. The Project includes particularly, without limitation, force main, gravity main and pump station improvements and improvements to the Davidson Wastewater Treatment Plant. The remaining costs of the Project will be financed with proceeds of the 2022 Parity Bonds, which are being issued on the same date as the Bonds.

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

Sources:

Principal Amount of Bonds	\$27,300,000
Original Issue Discount	<u>(545,343)</u>
<b>TOTAL SOURCES</b>	<b>\$26,754,657</b>

Uses:

Project Costs	\$26,258,663
Costs of Issuance, Insurance Policy Premium and Reserve Policy Premium	318,544
Underwriters' Discount	<u>177,450</u>
<b>TOTAL USES</b>	<b>\$26,754,657</b>

The payment of Underwriters' discount, Insurance Policy premium, Reserve Policy premium and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriters' discount. The City will deposit the principal amount of the Bonds less original issue discount, Underwriters' discount, the Insurance Policy premium, the Reserve Policy premium and certain issuance costs, into an account of the City designated "2022C Wastewater Bond Construction Fund" (the "2022C Construction Fund") to be established at a bank or banks selected by the City. Moneys in the 2022C Construction Fund will be disbursed in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds.

For a description of how the Bond proceeds are to be invested pending use and the provisions governing those investments, see **THE AUTHORIZING ORDINANCE, Investments.**

Security. The Bonds are not general obligations of the City, but are special obligations payable solely from and secured by a pledge of Net System Revenues. The lien and pledge of Net System Revenues in favor of the Bonds are on a parity with the pledge of Net System Revenues in favor of the Parity Bonds.

The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds, but the authority to issue any additional bonds on a parity with the Bonds is contingent upon compliance with the requirements of the Authorizing Ordinance. See **THE AUTHORIZING ORDINANCE, Parity Bonds.**

A debt service reserve will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by the Insurer. The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual debt service requirement on the Bonds. The Reserve Policy does not secure the 2022 Parity Bonds.

COVID-19 Disclosure. The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus.

The COVID-19 pandemic did not negatively affect the financial condition of the System in 2021. The City expects that its available funds will be sufficient to fund its essential services and make all debt service payments. The System also expects its available funds will be adequate to fund its services and make all debt service payments.

Cybersecurity Risk. Cybersecurity breaches could damage the City's information and security systems and cause disruption to the City's operations. A cyberattack could also adversely impact the finances of the City and cause a breach of personal information of employees, customers, and others. The City employs information technology professionals and maintains active information security and policies and procedures to mitigate any potential threats. Cybersecurity insurance coverage is provided through the Arkansas Municipal League. The City uses industry leading security products to protect email, internet, web, endpoint, network, and backup systems. Security awareness training is required for all employees on at least a monthly basis. However, no assurance can be given that such measures will ensure that the City is protected against all cybersecurity threats or attacks.

Climate Change Risk. It is possible that climate change increases the frequency and severity of natural disasters. Historical flooding of downtown Hot Springs dates back to 1885, and this corridor has endured seven 100-year floods since official records began in 1910. In the flood of 2008, nearly 2,000 property damage claims in the downtown commercial district exceeded \$5,300,000, with untold effects on the more than 1,000 employees and the tourism-based economy of the city. Located 254-feet upstream from this floodplain is the City's most recent addition to its parks system, David F. Watkins Memorial Park, which was dedicated on March 25, 2021. The low-impact design of this rain-to-recreation urban park will mitigate flooding impacts on the more than 200 businesses and nearly 1,000 residential structures in the downstream floodplain. The City has adopted regulations designed to minimize flood losses. In addition to severe rain and flooding, the State has an average of 39 tornadoes each year. No assurances can be given as to the frequency or severity of any future natural disasters, nor what impact such disasters may have on the City.

## **THE CITY AND THE COUNTY**

General. The City is organized under the laws of the State as a city of the first class. The City is the county seat of Garland County (the "County") and is located in the southwest portion of the State, approximately 55 miles southwest of Little Rock, Arkansas.

Governmental Organization. The City has the City Manager form of government under which the City is governed by a Board of Directors consisting of seven elected directors serving staggered four year terms. Members of the Board of Directors of the City, including the Mayor, their principal occupations and their terms are as follows:

<u>Name</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Pat McCabe, Mayor	Hospital CEO	December 31, 2022
Elaine Jones	Retired	December 31, 2022
Karen Garcia	Accountant	December 31, 2022
Carroll Weatherford	General Contractor	December 31, 2022
Steve Trusty	Part-time College Administrator - National Park College	December 31, 2024
Marcia Dobbs-Smith	Business Owner	December 31, 2024
Erin Holliday	Executive Director - Emergent Arts	December 31, 2024

Executive Officers. The principal officers of the City are employed by the Board of Directors. The present officers include:

City Manager	Bill Burrough
Deputy City Manager	Lance Spicer
Deputy City Manager	Denny McPhate
City Clerk	Harmony Hurst Morrissey
City Attorney	Brian W. Albright
Finance Director/Treasurer	Dorethea N. Yates*

\* Ms. Yates has announced her retirement, effective June 30, 2022. Her replacement, Karen Scott, will begin on August 1, 2022. Ms. Scott comes to the City from Benton Utilities, where she served as Chief Financial Officer.

Population. Resident population in the City and the County has been as follows:

<u>Year</u>	<u>City</u>	<u>County</u>
1980	35,781	70,531
1990	32,462	73,397
2000	35,750	88,068
2010	35,193	96,024
2020	37,930	100,180

Economic Data. Per capita personal income estimates for the County have been as follows:<sup>(1)</sup>

<u>Year</u>	<u>Per Capita Income</u>
2016	\$37,958
2017	39,116
2018	40,053
2019	41,502
2020	44,358

Total personal income estimates for the County have been as follows:<sup>(1)</sup>

<u>Year</u>	<u>Total Personal Income</u>
2016	\$3,733,393,000
2017	3,851,944,000
2018	3,970,107,000
2019	4,128,324,000
2020	4,426,400,000

<sup>(1)</sup>Source: Bureau of Economic Analysis.

Employment. Set forth below are the annual average unemployment rates for the City, the County and the State since 2017 according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		
	<u>City</u>	<u>County</u>	<u>State</u>
2017	4.5	4.1	3.7
2018	4.6	4.0	3.6
2019	4.1	3.7	3.5
2020	9.5	8.0	6.1
2021	6.1	5.0	4.0
2022*	4.8	4.0	3.2

\*Preliminary as of March 2022

Public School Enrollment. The boundaries of the Hot Springs School District include most of the City. There are six other public school districts in the County: Cutter Morning Star, Fountain Lake, Jessierville, Lake Hamilton, Lakeside and Mountain Pine. Public school enrollment within the County has been as follows for the years ended June 30, 2017 - 2021:

<u>Year</u> <u>(Ended June 30)</u>	<u>Hot Springs School District</u>	<u>Other County Districts</u>
2017	3,682	11,217
2018	3,567	11,374
2019	3,579	11,289
2020	3,629	11,271
2021	3,631	10,893

Arkansas School for Mathematics, Sciences and the Arts. The City is the site for the Arkansas School for Mathematics, Sciences and the Arts ("ASMSA"), which is part of the University of Arkansas System. Created by the Arkansas Legislature and funded by the State of Arkansas, the ASMSA is a co-educational residential high school for high school juniors and seniors with special intellectual ability and commitment to scholarship in mathematics and science. ASMSA is located in historic downtown Hot Springs on the site of the former St. Joseph Regional Medical Center. The 16-acre site was renovated by the City in cooperation with various community groups. The City purchased the site and committed in-house resources to the project coupled with over one million dollars of cash, material and labor pledges from the community at large.

National Park College. National Park College is a two-year community college which provides post-secondary education and technical training. The College has a degree partnership with Southern Arkansas University ("SAU") whereby students earn an associate degree from National Park College and a bachelor's degree from SAU. The District has boundaries which are co-extensive with the boundaries of Garland County, but the District is a separate taxing entity. The College is located on a 126-acre campus near the City.

[Remainder of page intentionally left blank]

Major Employers. The following are the major employers in or near the City and the approximate number of employees (listed are those employing 200 or more):

<u>Employer</u>	<u>Product or Service</u>	<u>Number of Employees</u>
Oaklawn Racing Casino Resort	Horse racing and gaming	1,464
CHI St. Vincent Hot Springs	Healthcare	1,214
Walmart	Retail	799
National Park Medical Center	Healthcare	680
City of Hot Springs	Government	644
Hot Springs School District	Education	470
Garland County	Government	438
National Park College	Education	427
Kroger	Retail	345
Radius Aerospace	Aviation	302
Window Mart	Manufacturing	300
Timber Automation	Manufacturing	280
Berry Global	Manufacturing	271
StarTek Marketing Services	Customer service center	240
Reynolds Packaging	Packaging	227
Triumph Airborne Structures	Aviation	225

Medical Facilities. Hot Springs is served by three significant hospital facilities: National Park Medical Center, which is a full service 166-bed medical center; Levi Hospital, which is a 50-bed rehabilitation center; and CHI St. Vincent Hot Springs, which is a full service, 300-bed acute care medical facility.

Litigation. There is no litigation or administrative proceeding pending or threatened against the City that would materially impact the financial condition of the City.

## **THE SYSTEM**

General. The following are the key employees of the System, their ages and the number of years they have been employed by the System in their present capacity.

<u>Name</u>	<u>Age</u>	<u>Title</u>	<u>Time Served</u>
Denny McPhate	60	Deputy City Manager	1 year
Monty Ledbetter	54	Utilities Director	6 years
Harold Mauldin	55	Facilities Operations Manager	4 years
Bobby Harris	57	Field Operations Manager	11 years

Description of System. The System is owned and operated by the City and is under the control of the Board of Directors and the City Manager. The City also owns and operates water facilities. The two utilities are operated separately, except for joint management and administration.

Utility staff operate, maintain and manage the combined utilities under the direction of Utilities Director, Monty Ledbetter. Mr. Ledbetter has been in this position since December 2015. Mr. Ledbetter has approximately 33 years of experience with water and wastewater utilities, with 23 years of experience at the management level. He has a Class 4 license in Water Treatment, a Class 4 license in Water Distribution, and a Class 3 license in Wastewater.

The City employs 67 persons in the wastewater treatment and collection areas and 40 persons in utility administration, which serves both water and wastewater administrative functions. These 107 persons are part of the total of 145 employees of the combined utilities.

The System operates two wastewater treatment plants, approximately 660 miles of collection mains and approximately 3,600 large and individual residential pumping stations. The service area covers approximately 70 square miles extending well outside the City limits. The Davidson Wastewater Treatment Plant has a treatment capacity of 12 million gallons a day (MGD) and the Southwest Wastewater Treatment Plant has a treatment capacity of .85 MGD.

Users. As of February 1, 2022, there were 26,848 wastewater users. Of these, 9,765 users were located outside the City. The average number of wastewater users by category for each of the past five (5) years is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2017	23,601	2,864	9	26,474
2018	23,790	2,857	11	26,658
2019	23,549	2,838	11	26,398
2020	23,736	2,816	11	26,563
2021	23,955	2,862	10	26,827

No user of the System accounts for more than 5% of gross revenues of the System. The following were the largest users of the System in 2021:

1. Mountain View Heights/Hot Springs Housing Authority
2. Triumph Airborne Structures
3. CHI St. Vincent Hot Springs
4. Oaklawn Racing Casino Resort
5. B Brantley Calloway

Litigation. There is no material litigation pending or threatened against the System. Currently, however, the City and the System are subject to two Consent Administrative Orders with the Arkansas Department of Energy and Environment, Division of Environmental Quality. The proceeds of the Bonds will be used to make improvements to the System to comply with both Consent Administrative Orders. The City does not anticipate the need to use System revenues or proceeds of additional bonds to comply with the Consent Administrative Orders.

Rates. The rates for services of the System are described below:

Minimum User OM&R Volume Charge. The minimum monthly volume charge for operation and maintenance, including replacement ("OM&R"), for the first 1,000 gallons or portion thereof of metered water consumption per user of the System shall be based upon the following rate schedule:

	<u>Inside City</u>	<u>Outside City</u>
January 1, 2022 - December 31, 2022	\$5.56	\$7.75
January 1, 2023 and thereafter	3% increase per annum	3% increase per annum

Additional OM&R Volume Charge. All users of the System shall be charged an additional monthly volume charge for OM&R, calculated as follows:

For all metered (either from a City-owned or private-owned water meter) water consumption in excess of 1,000 gallons (minimum), an additional charge (based on 1,000 gallon increments) calculated on the basis of wastewater discharged into the System shall be based upon the following rate schedule:

	<u>Inside City</u>	<u>Outside City</u>
January 1, 2022 - December 31, 2022	\$5.56	\$7.75 per 1,000 gallons or portion thereof
January 1, 2023 and thereafter	3% increase per annum	3% increase per 1,000 gallons or portion thereof per annum

Debt Service Charge. All users of the System shall be charged a flat monthly fee for debt service based on meter size and the following schedule:

**JANUARY 1, 2022 - DECEMBER 31, 2022**

	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 19.73	\$ 27.39
3/4"	19.73	27.39
1"	29.88	42.08
1 1/2"	41.07	56.63
2"	67.94	94.69
3"	274.04	383.69
4"	352.45	495.70
6"	531.67	742.11
8"	739.98	1,033.32

**JANUARY 1, 2023 - DECEMBER 31, 2023**

	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 21.73	\$ 30.13
3/4"	21.73	30.13
1"	32.87	46.29
1 1/2"	45.18	62.29
2"	74.73	104.16
3"	301.44	422.06
4"	387.70	545.27
6"	584.84	816.32
8"	813.98	1,136.65

**JANUARY 1, 2024 - DECEMBER 31, 2024**

	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 24.48	\$ 34.05
3/4"	24.48	34.05
1"	37.14	52.31
1 1/2"	51.05	70.39
2"	84.44	117.70
3"	340.63	476.93
4"	438.10	616.16
6"	660.87	922.44
8"	919.80	1,284.41

**JANUARY 1, 2025 AND THEREAFTER**

	<u>Inside City</u>	<u>Outside City</u>
All meters	3% increase per annum	3% increase per per annum

## BOND INSURANCE

Bond Insurance Policy. Concurrently with the issuance of the Bonds, BAM will issue the Insurance Policy. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as an Appendix to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company. BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the City on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million and \$294.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

BAM GreenStar Bonds. The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the City as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles (GBPs) developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

*The City makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the Authorizing Ordinance or any security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this Official Statement. The City is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The City has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.*

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the City or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the City or the Underwriters, and the City and the Underwriters assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgement, circumstances so warrant.

*Additional Information Available from BAM*

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/videos](http://buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/credit-profiles](http://buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the City or the Underwriters, and the City and the Underwriters assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## **THE AUTHORIZING ORDINANCE**

The Bonds are being issued and secured pursuant to the Authorizing Ordinance, to which reference may be had in its entirety for a detailed statement of its provisions, the description set forth below being a summary of certain provisions. The City will covenant as set forth below in the Authorizing Ordinance.

Rates and General Covenants to Operate. (a) The rates charged for services of the System heretofore fixed by ordinance of the City and the conditions, rights and obligations pertaining thereto, as set out in such ordinance, are ratified, confirmed and continued.

The City covenants that the rates established will produce revenues derived from the System ("System Revenues") at least sufficient to pay the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal wastewater facilities (other than depreciation, interest and amortization of deferred bond discount expenses), provide the amount required to be set aside

for the Depreciation Account (described below), pay principal and interest on all outstanding bonds and other debt obligations to which System Revenues are pledged ("System Bonds"), pay the Insurer and the insurers of System Bonds for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Bonds and to otherwise comply with the Authorizing Ordinance and all ordinances authorizing System Bonds. The City further covenants that the rates shall, if and when necessary from time to time, be increased in such manner as will produce System Revenues at least sufficient to comply with the previous sentence.

(b) The System shall be continuously operated as a revenue producing undertaking, and all moneys received from its operation shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City, subject, however, to the giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC").

Funds and Disposition of Revenues. (a) All System Revenues shall be paid into a special fund heretofore created and designated "Wastewater Fund" (the "Revenue Fund").

(b) There shall first be paid from the Revenue Fund into a fund heretofore created and designated "Wastewater Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient, together with any moneys then held for the credit of the Operation and Maintenance Fund, to pay the reasonable and necessary monthly expenses of operation and maintenance of the System for such month and from which disbursements shall be made only for those purposes.

(c) After making the monthly deposit into the Operation and Maintenance Fund, there shall be paid, on the first business day of each month, from the Revenue Fund into the special fund created with the Trustee and designated "2022C Wastewater Bond Fund" (the "Bond Fund") an amount equal to the sum of one-sixth (1/6) of the next installment of interest and one-twelfth (1/12) of the next installment of principal of the Bonds, plus such additional sums as necessary to provide for the fees and expenses of the Trustee, plus any arbitrage rebate due the United States Treasury under Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, (a) the installments through November 2022 shall be in an amount equal to 1/4 of the interest due on December 1, 2022 and (b) the installments representing principal shall not begin until December 2039.

The City shall receive a credit against monthly deposits into the Bond Fund for interest earnings on moneys in the Bond Fund. When the aggregate moneys held in the Bond Fund shall be and remain sufficient to pay the principal of and interest on the Bonds then outstanding and all fees and arbitrage rebate due, there shall be no obligation to make further payments into the Bond Fund.

All moneys in the Bond Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, Trustee's fees and the amounts necessary to pay any arbitrage rebate due the United States Treasury under Section 148(f) of the Code, except as set forth in the Authorizing Ordinance.

The Bonds shall be specifically secured by a pledge of all the Net System Revenues required to be placed into the Bond Fund. The pledge in favor of the Bonds is irrevocably made according to the terms of the Authorizing Ordinance.

There shall be maintained, as a part of the Bond Fund, a Debt Service Reserve. The Reserve Policy, in the face amount of one-half of the maximum annual debt service requirement on the Bonds, shall be deposited into the Debt Service Reserve.

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds as the same become due, any sums received from the Reserve Policy in the Debt Service Reserve shall be used to the extent necessary to pay such principal and interest.

(d) Simultaneously with making the deposit into the Bond Fund, there shall be transferred from the Revenue Fund into the bond funds for the Parity Bonds (the "Parity Bond Funds") the amounts equal to the required monthly deposit into such funds. The obligation to make the required monthly deposits into the Bond Fund and the Parity Bond Funds shall rank on a parity of security. If the City issues any additional parity bonds, the obligations to make payments into debt service and debt service reserve funds for those bonds shall rank on a parity of security with the obligation to make payments into the Bond Fund and the Parity Bond Funds. In the event the Net System Revenues are insufficient to make the full monthly deposits into the Bond Fund, the Parity Bond Funds and the bond funds for any additional parity bonds, the amount deposited into each shall be reduced proportionately.

(e) After making the monthly deposits into the various funds and making the other disbursements described above, there shall be paid into an account heretofore created and designated "Wastewater Depreciation Account" (the "Depreciation Account") an amount equal to 3% of the System Revenues for the preceding month. Moneys in the Depreciation Account shall be used to pay the costs of replacements made necessary by the depreciation of the System. If in any year a surplus shall be accumulated in the Depreciation Account over and above the amount necessary to defray the cost of the probable replacements during the then current fiscal year, such surplus may be transferred and paid into the Revenue Fund.

(f) Any surplus in the Revenue Fund after making all disbursements and providing for all funds described above shall be used for the payment of amounts owed the Insurer and the insurers of System Bonds and may be used, at the option of the City, for any lawful municipal purpose.

Parity Bonds. So long as any of the Bonds are outstanding, the City shall not issue any bonds claimed to be entitled to a priority of lien on Net System Revenues over the lien securing the Bonds.

The City reserves the right to issue additional System Bonds to finance or refinance the cost of constructing any extensions, betterments or improvements to the System, but the City shall not authorize or issue any such additional bonds ranking on a parity with the Bonds unless and until there have been procured and filed with the Trustee a statement by an independent certified public accountant ("Accountant") reciting the opinion, based upon necessary investigation, that (i) the net revenues for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 110% of the average annual principal and interest requirements on all the then outstanding System Bonds and the additional bonds then proposed to be issued or (ii) the net revenues for the next ensuing fiscal year, including any increase in revenues attributable to the proposed extensions, betterments and improvements as reflected by the written opinion of a duly qualified consulting engineer or rate analyst not in the regular employ of the City and including any additional revenues expected to be received as a result of a rate increase effective during such year or the previous year, as reflected by the written opinion of a duly qualified consulting engineer or rate analyst not in the regular employ of the City, shall be equal to not less than 110% of the average annual principal and interest requirements on all then outstanding System Bonds and the additional bonds then proposed to be issued. For the purposes of the computation required by (i) above, additional amounts may be added to the net revenues of the completed fiscal year immediately preceding the issuance of additional bonds, as follows: if, prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year, the City shall have increased its rates or charges imposed for services of the System there may be added to the net revenues of such fiscal year the additional net revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, as reflected by the written opinion of a duly qualified consulting engineer or rate analyst not in the regular employ of the City. For purposes of the required computation, there shall be added to the average principal and interest requirement any amounts due and owing any insurer in connection with debt service reserve fund insurance policies or surety bonds for System Bonds.

The term "net revenues" means System Revenues less operation and maintenance expenses (other than depreciation, interest and amortization of deferred bond discount expenses) in accordance with generally accepted accounting principles applicable to municipal wastewater facilities.

Accounts and Records. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the registered owner of any Bond at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of a Bond may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Maintenance; Insurance. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees that, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies selected by the City and authorized and qualified under the laws of the State to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses, against loss or damage thereto from fire, lightning, tornados, winds, riot, strike, civil commotion, malicious damage, explosion and against any other loss or damage from any other causes customarily insured against by private companies engaged in similar types of business. Any insurance policies are to carry a clause making them payable to the City and the Trustee as their interests may appear, and are either to be placed in the custody of the Trustee or satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Account and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Defeasance. Any Bond shall be deemed paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond, either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment (1) cash fully insured by the FDIC and/or fully collateralized by direct or fully guaranteed obligations of the United States of America ("Defeasance Securities") and/or (2) Defeasance Securities (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee with respect thereto shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

Upon the payment of any Bonds within the meaning of the Authorizing Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Defeasance Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if the Trustee has been paid its fees and expenses and if any arbitrage rebate due the United States Treasury under Section 148(f) of the Code has been paid or provided for to the satisfaction of the Trustee, the Trustee shall take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance in favor of the Bonds to be discharged and canceled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance for payment of the Bonds and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Defeasance Securities there shall be considered the principal amount of such Defeasance Securities and interest to be earned thereon until the maturity of such Defeasance Securities.

Default and Remedies. (a) Subject to the provisions of subparagraph (g) below, if there is any default in the payment of the principal of, premium, if any, or interest on any of the Bonds, or if the City defaults in the performance of any of the other covenants contained in the Authorizing Ordinance, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of the State. In the case of a default in the payment of the principal of, premium, if any, and interest on any of the Bonds, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding, shall apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners of the Bonds with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay when due the principal of and interest on any Bonds outstanding and to apply the System Revenues in conformity with the laws of the State and with the Authorizing Ordinance. When defaults in such payments have been cured, the custody and operation of the System shall revert to the City.

(b) No registered owner of any of the outstanding Bonds shall have any right to institute any suit or action, mandamus or other proceeding in equity or at law for the protection or enforcement of any power or right unless (1) such owner or the Trustee shall have given written notice of such default and (2) such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit, or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security provided by the Authorizing Ordinance, or to enforce any right thereunder except in the manner therein described. All proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all registered owners of the outstanding Bonds.

(c) All rights of action under the Authorizing Ordinance or under any of the Bonds secured thereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name and for the benefit of all the owners of the Bonds, subject to the provisions of the Authorizing Ordinance.

(d) No remedy conferred upon or reserved to the Trustee, the Insurer or the owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Authorizing Ordinance or given by any law or by the Constitution of the State.

(e) No delay or omission of the Trustee or of any owners of the Bonds to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Authorizing Ordinance to the Trustee and to the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(f) Subject to the provisions of subparagraph (g) below, the Trustee may, and upon the written request of the owners of not less than a majority in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provision of the Authorizing Ordinance or before the completion

of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(g) Notwithstanding the above, the Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Bonds are entitled to take pursuant to the Authorizing Ordinance.

Amendment of Authorizing Ordinance. (a) The terms of the Authorizing Ordinance constitute a contract between the City and the owners of the Bonds and no variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth below.

(b) The Trustee may consent to any variation or change in the Authorizing Ordinance without the consent of the owners of the outstanding Bonds (1) in order to cure any ambiguity or correct any defect therein as the City may deem necessary or desirable and not inconsistent therewith or (2) with the prior written consent of the Insurer, in order to make any other variation or change which the Trustee, upon receipt of an opinion of bond counsel, determines shall not materially adversely affect the interests of the owners of the Bonds.

(c) The Insurer and owners of not less than seventy-five percent (75%) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Authorizing Ordinance to the contrary notwithstanding, to consent to and approve, the adoption by the City of such ordinance supplemental thereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance; provided, however, that nothing contained in the Authorizing Ordinance shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any Bond, or (2) a reduction in the principal amount of any Bond or the rate of interest thereon, or (3) the creation of a lien or pledge superior to the lien and pledge created by the Authorizing Ordinance, or (4) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (5) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Insurer or by the registered owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by giving sixty (60) days' notice in writing to the City Clerk, the Insurer and the registered owners of the Bonds. The City, so long as it is not in default under the Authorizing Ordinance, the Insurer or the majority in value of the registered owners of the outstanding Bonds at any time, may, with or without cause, remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall forthwith designate a new Trustee by a written instrument filed in the office of the City Clerk and with the Insurer. The original Trustee and any successor Trustee shall file with the City a written acceptance and agreement to execute the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective registered owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. Notwithstanding the above, neither the removal of the Trustee nor the resignation by the Trustee shall be effective until a successor Trustee, acceptable to the Insurer, shall have been appointed.

Investments. (a) Moneys held for the credit of all funds created by the Authorizing Ordinance may be invested and reinvested in Permitted Investments.

(b) Obligations purchased as an investment of any fund or account shall be deemed at all times a part of such fund. Any profit or loss realized on investments of moneys in any fund shall be charged to said fund.

(c) The Trustee shall so invest and reinvest pursuant to the direction of the City.

(d) "Permitted Investments" mean any of the securities that are at the time legal for investment of City funds pursuant to the City's investment policy, as amended from time to time, and State law. Currently, "Permitted Investments" include:

- (1) Direct obligations of the United States Government;
- (2) 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;
- (3) Obligations the principal and interest of which are fully guaranteed by the United States Government or an agency or instrumentality created by an act of the United States Congress and authorized thereby to issue such guarantee;
- (4) 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 instrumentality created by an act of the United States Congress and authorized thereby to issue such commitments or agreements;
- (5) General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories or insular possessions thereof (general obligation bonds);
- (6) Obligations issued by the Arkansas State Board of Education under authority of the State Constitution or applicable statutes;
- (7) 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;
- (8) 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;
- (9) 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;
- (10) Securities of, or other interest in, any open-end type 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 § 270.2a-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; and

- (11) Local Government Trusts authorized by Title 19, Chapter 8, Subchapter 3 of the Arkansas Code of 1987 Annotated.

Permitted Investments shall mature, or shall be subject to redemption by the holder thereof, at the option of such holder, not later than (A) the payment date for interest or principal and interest in the case of the Bond Fund and (B) the date or dates when the moneys will be needed for the purposes intended in the case of the 2022C Construction Fund. The Trustee shall follow any investment instructions of the City which are not inconsistent with the foregoing provisions of this paragraph.

(e) Moneys held for the credit of any other fund shall be continuously invested and reinvested in Permitted Investments or other investments as may, from time to time, be permitted by law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

Nonarbitrage. The City covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City covenants that no moneys held in any fund in connection with the Bonds will be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code. The City further covenants to pay any arbitrage due the United States Treasury under Section 148(f) of the Code.

### FINANCIAL INFORMATION

Generally. Set forth in Appendix A is the City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020, which includes the audited financial statements of the System for such period. These financial statements were prepared in accordance with accounting principles generally accepted in the United States and were audited in accordance with auditing standards generally accepted in the United States.

Set forth in Appendix B to this Official Statement is the Statement of Revenues, Expenses and Changes in Net Position of the System (unaudited) for the fiscal year ended December 31, 2021, as prepared by the Finance Department of the City. Appendix B was prepared in accordance with generally accepted accounting principles.

Historical Revenues and Expenses. Revenues and expenses of the System are summarized as follows for the fiscal years ended December 31, 2017-2021:

	2021 (Unaudited)	2020 (Audited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Operating Revenues	\$18,637,276	\$17,763,351	\$17,110,699	\$16,844,059	\$16,521,219
Operating Expenses (Excluding Depreciation)	(10,030,193)	(11,443,091)	(10,467,777)	(9,194,693)	(8,831,593)
Operating Income Before Depreciation	8,607,083	6,320,260	6,642,922	7,649,366	7,689,626
Depreciation	(5,061,622)	(5,007,710)	(4,800,689)	(4,610,031)	(4,336,553)
Non-operating Expense	(2,566,512)	(2,730,367)	(2,171,132)	(2,469,929)	(2,181,604)
Net Income (Loss)	\$978,949	\$(1,417,817)	\$(328,899)	\$569,406	\$1,171,469

Forecasted Revenues and Expenses. Operating revenues and expenses of the System for the fiscal years ending December 31, 2022 – 2030 have been projected below by Willdan Financial Services, Plano, Texas ("Willdan"). The information in (a) and (b) below has been provided by Willdan and was used by Willdan in making the projections below.

(a) Planned increases in the revenues are effective in January of each year. The rate increases are forecast to be 3% in the base charge and volume charges for all customer classes. All non-rate revenue are assumed to increase approximately 3% per year from customer growth and fee increases.

(b) Operating expense forecast is based on an FY 2021 approved budget for the System. Most expenses are adjusted annually by 3% for inflation. Certain expense such as chemicals and health insurance are adjusted at a higher than inflation rate to reflect typically larger increases and growth of customer use. Volumes (gallons) used to determine rate revenue estimates are based on actual historical use for the 12 months ending December 2020 and are adjusted annually for reasonable growth assumptions. Operating expenses as presented below and used to determine debt service coverage exclude depreciation and capital outlays, in order to remain consistent with American Water Works Association-approved Cash Basis methodology.

While Willdan believes the assumptions upon which these estimates are based are reasonable and the methodology valid, actual results may differ materially from those forecasts, as influenced by the conditions, events and circumstances which may actually occur.

	<u>Fiscal Years Ending December 31</u>								
	<u>Projected 2030</u>	<u>Projected 2029</u>	<u>Project 2028</u>	<u>Projected 2027</u>	<u>Projected 2026</u>	<u>Projected 2025</u>	<u>Projected 2024</u>	<u>Projected 2023</u>	<u>Projected 2022</u>
Operating Revenues	\$29,263,589	\$28,066,538	\$26,985,293	\$25,894,329	\$24,844,452	\$23,896,231	\$22,853,247	\$21,109,844	\$19,709,790
Operating Expenses (Excluding Depreciation)	<u>(15,798,625)</u>	<u>(15,239,521)</u>	<u>(14,713,252)</u>	<u>(14,196,108)</u>	<u>(13,698,933)</u>	<u>(13,230,428)</u>	<u>(12,770,240)</u>	<u>(12,327,646)</u>	<u>(11,901,942)</u>
Net Revenues Available for Debt Service	\$13,464,964	\$12,827,017	\$12,272,041	\$11,698,222	\$11,145,519	\$10,665,802	\$10,083,007	\$8,782,198	\$7,807,848

[Remainder of page intentionally left blank]

## PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The information set forth herein under **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS** is based on unaudited information. Information regarding the pension plans is found in Note 6 to the financial statements of the City for the fiscal year ended December 31, 2020, which are contained in Appendix A attached hereto. The financial statements of the City for the fiscal year ended December 31, 2021 are not yet complete.

Information regarding Other Post-Employment Benefits is found in Note 8 to the financial statements of the City for the fiscal year ended December 31, 2020, which are contained in Appendix A attached hereto.

All of the City's full-time employees receive retirement benefits. 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 Police Pension and Relief Fund (the "Old Police Plan") or the Fireman's Pension and Relief Fund (the "Old Fire Plan"). The City's municipal judges and clerks and all other City employees are covered under the Arkansas Public Employees Retirement System ("APERS"). The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

LOPFI is a statewide cost-sharing, multiple-employer, defined benefit pension plan that provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. 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. Contributions to LOPFI are made by both the members and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis.

In 2021, the City contributed 24.25% of covered employees' salaries to the plan for firefighters and 23.56% of covered employees' salaries to the plan for police officers. City contributions to the LOPFI plan for the year ended December 31, 2021 were \$2,658,477.

At December 31, 2021, the City reported a liability of \$19,778,911 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to LOPFI during the measurement period to the total employer contributions to LOPFI during the measurement period. At December 31, 2020, the City's proportion was 2.877%.

APERS is a statewide cost-sharing, multiple-employer, defined benefit plan that covers all City employees not participating in another plan. Employers contributed 15.32% of covered payroll for municipal employees from January 1 through December 31, 2021. City contributions to APERS for the year ended December 31, 2021 were \$2,790,155.

At December 31, 2021, the City reported a liability of \$6,842,900 for its proportionate share of the APERS net pension liability. The net pension liability was received on February 15, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to APERS during the measurement period to total employer contributions to APERS during the measurement period. At June 30, 2021, the City's proportion was 0.89%.

The Old Fire Plan is an agent multiple-employer defined benefit pension plan for employees of the fire department who were hired prior to January 1, 1983. All firemen hired after January 1, 1983 participate in LOPFI; thus, the Old Fire Plan is effectively closed to new members. At December 31, 2020, the date of the actuarial valuation, there were 57 employees covered by the Old Fire Plan.

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

The City's required contributions for the 2021 plan year were 31% of gross salary, based upon the December 31, 2020 actuarial report. Contributions to the Old Fire Plan by the City equaled \$1,498,284 for the year ended December 31, 2021, and the City's pension expense associated with the Old Fire Plan was \$1,277,997 for the same period. The City's net pension liability of \$29,202,960 as of December 31, 2021, was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

The Old Police Plan is an agent multiple-employer defined benefit pension plan for employees of the police department who were hired prior to January 1, 1983. All policemen hired after January 1, 1983 participate in LOPFI; thus, the Old Police Plan is effectively closed to new members. At December 31, 2020, the date of the actuarial valuation, there were 60 employees covered by the Old Police Plan.

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

The City's required contributions for the 2021 plan year were 13.38% of gross salary, based upon the December 31, 2020 actuarial report. Contributions to the Old Police Plan by the City were \$839,424 for the year ended December 31, 2021, and the City's pension expense associated with the Old Police Plan was (\$117,503) for the same period. The City's net pension liability of \$7,120,313 as of December 31, 2021, was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

The City has a self-insured healthcare plan that provides defined medical and dental benefits for all active employees. Arkansas statutes provide that any municipal employee that is receiving a retirement benefit from LOPFI, APERS or a local pension fund and that is not covered by another health care plan may continue to participate in the City's healthcare plan after retirement, provided the retired employee pays the premium for such coverage.

The contribution requirements of plan members are established by the City and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plan.

[Remainder of page intentionally left blank]

## DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds.

<u>Year</u> <u>(Ending December 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2022	--	\$ 411,202.24	\$ 411,202.24
2023	--	1,203,518.76	1,203,518.76
2024	--	1,203,518.76	1,203,518.76
2025	--	1,203,518.76	1,203,518.76
2026	--	1,203,518.76	1,203,518.76
2027	--	1,203,518.76	1,203,518.76
2028	--	1,203,518.76	1,203,518.76
2029	--	1,203,518.76	1,203,518.76
2030	--	1,203,518.76	1,203,518.76
2031	--	1,203,518.76	1,203,518.76
2032	--	1,203,518.76	1,203,518.76
2033	--	1,203,518.76	1,203,518.76
2034	--	1,203,518.76	1,203,518.76
2035	--	1,203,518.76	1,203,518.76
2036	--	1,203,518.76	1,203,518.76
2037	--	1,203,518.76	1,203,518.76
2038	--	1,203,518.76	1,203,518.76
2039	--	1,203,518.76	1,203,518.76
2040	\$ 1,605,000	1,203,518.76	2,808,518.76
2041	1,675,000	1,135,306.26	2,810,306.26
2042	1,745,000	1,064,118.76	2,809,118.76
2043	1,820,000	989,956.26	2,809,956.26
2044	1,900,000	910,331.26	2,810,331.26
2045	1,985,000	827,206.26	2,812,206.26
2046	2,070,000	740,362.50	2,810,362.50
2047	2,160,000	649,800.00	2,809,800.00
2048	2,255,000	555,300.00	2,810,300.00
2049	2,355,000	453,825.00	2,808,825.00
2050	2,465,000	347,850.00	2,812,850.00
2051	2,575,000	236,925.00	2,811,925.00
2052	2,690,000	121,050.00	2,811,050.00
Totals	\$27,300,000	\$30,106,571.22	\$57,406,571.22

[Remainder of page intentionally left blank]

Set forth below are the debt service requirements for the Bonds and the Parity Bonds.

<u>Year</u> <u>(Ending December 31)</u>	<u>Bonds</u> <u>Debt Service</u>	<u>Parity Bonds</u> <u>Debt Service</u>	<u>Total Debt Service</u>
2022	\$ 411,202.24	\$ 5,599,673.09	\$ 6,010,875.33
2023	1,203,518.76	6,103,761.26	7,307,280.02
2024	1,203,518.76	6,960,504.26	8,164,023.02
2025	1,203,518.76	6,960,128.26	8,163,647.02
2026	1,203,518.76	6,958,502.76	8,162,021.52
2027	1,203,518.76	6,959,716.76	8,163,235.52
2028	1,203,518.76	6,923,492.76	8,127,011.52
2029	1,203,518.76	6,167,006.76	7,370,525.52
2030	1,203,518.76	6,161,372.76	7,364,891.52
2031	1,203,518.76	6,164,676.76	7,368,195.52
2032	1,203,518.76	6,170,532.76	7,374,051.52
2033	1,203,518.76	6,161,332.50	7,364,851.26
2034	1,203,518.76	6,162,650.00	7,366,168.76
2035	1,203,518.76	6,160,692.50	7,364,211.26
2036	1,203,518.76	6,168,991.00	7,372,509.76
2037	1,203,518.76	6,157,053.00	7,360,571.76
2038	1,203,518.76	4,440,352.50	5,643,871.26
2039	1,203,518.76	4,439,584.50	5,643,103.26
2040	2,808,518.76	2,834,570.50	5,643,089.26
2041	2,810,306.26	2,833,230.50	5,643,536.76
2042	2,809,118.76	2,834,454.50	5,643,573.26
2043	2,809,956.26	2,833,068.50	5,643,024.76
2044	2,810,331.26	2,834,912.50	5,645,243.76
2045	2,812,206.26	2,830,425.00	5,642,631.26
2046	2,810,362.50	2,834,287.50	5,644,650.00
2047	2,809,800.00	2,831,225.00	5,641,025.00
2048	2,810,300.00	2,831,375.00	5,641,675.00
2049	2,808,825.00	2,834,600.00	5,643,425.00
2050	2,812,850.00	2,830,762.50	5,643,612.50
2051	2,811,925.00	0	2,811,925.00
2052	2,811,050.00	0	2,811,050.00
Totals	\$57,406,571.22	\$141,982,935.69	\$199,389,506.91

[Remainder of page intentionally left blank]

## DEBT SERVICE COVERAGE

The following table shows the projected net revenues available for debt service through the 2030 fiscal year, the amount of current, maximum and average annual debt service expected to be due, and the extent to which debt service is covered by such funds:

	Projected <u>2030</u>	Projected <u>2029</u>	Project <u>2028</u>	Projected <u>2027</u>	Projected <u>2026</u>	Projected <u>2025</u>	Projected <u>2024</u>	Projected <u>2023</u>	Projected <u>2022</u>
Net Revenues Available for Debt Service(A)	\$13,464,964	\$12,827,017	\$12,272,041	\$11,698,222	\$11,145,519	\$10,665,802	\$10,083,007	\$8,782,198	\$7,807,848
Current Year Debt Service for Bonds and Parity Bonds <sup>(1)</sup> (B)	7,364,892	7,370,526	8,127,012	8,163,236	8,162,022	8,163,647	8,164,023	7,307,280	6,010,875
Debt Service Coverage (A/B)	1.83x	1.74x	1.51x	1.43x	1.37x	1.31x	1.24x	1.20x	1.30x
Maximum Annual Debt Service for Bonds and Parity Bonds <sup>(1)(2)</sup> (C)	7,374,052	7,374,052	8,127,012	8,163,236	8,163,236	8,163,647	8,164,023	8,164,023	8,164,023
Debt Service Coverage (A/C)	1.83x	1.74x	1.51x	1.43x	1.37x	1.31x	1.24x	1.08x	0.96x
Average Annual Debt Service for Bonds and Parity Bonds <sup>(1)(3)</sup> (D)	5,996,560	6,053,809	6,136,737	6,214,679	6,286,803	6,353,833	6,416,254	6,445,954	6,431,920
Debt Service Coverage (A/D)	2.25x	2.12x	2.00x	1.88x	1.77x	1.68x	1.57x	1.36x	1.21x

<sup>(1)</sup>Using a year ending December 31.

<sup>(2)</sup>Maximum annual debt service for the Bonds and the Parity Bonds is in 2024 and decreases in subsequent years. The maximum annual debt service shown above only takes into account the current year and any subsequent years.

<sup>(3)</sup>The average annual debt service shown above only takes into account the current year and any subsequent years.

## CONTINUING DISCLOSURE AGREEMENT

**Past Compliance.** During the past five years, the City has been obligated to comply with continuing disclosure agreements related to fourteen bond issues. The City has been obligated to file certain information with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within various time periods set forth in the agreements. While the City has not made any determination as to materiality, the following constitutes a non-exhaustive summary of the City's compliance with its continuing disclosure obligations over the past five years.

As part of its annual reports, the City has been obligated to file annual audited financial statements on EMMA within 180 days after the end of the City's fiscal year (December 31). If such audited financial statements were not available, the City was required to make such filing within 30 days of the audited financial statements becoming available.

For twelve bond issues, the City was obligated to file the City's general purpose financial statements, the financial statements of the System or the financial statements of the City's waterworks system (the "Waterworks System"), as applicable. The City satisfied its obligation to file such financial statements by filing its Annual Comprehensive Financial Report ("ACFR"). For the remaining bond issues, the City was obligated to file the audited financial statements of the Advertising and Promotion Commission of the City (the "Commission").

For the bond issues that required the City to file on EMMA its general purpose financial statements, the financial statements of the System or the financial statements of the Waterworks System, as applicable, the City filed the ACFR on EMMA each year. The ACFR for the fiscal years ended December 31, 2017, 2018, 2019 and 2020 were timely filed on EMMA. The ACFR for the fiscal year ended December 31, 2021 is not yet complete.

For the bond issue that required the City to file on EMMA the Commission's audited financial statements, the City has filed such audited financial statements. However, the audited financial statements of the Commission for the fiscal year ended December 31, 2020 were filed late by 1 day. The audited financial statements of the Commission for the fiscal years ended December 31, 2017 and 2019 and were timely filed on EMMA. The audited financial statements of the Commission for the fiscal year ended December 31, 2018 were not required to be filed. The audited financial statements of the Commission for the fiscal year ended December 31, 2021 are not yet complete.

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies depending on the type of bond issue and how each is secured. The supplemental data for each bond issue is required to be filed on EMMA within 180 days after the end of the City's fiscal year (December 31).

For bond issues secured by revenues of the System, for the bond issues secured by revenues of the Waterworks System, and for the bond issue secured by municipal airport revenues, the City timely filed on EMMA all required supplemental financial and operating data, except for the fiscal year ended December 31, 2020. For that year, the financial and operating data was filed one day late.

For the bond issue secured by the hotel and restaurant tax levied by the City (the "Tax"), the City timely filed on EMMA all required supplemental financial and operating data, except for the fiscal year ended December 31, 2017. For that year, the City only included Tax collections for the latest year and the three previous years rather than the latest year and the four previous years as required. The City was not required to make a filing for the fiscal year ended December 31, 2018.

Each continuing disclosure agreement also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). All notices of such events were timely filed during the past five years.

Notices concerning the City's failure to comply with its continuing disclosure obligations as summarized above were not timely filed on EMMA.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriters in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" shall mean a

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2022 fiscal year, provide to the Insurer and the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if the City is not serving as Dissemination Agent). If by such date, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the City is not serving as Dissemination Agent and if the Dissemination Agent is unable to verify that an Annual Report (containing the information required in (1) under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall file a notice with the MSRB and with the Insurer.

Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(1) Information of the type set forth in this Official Statement under the caption **THE SYSTEM** with respect to (i) the number of wastewater users for the fiscal year then ended and the four previous fiscal years; and (ii) the top five users of the System for the previous fiscal year and a statement as to which users, if any, accounted for 5% or more of System Revenues for the preceding fiscal year.

(2) The annual financial statements of the System (which may be included in the annual audit of the City) prepared in accordance with accounting principles generally accepted in the United States and audited in accordance with auditing standards generally accepted in the United States. If there are no accounting principles generally accepted in the United States at the time the annual financial statements are prepared, then the annual financial statements shall be prepared in accordance with State law. If there are no auditing standards generally accepted in the United States at the time the annual financial statements are audited, then the annual financial statements shall be audited in accordance with State law.

Any or all of the items above may be incorporated by specific reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action

or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) After the occurrence of a Listed Event, the City shall file (or cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with (i) the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org>, or any other similar system that is acceptable to the Securities and Exchange Commission and (ii) the Insurer. Each notice of the occurrence of a Listed Event shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent. The initial Dissemination Agent shall be the City.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and

(ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Insurer, the Underwriters or any Beneficial Owner may (and the Trustee, at the request of the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Dissemination Agent and Right of Indemnity. The Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Insurer, the Underwriters and the Beneficial Owners and shall create no rights in any other person or entity.

## LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

Tax Exemption. In the opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from all State income taxes and the Bonds are exempt from property taxation in the State.

In the opinion of Bond Counsel, interest on the Bonds under existing law (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the previous sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so

included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b) of the Code).

As shown on the inside front cover of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

### **FORWARD-LOOKING STATEMENTS**

Any forward-looking statements and/or projections contained in this Official Statement reflect various estimates and assumptions by the City concerning anticipated results. No representations or warranties are made by the City as to the accuracy of any such statements, assumptions or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events, some of which are not within the control of the City. Accordingly, actual results may vary from the projected results, and such variations may be material. When used in this Official Statement, the words "anticipate," "believe," "estimate," "project," "predict," "expect," "intend," and words or phrases of similar import are intended to identify forward-looking statements.

Although the City believes that the expectations reflected in such forward-looking statements are reasonable, the City cannot give any assurance that such expectations will prove to have been correct. Actual results could differ materially from expectations for other reasons as well. Actual results may vary materially from those described herein as anticipated, believed, estimated, projected, predicted, expected or intended. Forward-looking statements speak only as of the date they are made, and the City undertakes no obligations to update such statements in light of new information, future events or otherwise.

### **MISCELLANEOUS**

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Bankruptcy. The City is authorized by State law to file for bankruptcy under the United States Bankruptcy Code.

Underwriting. Under the Bond Purchase Agreement, Raymond James & Associates, Inc. and Stephens Inc. (the "Underwriters"), have agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$26,577,207.40 (principal amount less original issue discount of \$545,342.60 and less Underwriters' discount of \$177,450). The Underwriters are committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriters for reoffering in the normal course of the Underwriters' business activities. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

Financial Advisor. Crews & Associates, Inc. (the "Financial Advisor") has been retained to act as Financial Advisor with respect to the Bonds. The Financial Advisor has assisted in the preparation of this Official Statement and in matters relating to the planning, structuring and issuance of the Bonds.

Rating. S&P is expected to assign a credit rating of "AA (stable outlook)" to the Bonds with the understanding that the scheduled payment of principal of and interest on the Bonds will be guaranteed under the Insurance Policy to be issued by the Insurer.

An explanation of the significance of such rating may be obtained from S&P. The City furnished to S&P the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their rating on such material and information, as well as their own investigations, studies, assumptions, and policies. It should be noted that ratings may be changed at any time and that no assurance can be given that they will not be revised or withdrawn by the rating agencies if, in their respective judgments, circumstances should warrant such action. Any downward revision or withdrawal of the rating could have an adverse effect on market prices of the Bonds. The Underwriters and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned, the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the City has been authorized by the City.

CITY OF HOT SPRINGS, ARKANSAS

By /s/ Pat McCabe  
Mayor

Dated: As of the Cover Page hereof.

APPENDIX A

Annual Comprehensive Financial Report of the City for the  
Fiscal Year Ended December 31, 2020



**City of Hot Springs, Arkansas  
Annual Comprehensive Financial Report  
For Year Ended December 31, 2020**

Front Cover designed by Karey Lookadoo  
Photographs by the City of Hot Springs Public Information Department and  
Karey Lookadoo

Images from top to bottom and left to right:  
Northwoods Trail; Lake Hamilton with Cornerstone Watertower; Exchange  
Street Parking Plaza; and Downtown Hot Springs Central Avenue

# CITY OF HOT SPRINGS, ARKANSAS

## Annual Comprehensive Financial Report

### For the Year Ended December 31, 2020

---

Prepared by: Finance Department

Dorethea N. Yates, CPA  
Finance Director/Treasurer

Barbie Vrba, CPA  
Assistant Finance Director

Amanda Watson  
Accounting Supervisor

Mary Rice  
Grants & Fixed Assets Accountant

Renee Brewer  
Grants & Fixed Assets Accountant

James Weatherford  
General Accountant

Karey Lookadoo  
Budgeting and Financial Reporting Accountant

**City of Hot Springs, Arkansas**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**For the Year Ended December 31, 2020**

**TABLE OF CONTENTS**

I.	INTRODUCTORY SECTION	
	Letter of Transmittal.....	iii
	GFOA Certificate of Achievement for Excellence in Financial Reporting .....	xiv
	Organizational Chart.....	xv
	List of Elected Officials .....	xvi
	List of Appointed Officials .....	xvii
II.	FINANCIAL SECTION	
	Independent Auditor’s Report on Financial Statements and Supplementary Information .....	3
	<b>A. MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	<b>7</b>
	<b>B. BASIC FINANCIAL STATEMENTS</b>	
	<b>Government-Wide Financial Statements:</b>	
	Statement of Net Position .....	27
	Statement of Activities.....	29
	<b>Fund Financial Statements:</b>	
	Governmental Funds:	
	Balance Sheet (General, Police, Fire, Street, Jail Maintenance Tax, Communication System, Non-major Governmental) .....	30
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	31
	Statement of Revenues, Expenditures and Changes in Fund Balance.....	32
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	33
	Proprietary Funds:	
	Statement of Net Position .....	34
	Statement of Revenues, Expenses and Changes in Net Position .....	36
	Statement of Cash Flows .....	37
	Fiduciary Funds:	
	Statement of Net Position .....	39
	Statement of Changes in Net Position.....	40

---

**City of Hot Springs, Arkansas**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**For the Year Ended December 31, 2020**

---

**Notes to Financial Statements**

Note 1 Summary of Significant Accounting Policies .....	43
Note 2 Reconciliation of Government-Wide and Fund Financial Statements .....	53
Note 3 Stewardship, Compliance and Accountability.....	55
Note 4 Detailed Notes on All Funds.....	56
Note 5 Other information including Risk Management .....	75
Note 6 Defined Benefit Pension Plans .....	77
Note 7 Closure and Post Closure Care Costs.....	99
Note 8 Other Postemployment Benefits .....	99
Note 9 Subsequent Events.....	103

**C. REQUIRED SUPPLEMENTARY INFORMATION**

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

General Fund.....	107
Police Fund.....	108
Fire Fund .....	109
Street Fund.....	110
Jail Maintenance Tax Fund.....	111
Schedule of Changes in Total OPEB Liability and Related Ratios.....	112
Firemen’s Pension and Relief Fund	
Schedule of Changes in Net Pension Liability and Related Ratios....	113
Schedule of the City’s Contributions .....	114
Policemen’s Pension and Relief Fund	
Schedule of Changes in Net Pension Liability and Related Ratios....	115
Schedule of the City’s Contributions .....	116
Arkansas Public employees Retirement System	
Schedule of the City’s Proportionate Share of the Net Pension Liability .....	117
Schedule of the City’s Contributions .....	118

**City of Hot Springs, Arkansas**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**For the Year Ended December 31, 2020**

Local Police and Fire Retirement System

Schedule of the City's Proportionate Share of the Net Pension Liability .....	119
Schedule of the City's Contributions .....	120

**D. Combining Statements and Individual Fund Financial Statements and Schedules**

Explanation of Nonmajor Governmental Funds .....	123
--	-----

Nonmajor Governmental Funds

Combining Balance Sheet .....	124
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	127

Internal Service Funds:

Combining Statement of Net Position .....	133
Combining Statement of Revenues, Expenses and Changes in Net Position.....	134
Combining Statement of Cash Flows .....	135

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

General Fund.....	138
District Court.....	140
Public Transportation.....	141
Jail Expense Fines.....	142
Communication System Fund .....	143

**III. STATISTICAL SECTION**

**Financial Trends**

Net Position by Component.....	148
Changes in Net Position .....	149
Fund Balances, Governmental Funds.....	150
Changes in Fund Balance, Governmental Funds.....	151
Program Revenues by Functions/Programs.....	152

**Revenue Capacity**

Major Tax/Fee Revenue by Source, Governmental Funds .....	154
Sales and Use Tax Revenue and Classes of Payers.....	155

---

**City of Hot Springs, Arkansas**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**For the Year Ended December 31, 2020**

---

Sales and Use Tax Revenue Rates for the City..... 158

**Debt Capacity**

Ratio of Outstanding Debt by Type..... 161

Ratio of Special Obligation Bonded Debt Outstanding..... 162

Direct and Overlapping Governmental Activities Debt..... 163

Legal Debt Margin Information..... 164

Pledged-Revenue Coverage ..... 165

**Demographic and Economic Information**

Demographic Statistics..... 168

Garland County Principal Employers..... 169

**Operating Information**

Full Time Equivalent City Budgeted Employees by Function/Program..... 172

Operating Indicators by Function/Program ..... 173

Capital Asset Statistics by Function/Program ..... 174

**IV. SINGLE AUDIT AND COMPLIANCE SECTION**

Schedule of Expenditures of Federal Awards ..... 177

Schedule of Expenditures of State Awards..... 179

Notes to the Schedule of Expenditures of Federal and State Awards..... 180

**Independent Auditor's Reports**

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*..... 183

Report on Compliance for Each Major Federal program and Report on Internal  
Control over Compliance in Accordance with the Uniform Guidance..... 185

Schedule of Findings and Questioned Costs ..... 187

Schedule of Prior-Year Audit Findings..... 188

Independent Auditor's Report on Compliance with Certain State Acts ..... 189

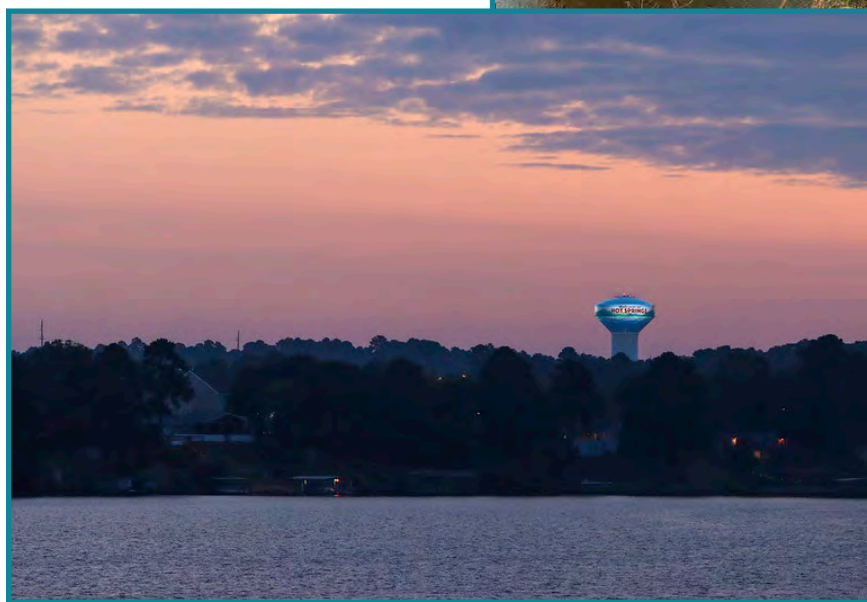
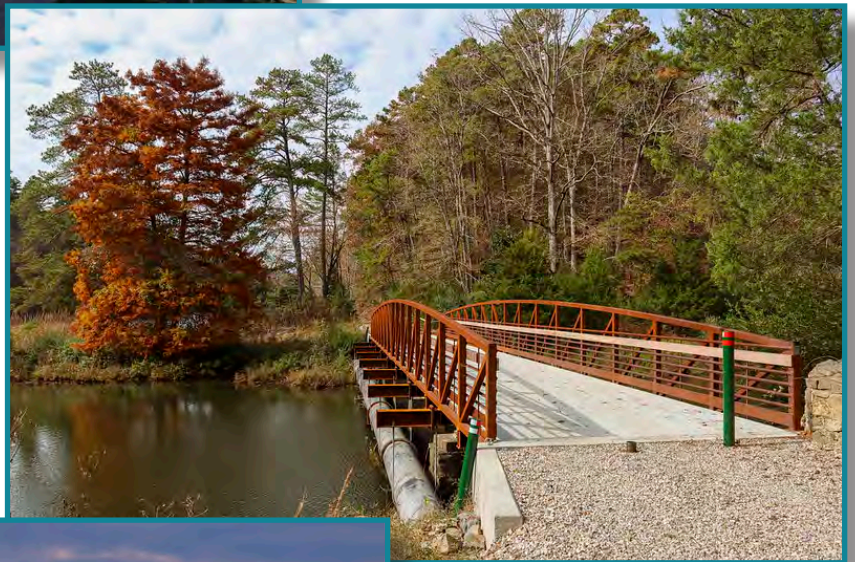
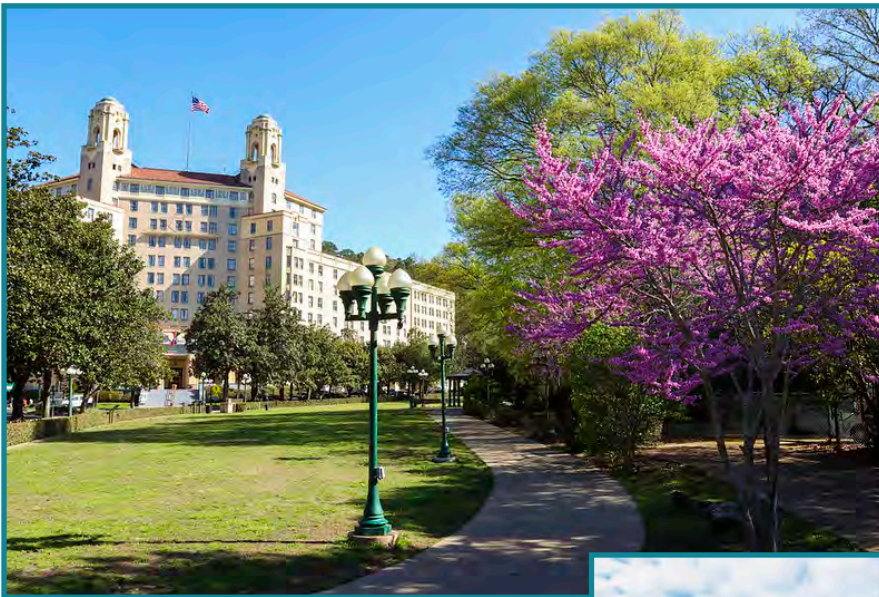


# INTRODUCTORY SECTION

---

# *WELCOME TO HOT SPRINGS, ARKANSAS*

---



City of Hot Springs  
Finance Department



Post Office Box 6300  
Hot Springs National Park

June 26, 2021

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, 2020.

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.

JWCK, Ltd., certified public accountants, issued an unmodified opinion on the City of Hot Springs' financial statements for the year ended December 31, 2020. 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 39,111. 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 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. 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, Street Fund, Jail Maintenance Tax Fund. The Communications System Fund's budget-to-actual reports are located in the combining statement section.

## **Economic Conditions and Outlook**

Economic conditions and outlooks worldwide have been overshadowed by what is known as the COVID-19 or coronavirus pandemic. This pandemic created a worldwide disruption that had not been previously seen in this century. Per Wikipedia, “the pandemic has resulted in significant global social and economic disruption, including the largest global recession since the Great Depression. It has led to widespread supply shortages, exacerbated by panic buying, agricultural disruption and food shortages, and decreased emissions of pollutants and greenhouse gases. Many events have been cancelled or postponed. ”In a economy that thrives on tourism, the impact has been substantial. However, while there have been losses in some areas, Hot Springs has continued to rise above these challenges and is poised for growth when things return to pre-pandemic conditions.

Over the last few months, vaccinations have been rolled out and cases are declining. This economic conditions and outlook has been written with an optimistic outlook that the end is in sight.

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.

Hot Springs National Park is located in the heart of the City of Hot Springs. This area first became a United States territory in 1803 as part of the Louisiana Purchase. It quickly became a popular settlement due to the springs’ potential as a health resort. In April, 1832 it was set aside as a federal reservation, making Hot Springs National Park the oldest preservation in the nation. This Park is still in existence today and is a valuable part of the Hot Springs’ economy. The park includes several historic bathhouses, walking trails, scenic mountain roads and thermal pools. 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.

Hot Springs is surrounded by an abundance of natural resources. There are three lakes, 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 is becoming established as a premier mountain bike destination. It is home to a versatile mountain bike trail system with offerings for riders of all ages, style, and skill levels. It has three International Mountain Bicycling Association (IMBA) Epic Rides within an hour drive from downtown and was designated as an IMBA Bronze-level Ride Center in 2015. In 2018, 15.7 miles of mountain bike trails were completed on a 2000-acre city-owned land located in the northern section of Hot Springs which is called the Northwoods Trail System. The Northwoods is connected to an already existing trail system in the neighboring county park, Cedar Glades Park. Cedar Glades includes 10 miles of cross country mountain bike trails that were recently improved by the IMBA Trails Solutions team. In late November of 2019, the National Park System published a new regulation allowing the park superintendent to permit bicycles on a 0.65-mile trail connection within the park. This connection was completed in 2020 and will increase accessibility of the trails from neighboring communities and the downtown area. The Northwoods project is ongoing, with financial support from the Walton Family Foundation, and will be a 44 plus mile system of trails when it is completed (<https://www.singletracks.com/mtb-trails/northwoods-trails-system/> ).

The Hot Springs Greenway Trail opened in 1998. It originates downtown and runs south alongside Hot Springs Creek and will eventually connect to Lake Hamilton. The trail has been largely funded by state grants. Currently there is approximately two and a half miles of trail completed, and when finalized it will

be about four miles in length with connections into the adjoining neighborhoods all along the multi-use pathway. This trail is used extensively for transportation and recreation. It is in a beautiful natural setting with many art elements along the way. Hot Springs is also a thriving arts community. The Hot Springs Area Cultural Alliance ([www.hotspringsarts.org](http://www.hotspringsarts.org)) is a nonprofit organization whose mission is to celebrate, advocate, and promote the arts in Hot Springs. There are numerous art galleries as well as several events including the Hot Springs Music Festival, Hot Springs Documentary Film Festival, Hot Springs Blues and Jazz Fest, Valley of the Vapors Independent Music Festival, Arts and the Park and the monthly Gallery Walk on Friday night.

Other major attractions include a botanical garden, a water and amusement park, a gangster museum, an alligator farm and petting zoo, a science museum, a magic show, a wax museum, and a mountain tower.

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

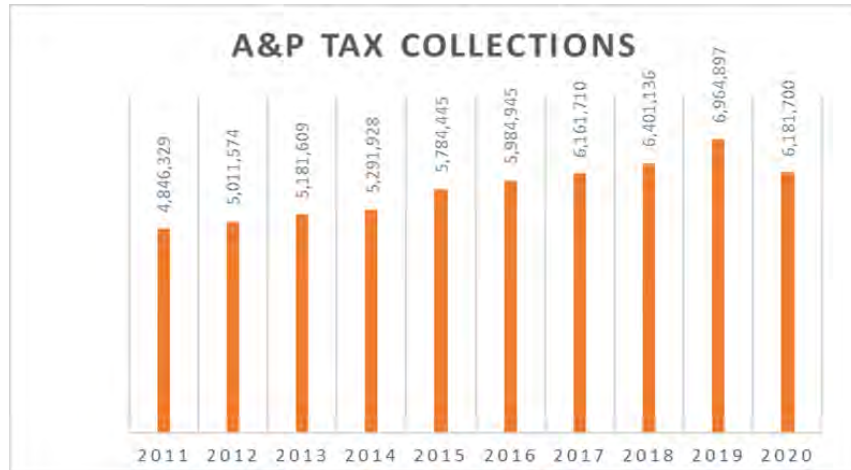
Hot Springs has an active growing night life. Over the past years, several new premium restaurants have been added to augment the other long standing restaurants. Microbreweries have become more popular across the United States and Hot Springs is no exception, with two located downtown, as well as a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

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

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

Approximately 39,111 residents live within the city limits per the World Population Review. Hot Springs is the county seat for Garland County, which has a total population of over 100,226. 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 promotion of Hot Springs is accomplished thru an advertising and promotion commission (A&P). It is funded by a 3% tax on restaurants, motels, and hotels. Its responsibilities include promoting Hot Springs and managing the Convention Center and Mid-America Science Museum ([www.hotsprings.org](http://www.hotsprings.org)). This tax provides an excellent barometer of the economic impact of visitors on the community.



As shown on the chart, this tax has steadily increased over the past few years, but the impact of the 2020 pandemic is very evident with a negative growth rate of 11.24% for 2020. Actual results through May 2021 indicate growth back at normal levels.

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 law 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 construction of these facilities provided around 2,300 construction jobs and the completed project will add about 400 permanent jobs.

As a result of the new laws passed in 2018 regarding casinos, the distribution of tax revenues from it was changed, providing a much larger distribution to the municipality and the county where the casino is located. This became effective in July, 2019 and as a result, Hot Springs revenue from Oaklawn has increased significantly. During the first six months of 2019, our revenue was \$1.2 million. During the last six months of 2019, our revenue was \$1.9 million, an increase of around 54%. This growth was interrupted in 2020 by the pandemic and revenue declined by 12.1 % compared to 2019. With the opening of the hotel and event center, it is anticipated that 2021 revenue will show positive growth once again. Actual results through May 2021 have confirmed this.



Currently 56% of the funding for the City of Hot Springs’ general government 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 2020, the City collected approximately \$22.4 million from this combined tax. The tax increased 4.29% in 2016, .02% in 2017, 1.47% in 2018, 7% in 2019, and 4.91% in 2020. A conservative 2% increase has been projected for 2021 due to the uncertainty at the time of forecast. Because of tourism, the tax burden has been borne by sales tax and the City does not levy a property tax. While this is a positive for residents, it makes this major income source more volatile and sensitive to economic shifts. Tourism spending is discretionary spending. However, sometimes economic downturns mean that tourists choose to go to smaller places and not travel as much, and this can result in a positive, or neutral impact on the local economy. For the last 21 years, sales tax increased every year, except for 2009 (the end of the Great Recession) when it declined by 2.4%. It is interesting to note that sales tax increased in 2007 and 2008, the first two years of the Great Recession.

The 2018 United States Supreme Court ruling in South Dakota V. Wayfair paved the way for states to enforce collection of sales tax on certain 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 pandemic.

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.

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:

	2016	2017	2018	2019	2020
New Business Opened	25	41	21	30	10
Commercial Properties Sold in Downtown	20	30	16	15	8
Value of Commercial Properties Sold	\$15.66M	\$9M	\$8M	\$12M	\$3M
Downtown Investment	\$19.3M	\$23M	\$12M	\$14.5M	\$3.85M

In addition to downtown development, there is major development in other areas of the City. The following is a comparison of 2018, 2019, and 2020 commercial construction permits:

	2018		2019		2020	
	# of Permits	Valuation	# of Permits	Valuation	# of Permits	Valuation
New Commercial	20	\$ 52,270,458	35	\$ 139,460,035	30	\$ 56,621,656
Existing Commercial	251	\$ 26,460,072	300	\$ 15,318,442	178	\$ 11,573,452
Total		\$ 78,730,530		\$ 154,778,477		\$ 68,195,108

Part of the 2019 new commercial was the \$105 million Oaklawn permit. In addition to the new hotel being constructed at Oaklawn, a Microtel by Wyndham Hotels was completed in 2020 and other hotels are doing major renovations.

There are several other developments that will greatly enhance our tourism offerings. The first one is the Majestic Park Baseball Complex. In 2019, voters approved a bond issue of \$7.875 million to build new ball fields. These ball fields will be built on the site called Majestic Fields where the Boston Red Sox practiced in the early 1900’s. The new complex will host league play for multiple age groups during the week and will play host to tournament play on the weekends, bringing in players from other regions. The complex will be state of the art, with five fields with artificial turf, covered grandstands, concession stands, and bathroom facilities. These types of facilities are a proven economic boost, bringing players and their fans into the City to stay in our hotels, eat in our restaurants, and enjoy Arkansas’ most popular city. The ballfields will be completed in early 2022.

The second one is the development of a large site downtown known as the Majestic Hotel site. At one time the Majestic Hotel stood in that site, but was destroyed by fire in 2014. The City purchased the property, demolished all the buildings, and worked with the State to remediate the property. A considerable amount of site analysis and marketing has occurred and it is hopeful that a sound economic project will be developed soon.

Economic development outreach for the City and Garland County is accomplished through the Metro Partnership, a division of the Chamber of Commerce. In 2020, there were 23 active economic development projects. The Metro Partnership is also very active in retention and growth efforts of our existing industries and were instrumental in adding a total of 44 new jobs to local companies plus around \$8.5 million in new investment during 2020.

**Infrastructure**

The City provides water, wastewater, solid waste, and stormwater services to all residents, and water and wastewater services to some non-city residents. The number of accounts is projected to grow by about 1% a year. Traditionally, population growth is an indicator of growth in utilities, but in a town where tourism is the main industry, population growth does not tell the whole story. Since water and wastewater services are weather-sensitive, comparing consumption from one year to the next is not a true indicator. In years of very hot weather, the City has experienced periods of consumption that were close to capacity. Due to this, the City began to explore an alternate water source several years ago. After several years of negotiations with the Corps of Engineers, the Arkansas Department of Health, and Entergy, an agreement was signed in 2017 securing Lake Ouachita as a future water source that will meet projected water demands through the year 2060. This puts the City in a very advantageous position for future growth of

residents, tourism, and other industries. A comprehensive Water System Master Plan was completed in 2018 which is a guiding factor for future development of the water system.

The Board's top 2021 priority is to continue to implement the new water supply. There are four parts to this project: intake structure, raw water lines, water plant, and finished water lines. A lot of progress was made in 2020. We issued \$100 million in bonds to fund the project, continued project engineering and began issuing contracts. Progress will be made on all of these parts in 2021.

The City has invested several million dollars in its Wastewater collection system over the past few years and issued \$18 million in funds in 2020 for more improvements. We have also invested several million in our Stormwater system, continuing to protect the waters that flow into our lakes. The Solid Waste system provides excellent collection and recycling services to residents and businesses and has a solid capital replacement plan. All of the utility services are offered at affordable rates and the Board has shown solid support in keeping these utilities viable and sustainable. Each year, rates are reviewed to make sure we are meeting debt coverage ratios as well as providing funding for operations.

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

Over the past five years, the Arkansas Department of Transportation has widened and improved every major highway artery coming into Hot Springs. Most of these projects have been completed but those under construction should be completed in 2021. Each of these projects required the City to relocate utilities, so the City has invested several million in water and wastewater line improvements relative to these projects.

A key factor in economic development for all cities is the presence of high speed broadband. Ritter Communication has now completed a 100% fiber connection that is available to most commercial businesses in the City and is expanding into other areas of our county. In addition, WEHCO media has announced that they will be spending \$7 million to provide residential broadband. With these additions, we are poised to recruit a much wider array of businesses to our community .

### **Planning**

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

Many cities are able to provide projections on their local sales tax revenue based on their knowledge of

local business and economic trends. Cities in Arkansas are handicapped by the inability to obtain individual sales tax data by business. Sales tax information by sector is available, but the data is virtually useless, as any sector that has less than three businesses is lumped into a special sector that contains numerous business types.

### **City Management**

Senior City management includes the City Manager, two Deputy City Managers, City Attorney, Finance Director, and Human Resources Director. The City Manager has been in that position since January 1, 2019, but previously served in other City positions since 2002. The combined total of experience for all senior management is 109 years. Twelve out of 14 department heads have been with the City over five years. With an experienced team, the city is well positioned to meet the challenges of 2021.

### **Challenges**

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

### **Summary**

Our goal is to continually improve the tourism experience and the quality of place for our citizens. This report has attempted to list many of the different plans that are either currently being implemented, or will be implemented in the near future, but it is not all inclusive. The City Manager's State of the City (SOTC) report serves as a useful complement to a discussion on economic conditions and outlook in Hot Springs and readers are encouraged to read it ([www.cityhs.net/sotc](http://www.cityhs.net/sotc)). 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, 2019. The Certificate is a prestigious, continental award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized, annual comprehensive financial report (ACFR), the contents of which conform to program standards. Such ACFR must satisfy generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for one year. The City has received a Certificate of Achievement for twenty-seven consecutive years (fiscal years ended December 31, 1993 through 2019). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA. The preparation of the annual comprehensive financial report is a team effort of the City's Finance Department and management team. Credit must also be given to the Mayor, Board of Directors and other City staff for their unfailing support for maintaining the highest standards of integrity and professionalism in the management of the City of Hot Springs' finances.

Respectfully submitted,



Bill Burrough, City Manager



Dorethea N. Yates, Finance Director

# *DOWNTOWN HOT SPRINGS, ARKANSAS*

---





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Hot Springs  
Arkansas**

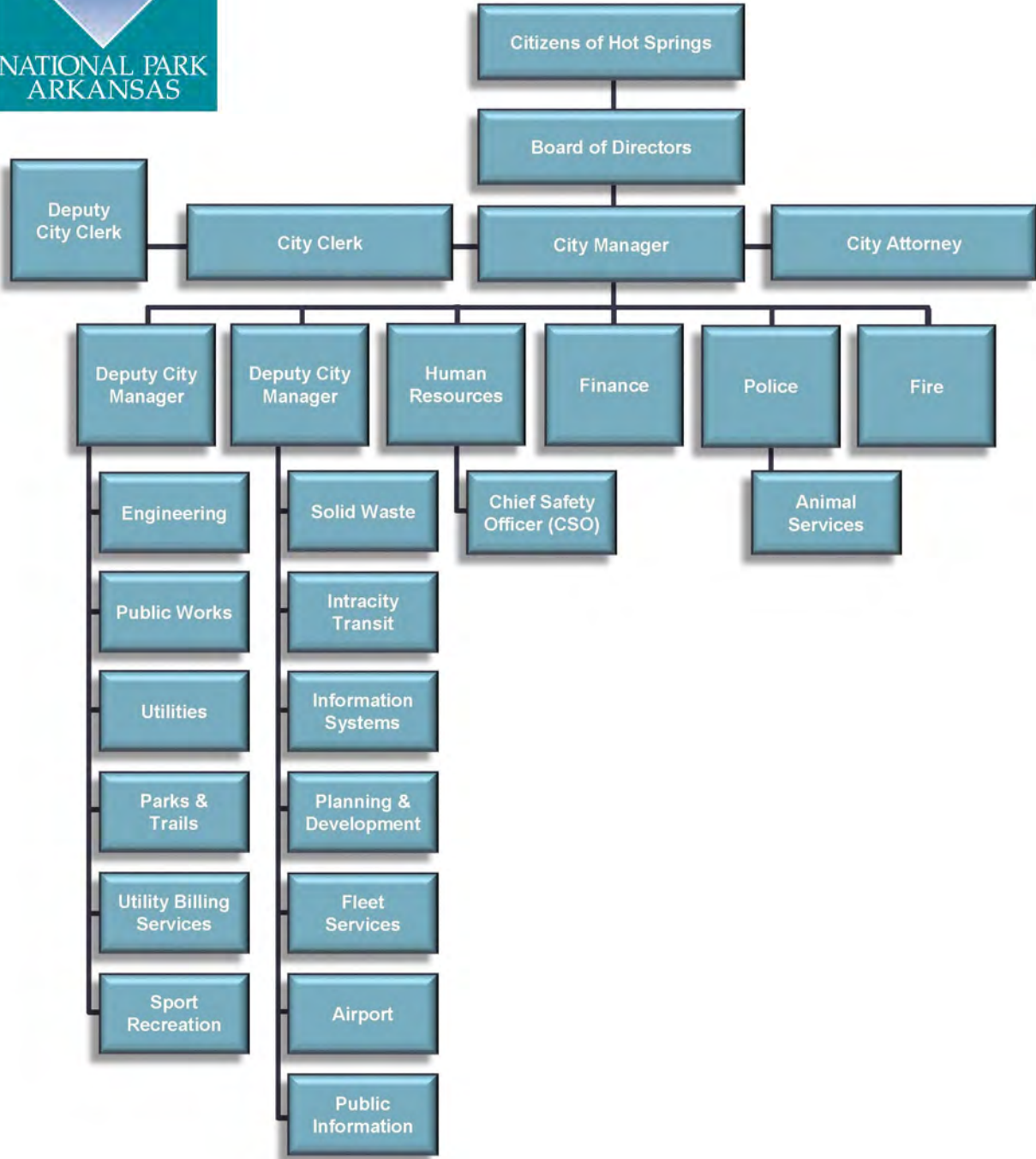
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morill*

Executive Director/CEO

# ORGANIZATIONAL CHART



# ELECTED OFFICIALS

## Board of Directors



Mayor  
Pat McCabe



District 1  
Erin Holliday



District 2  
Elaine Jones



District 3  
Becca Clark



District 4  
Carroll Weatherford



District 5  
Karen Garcia



District 6  
Randy Fale

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

# APPOINTED OFFICIALS

---

City Manager.....	Bill Burrough
City Attorney .....	Brian Albright
Deputy City Manager.....	Lance Spicer
Deputy City Manager.....	Kevin Brownlee
City Clerk.....	Harmony Morrissey
Human Resources Director.....	Minnie Lenox
Finance Director/Treasurer.....	Dorethea Yates
Police Chief.....	Jason Stachey
Fire Chief.....	Ed Davis
City Engineer .....	Gary Carnahan
Public Works Director .....	Denny McPhate
Utilities Director .....	Monty Ledbetter
Parks and Trails Director .....	Anthony Whittington
Solid Waste Director.....	Randy Atkinson
Utility Billing Services Director.....	Randy Outler
Information Systems Director .....	Jeff Winter
Planning and Development Director .....	Kathy Sellman
Fleet Services Director .....	Greg Speas
Airport Director .....	Glen Barentine
Public Information Director .....	Aaron Street

*{This page intentionally left blank}*

# FINANCIAL SECTION

---

# CORNERSTONE WATER TANK

---



### *Independent Auditor's Report*

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Hot Springs, Arkansas' basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Hot Springs Advertising and Promotion Commission, which represent 11.9 percent, 36.6 percent, and 9.5 percent, respectively, of the assets, net position and revenues of the primary government. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of budgetary comparison information, schedule of changes in OPEB liability, changes in net pension liability and related ratios and the city's contributions on pages 7-24 and 107-120 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hot Springs, Arkansas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, statistical section, the Schedule of Expenditures of State Awards and the Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedules of Federal and State Awards are the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the combining and individual nonmajor fund financial statements and the Schedules of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2021 on our consideration of the City of Hot Springs, Arkansas' 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 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 of Hot Springs, Arkansas' internal control over financial reporting and compliance.

*JWCK, Ltd*

Certified Public Accountants

July 19, 2021

*{This page intentionally left blank}*

---

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

---

As management of the City of Hot Springs, we offer readers of the City of Hot Springs financial statements this narrative overview and analysis of the financial activities of the City of Hot Springs for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented in conjunction with the additional information that we furnished in our letter of transmittal, which can be found on pages iii - xii of this report.

**Financial Highlights**

- The City's assets of \$493,007,282 and deferred outflows of \$19,802,788 exceeded its liabilities of \$358,772,451 and deferred inflows of \$2,840,931 by \$151,196,688. This is the City's net position balance. This is an increase of \$7,251,182 from the prior year amount.
- The net position of the governmental activities increased by \$529,979.
- The net position of the business-type activities increased by \$6,721,203.
- The City's total assets include \$281,013,475 invested in capital assets.
- As of December 31, 2020, the City of Hot Springs governmental funds reported combined ending fund balances of \$24,282,656, an increase of \$1,480,524 over 2019. Approximately 39% of this amount, \$9,576,455 is available for spending at the City's discretion (unassigned fund balance).
- At the end of 2020, the unassigned fund balance for the General Fund was \$9,576,455 or 88% of total General Fund expenditures.
- A comparison of total liabilities for 2020 and 2019, as stated on the statement of net position, shows an increase of \$127,892,131. This was due to increases in net pension liability and long term debt.
- The City's component unit had a net position of \$55,256,144 as of December 31, 2020. This was a increase of \$961,139 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 2020. 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 27 through 29 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 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Police Fund, Fire Fund, Street Fund, Jail Maintenance Tax Fund, and Communication System Fund all of which are considered to be major funds. Although the Jail Maintenance Fund and the Communication System Fund do not meet the criteria for a major fund, the City chooses to present them as major funds due to their high visibility to taxpayers. Data from the other 11 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 124 through 129.

The basic governmental fund financial statements are on pages 30 through 32 of this report.

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

All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere on pages 133 - 136 of this report. The basic proprietary fund financial statements are on pages 34 through 38 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 statement is on pages 39 and 40 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 43 through 103 of this report.

**Government-Wide Overall Financial Analysis**

**City of Hot Springs Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>						
Current and other assets	\$ 32,078,117	\$ 29,970,385	\$ 179,915,690	\$ 58,078,512	\$ 211,993,807	\$ 88,048,897
Capital assets	32,413,753	29,737,324	248,599,722	239,460,870	281,013,475	269,198,194
<b>Total Assets</b>	<b>64,491,870</b>	<b>59,707,709</b>	<b>428,515,412</b>	<b>297,539,382</b>	<b>493,007,282</b>	<b>357,247,091</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,553,543</b>	<b>15,848,017</b>	<b>9,249,245</b>	<b>3,729,109</b>	<b>19,802,788</b>	<b>19,577,126</b>
<b>LIABILITIES</b>						
Other liabilities	4,489,475	4,687,681	6,861,459	5,738,189	11,350,934	10,425,870
Long-term liabilities	89,027,032	91,188,373	258,394,485	129,266,077	347,421,517	220,454,450
<b>Total Liabilities</b>	<b>93,516,507</b>	<b>95,876,054</b>	<b>265,255,944</b>	<b>135,004,266</b>	<b>358,772,451</b>	<b>230,880,320</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,466,291</b>	<b>1,147,036</b>	<b>374,640</b>	<b>851,355</b>	<b>2,840,931</b>	<b>1,998,391</b>
<b>NET POSITION</b>						
Net investment in capital assets	25,664,017	25,859,196	143,918,735	141,989,256	169,582,752	167,848,452
Restricted	8,551,048	2,928,302	12,070,481	10,574,138	20,621,529	13,502,440
Unrestricted	(55,152,450)	(50,254,862)	16,144,857	12,849,476	(39,007,593)	(37,405,386)
<b>Total Net Position</b>	<b>\$ (20,937,385)</b>	<b>\$ (21,467,364)</b>	<b>\$ 172,134,073</b>	<b>\$ 165,412,870</b>	<b>\$ 151,196,688</b>	<b>\$ 143,945,506</b>

**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.

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 exceeded liabilities by \$151,196,688 as of December 31, 2020.

The City's net investment in capital assets as of December 31, 2020 was \$169,582,752. In addition, there was \$3,400,020 restricted for debt service, \$8,941,142 restricted for capital improvements, \$3,851,240 restricted for public safety mandates, and \$4,429,127 restricted for public works, community development, transportation, and park projects. This left a remaining negative unrestricted net position of \$39,007,593.

The next table shows the changes in net position at year end and revenue and expense comparisons to 2019.

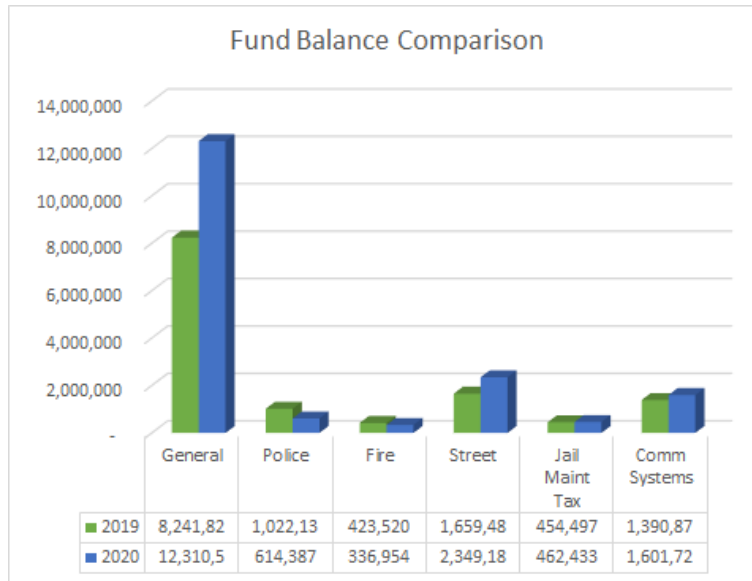
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 7,966,328	\$ 6,965,682	\$ 47,374,658	\$ 46,095,841	\$ 55,340,986	\$ 53,061,523
Operating Grants and Contributions	10,072,057	6,561,456	2,036,184	64,611	12,108,241	6,626,067
Capital Grants and Contributions	424,380	643,801	4,746,689	3,596,792	5,171,069	4,240,593
General revenues:						
Sales tax	22,440,961	21,389,832	42,101	50,539	22,483,062	21,440,371
Franchise tax	2,809,977	2,655,154			2,809,977	2,655,154
Property tax	25,836	(38,521)			25,836	(38,521)
Other taxes	725,023	956,108			725,023	956,108
Grants not restricted to specific programs	5,437,120	5,888,876			5,437,120	5,888,876
Investment income	321,347	436,098	920,364	1,397,186	1,241,711	1,833,284
<b>Total revenues</b>	<b>50,223,029</b>	<b>45,458,486</b>	<b>55,119,996</b>	<b>51,204,969</b>	<b>105,343,025</b>	<b>96,663,455</b>
<b>Expenses</b>						
General government	4,290,201	3,956,742			4,290,201	3,956,742
Community development	1,785,908	1,886,664			1,785,908	1,886,664
Parks, trails and recreation	2,148,593	2,060,624			2,148,593	2,060,624
Public safety	31,782,167	29,051,896			31,782,167	29,051,896
Public transportation	1,728,551	1,651,744			1,728,551	1,651,744
Public works	6,040,283	6,239,175			6,040,283	6,239,175
Interest on long-term debt	375,768	126,449			375,768	126,449
Water			15,813,655	13,929,644	15,813,655	13,929,644
Wastewater			19,251,841	17,716,699	19,251,841	17,716,699
Solid waste			8,585,748	8,218,751	8,585,748	8,218,751
Airport			3,599,073	3,821,045	3,599,073	3,821,045
Stormwater			890,918	904,872	890,918	904,872
Parking			266,394	263,963	266,394	263,963
<b>Total expenses</b>	<b>48,151,471</b>	<b>44,973,294</b>	<b>48,407,629</b>	<b>44,854,974</b>	<b>96,559,100</b>	<b>89,828,268</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>2,071,558</b>	<b>485,192</b>	<b>6,712,367</b>	<b>6,349,995</b>	<b>8,783,925</b>	<b>6,835,187</b>
<b>Other Financing Sources</b>						
Transfers in		30,822	8,836		8,836	30,822
Transfers out	(1,541,579)			(30,822)	(1,541,579)	(30,822)
<b>Total other financing sources</b>	<b>(1,541,579)</b>	<b>30,822</b>	<b>8,836</b>	<b>(30,822)</b>	<b>(1,532,743)</b>	<b>-</b>
<b>Change in net position</b>	<b>529,979</b>	<b>516,014</b>	<b>6,721,203</b>	<b>6,319,173</b>	<b>7,251,182</b>	<b>6,835,187</b>
<b>Net position - beginning of year</b>	<b>(21,467,364)</b>	<b>(21,983,378)</b>	<b>165,412,870</b>	<b>159,093,697</b>	<b>143,945,506</b>	<b>137,110,319</b>
<b>Net position - end of year</b>	<b>\$ (20,937,385)</b>	<b>\$ (21,467,364)</b>	<b>\$ 172,134,073</b>	<b>\$ 165,412,870</b>	<b>\$ 151,196,688</b>	<b>\$ 143,945,506</b>

**Governmental activities**

The net position of the governmental activities was a negative \$21,467,364 as of December 31, 2019. In 2020, governmental activities resulted in a increase in net position of \$529,979. The ending net position in governmental activities as of December 31, 2020 is a negative \$20,937,385.

The City has six major governmental funds: General Fund, Police Fund, Fire Fund, Street Fund, Jail Maintenance Tax Fund, and Communication Systems Fund.

The chart below presents the change in fund balances for the governmental funds:



**General Fund:** The original budget for the General Fund reflected a reduction in fund balance of \$789,378. Reappropriations and various amendments increased the budgeted reduction to \$2,083,329. The actual results produced a positive variance of \$6,152,087.

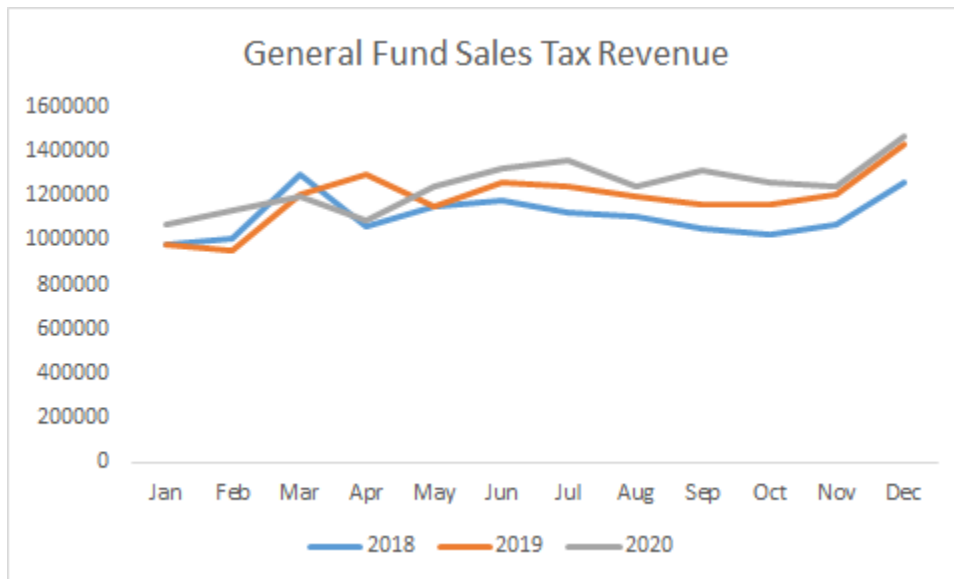
The General Fund fund balance increased \$4,068,758 in 2020, reflecting a 49% increase in fund balance. The ending fund balance as of December 31, 2020 was \$12,310,582.

Typically General Fund is budgeted for revenues and expenses to balance or a small deficit is budgeted which is balanced with fund balance. With COVID-19 overshadowing the City, a large increase in fund balance was certainly not expected at the beginning of the year. The following discussion will focus on the variances as well as the underlying reasons why revenue and expense actual came in at those levels.

The following chart provides detail on the revenue sources for the General Fund:

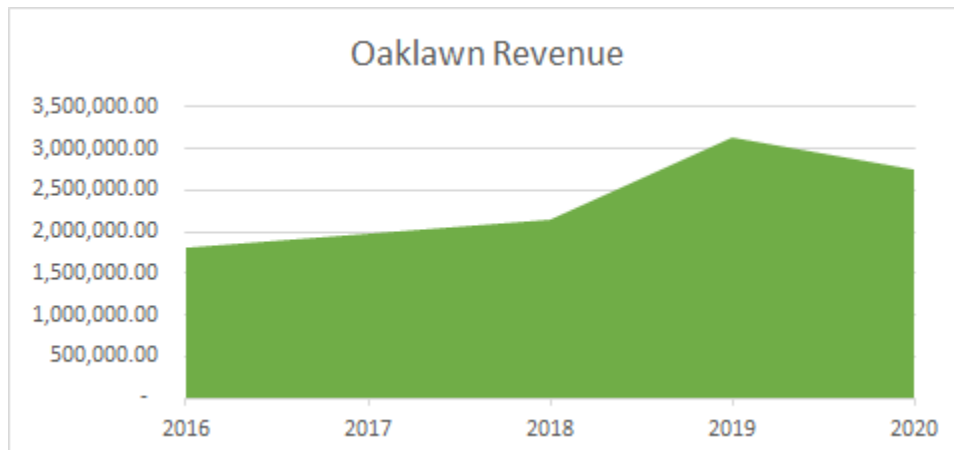
	Final Budget	Actual	Actual as % of subtotal	Variance
<b>Revenues</b>				
Sales taxes	\$ 14,070,359	\$ 14,960,641	55%	\$ 890,282
Fees and permits	3,932,700	4,147,800	15%	215,100
Charges for services	2,467,982	2,403,801	9%	(64,181)
Oaklawn racing and gaming	4,545,000	2,978,898	11%	(1,566,102)
Alcohol revenues	885,000	725,023	3%	(159,977)
Intergovernmental	908,280	850,660	3%	(57,620)
Fines	586,750	621,325	2%	34,575
Other	443,770	641,492	2%	197,722
Subtotal	27,839,841	27,329,640		
Issuance of debt	625,500	625,500		-
Transfers in	75,750			(75,750)
Total	28,541,091	27,955,140		(585,951)

The City has a 1% general fund sales tax that is 55% of the 2020 General Fund revenue (net of issuance of debt). The year-over-year increase was 1.47% in 2018, 7.07% in 2019, and 4.91% in 2020. A conservative growth rate of 2.5% was used for the 2020 budget, so the actual increase added \$890,282 to the fund balance. With the COVID-19 pandemic in full swing, the City was very concerned at first about sales tax revenues, since all tourist type activities were suspended. It is the consensus of Arkansas finance directors that the change to mandatory tax collections on internet sales “saved the day.” If it had been a normal year, there would have been an even higher increase in sales taxes. The following chart shows the growth in sales tax over the past 3 years:



The other major revenue driver was Oaklawn racing and gaming, which came in at about \$1.6 million below budget. The pandemic completely shut the casino down for one month, and most of the remaining months were limited capacity. In addition, the thoroughbred horse races were conducted without spectators.

Effective July, 2019, the City began receiving a higher allocation of Oaklawn’s casino earnings. The majority of the reserve represents a set aside for a “rainy day” fund that was to be funded by the additional Oaklawn revenues that were expected in 2020. Due to the pandemic, revenues did not increase as anticipated, so only a very small portion of this reserve was funded. The following chart gives historical and current information on Oaklawn’s revenues:



The impact of COVID-19 is also apparent in the reduction of alcohol revenues. These revenues are a tax on the sale of mixed drinks. With some restaurants closed or only doing takeout, mixed drinks sales were much lower than normal. State turnback, an intergovernmental revenue, was slightly reduced by the state as they braced for the impact of COVID-19. An unexpected positive impact of the pandemic was more construction as residents took that time to do home improvement projects. This provided some added income for building related permits.

Other major sources of revenue for the general fund include franchise fees and charges for services. Each of these came in close to budget.

*Expenditures* – The following chart provides detail on the General Fund’s 2020 expenditures:

	Final Budget	Actual	Actual as % of total	Variance
<b>Expenses</b>				
Personnel	6,556,992	6,491,318	27%	65,674
Services	2,362,240	1,817,295	8%	544,945
Supplies	774,355	611,176	3%	163,179
Intergovernmental	77,606	74,223	0%	3,383
Reserves	1,690,313	-	0%	1,690,313
Debt service	620,117	619,023	3%	1,094
Capital	1,503,035	1,295,921	5%	207,114
Transfers out	17,039,762	12,977,426	54%	4,062,336
Total	30,624,420	23,886,382		6,738,038
Net change in fund balance	\$ (2,083,329)	\$ 4,068,758		\$ 6,152,087

Unanticipated changes in expenditures account for the majority of the change in fund balance. With the pandemic, many scheduled activities did not take place. Travel and training were curtailed. In some cases, planned repairs were deferred. However, the greatest impact on fund balance was the reduction in transfers to other funds. The majority of general fund expenditures (54%) gets transferred to other funds (Police, Fire, Street, Intracity Transit, District Court, and Parking). Both the Police Fund and the Intracity Transit Fund received grant money from the Cares Act. The police fund received \$1.5 million that was used to pay personnel costs. The Intracity Transit Fund received \$1,222,130. In both cases, this replaced the need for some of the transfer from General Fund and improved General Fund’s fund balance significantly. In addition, Police and Fire received additional funds from the County and the State that further reduced their need for General Fund funding. Capital spending came in \$207,000 below budget but that was due to capital which had been ordered but not yet received.

**Police Fund:** The fund balance for the Police Fund at December 31, 2020 was \$614,387, reflecting a \$407,746 decrease in 2020. The revenue and expenditure variances are detailed as follows:

- Sales taxes were up \$406,179 over the budget. As mentioned in the General Fund discussion, this was due to an overly conservative estimate and the impact of newly implemented online sales taxes.
- Intergovernmental revenues were \$517,965 over budget. This was due to an increase in insurance premium revenue from the State of Arkansas, and increased revenues from the county for 911 fees.
- Personal expenses were \$1,705,390 below budget. This was due to \$1.5 million in police salaries being paid by a CARES grants and vacant positions.
- Services and supplies were approximately \$337,000 below budget. This was mainly due to a moratorium on travel and training and deferral of some repairs.

- Transfers in were approximately \$2.9 million less than budgeted. Transfers in come from the General Fund to balance out the Police Fund. Since the Police Fund had more revenue and less expenditures, this would automatically be less.

**Fire Fund:** The fund balance for the Fire Fund at December 31, 2020 was \$336,954, reflecting a \$86,566 decrease in 2020. The revenue and expenditure variances are detailed as follows:

- Sales taxes were up \$178,056 over the budget. As mentioned in the General Fund discussion, this was due to an overly conservative estimate and the impact of newly implemented online sales taxes.
- Intergovernmental revenues were \$148,122 over budget. This was due to an increase in insurance premium revenue from the State of Arkansas.
- Services and supplies were approximately \$368,000 below budget. This was mainly due to a moratorium on travel and training and deferral of some repairs.
- Transfers in were approximately \$329,000 less than budgeted. Transfers in come from the General Fund to balance out the Fire Fund. Since the Fire Fund had more revenue and less expenditures, this would automatically be less.

**Street Fund:** The fund balance for the Street Fund at December 31, 2020 was \$2,349,180, reflecting an increase of \$689,699 over 2019. The revenue and expenditure variances are detailed as follows:

- Intergovernmental revenues were \$853,859 over the budget. The main sources of revenue for the Street Fund are state turnback and transfers from the General Fund. Another source of revenue for 2020 was a source called Pave it Forward funds. Pave it Forward funds were created by a 5/8% sales tax and subsequent bond issue that Garland County approved back in 2017. An interlocal agreement with the County provided a \$7,330,000 fund to the City to be used for defined general road improvements. In 2020, the City used \$873,358 of that fund for street repaving. Those funds were not in the budget.
- Service expenditures came in \$493,637 under budget. The majority of that was street repaving that was budgeted but not completed in 2020.
- Transfers out were approximately \$346,000 less than budgeted. The majority of the transfers out are for grant matches. Grant matches must be set aside when the grant is applied for and so it is not uncommon for these funds not to be spent in the year they are budgeted. The City has applied for a number of grants which have not yet been awarded.

**Jail Maintenance Tax Fund:** This fund is used to account for the City's share of a 3/8 cent sales tax levied by the county. The revenue is paid to Garland County for the expense of housing City prisoners; approximately \$3.2 million was paid for this service in 2020. The fund balance in this fund as of December 31, 2020 is \$462,433, reflecting an increase of \$7,936 over 2019.

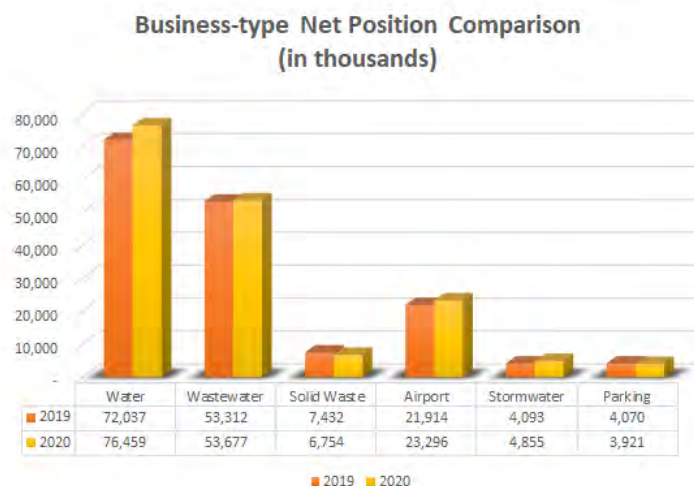
**Communication System Fund:** In 2016, the City levied 2.6 mills of property tax to fund the cost of a new communication system and a remodel of the 911 office space. The levy was for two years. The communication system is funded by both the general government and the water, wastewater, and solid waste utilities, as it will be used by all of the City. This fund just accounts for the property tax share of the cost. Prior to 2020, \$2.1 million was spent. In 2020, approximately \$325,000 was spent. An additional \$510,000 was transferred in 2020 from Police and Fire to pay for expenditures planned for 2021. The project was expected to be completed in 2020 but due to changes in the scope of the

project, it is still ongoing. As of December 31, 2020, the fund balance was \$1,601,726. The project will be completed in 2021 or early 2022 and the fund will be closed at that time.

**Business-type activities**

The net position for business-type activities increased by \$6,721,203 in 2020. The ending net position was \$172,134,073. Capital assets increased \$9,138,852 and long term liabilities increased \$129,128,408. The increase in capital assets was due to the spending of bond proceeds from debt that was issued in prior years. The increase in long term liabilities was mainly due to the issuance of \$100.45 million in debt in the Water Fund and \$56.66 million in the Wastewater Fund.

The following graph shows a comparison of 2019 and 2020 net position for the business-type funds.



**Water Fund:** The net position for the Water Fund increased by \$4,421,878 and was \$76,458,519 at the end of 2020. The Water Fund serves not only the citizens of Hot Springs, but also a large portion of Garland County. Over the past several years, major improvements have been made to the water treatment and distribution facilities. Based on growth estimates, one of the top priorities of the water fund has been to secure a stable water supply for the future. In 2017 the City reached an agreement with the U.S. Army Corps of Engineers that will allow the City to withdraw water from Lake Ouachita. For the past few years, we have been actively engaged in financial planning and engineering for this project. In 2018, \$20 million in bonds were issued and in 2020 another \$100 million in bonds were issued. The financing and engineering cover five elements of this project: 1) raw water lines; 2) finished water lines; 3) water intake and tunneling; 4) the water plant; and 5) additional water storage. In 2018, the Board of Directors approved a rate schedule that would ramp rates up over a period of four years in order to get them to a level necessary to support the new debt. The new rate structure moved the majority of the increase into the base rates in order to provide more stability and reduce volatility related to weather. The last scheduled major increase will be implemented in 2021. In subsequent years, the rate increase will be a maximum of 3% per year until a new schedule is adopted by the Board.

Water operating revenue increased by \$1.35 million over 2019. Of this amount 3.3% was due to volume increases and 5.3% was due to the rate increase. Employees received a 2% salary increase which accounted for a portion of the increase in salaries and benefits. The major increase in salaries and benefits was the increase in pension expense as calculated in accordance with generally accepted accounting principles. Services and supplies had a decrease in 2020 as travel and training were practically eliminated and some service expenses were deferred due to COVID-19. With the issuance

of over \$100 million in bonds, the bond costs increased over \$2 million. Another major change was the increase in capital contributions. Over the past couple of years, a number of highways in the water service area have been widened, requiring the need to relocate utilities. A portion of the cost of these new distribution assets was covered by Arkansas Department of Transportation. The following chart shows data for 2020 as compared to 2019:

	2020	2019	% Inc (Dec)	\$ Inc (Dec)
<b>Revenues</b>				
Water sales	\$ 17,096,451	\$ 15,746,103	8.58%	\$ 1,350,348
Other service fees	362,882	355,662	2.03%	7,220
Other	105,426	91,304	15.47%	14,122
Total revenues	17,564,759	16,193,069	8.47%	\$ 1,371,690
<b>Expenses</b>				
Salaries and benefits	2,798,566	2,589,633	8.07%	208,933
Services/Supplies	6,101,964	6,556,706	-6.94%	(454,742)
Depreciation	3,511,390	3,238,831	8.42%	272,559
Total Expenses	12,411,920	12,385,170	0.22%	26,750
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental		34,460	N/A	(34,460)
Investment related	524,063	877,600	-40.28%	(353,537)
Bond costs	(3,718,981)	(1,699,716)	118.80%	(2,019,265)
Total nonoperating	(3,194,918)	(787,656)	305.62%	(2,407,262)
Capital contributions	2,463,957	227,615	982.51%	2,236,342
Change in net position	\$ 4,421,878	\$ 3,247,858	36.15%	\$ 1,174,020

**Wastewater Fund:** The net position for the Wastewater Fund increased by \$364,594 over 2019. The ending net position was \$53,676,918. As with the Water Fund, the City also provides wastewater services to portions of Garland County. In order to comply with a consent order from the federal government, substantial improvements have been made to the system in order to reduce stormwater inflow and infiltration. Bond issuances were completed in 2009, 2013, and 2016. In 2017, bonds were issued to refund the 2009 issue and in 2020, bonds were issued to refund the 2013 issue. The 2020 bonds also included new money of \$18.615 million to fund betterments to the plant as well as collection system improvements. In 2013 a rate study was completed and rate increases were approved for each year through 2017, with a 3% per annum increase after that time. Wastewater billings are based on water usage volumes. Wastewater revenues increased over 2019 by \$593,326. This was a 3.56% increase, so most of it was from the 3% rate increase instead of a volume increase. Employees received a 2% salary increase which accounted for a portion of the increase in salaries and benefits. The major increase in salaries and benefits was the increase in pension expense as calculated in accordance with generally accepted accounting principles. Services and supplies increased 11.33% or \$730,076 over 2019. The major portion of this increase was building repairs to the Davidson plant office area and unanticipated expenses for replacing pumps and motors at lift

stations. With the issuance of the 2020 bonds, bond costs increased. As previously discussed relative to the Water Fund, the Wastewater Fund also had new collection assets that were partially funded by the Arkansas Department of Transportation. The following chart shows data for 2020 as compared to 2019:

	2020	2019	% Inc (Dec)	\$ Inc (Dec)
<b>Revenues</b>				
Wastewater sales	\$ 17,263,231	\$ 16,669,905	3.56%	\$ 593,326
Other service fees	451,268	420,295	7.37%	30,973
Other	48,852	20,499	138.31%	28,353
Total revenues	17,763,351	17,110,699	3.81%	\$ 652,652
<b>Expenses</b>				
Salaries and benefits	4,268,550	4,023,312	6.10%	245,238
Services/Supplies	7,174,541	6,444,465	11.33%	730,076
Depreciation	5,007,710	4,800,689	4.31%	207,021
Total Expenses	16,450,801	15,268,466	7.74%	1,182,335
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental		107,968	N/A	(107,968)
Investment related	309,132	389,867	-20.71%	(80,735)
Bond costs	(3,039,499)	(2,668,967)	13.88%	(370,532)
Total nonoperating	(2,730,367)	(2,171,132)	25.76%	(559,235)
Capital contributions	1,782,411	566,564	214.60%	1,215,847
Change in net position	\$ 364,594	\$ 237,665	53.41%	\$ 126,929

**Solid Waste Fund:** The net position for the Solid Waste Fund decreased by \$678,247 in 2020. The ending net position was \$6,753,962. A five-year financial plan is maintained with annual rate increases each year based on operational needs and a capital improvement plan to upgrade the fund's fleet and equipment. No rate increases were implemented in 2020. The results of the plan are monitored to assure that the fund continues to operate in a sound financial manner. In addition, a fuel adjustment rate adder was adopted to mitigate the impact of fuel increases since fuel is such a large factor in the cost of operations for this fund. This fuel adder was not collected in 2020, as the cost of fuel was lower than the trigger rate. The Solid Waste Fund was adversely impacted by COVID-19. With many businesses being closed for a portion of 2020, their solid waste services were suspended, resulting in reduced revenue for 2020. Late payment fees to customers were suspended also, resulting in reduced revenue in that area. Investment revenue was down also, due to spend down of balances. Due to reduced services, some expenses decreased but salaries and benefits increased due to several reasons: 1) a 2% cost of living increase, 2) pension expense increases as discussed previously, 3) all employees received a \$1,200 one-time payment in 2020 which increased Solid Waste salaries by over \$90,000, and 4) Solid Waste began picking up all recycle expenses (that had previously been paid by a local planning district) and that increased salaries and benefits by an additional \$147,000. Another major expense for the Solid Waste Fund was the loss of \$123,000 book

value by an asset that was impaired due to a wreck.

The following chart shows data for 2020 as compared to 2019:

	2020	2019	% Inc (Dec)	\$ Inc (Dec)
<b>Revenues</b>				
Solid waste fees	\$ 7,868,803	\$ 7,964,675	-1.20%	\$ (95,872)
Other service fees	80,250	132,143	-39.27%	(51,893)
Other	39,108	142,142	-72.49%	(103,034)
Total revenues	7,988,161	8,238,960	-3.04%	\$ (250,799)
<b>Expenses</b>				
Salaries and benefits	4,546,322	3,974,445	14.39%	571,877
Services/Supplies	3,093,431	3,476,784	-11.03%	(383,353)
Depreciation	945,995	945,122	0.09%	873
Total Expenses	8,585,748	8,396,351	2.26%	189,397
<b>Nonoperating revenues (expenses)</b>				
Investment related	31,844	70,213	-54.65%	(38,369)
Bond costs	(112,504)		N/A	(112,504)
Total nonoperating	(80,660)	70,213	-214.88%	(150,873)
Transfers out		(79,726)	N/A	79,726
Change in net position	\$ (678,247)	\$ (166,904)	306.37%	\$ (511,343)

**Airport Fund:** The net position for the Airport Fund increased by \$1,444,569 in 2020. The ending net position is \$23,358,245. A major expense for the Airport Fund is depreciation. Much of the depreciation is on grant-funded assets. The grant income is recorded in the year of receipt, but the depreciation is over the life of the asset. The Airport Fund continues to obtain federal and state grants for improvements to runways and facilities and received \$500,321 in 2020. The Airport is very economically viable and a major contributor to the local economy. Management is very proactive in improving the Airport image and recruiting new customers for both rentals and fuel sales.

The CARES Act of 2020 provided funding of \$2,012,528 to cover operating expenses at the airport. While the CARES grant provided over \$2 million in intergovernmental revenue, fewer capital grants were received in 2020, resulting in a net decrease in intergovernmental revenue. Another impact of COVID-19 was the reduction in air travel. This greatly reduced fuel sales at the airport, resulting in an almost \$500,000 reduction in fuel sales revenue as compared to 2019. The expense side was also impacted with service and supplies expense being \$418,000 less than 2019. Salaries and benefits increased over 2019 by 15.74% due to the following reasons: 1) a 2% cost of living increase, 2) pension expense increases as discussed previously, and 3) all employees received a \$1,200 one-time payment in 2020 which increased Airport salaries by over \$15,000.

The following chart shows data for 2020 as compared to 2019:

	2020	2019	% Inc (Dec)	\$ Inc (Dec)
<b>Revenues</b>				
Merchandise sales	\$ 1,204,246	\$ 1,700,663	-29.19%	\$ (496,417)
Parking and rental fees	1,220,711	1,214,851	0.48%	5,860
Other	83,820	74,896	11.92%	8,924
Total revenues	2,508,777	2,990,410	-16.11%	\$ (481,633)
<b>Expenses</b>				
Salaries and benefits	904,589	781,593	15.74%	122,996
Services/Supplies	1,636,930	2,055,287	-20.36%	(418,357)
Depreciation	1,057,554	1,015,053	4.19%	42,501
Total Expenses	3,599,073	3,851,933	-6.56%	(252,860)
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental	2,074,308	2,629,285	N/A	(554,977)
Investment related	22,016	12,775	72.34%	9,241
Total nonoperating	2,096,324	2,642,060	-20.66%	(545,736)
Capital contributions	438,541	35,000	1152.97%	403,541
Change in net position	\$ 1,444,569	\$ 1,815,537	-20.43%	\$ (370,968)

**Stormwater Fund:** The net position for the Stormwater Fund increased by \$761,637 in 2020. The ending net position is \$4,854,573. This increase is primarily due to revenues increasing at a greater rate than expenditures. This fund is used to account for the operation of a stormwater utility. The identification of stormwater issues and the related federal mandates is an ongoing issue. Hot Springs is surrounded by three lakes and the control of the runoff into the lakes is extremely important to the tourism industry. Stormwater fees are very stable and this fund is in good condition; however, there are still many stormwater projects in the City that need to be completed which will be eventually cause the fund balance increases to level out. A fee increase was approved in 2016 that will increase fees from 2016 through 2020 to fund improvements to the Stormwater infrastructure.

Stormwater fees increased 8.2% over 2019, reflecting the approved rate increase, as well as some additional accounts due to an annexation. Salaries and benefits decreased \$40,060. There was the usual increase for the 2% COLA, but there was also a vacancy for part of the year and the pension expense in this fund actually decreased below the 2019 level. The Stormwater Fund provides matching funds for stormwater related grants and this is recorded as transfers out. These grant matches increased approximately \$25,000 above the 2019 level due to more grant projects.

The following chart shows data for 2020 as compared to 2019:

	2020	2019	% Inc (Dec)	\$ Inc (Dec)
<b>Revenues</b>				
Stormwater fees	\$ 1,608,250	\$ 1,486,378	8.20%	\$ 121,872
Other service fees	31,667	35,703	-11.30%	(4,036)
Other	2,913	4,089	-28.76%	(1,176)
Total revenues	1,642,830	1,526,170	7.64%	\$ 116,660
<b>Expenses</b>				
Salaries and benefits	253,393	293,453	-13.65%	(40,060)
Services/Supplies	411,724	417,417	-1.36%	(5,693)
Depreciation	225,801	204,287	10.53%	21,514
Total Expenses	890,918	915,157	-2.65%	(24,239)
<b>Nonoperating revenues (expenses)</b>				
Investment related	32,935	44,906	-26.66%	(11,971)
Intergovernmental	12,954	48,583	-73.34%	(35,629)
Total nonoperating	45,889	93,489	-50.92%	(47,600)
Transfers out	(36,164)	(11,096)	225.92%	(25,068)
Change in net position	\$ (246,098)	\$ (162,711)	51.25%	\$ (83,387)

**Parking Fund:** The net position for the Parking Fund decreased by \$148,933. The ending net position was \$3,921,221. The major expense for the Parking Fund is depreciation, which drives the decrease in net position. In November 2016 the board adopted a Parking, Pedestrian, and Bicycle Enhancements plan. This is currently being used to guide the City in optimizing a parking plan for a downtown that is driven by tourism. A parking commission was formed in 2019 and new guidelines will be forthcoming in 2021.

Parking fees decreased \$23,840 from 2019 to 2020. Parking revenues come from downtown on-street parking and a municipal parking deck. Due to COVID-19, downtown tourism activity was greatly reduced during the early part of 2020 and this had a direct impact on parking revenues. Expenses did not change substantially other than a small increase in salaries and benefits. A transfer of \$45,000 from the General Fund was needed to fund a new elevator.

The following chart shows data for 2020 as compared to 2019:

	<b>2020</b>	<b>2019</b>	<b>% Inc (Dec)</b>	<b>\$ Inc (Dec)</b>
<b>Revenues</b>				
Parking fees	\$ 70,846	\$ 94,686	-25.18%	\$ (23,840)
Other	1,241	4,314	-71.23%	(3,073)
Total revenues	72,087	99,000	-27.18%	\$ (26,913)
<b>Expenses</b>				
Salaries and benefits	20,332	17,441	16.58%	2,891
Services/Supplies	101,261	101,721	-0.45%	(460)
Depreciation	144,801	144,801	-%	-
Total Expenses	266,394	263,963	0.92%	2,431
<b>Nonoperating revenues (expenses)</b>				
Investment related	374	1,825	-79.51%	(1,451)
Transfers in	45,000	60,000	-25.00%	(15,000)
Change in net position	\$ (148,933)	\$ (103,138)	44.40%	\$ (45,795)

**Capital Asset and Debt Administration**

**Capital assets.** At December 31, 2020, the City's investment in capital assets for its governmental and business-type activities amounted to \$281,013,475, net of accumulated depreciation. This investment in capital assets includes land, non-depreciable assets, buildings and system improvements, machinery and equipment, park facilities and roads. The following table details the breakdown of the City's capital assets.

**City of Hot Springs Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,261,842	\$ 7,635,957	\$ 13,897,731	\$ 13,545,845	\$ 23,159,573	\$ 21,181,802
Non-depreciable assets	231,654	220,207	11,552,246	11,552,246	11,783,900	11,772,453
Buildings and system Improvements other than buildings	17,111,467	16,457,579	44,832,568	35,823,010	61,944,035	52,280,589
Machinery and equipment	89,320,012	87,633,001	273,537,860	264,732,389	362,857,872	352,365,390
Construction in progress	35,576,563	33,746,035	81,513,050	77,378,363	117,089,613	111,124,398
Less accumulated depreciation	6,122,064	7,189,534	19,688,501	22,176,015	25,810,565	29,365,549
	(125,209,849)	(123,144,989)	(196,422,234)	(185,746,998)	(321,632,083)	(308,891,987)
<b>Total</b>	<b>\$ 32,413,753</b>	<b>\$ 29,737,324</b>	<b>\$ 248,599,722</b>	<b>\$ 239,460,870</b>	<b>\$ 281,013,475</b>	<b>\$ 269,198,194</b>

The City has made a commitment of \$31.6 million for capital assets as of December 31, 2020. Additional information about the City's capital assets is on pages 60 through 63 of this report. Major completed capital asset events during the current fiscal year included the following:

- Cornerstone elevated water storage tank at a cost of \$6,575,977
- 324 Malvern Avenue building, HVAC system and security system at a cost of \$1,640,620
- Northwoods Trail improvements at a cost of \$1,427,112
- Hydro evacuation truck at a cost of \$399,891
- Compost facility improvements at a cost of \$459,535
- Switch Gear integration Ouachita water treatment plant at a cost of \$3,178,283

**Long-term debt.** The City's total bonded debt increased by \$125,959,711 (109%) during 2020. The following table details the breakdown of the principal due on this debt.

Government wide:	2020	2019
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019	\$ 7,710,000	\$ 7,875,000
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018	1,295,000	1,435,000
Waterworks Revenue Bonds, Series 2010A	3,818,324	4,073,140
Waterworks Revenue Bonds, Series 2010B	3,541,085	3,764,987
Waterworks Revenue Refunding and Construction Bonds, Series 2015	6,879,340	7,128,307
Waterworks Revenue Bonds, Series 2018	19,060,057	19,617,016
Waterworks Revenue Refunding Bonds, Series 2019	5,181,955	5,688,027
Wastewater Refunding Revenue Bonds, Series 2017	22,680,400	23,649,192
Wastewater Revenue Bonds, Series 2013	-	35,697,076
Wastewater Refunding and Construction Revenue Bonds, Series 2016	5,802,800	6,471,275
Waterworks Revenue Bonds Series 2020	110,883,700	-
Wastewater Revenue Bonds Taxable Refunding Series 2020A	37,605,000	-
Wastewater Revenue Bonds Construction Series 2020B	16,901,070	-
	<hr/>	<hr/>
Total bonded indebtedness	\$ 241,358,731	\$ 115,399,020

In 2020, the City had three bond issues. The first one was the issuance of the Wastewater Revenue Bonds Taxable Refunding Series 2020A to advance refund the City's 2013 Wastewater Revenue Bonds and pay the costs of issuing the Series 2020A Bonds. The second issue was the Wastewater Revenue Bonds Construction Series 2020B used to fund improvements to the City's wastewater system and pay the issuance costs for Series 2020B Bonds. The third issue was the Waterworks Revenue Bonds Series 2020 to finance the costs of acquiring, constructing and equipping betterments and improvements to the City's waterworks system.

The last rating the City received was an A rating from S&P Global Ratings for the Wastewater Revenue Refunding and Construction Bonds Series 2020 A & B.

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 \$173 million. As of the end of 2020, the City had outstanding GO (special obligation) debt of \$9 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 \$3.1 million are well below the statutory limit of \$43 million. Voter approval is not required for short-term financing.

Additional information on the City's long-term debt is in the Notes on pages 66 through 73 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 2021 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2021 continues to be maintaining quality service for citizens and visitors while observing prudent and sustainable spending practices.

The strategic priorities are as follows:

- Majestic redevelopment
- Water supply project
- Street paving/roadway improvements

- Malvern Avenue Project continuation; and,
- Homeless services

Highlights of the 2021 budget include:

- Balanced budget, with total revenues and fund balance or net position equal to or greater than total expenditures
- Total City budget \$134.6 million
- Projected 2% increase in sales tax revenue
- Projected 6% increase in volume from Oaklawn Racing Casino Resort
- A 3.5% cost of living increase for all employees
- Capital improvements of \$3.7 million in governmental funds and \$7.8 million in business-type activities ( funded by operations)

For 2021, water rates will increase around 5%. This is the fourth year of increases pursuant to a rate study which incorporates the upcoming improvements to the water supply system. Wastewater rates will increase 3%. 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.

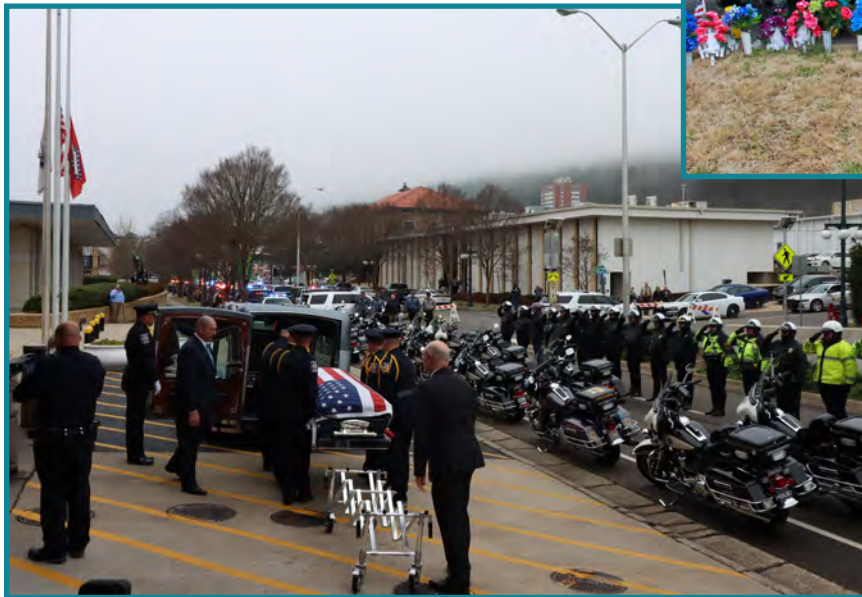
General information relating to the City of Hot Springs, AR and an electronic version of this report can be found on the City's website at [www.cityhs.net](http://www.cityhs.net).

# BASIC FINANCIAL STATEMENTS

---

*OFFICER BRENT SCRIMSHIRE - E.O.W. 03/10/2020*

---



**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,332,926	\$ 5,001,816	\$ 11,334,742	\$ 10,127,780
Investments	13,510,460	13,922,469	27,432,929	2,670,070
Interest receivable	52,088	100,051	152,139	
Accounts receivable (net of allowance for uncollectible)	5,154,148	2,507,578	7,661,726	678,703
Internal balances	(4,484,437)	4,484,437		
Accrued revenues		2,751,047	2,751,047	
Due from other governments	1,371,090	3,657,296	5,028,386	
Inventories	230,918	985,719	1,216,637	
Prepaid items	641,028	1,010,564	1,651,592	302,627
Restricted				
Cash and cash equivalents	7,123,734	44,920,018	52,043,752	53,566
Investments	2,146,162	100,400,377	102,546,539	
Interest receivable		174,318	174,318	
Capital Assets				
Capital assets not being depreciated	15,615,560	45,138,478	60,754,038	7,457,538
Capital assets, net of accumulated depreciation	16,798,193	203,461,244	220,259,437	37,582,126
Total assets	<u>64,491,870</u>	<u>428,515,412</u>	<u>493,007,282</u>	<u>58,872,410</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on bond refunding		5,782,693	5,782,693	
Deferred charge Royal assets		422,747	422,747	
OPEB - changes in assumptions	564,633	350,679	915,312	
OPEB - difference between expected and actual experience				44,875
Pension - changes in assumptions	1,791,534		1,791,534	
Pension - difference between expected and actual experience	2,259,735	168,056	2,427,791	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	377,267	355,723	732,990	60,923
Pension - contributions subsequent to the measurement date	5,560,374	759,495	6,319,869	154,507
Pension - difference between actual and expected investment earnings		1,409,852	1,409,852	376,463
Total deferred outflows of resources	<u>\$ 10,553,543</u>	<u>\$ 9,249,245</u>	<u>\$ 19,802,788</u>	<u>\$ 636,768</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, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,739,220	\$ 4,032,921	\$ 6,772,141	\$ 195,326
Due to other governments	749,572	123,923	873,495	
Customer deposits		944,549	944,549	
Unearned revenue	187,898	6,290	194,188	386,509
Accrued expenses	757,341	198,407	955,748	96,992
Accrued interest payable	55,444	1,555,369	1,610,813	
Noncurrent liabilities				
Due within one year				
Notes payable	1,025,913	245,715	1,271,628	
Compensated absences	201,272	106,658	307,930	
Bonds payable	315,000	4,796,100	5,111,100	
Due in more than one year				
Bonds payable	8,690,000	227,557,630	236,247,630	
Notes and leases payable	2,070,849	8,188,543	10,259,392	
Post closure liability		609,440	609,440	
OPEB liability	3,918,089	2,322,923	6,241,012	
Compensated absences	3,470,910	1,243,441	4,714,351	
Net pension liability	69,334,999	13,324,035	82,659,034	3,557,826
Total liabilities	<u>93,516,507</u>	<u>265,255,944</u>	<u>358,772,451</u>	<u>4,236,653</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB - difference between expected and actual experience	515,788	313,290	829,078	
Pension - changes in assumption		61,350	61,350	16,381
Pension - difference between actual and expected investment earnings	1,950,503		1,950,503	
Total deferred inflows of resources	<u>2,466,291</u>	<u>374,640</u>	<u>2,840,931</u>	<u>16,381</u>
<b>NET POSITION</b>				
Net investment in capital assets	25,664,017	143,918,735	169,582,752	45,039,664
Restricted for:				
Debt service	270,681	3,129,339	3,400,020	
Capital improvements		8,941,142	8,941,142	8,419,692
Parks grants	1,360		1,360	
Public safety mandates	3,851,240		3,851,240	
Public transportation projects	83,074		83,074	
Public works projects	4,344,693		4,344,693	
Unrestricted	(55,152,450)	16,144,857	(39,007,593)	1,796,788
Total net position	<u>\$ (20,937,385)</u>	<u>\$ 172,134,073</u>	<u>\$ 151,196,688</u>	<u>\$ 55,256,144</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, 2020**

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	\$ 4,290,201	\$ 4,843,276	\$ 18,843	\$ -	\$ 571,918	\$ -	\$ 571,918	\$
Community development	1,785,908	587,033	295,840	182,277	(720,758)		(720,758)	
Parks, trails and recreation	2,148,593	59,023	41,968	230,356	(1,817,246)		(1,817,246)	
Public safety	31,782,167	2,229,571	6,330,630	8,087	(23,213,879)		(23,213,879)	
Public transportation	1,728,551	112,224	1,558,718		(57,609)		(57,609)	
Public works	6,040,283	135,201	1,826,058	3,660	(4,075,364)		(4,075,364)	
Interest on long-term debt	375,768				(375,768)		(375,768)	
<b>Total governmental activities</b>	<b>48,151,471</b>	<b>7,966,328</b>	<b>10,072,057</b>	<b>424,380</b>	<b>(29,688,706)</b>	<b>-</b>	<b>(29,688,706)</b>	
<b>Business-type activities:</b>								
Water	15,813,655	17,564,759		2,463,957		4,215,061	4,215,061	
Wastewater	19,251,841	17,765,407		1,782,411		295,977	295,977	
Solid Waste	8,585,748	7,862,899	10,702			(712,147)	(712,147)	
Airport	3,599,073	2,466,676	2,012,528	500,321		1,380,452	1,380,452	
Stormwater	890,918	1,642,830	12,954			764,866	764,866	
Parking	266,394	72,087				(194,307)	(194,307)	
<b>Total business-type activities</b>	<b>48,407,629</b>	<b>47,374,658</b>	<b>2,036,184</b>	<b>4,746,689</b>	<b>-</b>	<b>5,749,902</b>	<b>5,749,902</b>	
<b>Total primary government</b>	<b>\$ 96,559,100</b>	<b>\$ 55,340,986</b>	<b>\$ 12,108,241</b>	<b>\$ 5,171,069</b>	<b>(29,688,706)</b>	<b>5,749,902</b>	<b>(23,938,804)</b>	
<b>Component unit:</b>								
Advertising and promotion	8,871,993	847,529						(8,024,464)
<b>General revenues:</b>								
Sales taxes					22,440,961	42,101	22,483,062	6,173,447
Franchise fees					2,809,977		2,809,977	
Property tax					25,836		25,836	
Alcoholic beverage permit and taxes					725,023		725,023	
Grants and contributions not restricted to specific programs					5,437,120		5,437,120	1,132,372
Investment earnings					321,347	920,364	1,241,711	147,041
Transfers					(1,541,579)	8,836	(1,532,743)	1,532,743
<b>Total general revenues and transfers</b>					<b>30,218,685</b>	<b>971,301</b>	<b>31,189,986</b>	<b>8,985,603</b>
<b>Change in net position</b>					<b>529,979</b>	<b>6,721,203</b>	<b>7,251,182</b>	<b>961,139</b>
<b>Net position - beginning of year</b>					<b>(21,467,364)</b>	<b>165,412,870</b>	<b>143,945,506</b>	<b>54,295,005</b>
<b>Net position - end of year</b>					<b>\$ (20,937,385)</b>	<b>\$ 172,134,073</b>	<b>\$ 151,196,688</b>	<b>\$ 55,256,144</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, 2020**

	Special Revenue				Capital Project Fund		Other Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	Jail Maintenance Tax Fund	Communication System Fund		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,709,981	\$ 67,736	\$ 26,776	\$ 566,963	\$ 118,517	\$ 413,619	\$ 7,829,396	\$ 11,732,988
Investments	7,775,660			1,637,253	342,286	1,194,568	516,771	11,466,538
Interest receivable	43,766			5,807	1,630		885	52,088
Accounts receivable	3,505,634	959,412	542,252	1,362			118,856	5,127,516
Due from other funds	378,354	20,559					13,830	412,743
Intergovernmental receivables	73,949			256,011	568,772		472,358	1,371,090
Prepaid items	641,028							641,028
<b>Total assets</b>	<b>15,128,372</b>	<b>1,047,707</b>	<b>569,028</b>	<b>2,467,396</b>	<b>1,031,205</b>	<b>1,608,187</b>	<b>8,952,096</b>	<b>30,803,991</b>
<b>LIABILITIES</b>								
Accounts payable	282,065	217,835	85,186	104,870		6,461	1,843,597	2,540,014
Accrued expenditures	100,243	173,348	136,069	13,346			23,218	446,224
Due to other governments	180,800				568,772			749,572
Due to other funds	2,250,466						347,161	2,597,627
Unearned revenue	4,216	42,137	10,819				130,726	187,898
<b>Total liabilities</b>	<b>2,817,790</b>	<b>433,320</b>	<b>232,074</b>	<b>118,216</b>	<b>568,772</b>	<b>6,461</b>	<b>2,344,702</b>	<b>6,521,335</b>
<b>FUND BALANCES</b>								
Nonspendable	641,028							641,028
Restricted								
Debt service							270,681	270,681
Capital projects							5,352,026	5,352,026
Parks							1,360	1,360
Public safety					462,433	1,601,726	835,740	2,899,899
Public transportation							83,074	83,074
Public works							64,513	64,513
Assigned								
For other purposes	2,093,099	614,387	336,954	2,349,180				5,393,620
Unassigned	9,576,455							9,576,455
<b>Total fund balances</b>	<b>12,310,582</b>	<b>614,387</b>	<b>336,954</b>	<b>2,349,180</b>	<b>462,433</b>	<b>1,601,726</b>	<b>6,607,394</b>	<b>24,282,656</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,128,372</b>	<b>\$ 1,047,707</b>	<b>\$ 569,028</b>	<b>\$ 2,467,396</b>	<b>\$ 1,031,205</b>	<b>\$ 1,608,187</b>	<b>\$ 8,952,096</b>	<b>\$ 30,803,991</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, 2020**

Total fund balances - governmental funds (page 25)	\$ 24,282,656
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.	32,205,890
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	(52,629)
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.	3,447,498
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.	(15,654,964)
Net pension liabilities are not reported in the funds.	(69,334,999)
Other post employment benefits liability are not reported in the funds.	(3,918,089)
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)	12,614,333
Deferred OPEB outflows (GASB 75)	684,902
Deferred pension inflows (GASB 68)	(4,575,926)
Deferred OPEB inflows (GASB 75)	(636,057)
Net position of governmental activities	\$ (20,937,385)

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

**City of Hot Springs, Arkansas**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

	Special Revenue				Capital Project Fund		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	Jail Maintenance Tax Fund	Communication System Fund		
<b>REVENUES</b>								
Taxes	\$ 15,553,866	\$ 4,488,192	\$ 2,992,128	\$	\$	\$ 25,836	\$	\$ 23,060,022
Fees and permits	4,279,598	139,088	22,162	64,586				4,505,434
Charges for services	2,452,258						109,976	2,562,234
Intergovernmental	850,660	1,601,689	873,122	3,728,856	3,220,984		5,083,837	15,359,148
Intergovernmental - gaming and breakage	2,978,898							2,978,898
Fines and forfeitures	621,325	57,222					230,508	909,055
Investment earnings	230,538	209		33,292	7,936		49,372	321,347
Miscellaneous	362,497	72,967	36,321	5,180			127,400	604,365
<b>Total revenues</b>	<b>27,329,640</b>	<b>6,359,367</b>	<b>3,923,733</b>	<b>3,831,914</b>	<b>3,228,920</b>	<b>25,836</b>	<b>5,601,093</b>	<b>50,300,503</b>
<b>EXPENDITURES</b>								
Current:								
General government	3,970,983							3,970,983
Community development	1,414,664						302,875	1,717,539
Parks and recreation	1,744,811						46,633	1,791,444
Public transportation							1,600,073	1,600,073
Public safety		11,502,084	9,723,059		3,220,984		2,985,190	27,431,317
Public works	1,863,554			3,338,811			4,723	5,207,088
Debt service:								
Principal	587,397	491,114	118,599	148,304			305,000	1,650,414
Interest	31,626	25,288	2,806	8,646			307,402	375,768
Capital outlay	1,295,921	582,320	35,215	401,965		324,982	3,775,910	6,416,313
<b>Total expenditures</b>	<b>10,908,956</b>	<b>12,600,806</b>	<b>9,879,679</b>	<b>3,897,726</b>	<b>3,220,984</b>	<b>324,982</b>	<b>9,327,806</b>	<b>50,160,939</b>
Excess (deficiency) of revenues over (under) expenditures	16,420,684	(6,241,439)	(5,955,946)	(65,812)	7,936	(299,146)	(3,726,713)	139,564
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in		5,572,874	6,056,380	664,100		510,000	1,210,663	14,014,017
Transfers out	(12,977,426)	(309,181)	(235,000)	(22,789)			(486,361)	(14,030,757)
Issuance of debt	625,500	570,000	48,000	114,200				1,357,700
Total other financing sources (uses)	(12,351,926)	5,833,693	5,869,380	755,511		510,000	724,302	1,340,960
Changes in fund balances	4,068,758	(407,746)	(86,566)	689,699	7,936	210,854	(3,002,411)	1,480,524
Fund balances - beginning	8,241,824	1,022,133	423,520	1,659,481	454,497	1,390,872	9,609,805	22,802,132
Fund balances - ending	\$ 12,310,582	\$ 614,387	\$ 336,954	\$ 2,349,180	\$ 462,433	\$ 1,601,726	\$ 6,607,394	\$ 24,282,656

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

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

**For the Year Ended December 31, 2020**

Net Changes in Fund Balances - total governmental funds (page 27) \$ 1,480,524

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 depreciation exceeded capital outlays in the current period. 4,228,677

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. (41,833)

Contributed capital recorded as revenue in the statement of activities that does not provide current financial resources and is reported as revenues in the funds (1,532,743)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 292,714

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 37,576

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. 855,922

Other post employment benefits is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. (297,003)

Pension expense is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. (4,493,855)

Change in the net position of governmental activities \$ 529,979

**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2020**

	Business-type Activities - Enterprise Funds							Internal Service Fund
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	
<b>ASSETS</b>								
Current Assets:								
Cash and cash equivalents	\$ 3,494,204	\$ 878,757	\$ 547,545	\$ 633,098	\$ 514,337	\$ 12,482	\$ 6,080,423	\$ 1,951,195
Investments	7,298,407	1,730,731	1,580,377	1,827,504	1,485,450		13,922,469	3,974,922
Interest receivable	49,415	32,956	6,002	5,491	6,187		100,051	
Accounts receivable (net of allowance for uncollectible)	1,096,895	884,579	377,745	67,648	69,936		2,496,803	37,407
Due from other funds	490,720	456,586	2,250,466				3,197,772	
Accrued revenues	1,028,595	1,128,468	482,608		111,376		2,751,047	
Intergovernmental receivables	1,517,647	1,284,240		842,455	12,954		3,657,296	
Inventories	11,010			93,327			104,337	1,112,300
Prepaid items	681,003	329,561					1,010,564	
Restricted assets:								
Cash and cash equivalents	41,037,957	2,791,093					43,829,050	
Investments	80,226,003	20,174,374					100,400,377	
Interest receivable	127,504	46,814					174,318	
Total current assets	137,059,360	29,738,159	5,244,743	3,469,523	2,200,240	12,482	177,724,507	7,075,824
Noncurrent Assets:								
Capital assets:								
Land	4,864,216	632,195	275,121	7,269,061	170,140	668,847	13,879,580	68,265
Nondepreciable assets	11,552,246						11,552,246	
Buildings and systems	11,716,265	14,457,850	1,778,655	10,509,606		5,441,867	43,904,243	1,116,125
Improvements other than buildings	94,011,099	153,645,633	986,424	22,024,733	2,348,014	154,511	273,170,414	651,400
Machinery and equipment	27,041,588	37,043,618	11,534,168	2,346,656	903,761	172,508	79,042,299	3,010,863
Construction in progress	11,717,904	6,015,135	758,994	184,929	849,634	161,904	19,688,500	
Less accumulated depreciation	(56,188,032)	(102,953,193)	(9,536,319)	(21,393,120)	(1,282,393)	(2,672,111)	(194,025,168)	(3,251,182)
Total noncurrent assets	104,715,286	108,841,238	5,797,043	20,941,865	2,989,156	3,927,526	247,212,114	1,595,471
Total assets	241,774,646	138,579,397	11,041,786	24,411,388	5,189,396	3,940,008	424,936,621	8,671,295
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred charge on bond refunding		5,782,693					5,782,693	
Deferred charge Royal assets	422,747						422,747	
OPEB - changes in assumptions	93,293	131,100	102,062	9,615	14,609		350,679	
Pension - difference between expected and actual experience	49,029	59,168	46,952	9,706	2,962	239	168,056	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	103,778	125,240	99,382	20,545	6,270	508	355,723	
Pension - contributions subsequent to the measurement date	221,574	267,395	212,188	43,866	13,388	1,084	759,495	
Pension - difference between actual and expected investment earnings	411,309	496,366	393,885	81,429	24,851	2,012	1,409,852	
Total deferred outflows of resources	\$ 1,301,730	\$ 6,861,962	\$ 854,469	\$ 165,161	\$ 62,080	\$ 3,843	\$ 9,249,245	\$

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, 2020**

	Business-type Activities - Enterprise Funds							Internal Service Fund
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ 2,933,367	\$ 522,449	\$ 144,279	\$ 188,906	\$ 73,081	\$ 2,530	\$ 3,864,612	\$ 422,956
Due to other funds					12,954		12,954	947,306
Intergovernmental payables	55,853		61,493	5,832		745	123,923	
Compensated absences	20,348	27,351	28,551	8,244	941		85,435	30,622
Customer deposits payable	944,549						944,549	
Unearned revenue				6,290			6,290	
Accrued expenses	29,516	48,976	55,228	16,870	3,406	256	154,252	355,272
Notes payable	233,880	11,835					245,715	
Revenue bonds payable - current	1,837,364	2,958,736					4,796,100	
Accrued interest payable	1,353,502	201,867					1,555,369	
Total current liabilities	<u>7,408,379</u>	<u>3,771,214</u>	<u>289,551</u>	<u>226,142</u>	<u>90,382</u>	<u>3,531</u>	<u>11,789,199</u>	<u>1,756,156</u>
Noncurrent liabilities:								
Revenue bonds payable	146,219,096	81,338,534					227,557,630	
Other liabilities		609,440					609,440	
Notes payable	8,188,543						8,188,543	
Other postemployment benefits obligation	574,168	899,994	687,120	111,694	49,947		2,322,923	
Compensated absences	237,224	318,864	332,849	96,112	10,969		996,018	357,004
Net pension liability	3,887,143	4,690,989	3,722,469	769,561	234,862	19,011	13,324,035	
Total noncurrent liabilities	<u>159,106,174</u>	<u>87,857,821</u>	<u>4,742,438</u>	<u>977,367</u>	<u>295,778</u>	<u>19,011</u>	<u>252,998,589</u>	<u>357,004</u>
Total liabilities	<u>166,514,553</u>	<u>91,629,035</u>	<u>5,031,989</u>	<u>1,203,509</u>	<u>386,160</u>	<u>22,542</u>	<u>264,787,788</u>	<u>2,113,160</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
OPEB - difference between expected and actual experience	85,406	113,806	93,164	11,252	9,662		313,290	
Pension - changes in assumptions	17,898	21,600	17,140	3,543	1,081	88	61,350	
Total deferred inflows of resources	<u>103,304</u>	<u>135,406</u>	<u>110,304</u>	<u>14,795</u>	<u>10,743</u>	<u>88</u>	<u>374,640</u>	
<b>NET POSITION</b>								
Net investment in capital assets	61,033,547	47,841,990	5,797,043	20,941,865	2,989,156	3,927,526	142,531,127	1,595,471
Restricted								
Debt service	2,657,679	471,660					3,129,339	
Capital projects	4,102,659	4,838,483					8,941,142	
Unrestricted (deficit)	8,664,634	524,785	956,919	2,416,380	1,865,417	(6,305)	14,421,830	4,962,664
Total net position	<u>\$ 76,458,519</u>	<u>\$ 53,676,918</u>	<u>\$ 6,753,962</u>	<u>\$ 23,358,245</u>	<u>\$ 4,854,573</u>	<u>\$ 3,921,221</u>	<u>\$ 169,023,438</u>	<u>\$ 6,558,135</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							3,110,635	
Net position of the business-type activities (page 28)							<u>\$ 172,134,073</u>	

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

**City of Hot Springs, Arkansas**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2020**

	Business-type Activities - Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
<b>OPERATING REVENUES</b>								
Charges for sales and services:								
Water sales	\$ 17,096,451						\$ 17,096,451	
Wastewater charges		17,263,231					17,263,231	
Refuse collections and compaction			7,868,803				7,868,803	
Stormwater fees					1,608,250		1,608,250	
Merchandise sales				1,204,246			1,204,246	
Parking and rental fees				1,220,711		70,846	1,291,557	
Other service fees	362,882	451,268	80,250		31,667		926,067	948,066
Reimbursement from other funds								10,159,302
Miscellaneous other revenue	105,426	48,852	39,108	83,820	2,913	1,241	281,360	137,544
Total operating revenues	<u>17,564,759</u>	<u>17,763,351</u>	<u>7,988,161</u>	<u>2,508,777</u>	<u>1,642,830</u>	<u>72,087</u>	<u>47,539,965</u>	<u>11,244,912</u>
<b>OPERATING EXPENSES</b>								
Salaries and benefits	2,798,566	4,268,550	4,546,322	904,589	253,393	20,332	12,791,752	3,778,775
Services	4,995,985	5,351,076	2,280,410	700,279	385,262	91,214	13,804,226	5,422,528
Post closure expense		52,703					52,703	
Supplies	1,105,979	1,770,762	813,021	936,651	26,462	10,047	4,662,922	472,925
Depreciation	3,511,390	5,007,710	945,995	1,057,554	225,801	144,801	10,893,251	149,990
Total operating expenses	<u>12,411,920</u>	<u>16,450,801</u>	<u>8,585,748</u>	<u>3,599,073</u>	<u>890,918</u>	<u>266,394</u>	<u>42,204,854</u>	<u>9,824,218</u>
Operating income (expense)	<u>5,152,839</u>	<u>1,312,550</u>	<u>(597,587)</u>	<u>(1,090,296)</u>	<u>751,912</u>	<u>(194,307)</u>	<u>5,335,111</u>	<u>1,420,694</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Intergovernmental			10,702	2,074,308	12,954		2,097,964	
Investment earnings	460,383	234,165	23,697	14,562	24,536	374	757,717	2,479
Net increase (decrease) in fair value of investments	63,680	74,967	8,147	7,454	8,399		162,647	
Bond costs and other	(3,718,981)	(3,039,499)					(6,758,480)	
Gain (loss) on sale of assets			(123,206)				(123,206)	(11,545)
Total nonoperating revenue (expense)	<u>(3,194,918)</u>	<u>(2,730,367)</u>	<u>(80,660)</u>	<u>2,096,324</u>	<u>45,889</u>	<u>374</u>	<u>(3,863,358)</u>	<u>(9,066)</u>
Income before contributions and transfers	1,957,921	(1,417,817)	(678,247)	1,006,028	797,801	(193,933)	1,471,753	1,411,628
Capital contributions	2,463,957	1,782,411		438,541			4,684,909	
Transfers in						45,000	45,000	
Transfers out					(36,164)		(36,164)	
Change in net position	4,421,878	364,594	(678,247)	1,444,569	761,637	(148,933)	6,165,498	1,411,628
Total net position, beginning of year	72,036,641	53,312,324	7,432,209	21,913,676	4,092,936	4,070,154	162,857,940	5,146,507
Total net position - end of year	<u>\$ 76,458,519</u>	<u>\$ 53,676,918</u>	<u>\$ 6,753,962</u>	<u>\$ 23,358,245</u>	<u>\$ 4,854,573</u>	<u>\$ 3,921,221</u>	<u>\$ 169,023,438</u>	<u>\$ 6,558,135</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.							555,705	
Changes in net position of business-type activities (page 29)							<u>\$ 6,721,203</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, 2020**

	Business-type Activities - Enterprise Funds						Total Enterprise	Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers and users	\$ 16,956,155	\$ 17,696,774	\$ 8,030,301	\$ 2,435,262	\$ 1,633,093	\$ 70,846	\$ 46,822,431	\$ 921,457
Other receipts	105,426	48,852	39,108	83,820	2,913	1,241	281,360	137,544
Receipts (payments) - other departments								10,159,303
Payments to suppliers and service providers	(6,336,096)	(7,030,098)	(3,317,546)	(1,545,290)	(370,361)	(104,621)	(18,704,012)	(5,956,901)
Customer deposits received								
Customer deposits returned								
Payments to employees	(2,448,249)	(3,811,048)	(4,092,519)	(809,875)	(247,316)	(18,152)	(11,427,159)	(3,801,913)
Net cash provided by (used for) operating activities	<u>8,277,236</u>	<u>6,904,480</u>	<u>659,344</u>	<u>163,917</u>	<u>1,018,329</u>	<u>(50,686)</u>	<u>16,972,620</u>	<u>1,459,490</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers from other funds						45,000	45,000	344,572
Transfers to other funds	(172,286)	(172,286)	(43,743)		(23,210)		(411,525)	
Net cash provided by (used for) noncapital financing activities	<u>(172,286)</u>	<u>(172,286)</u>	<u>(43,743)</u>	<u>-</u>	<u>(23,210)</u>	<u>45,000</u>	<u>(366,525)</u>	<u>344,572</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Acquisition and construction of capital assets	(11,421,171)	(6,092,362)	(826,759)	(450,840)	(891,001)	(74,037)	(19,756,170)	(529,627)
Capital grants	1,014,771	621,943	10,702	2,338,868	24,008		4,010,292	
Cash paid to other governments								
Proceeds from issuance of debt	109,727,757	56,247,450					165,975,207	
Principal paid on debt	(1,996,895)	(2,066,883)					(4,063,778)	
Net payment to escrow fund for advance refunding							(39,899,766)	
Interest paid on debt	(1,903,614)	(2,334,983)					(4,238,597)	
Payment of related debt costs	(1,155,684)	(588,789)					(1,744,473)	
Proceeds from sale of capital assets								(11,545)
Net cash provided by (used for) capital and related financing activities	<u>94,265,164</u>	<u>5,886,610</u>	<u>(816,057)</u>	<u>1,888,028</u>	<u>(866,993)</u>	<u>(74,037)</u>	<u>100,282,715</u>	<u>(541,172)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Sale (purchase) of investments	(62,540,414)	(11,301,529)	148,973	(1,563,108)	(275,567)		(75,531,645)	(1,085,273)
Investment income	358,739	202,273	34,592	10,230	32,272	375	638,481	2,479
Net cash provided by (used for) investing activities	<u>(62,181,675)</u>	<u>(11,099,256)</u>	<u>183,565</u>	<u>(1,552,878)</u>	<u>(243,295)</u>	<u>375</u>	<u>(74,893,164)</u>	<u>(1,082,794)</u>
Net change in cash and cash equivalents	40,188,439	1,519,548	(16,891)	499,067	(115,169)	(79,348)	41,995,646	180,096
Cash and cash equivalents -- Beginning of year	4,343,722	2,150,302	564,436	134,031	629,506	91,830	7,913,827	1,771,099
Cash and cash equivalents -- End of year	<u>\$ 44,532,161</u>	<u>\$ 3,669,850</u>	<u>\$ 547,545</u>	<u>\$ 633,098</u>	<u>\$ 514,337</u>	<u>\$ 12,482</u>	<u>\$ 49,909,473</u>	<u>\$ 1,951,195</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>								
Cash and cash equivalents	3,494,204	878,757	547,545	633,098	514,337	12,482	6,080,423	1,951,195
Restricted cash and cash equivalents	41,037,957	2,791,093					43,829,050	
Total Cash and cash equivalents	<u>\$ 44,532,161</u>	<u>\$ 3,669,850</u>	<u>\$ 547,545</u>	<u>\$ 633,098</u>	<u>\$ 514,337</u>	<u>\$ 12,482</u>	<u>\$ 49,909,473</u>	<u>\$ 1,951,195</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, 2020**

	Business-type Activities - Enterprise Funds						Total Enterprise	Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
<b>Reconciliation of Operating Income (Loss) to</b>								
<b>Net Cash Provided by Operating Activities:</b>								
Operating income [loss]	\$ 5,152,839	\$ 1,312,550	\$ (597,587)	\$ (1,090,296)	\$ 751,912	\$ (194,307)	\$ 5,335,111	\$ 1,420,694
Adjustments to reconcile operating income (loss)								
net cash provided by operating activities:								
Depreciation expense	3,511,390	5,007,710	945,995	1,057,554	225,801	144,801	10,893,251	149,991
(Increase) decrease in deferred outflows								
Increase (decrease) in deferred inflows								
(Increases) decreases in assets								
Accounts receivable	(615,015)	19,400	(221)	10,305	(3,267)		(588,798)	(26,609)
Accrued revenue	66,246	(37,125)	81,469		(3,557)	(350)	106,683	
Inventory								
Prepaid items	(449,564)	(231,464)					(681,028)	
Increases (decreases) in liabilities								
Accounts payable	215,432	323,204	(224,115)	91,640	41,360	(3,360)	444,161	168,191
Compensated absences	(15,616)	4,124	21,541	(9,697)	(667)		(315)	
Unearned revenue								
Accrued expenses	(46,098)	(9,995)	(62,293)	(7,880)	(4,804)		(131,070)	(105,698)
Customer deposits	45,591						45,591	
Other post employment benefits	48,986	66,133	54,573	9,266	3,075		182,033	
Net pension liability	363,045	449,943	439,982	103,025	8,476	2,530	1,367,001	
Total adjustments	3,124,397	5,591,930	1,256,931	1,254,213	266,417	143,621	11,637,509	185,875
Net cash provided by operating activities	<u>\$ 8,277,236</u>	<u>\$ 6,904,480</u>	<u>\$ 659,344</u>	<u>\$ 163,917</u>	<u>\$ 1,018,329</u>	<u>\$ (50,686)</u>	<u>\$ 16,972,620</u>	<u>\$ 1,606,569</u>
<b>Noncash investing and financing activities:</b>								
Increase (decrease) in fair value of investments	63,680	74,967	8,147	7,454	8,399	(49)	162,598	
Capital contributions								
Total noncash investing, capital and financing activities	<u>\$ 63,680</u>	<u>\$ 74,967</u>	<u>\$ 8,147</u>	<u>\$ 7,454</u>	<u>\$ 8,399</u>	<u>\$ (49)</u>	<u>\$ 162,598</u>	

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

---

**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2020**

---

	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 538,628
Receivables	
Due from other funds	69,221
Due from service providers	11,276
Collected for members	<u>78,180</u>
Total receivables	<u>158,677</u>
Total assets	<u>697,305</u>
<b>LIABILITIES</b>	
Accounts payable	425,802
Due to other governments	149,653
Due to other funds	<u>121,850</u>
Total liabilities	<u>697,305</u>
<b>NET POSITION</b>	
Individuals, organizations, and other governments	
Total net position	<u><u>\$ -</u></u>

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

**City of Hot Springs, Arkansas**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2020**

	Custodial Funds
<b>ADDITIONS</b>	
District court fines collected	\$ 4,655,899
Collections on behalf of members	-
Collections from customer on behalf of another party	922,033
Total additions	5,577,932
 <b>DEDUCTIONS</b>	
District Court fines distributed to other governments	4,655,899
Member distributions	-
Payments of customer collections	922,033
Total deductions	5,577,932
Net increase (decrease) in fiduciary net position	-
Net position-beginning	-
Net position-ending	\$ -

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

NOTES TO THE  
FINANCIAL STATEMENTS

---

*{This page intentionally left blank}*

---

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2020**

---

**NOTE 1: Summary of Significant Accounting Policies**

Reporting Equity. 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 changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Custodial funds do not have a measurement focus and are reported on 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.

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

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

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

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

The City reports the following major governmental funds:

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

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

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

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

Jail Maintenance Fund accounts for the revenue and expenditures associated with the housing of City prisoners by the County. County voters approved a 3/8% sales tax, and the City receives a proportionate share of this amount based on population. The City entered into an agreement with the County to turnback their share in return for the housing of City prisoners. The Jail Maintenance Fund does not meet the criteria for a major fund. However, since the fund represents a major sales tax to the citizens, it was determined that it would be beneficial to show it as a major fund.

Communication System Fund: The City's radio systems and 911 center are obsolete and need to be replaced. The Board of Directors approved a 2.6 mill property tax to be assessed in 2016 and 2017 to cover a portion of the cost of this system (the City's utilities will also participate in the

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

funding and use the system). This fund was established to account for the property tax revenue and the communication system expenditures that will be funded by governmental activities. This project will be completed in 2020 or early 2021 and the fund will be closed at that time.

The City reports the following major proprietary funds:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Fiduciary Funds account for activities in the following areas:

- a. *District Court Fund* and the *Administration of Justice Funds* collect and remit 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.

*See independent auditor's report.*

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

**December 31, 2020**

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

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

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

**Assets, Liabilities and Net Position**

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

*Receivables and Payables.* 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."

*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.

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

Restricted Assets. The proprietary fund types restrict assets on the balance sheet in accordance with the requirements of bond obligation agreements, donor and membership restrictions and support obligations made by the City. 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.

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

Infrastructure is long-lived assets that are stationary in nature such as streets, bridges, street lighting and sidewalks. On the statement of net position the City recorded infrastructure related to annual paving for January 1, 1990 through December 31, 2004. Governmental Accounting Standards Board Statement No. 34 provides for a transition period of four years to retroactively (fiscal years ending after June 30, 1990) report infrastructures. The City completed all phases of GASB 34 implementation of retroactive reporting of infrastructures in prior years. Costs of normal maintenance and repairs that do not add to the value or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. In prior years, interest incurred during the construction phase of capital assets of business-type activities as included as part of the capitalized value of the assets being constructed. However, during 2018, the City early implemented GASB Statement No. 89. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources management focus. As a result, interest cost incurred after December 31, 2018 and before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

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

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

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

Long-term Obligations. In government-wide financial statements and proprietary fund types, long-term debts and other long-term obligations are reported as liabilities in applicable governmental activities, business-type activities or proprietary fund type statements of net position. Bond premiums and 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.

*See independent auditor's report.*

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

---

**December 31, 2020**

---

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 three items that qualify as deferred inflows of resources as of December 31, 2020. The items reported in the statements are related to pension 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 Equity. 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.

*See independent auditor's report.*

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

---

**December 31, 2020**

---

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 2020 the City had no committed funds.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Board or by an official or body to which the City Board delegates the authority. At the end of 2020 the City had \$5,393,620 in assigned amounts.

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

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

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

**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.

*See independent auditor's report.*

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

**December 31, 2020**

*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, 2020:

Statement No.	Name	Effective Date	City of Hot Springs Implementation Date (if applicable)
87	Leases	Reporting periods beginning after June 30, 2021	January 1, 2022
91	Conduit Debt Obligations	Reporting periods beginning after December 15, 2021	January 1, 2022
92	Omnibus 2020	Reporting periods beginning after June 15, 2020, except for paragraphs 6,7,8,9,10, and 12 which are effective for reporting periods beginning after June 15, 2021	January 1, 2021/ January 1, 2022 as directed by GASB
93	Replacement of Interbank Offered Rates	Reporting periods beginning after June 15, 2020, except for paragraphs 13 and 14 which are effective for reporting periods beginning after June 15, 2021 and paragraph 11b, which is effective for reporting periods ending after December 31, 2021.	January 1, 2021/ January 1, 2022 as directed by GASB
97	Subscription-based Information Technology Arrangements	Reporting periods beginning after June 15, 2022	January 1, 2023

*See independent auditor's report.*

City of Hot Springs, Arkansas  
 NOTES TO THE FINANCIAL STATEMENTS  
 (continued)  
 December 31, 2020

**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 \$32,205,890 are as follows:

Capital assets not being depreciated	\$ 15,565,447
Buildings	16,923,667
Less : Accumulated depreciation-buildings	(10,590,136)
Improvements other than buildings	89,036,058
Less : Accumulated depreciation-improvements other than buildings	(83,553,946)
Machinery and equipment	35,036,450
Less: Accumulated depreciation-machinery and equipment	<u>(30,211,650)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 32,205,890</u></u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet services and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position”. The details of this \$3,447,498 difference are as follows:

Net position of the internal service funds	\$ 5,694,423
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(1,708,353)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	<u>(538,572)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 3,447,498</u></u>

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 (\$15,654,964) difference are as follows:

Bonds payable	\$ (9,005,000)
Notes payable	(3,096,762)
Compensated absences	<u>(3,553,202)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (15,654,964)</u></u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

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 \$4,228,677 difference are as follows:

Capital outlay	\$ 6,419,973
Depreciation expense	<u>(2,191,296)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 \$ <u>4,228,677</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long- term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long- term debt and related items.” The details of this \$292,714 are as follows:

Debt issued or incurred:	
General obligation notes	\$ (1,357,700)
Special obligation bonds	-
Principal repayments	
Special obligation bonds	305,000
General obligation notes	<u>1,345,414</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 \$ <u>292,714</u>

*See independent auditor's report.*

---

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

---

**December 31, 2020**

---

**NOTE 3: Stewardship, Compliance and Accountability**

*Budgetary Information.* Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City operating funds. The General Fund, District Court Fund, Police Fund, Fire Fund, Street Fund, Jail Maintenance Fund, Communications System 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 5, 2019, the Board of Directors approved the appropriations for the 2020 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 2020, the board made several changes in the General Fund including re-appropriation of \$1,100,099 for 2019 purchases not received until 2020. The net change between the original and final General Fund budget was a \$1,293,951 decrease in fund balance.

City of Hot Springs, Arkansas  
 NOTES TO THE FINANCIAL STATEMENTS  
 (continued)  
 December 31, 2020

**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, 2020, the deposits and investments held by the City and discretely presented component unit were as follows:

Type	<b>City Deposits and Investments by Type</b>		Carrying Value
Deposits:			
Demand	\$	64,127,757	
Cash on hand		4,525	
Total Deposits			\$ 64,132,282
Investments:			
U.S. treasury & agency obligations:			
Maturing within less than 3 years		35,071,976	
Maturing within 3 to 5 years		64,093,498	99,165,474
General obligation bonds			
Maturing within less than 3 years		12,023,305	
Maturing within 3 to 5 years		15,341,965	27,365,270
Certificates of deposit:			
Maturing within less than 3 years		2,038,054	
Maturing within 3 to 5 years		1,195,510	3,233,564
Total Investments			129,764,308
<u>Total Deposits and Investments</u>			\$ 193,896,590

Reconciliation to Statement of Net Position

Current assets:	
Cash and cash equivalents	\$ 11,334,742
Investments	27,432,929
Restricted assets:	
Cash and cash equivalents	52,043,752
Investments	102,546,539
Total -- Statement of Net Position	193,357,962
Fiduciary Funds	538,628
<u>Total Deposits and Investments</u>	\$ 193,896,590

*See independent auditor's report.*

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

December 31, 2020

<u>Discretely Presented Component Unit -- Deposits by Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 10,108,650
Cash on hand	72,696
Certificates of deposit	2,670,070
Total Deposits	\$ 12,851,416
 <u>Reconciliation to Statement of Net Position</u>	
Current assets:	
Cash and cash equivalents	\$ 10,127,780
Investments	2,670,070
Restricted assets:	
Cash and cash equivalents	53,566
Investments	-
Total -- Statement of Net Position	\$ 12,851,416

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 2020, the collateralization of cash and investments was accomplished on a city-wide basis. The carrying amount of the entire City's deposits was \$193,896,590, with a corresponding bank balance of \$194,458,288 (including cash on hand). Of this balance, \$99,165,474 was invested in United States government-backed securities, \$4,483,564 was covered by federal deposit insurance, \$27,365,270 was invested in municipal bonds, \$63,439,455 was collateralized with securities, and \$4,525 was held in cash. None of the amounts collateralized with securities and money market mutual funds were subject to custodial credit risk.

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

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

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

See independent auditor's report.

---

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

- 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;
- 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.

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

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

**Receivables**

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

Receivables							
	Interest	Taxes	Accounts	Intergovernmental	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
<b>Governmental Activities</b>							
General Fund	\$ 43,766	\$ 2,711,260	\$ 833,747	\$ 73,949	\$ 3,662,722	\$ (39,373)	\$ 3,623,349
Police Fund		813,378	151,034		964,412	(5,000)	959,412
Fire Fund		542,252			542,252		542,252
Street Fund	5,807		1,362	256,011	263,180		263,180
Jail Maintenance Tax Fund	1,630			568,772	570,402		570,402
Employee Wellness Fund			26,632		26,632		26,632
Nonmajor	885		118,856	472,358	592,099		592,099
Totals	52,088	4,066,890	1,131,631	1,371,090	6,621,699	(44,373)	6,577,326
<b>Business-type Activities</b>							
Stormwater Fund	6,187		92,734	12,954	111,875	(22,798)	89,077
Airport Fund	5,491		91,479	842,455	939,425	(23,831)	915,594
Solid Waste Fund	6,002		473,282		479,284	(95,537)	383,747
Water Fund	176,919		1,314,681	1,517,647	3,009,247	(217,786)	2,791,461
Wastewater Fund	79,770		1,170,289	1,284,240	2,534,299	(285,710)	2,248,589
Utility Admin Fund			10,775		10,775		10,775
Totals	\$ 274,369	\$	\$ 3,153,240	\$ 3,657,296	\$ 7,084,905	\$ (645,662)	\$ 6,439,243

*See independent auditor's report.*

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

**December 31, 2020**

**Capital Assets**

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 7,189,534	\$ 6,331,234	\$ 7,398,704	\$ 6,122,064
Art	220,207	11,447		231,654
Land	7,635,957	1,625,885		9,261,842
<b>Total capital assets not being depreciated</b>	<b>15,045,698</b>	<b>7,968,566</b>	<b>7,398,704</b>	<b>15,615,560</b>
Capital assets being depreciated:				
Buildings	16,457,579	661,845	7,957	\$ 17,111,467
Improvements other than buildings	87,633,001	1,690,953	3,942	\$ 89,320,012
Machinery and equipment	33,746,035	1,976,471	145,943	35,576,563
<b>Total capital assets being depreciated</b>	<b>137,836,615</b>	<b>4,329,269</b>	<b>157,842</b>	<b>142,008,042</b>
Less accumulated depreciation for:				
Buildings	10,259,311	403,151		\$ 10,662,462
Improvements other than buildings	83,051,706	769,656		83,821,362
Machinery and equipment	29,833,972	1,037,995	145,942	30,726,025
<b>Total accumulated depreciation</b>	<b>123,144,989</b>	<b>2,210,802</b>	<b>145,942</b>	<b>125,209,849</b>
<b>Net capital assets being depreciated</b>	<b>14,691,626</b>	<b>2,118,467</b>	<b>11,900</b>	<b>16,798,193</b>
<b>Net governmental capital assets</b>	<b>\$ 29,737,324</b>	<b>\$ 10,087,033</b>	<b>\$ 7,410,604</b>	<b>\$ 32,413,753</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ 22,176,015	\$ 18,992,627	\$ 21,480,141	\$ 19,688,501
Water Rights	11,552,246			11,552,246
Land	13,545,845	358,958	7,072	13,897,731
<b>Total capital assets not being depreciated</b>	<b>47,274,106</b>	<b>19,351,585</b>	<b>21,487,213</b>	<b>45,138,478</b>
Capital assets being depreciated				
Buildings	35,823,010	9,009,558		44,832,568
Improvements other than buildings	264,732,389	8,805,471		273,537,860
Machinery and equipment	77,378,363	4,675,814	541,127	81,513,050
<b>Total capital assets being depreciated</b>	<b>377,933,762</b>	<b>22,490,843</b>	<b>541,127</b>	<b>399,883,478</b>
Less accumulated depreciation for:				
Buildings	23,182,452	734,560		23,917,012
Improvements other than buildings	108,400,005	6,874,076		115,274,081
Machinery and equipment	54,164,541	3,405,879	339,279	57,231,141
<b>Total accumulated depreciation</b>	<b>185,746,998</b>	<b>11,014,515</b>	<b>339,279</b>	<b>196,422,234</b>
<b>Net capital assets being depreciated</b>	<b>192,186,764</b>	<b>11,476,328</b>	<b>201,848</b>	<b>203,461,244</b>
<b>Net business capital assets</b>	<b>\$ 239,460,870</b>	<b>\$ 30,827,913</b>	<b>\$ 21,689,061</b>	<b>\$ 248,599,722</b>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

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

**Governmental Activities**

General government	\$ 97,863
Community development	29,248
Parks and recreation	359,915
Public safety	826,589
Public transportation	101,209
Public works	776,473
Capital assets held by the Fleet Service Internal Service Fund and charged to various functions based on usage	19,503
<b><u>Total Depreciation Expense - Governmental Activities</u></b>	<b><u>\$ 2,210,800</u></b>

**Business-type Activities**

Airport	\$ 1,057,554
Parking	144,801
Solid Waste	945,995
Stormwater	225,801
Wastewater	5,007,710
Water	3,511,390
Capital assets held by the Utility Administration Internal Service Fund and charged to Wastewater and Water Funds based on usage	130,487
<b><u>Total Depreciation Expense - Business-type Activities</u></b>	<b><u>\$ 11,023,738</u></b>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

Construction Commitments. As of December 31, 2020, the City had the following active construction projects:

		<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
<b><u>Governmental Activities</u></b>			
<b>General Fund:</b>	Finance Department Improvements at 324 Malvern Avenue	\$ 4,821	\$
	Majestic Park Ballfield Complex	2,213,700	5,199,518
	Hot Springs Parks (Hollywood Trail, David Watkins, Linden Park, Stokes Trail and Way Finding Signage)	758,472	236,862
	City Hall Improvements - Access Control	605	
	Fire Training Facility Improvements	145,588	
	Police Department Building Improvements, Vehicles and Gun Range	906,920	
	P25 Radio Communications	1,942,800	307,528
	Homeless Shower Trailer and Taxes for Bus Shelters	60,936	
	Wetlands Trailhead Design, Sculptures and AARP Mural Platform	51,653	5,975
	Bridge Replacement Fees - Woodlawn and Honeycutt	20,000	
	Street Department - Sand Bagger	16,568	
Total construction commitments for Governmental activities		<u>\$ 6,122,063</u>	<u>\$ 5,749,883</u>
<b><u>Business-type Activities</u></b>			
		<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
<b>Parking:</b>	Exchange Street Parking Deck Elevator	\$ 161,904	
<b>Stormwater:</b>	Drainage Improvements	820,677	7,620
	Vehicle - River City Dodge	27,117	
	Appraisals - Valley Street, Montgomery Street and St. Mary's Church Lot	1,840	
<b>Airport:</b>	Rehabilitation Terminal Apron Phase IV	2,640	11,885
	Rehabilitation Taxiway ABC	29,780	30,606
	Rehabilitation Runway 5-23	152,510	390
<b>Solid Waste:</b>	P25 Communication System	744,778	
	Solid Waste Improvements	10,400	
	Heavy Duty Camera System - River City Hydraulics	3,816	
<b>Water:</b>	Water Supply Projects	948,536	
	Dam Improvements and Repairs	811,175	629,161
	Switchgear - MCC Engineering	2,562	
	2019 and 2020 Waterline Improvements Phase I and II	2,093,001	1,160,823
	Easements - Water	6,523	
	Quachita Water Treatment Plant Projects	5,341,935	11,471,207
	Highway 270 Widening Projects - ARDOT Job CA0607	299,268	735,050
	Water Storage Tank Mixing System Projects	187,494	158,761
	Utility Relocation - Highway 7 North ARDOT Job 61547	912,261	22,408
	P25 Communication System	636,785	1,522,305
	15 MGD Water Treatment Plant	478,364	1,112,207
<b>Wastewater:</b>	Utility Relocation - Highway 7 North ARDOT Job 61547	1,678,420	38,154
	Wastewater Treatment Plant Improvements - Davidson Drive	160,275	1,485,298
	Fairwood to Regional Wastewater Treatment Plant System Analysis	69,850	35,500
	Wastewater Line Improvements - Cobblersidge and Deer Valley	9,000	3,000
	Easement Fees - Gulpha Pump Station	15	
	Davidson Drive Wastewater Treatment Plant Improvements	3,027,268	2,622,769
	Highway 270 Widening - ARDOT CA0607	295,688	351,945
	Highway 7 South Mitzi Parkway to 290 Project - ARDOT 61309	76,896	
	Phosphorus Removal - Engineering and Design	23,640	
	2018 and 2019 Wastewater Collection System Engineering	86,785	
	Lift Stations Evaluation - Hot Springs Creek and Marzarn	27,126	
	P25 Communication System	\$ 481,222	
	Stainless Steel Gate - Wastewater Treatment Plant Davidson Drive	\$ 78,950	\$ 3,948
Total construction commitments for Business-type activities		<u>\$ 19,688,501</u>	<u>\$ 21,403,037</u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

Capital asset activity for the discretely presented component unit for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 5,387,201	\$ 22,583	\$	\$ 5,409,784
Construction in progress	797,565	908,231	211,743	1,494,053
Art and collectibles	553,701			553,701
<b>Total capital assets not being depreciated</b>	<b>6,738,467</b>	<b>930,814</b>	<b>211,743</b>	<b>7,457,538</b>
Capital assets being depreciated				
Buildings and structures	61,605,441	104,799		61,710,240
Improvements	8,087,999	1,532,743		9,620,742
Furniture, fixtures, and equipment	8,763,056	150,812	49,557	8,864,311
<b>Total capital assets being depreciated</b>	<b>78,456,496</b>	<b>1,788,354</b>	<b>49,557</b>	<b>80,195,293</b>
<b>Accumulated depreciation</b>	<b>40,258,547</b>	<b>2,404,177</b>	<b>49,557</b>	<b>42,613,167</b>
<b>Net capital assets</b>	<b>\$ 44,936,416</b>	<b>\$ 314,991</b>	<b>\$ 211,743</b>	<b>\$ 45,039,664</b>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

**Interfund Receivables, Payables and Transfers.**

Interfund receivables and payables arise when cash transfers between funds are not settled as of the balance sheet date. The current portion of these balances is referred to as due to/due from. The long- term portion of these balances is referred to as advances to/advances from. In addition, cash transfers between funds arise when cash funding is required for one fund by another. The major reasons for transfers are the settlement of sales tax collections, general support of the public safety function mandated by voter initiative, bond documents and the local match of state and federal grants. On the face of the balance sheet the due to/due from classifications differ by the Agency Funds components. Following is the composition of interfund balances as of December 31, 2020:

<b>Due to and Due from</b>		
Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 344,482
	Agency Fund	33,871
Non Major Governmental	Nonmajor Governmental	-
	Agency Fund	13,830
Police Fund	Nonmajor Governmental	15,695
	Agency Fund	4,864
Water	Internal Service	490,720
Wastewater	Internal Service	456,586
Solid Waste	General	-
	Nonmajor Governmental	2,250,467
	Agency Fund	69,284
Agency Fund	General Fund	-
	Nonmajor Governmental	-
Total Due To / Due From		<u>\$ 3,679,799</u>

<b>Transfers In</b>							
Transfers Out	Nonmajor			Communication			Total
	Fire	Police	Governmental	Street	System	Parking	
General	\$ 6,056,380	\$ 5,572,874	\$ 639,072	\$ 664,100	\$ -	\$ 45,000	\$ 12,977,426
Police			34,181		275,000		309,181
Fire					235,000		235,000
Street			22,789				22,789
Nonmajor Governmental			486,361				486,361
Stormwater			36,164				36,164
	<u>\$ 6,056,380</u>	<u>\$ 5,572,874</u>	<u>\$ 1,218,567</u>	<u>\$ 664,100</u>	<u>\$ 510,000</u>	<u>\$ 45,000</u>	<u>\$ 14,066,921</u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

**Operating Leases**

Primary Government

As of December 31, 2020, the following lease arrangements had been executed by the City for leases of specific, capital and noncapital assets. The leases are accounted for as operating leases and are described as follows:

Capital Assets

Arkansas School for Mathematics, Science, and the Arts executed a sixth lease extension agreement for buildings and property owned by the City. The initial two years for the lease extension was July 1, 2001 through June 30, 2003. The contract allows nine options to renew for a total of 18 years at \$1 for each year.

The City, as the lessor, agrees to maintain the premises in good repair and tenable condition, maintain fire and extended-coverage insurance, provide and maintain specified equipment including food-service facilities and equipment, remote operating lock system, television monitoring system and emergency power supply. The State of Arkansas, as lessee, is responsible for the utilities and general services costs, major repairs of the elevator, heating, ventilation and air conditioning equipment. The lessor will pay the first \$500 of the repair. The lessee also agrees to deposit \$1,000 each month into a fund for major repairs.

The leased ASMSA facilities cost on the December 31, 2020 statement of net position was capitalized as governmental activities as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land and land improvements	\$ 955,286	\$ -
Buildings and structures	5,958,755	4,249,850
Improvements	3,962,120	3,759,697
Machinery and equipment	2,960,671	2,933,724
Total Leased Facilities	<u>\$ 13,836,832</u>	<u>\$ 10,943,271</u>

Hot Springs Municipal Airport leases portions of the capital facilities to individuals and businesses. The leases consist primarily of buildings, grounds, hangars and storage facilities. All leases are operating leases with various terms and are cancelable. The cost of property on lease or held for leasing and the amount of accumulated depreciation, as of December 31, 2020, is reported on the statement of net position in the business-type column as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land and land improvements	\$ 14,972	\$ -
Buildings and structures	10,701,622	7,329,310
Total Leased Facilities	<u>\$ 10,716,594</u>	<u>\$ 7,329,310</u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

**Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2020 were as follows:

	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020	Amount due in One Year
<b>Governmental Activities</b>					
Bonds payable					
Special obligation bonds	\$ 9,310,000	\$ -	\$ 305,000	\$ 9,005,000	\$ 315,000
Bonds payable, net	9,310,000	-	305,000	9,005,000	315,000
Notes payable	3,084,476	1,357,687	1,345,401	3,096,762	1,025,913
Net pension liability	71,515,990	-	2,180,991	69,334,999	-
Compensated absences	3,717,938	215,218	260,974	3,672,182	201,272
OPEB liability	3,559,969	358,120	-	3,918,089	-
Total governmental activities long-term liabilities	<u>\$ 91,188,373</u>	<u>\$ 1,931,025</u>	<u>\$ 4,092,366</u>	<u>\$ 89,027,032</u>	<u>\$ 1,542,185</u>
<b>Business-type Activities</b>					
Bonds payable					
Revenue bonds	\$ 103,638,127	\$ 156,670,000	\$ 38,008,719	\$ 222,299,408	\$ 4,426,176
Add issuance premiums	2,472,586	10,433,700	1,117,374	11,788,912	428,088
Less issuance discounts	21,693	1,713,930	1,033	1,734,590	58,164
Bonds payable, net	106,089,020	165,389,770	39,125,060	232,353,730	4,796,100
Notes payable	58,718	-	46,883	11,835	11,835
Note payable - Mid Arkansas Water Alliance	8,650,600	-	228,177	8,422,423	233,880
Post closure compost facility costs	556,737	52,703	-	609,440	-
Net pension liability	10,442,199	2,881,836	-	13,324,035	-
Compensated absences	1,365,372	123,565	138,838	1,350,099	106,658
OPEB liability	2,103,431	219,492	-	2,322,923	-
Total business-type activities long-term liabilities	<u>\$ 129,266,077</u>	<u>\$ 168,667,366</u>	<u>\$ 39,538,958</u>	<u>\$ 258,394,485</u>	<u>\$ 5,148,473</u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

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, 2020, \$118,980 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, 2020, \$268,646 of Utility Administration Funds compensated absences are included in the above business-type activities. Compensated absences and the OPEB liability will be liquidated by the fund paying the underlying employee. For governmental activities the following funds were used to liquidate them in the prior year: General Fund, Police Fund, Fire Fund, Street Fund, District Court Fund, and Public Transportation Fund.

Following is a summary of bonds and notes payable:

<u>Primary Government</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Total Outstanding</u>
General long-term obligations				
Special obligation bonds	1.977%-3.691%	2049	\$ 9,450,000	\$ 9,005,000
Notes payable	1.52%-2.759%	2025	\$ 6,270,760	\$ 3,096,764
Enterprise Funds				
Revenue bonds	0%-4%	2050	\$ 234,091,876	\$ 232,353,730
Notes payable	1.55% - 2.5%	2046	\$ 9,763,032	\$ 8,434,258

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, 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**

On November 12, 2019, the City issued 30-year special obligation bonds with a face value of \$7,875,000. The purpose of the bonds was to finance 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 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

---

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

proceeds from motels, hotels, restaurants, cafeterias and other similar establishments in the City. 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.

*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.

**2016 Short-term Financing Note** – The \$1,500,000 promissory note was issued to finance the cost of acquiring police cars and other vehicles and special purpose equipment for general government operations. In addition, \$228,200 was used to purchase equipment for the wastewater fund. Principal and interest payments (1.55%) are paid monthly.

**2017 Short-term Financing Note** – The \$878,000 promissory note was issued to finance the cost of acquiring police cars and other vehicles and special purpose equipment for general government operations. Principal and interest payments (1.70%) are paid monthly.

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

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

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

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.

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

**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, 2020:

	<b>Governmental Activities</b>			
	Special Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2021	315,000	300,529	1,025,914	54,090
2022	320,000	292,068	833,380	35,039
2023	335,000	283,398	711,881	18,881
2024	345,000	274,148	525,589	6,347
2025	350,000	264,433		
2026-2030	1,535,000	1,163,639		
2031-2035	1,175,000	963,661		
2036-2040	1,400,000	747,997		
2041-2045	1,660,000	476,140		
2046-2050	1,570,000	147,640		
	\$ 9,005,000	\$ 4,913,653	\$ 3,096,764	\$ 114,357

*See independent auditor's report.*

---

City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2020

---

Business-type Activities

*Revenue bonds*

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

**Waterworks Revenue Improvement Bonds Series 2010B** - These bonds have a face value of \$4,966,876 and were issued for the purpose of acquiring and constructing an automated meter infrastructure (AMI) system. The interest rate is 2.25% and a servicing fee of 1% annually is also assessed. Principal and interest payments are due semiannually on April 15 and October 15. Principal payments began in April 2014. The funding was obtained through a program provided by the State of Arkansas Department of Environmental Quality.

**Waterworks Revenue Bonds Series 2015** - These 25-year bonds were issued on November 24, 2015 with face value of \$8,035,000 for the purpose of financing betterments to the Ouachita Water Treatment Plant and the Lakeside Water Treatment Plant and the acquisition, installation, and equipping of additional water storage tanks. The interest rates range from 2% to 3.9%. Principal payments are due annually on October 1, and interest payments are due semiannually on April 1 and October 1.

**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 October 8, 2019 with a face value of \$5,370,000 for the purpose of refunding Waterworks Revenue Refunding and Construction Bonds Series 2014. 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.

*See independent auditor's report.*

---

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

**Wastewater Revenue Bonds Series 2013** - These bonds were issued on December 30, 2013, with a face value of \$40,275,000 for the purpose of making certain improvements to the wastewater collection system. This bond issue is to finance Phase II of the improvements needed to assist the City in meeting EPA requirements identified when the Wastewater Revenue Bonds Series 2009 were issued. The interest rates range from 2% to 5%. Principal payments are due annually on December 1, and interest payments are due semiannually on June 1 and December 1.

The Wastewater Revenue Bonds Series 2013 were advance refunded in July 2020 by the issuance of Wastewater Revenue Bonds Taxable Refunding Series 2020A. The debt was defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The Trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The total debt service for the 2013 series was \$50.6 million and the total debt service for the 2020 series will be \$53.4 million, a difference of \$2.8 million. The economic gain resulting from the refunding is \$609,000. The Series 2013 bonds can be called on December 31, 2023. The outstanding principal as of December 31, 2020 was \$33,490,000.

**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 payment are due semiannually on June 1 and December 1.

**Wastewater Refunding Revenue Bonds Series 2017** – These 20-year bonds were issued in August, 2017 with a face value of \$24,550,000 for the purpose of defeasing the City's Wastewater Revenue Bond, Series 2009. The interest rates range from 2% to 4%. Principal payments are due annually on December 1, and interest payments are due semiannually on June 1 and December 1.

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

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

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

*See independent auditor's report.*

---

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

---

**December 31, 2020**

---

to pay when due the principal and interest of any bonds outstanding.

*Notes Payable (Direct Borrowings)*

**2016 Wastewater note payable** – The \$228,200 promissory note was issued to finance the cost of acquiring equipment for composting (Wastewater Fund) operations. The note is a five year note and principal and interest payments (1.7%) are paid monthly.

**2017 Water note payable to Mid-Arkansas Water Alliance (MAWA)** – In May, 2017, the City of Hot Springs and two other entities signed an agreement with MAWA to purchase a storage allocation (defined as joint-use storage space) in Lake Ouachita, a local Corp of Engineers lake. The agreement allows for a 30 million gallon a day (MGD) allocation, or which the City of Hot Springs is entitled to 23 MGD, or a 76.67% share. In exchange, the City paid \$9,534,832. This purchase was financed by MAWA with a 30-year note at 2.5% annual interest. Principal and interest payments are paid annually.

The City's 2016 Wastewater note payable from direct borrowings related to business-type 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, 2020

**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, 2020:

	<b>Business-type Activities</b>			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2021	\$ 4,796,100	\$ 7,017,201	\$ 245,715	\$ 210,591
2022	4,893,903	6,922,095	239,727	204,714
2023	6,932,057	6,823,250	245,720	198,720
2024	7,325,574	6,650,394	251,863	192,577
2025	7,529,466	6,461,535	258,160	186,281
2026-2030	39,202,634	29,117,658	1,390,898	831,306
2031-2035	41,689,209	22,838,578	1,573,673	648,531
2036-2040	41,347,320	15,624,363	1,780,467	441,737
2041-2045	38,499,172	8,610,072	2,014,435	207,769
2046-2050	40,138,295	3,248,988	433,600	10,840
	\$ 232,353,730	\$ 113,314,134	\$ 8,434,258	\$ 3,133,066

**Restricted Funds**

The City is required by certain revenue bond covenants to restrict funds for unspent bond proceeds, current principal and interest payments, debt reserve funds, and renewal and replacements. The following funds were restricted as of December 31, 2020:

**Governmental Type Activities**

Unspent bond proceeds	\$ 6,949,889
Current principal and interest payments	248,231
Debt service reserve funds	215,162
Total restricted funds	\$ 7,413,282

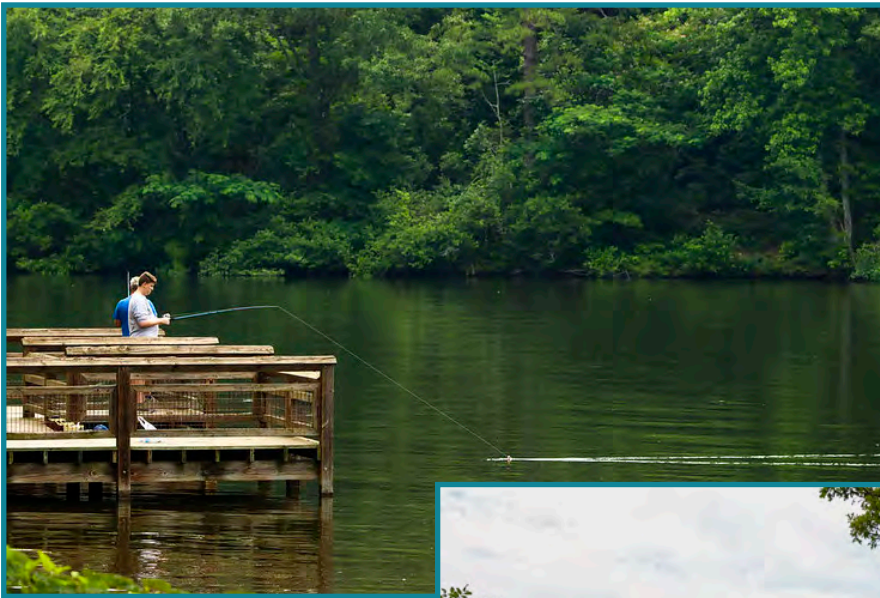
**Business-type Activities**

Unspent bond proceeds	\$ 133,260,484
Current principal and interest payments	3,129,339
Debt service reserve funds	-
Renewal and replacement fund	8,941,142
Total restricted funds	\$ 145,330,965

*See independent auditor's report.*

# *ENTERGY PARK*

---



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

**December 31, 2020**

**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 133 – 136.

As of December 31, 2020, the City had unpaid claims totaling \$378,028. These unpaid claims are based on actual claims paid in the new fiscal year (2020) 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
2011	\$ 351,525	\$ (351,525)	\$ 1,630,907	\$ 1,312,050	\$ 318,857
2012	318,857	(318,857)	1,583,037	\$ 1,264,180	318,857
2013	318,857	(318,857)	1,875,183	\$ 1,658,179	217,004
2014	217,004	(217,004)	2,498,340	\$ 2,147,119	351,221
2015	351,221	(351,221)	3,800,782	\$ 3,362,772	438,010
2016	438,010	(438,010)	3,064,276	\$ 2,740,309	323,967
2017	323,967	(323,967)	2,251,997	\$ 1,894,015	357,982
2018	357,982	(357,982)	1,968,972	\$ 1,412,454	556,518
2019	556,518	(556,518)	1,983,027	\$ 1,631,409	351,618
2020	351,618	(351,618)	2,289,939	\$ 1,911,911	378,028

The City's health insurance self-insurance fund recognized a gain of \$1,394,490 for the fiscal year ended December 31, 2020. On February 20, 2018, the City's Board of Directors passed a resolution establishing a \$1,000,000 reserve in the employee wellness fund. The City planned to increase premiums charged to each fund by 3% annually through 2020, however due to the welfare of the fund, the City did not increase health premiums for 2020. At the end of 2020, the fund had a net position of \$5.4 million.

*See independent auditor's report.*

---

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

---

**December 31, 2020**

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, 2020, 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.

*See independent auditor's report.*

---

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

---

**December 31, 2020**

**NOTE 6: Defined Benefit Pension Plans**

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

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

**City of Hot Springs Firemen's Pension and Relief Fund**

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

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

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

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

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

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

*See independent auditor's report.*

---

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

The employees covered by the Firemen’s Plan at December 31, 2019, 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	-
	<hr/> 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 contributions for the 2020 plan year were 30.64% of gross salary, and totaled \$1,470,852.

**Net Pension Liability**

The City’s net pension liability of \$27,897,344 as of December 31, 2020 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

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

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

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

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

**December 31, 2020**

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, 2019, 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>
Fixed Income	30.00%	1.30%	0.40%
Domestic Equity	42.00%	5.40%	2.27%
Foreign Equity	18.00%	7.80%	1.40%
Alternative Investments	10.00%	6.70%	0.67%
Cash	0.00%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>		<b>4.74%</b>
Expected Inflation			2.55%
<b>Total Return</b>			<b>6.99%</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 7.00%; the municipal bond rate is 2.75% (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 2.75%.

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

December 31, 2020

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 24,680,418	\$ (1,268,106)	\$ 25,948,524
Charges for the year:			
Service cost			
Interest	883,599		883,599
Differences between expected and actual experience	146,541		146,541
Changes of assumptions	2,614,637		2,614,637
Contributions - employer		1,695,957	(1,695,957)
Net investment income			
Benefit payments, including refunds of employee contributions	(1,727,484)	(1,727,484)	
Administrative expense			
Net changes	1,917,293	(31,527)	1,948,820
Balance, end of year	\$ 26,597,711	\$ (1,299,633)	\$ 27,897,344

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	1.75%	2.75%	3.75%
City's net pension liability	\$ 31,183,952	\$ 27,897,344	\$ 25,152,021

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/>.

See independent auditor's report.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

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

For the year ended December 31, 2020, the City recognized pension expense of \$1,900,931. At December 31, 2020, 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>
Differences between expected and actual earnings on pension plan investments		\$ 187
City's contribution made subsequent to the measurement date of the net pension liability	1,470,852	
Total	\$ 1,470,852	\$ 187

At December 31, 2020, the City reported \$1,470,852 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2020, related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
2021	\$ (187)
2022	
2023	-
2024	
2025	
Thereafter	
Total	\$ (187)

**Payable to the Pension Plan**

At December 31, 2020, the City had no outstanding required contributions to the Firemen's Plan required for the year ended December 31, 2020.

*See independent auditor's report.*

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

December 31, 2020

**City of Hot Springs Policemen’s Pension and Relief Fund**

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

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

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

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

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

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

The employees covered by the Policemen’s Plan at December 31, 2019, the date of the actuarial valuation, are:

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

*See independent auditor's report.*

---

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

---

**December 31, 2020**

*Contributions.* Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary. The City's required contributions for the 2020 plan year were 13.70% of gross salary, and totaled \$838,584.

**Net Pension Liability**

The City's net pension liability of \$7,810,923 as of December 31, 2020 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

For each major asset class that is included in the pension plan’s target asset allocation as of December 31, 2018, 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>
Fixed Income	30.00%	1.30%	4.00%
Domestic Equity	42.00%	5.40%	2.27%
Foreign Equity	18.00%	7.80%	1.40%
Alternative Investments	10.00%	6.70%	6.70%
Cash	0.00%	0.00%	0.00%
<b>Total</b>	100.00%		4.74%
Expected Inflation			2.25%
<b>Total Return</b>			6.99%

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (based on the weekly rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA Index”); and the resulting Single Discount Rate is 7.00%.

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

December 31, 2020

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 24,001,341	\$ 13,655,210	\$ 10,346,131
Charges for the year:			
Service cost			
Interest	1,614,036		1,614,036
Differences between expected and actual experience	(718,675)		(718,675)
Changes of assumptions			
Contributions - employer		991,034	(991,034)
Net investment income		2,461,180	(2,461,180)
Benefit payments, including refunds of employee contributions	(1,887,367)	(1,887,367)	
Administrative expense		(21,645)	21,645
Net changes	(992,006)	1,543,202	(2,535,208)
Balance, end of year	\$ 23,009,335	\$ 15,198,412	\$ 7,810,923

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability	\$ 10,361,062	\$ 7,810,923	\$ 5,697,009

*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/>.

*See independent auditor's report.*

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

**December 31, 2020**

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

For the year ended December 31, 2020, the City recognized negative pension expense of \$903,894. At December 31, 2020 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	\$ 910,200	\$ 1,570,110
City's contribution made subsequent to the measurement date of the net pension liability	838,584	
Total	\$ 1,748,784	\$ 1,570,110

At December 31, 2020, the City reported \$838,584, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2020, related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
2021	\$ (140,858)
2022	(190,820)
2023	(20,743)
2024	(307,489)
2025	
Thereafter	
Total	\$ (659,910)

**Payable to the Pension Plan**

At December 31, 2020, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2020.

*See independent auditor's report.*

---

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

---

December 31, 2020

**Arkansas Public Employees Retirement System (APERS)**

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

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

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

---

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

---

December 31, 2020

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

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

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

Contributions. Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% for municipal employees and 42.51% for district judges of compensation from January 1 to December 31, 2020. Contributions to APERS from the City were \$2,814,936 for the year ended December 31, 2020.

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

At December 31, 2020, the City reported a liability of \$25,552,300 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2020, the City's proportion was 0.89%.

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

**December 31, 2020**

For the year ended December 31, 2020, the City recognized APERS pension expense of \$2,082,884. At December 31, 2020, 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	\$ 339,214	\$ 16,920
Changes of assumptions	320,149	437,804
Net difference between projected and actual earning on pension plan investments	2,703,758	
Changes in proportion and differences between City contributions and proportionate share of contributions	812,581	94,231
City contributions subsequent to the measurement date	1,467,348	
Total	\$ 5,643,050	\$ 548,955

At December 31, 2020 the City reported \$1,467,348 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, 2021. 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>
2020	\$ 535,722
2021	972,207
2022	1,308,104
2023	810,714
2024	
Thereafter	
Total	\$ 3,626,747

*See independent auditor's report.*

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

**December 31, 2020**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	30 years (8.6 years for District Judges New Plan/Paid Off Old Plan and 17 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% 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-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.0486

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37.00%	6.20%
International Equity	24.00%	6.69%
Real Assets	16.00%	4.81%
Absolute Return	5.00%	3.05%
Domestic Fixed	18.00%	0.57%
<b>Total</b>	<b>100.00%</b>	
<b>Total Real Rate of Return</b>		<b>4.93%</b>
Plus: Price Inflation - Actuary Assumption		2.50%
<b>Net Expected Return</b>		<b>7.43%</b>

*See independent auditor's report.*

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

**December 31, 2020**

*Discount rate.* The discount rate used to measure the total pension liability was 7.15% for the year ended June 30, 2020. The single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.15%) or 1% higher (8.15%) than the current rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>	
City's proportionate share of the net pension liability	\$ 38,918,043	\$ 25,552,300	\$ 14,522,536	

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

**Payable to the Pension Plan**

At December 31, 2020, the City did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2020.

**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.

*See independent auditor's report.*

---

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

---

December 31, 2020

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

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

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

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

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

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

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

---

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

---

**December 31, 2020**

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

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

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

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

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

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

---

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

---

**December 31, 2020**

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 2020 plan year for police and fire were 22.56% and 23.25%, respectively, of annual covered payroll, based upon the December 31, 2018 actuarial report. Contributions to the pension plan from the City were \$2,543,084 for the year ended December 31, 2020.

*See independent auditor's report.*

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

**December 31, 2020**

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

At December 31, 2020, the City reported a liability of \$21,398,467 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019, the City's proportion was 2.77%.

For the year ended December 31, 2020, the City recognized LOPFI pension expense of \$2,781,036. At December 31, 2020, 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	\$ 2,105,497	\$
Changes of assumptions	1,847,841	
Net difference between projected and actual investment earnings on pension plan investments		2,584,313
Changes in proportion and differences between City contributions and proportionate share of contributions	173,419	158,779
City's contribution made subsequent to the measurement date	2,543,084	
Total	\$ 6,669,841	\$ 2,743,092

As of December 31, 2020, \$2,543,084 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, 2021. 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>
2021	\$ 1,676,102
2022	556,406
2023	298,302
2024	(1,147,164)
2025	
Thereafter	
Total	\$ 1,383,646

*See independent auditor's report.*

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

**December 31, 2020**

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

Wage inflation	3.25%
Price inflation	2.50%
Salary increases	Based on merit and seniority
Investment rate of return	7.80%, as adopted by the board

Mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality table for males and females. The disability post-retirement mortality tables used were the RP-2014 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2014 Employee benefit weighted generational mortality tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an experience study of the period 2012–2016.

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, 2017, 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>
Fixed Income	30.00%	0.13%	0.40%
Domestic Equity	42.00%	5.40%	2.27%
Foreign Equity	18.00%	7.80%	1.40%
Alternative Investments	10.00%	6.70%	0.67%
Cash	0.00%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>		<b>4.74%</b>
Expected Inflation			2.50%
<b>Total Return</b>			<b>6.99%</b>

*Discount rate.* A single discount rate of 7.00% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Plan assets are expected to be invested using a strategy to achieve the expected rate of return. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
City's proportionate share of the net pension liability	34,095,962	21,398,467	11,148,973

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, 2020, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2020.

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

**December 31, 2020**

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

	<b>Firemen's Pension and Relief Fund</b>	<b>Policemen's Pension and Relief Fund</b>	<b>Arkansas Public Employees Retirement System</b>	<b>Local Police and Fire Retirement System</b>	<b>Total</b>
<b>Net pension liability</b>	\$ (27,897,344)	\$ (7,810,923)	\$ (25,552,300)	\$ (21,398,467)	\$ (82,659,034)
<b>Deferred outflows</b>					
Difference between projected and actual earnings on pension plan investments		910,200	2,703,758		3,613,958
Changes of assumptions			320,149	1,847,841	2,167,990
Difference between expected and actual experience			339,214	2,105,497	2,444,711
Changes in proportionate share of contributions			812,581	173,419	986,000
Contributions subsequent to measurement date	1,470,852	838,584	1,467,348	2,543,084	6,319,868
Total deferred outflows	1,470,852	1,748,784	5,643,050	6,669,841	15,532,527
<b>Deferred inflows</b>					
Difference between expected and actual experience			(16,920)		(16,920)
Changes of assumptions			(437,804)		(437,804)
Changes in proportionate share of contributions			(94,231)	(158,779)	(253,010)
Difference between projected and actual earnings on pensions plan investments	(187)	(1,570,110)		(2,584,313)	(4,154,610)
Total deferred inflows	(187)	(1,570,110)	(548,955)	(2,743,092)	(4,862,344)
<b>Current year net balance</b>	\$ (26,426,679)	\$ (7,632,249)	\$ (20,458,205)	\$ (17,471,718)	\$ (71,988,851)
<b>Prior year net balance</b>	(24,525,748)	(9,836,143)	(18,375,321)	(14,690,723)	(67,427,935)
<b>Pension expenses/expenditures</b>	1,900,931	(2,203,894)	2,082,884	2,780,995	4,560,916

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.

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

**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 \$714,845. Yearly costs were accrued at the amortized payment of \$52,703. 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, 2020, \$609,440 has been recognized. The total current cost of the compost closure and postclosure care is an estimate subject to changes resulting from inflation, deflation, technology, and changes in applicable laws and regulations.

**NOTE 8: Other Postemployment Benefits (OPEB)**

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

Benefits Provided. The City provides healthcare benefits for retirees and their dependents until age 65. Eligibility requirements for retiree health benefits for all employees are age 55 with 20 years of service. Upon the death of a retiree, surviving spouses are eligible for COBRA for 36 months. During 2020, the City paid \$131,838 for OPEB as the benefits came due.

*See independant auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

Employees Covered by Benefit Terms. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	604
	616

Total OPEB Liability. The City’s total OPEB liability of \$6,241,012 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2019 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, 2018
Discount Rate	2.12% as of December 31, 2020 and 3.26% as of January 1, 2020
Healthcare Trend Rates	8.0% for 2021 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 rates have been updated from the SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017 as follows.

- General employees and retirees: SOA Pub-2010 General Total Data Headcount Weighted Mortality Table fully generational using Scale MP-2019
- Public Safety employees and retirees: SOA Pub-2010 Public Safety Total Data Headcount Weighted Mortality Table fully generational using Scale MP-2019
- Surviving Spouses: SOA Pub-2010 Contingent Survivor Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019

*See independant auditor's report.*

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

**December 31, 2020**

**Changes in Total OPEB Liability**

Balance at Beginning of Year	\$ 5,663,400
Changes for the Year	
Service cost	408,243
Interest	195,804
Changes in benefit terms	
Changes in assumptions	571,909
Differences between expected and actual experience	(466,506)
Benefit payments	<u>(131,838)</u>
Net change in total OPEB liability	<u>577,612</u>
Balance at End of Year	<u>\$ 6,241,012</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.26% at January 1, 2020 to 2.12% at December 31, 2020.

**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 (1.12%) or 1% higher (3.12%) than the current discount rate (2.12%):

	1% Decrease	Current Discount Rate	1% Increase
	1.20%	2.12%	3.12%
Total OPEB Liability	\$ 6,778,830	\$ 6,241,012	\$ 5,736,839

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate. The current healthcare trend rate starts at an initial rate of 8.0% decreasing to an ultimate rate of 4.5%. The 1% decrease in healthcare trend rates would assume an initial rate of 7.0% decreasing to an ultimate rate of 3.5%. The 1% increase in healthcare trend rates would assume an initial rate of 9.0% decreasing to an ultimate rate of 5.5%.

*See independent auditor's report.*

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

**December 31, 2020**

	1% Decrease 7.00%	Healthcare Cost Trend Rate 8.00%	1% Increase 9.00%
Total OPEB Liability	\$ 5,417,561	\$ 6,241,012	\$ 7,232,732

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$610,876. At December 31, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ 39,782
Changes in assumptions	<u>1,064,444</u>
Total	<u>\$ 1,104,226</u>

At December 31, 2020, the City reported deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ (868,859)
Changes in assumptions	<u>(149,133)</u>
Total	<u>\$ (1,017,992)</u>

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

Fiscal Year Ending December 31,	Amount
2021	\$ 6,827
2022	6,827
2023	6,827
2024	6,825
2025	(7,621)
Thereafter	<u>66,549</u>
Total	<u>\$ 86,234</u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2020**

---

**NOTE 9: Subsequent Events**

On March 11, 2020 the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. Like most communities, Hot Springs was affected in many ways by this. The State of Arkansas declared a public health emergency on March 11, 2020, but that ended May 30, 2021. For 2021, the focus has been on ending the pandemic through vaccine distribution. The City has contributed to that effort by partnering with the County and health care providers to offer vaccines to citizens.

The economic impact of COVID-19 has been minimal to the City of Hot Springs. The American Rescue Plan Act was passed in early 2021, and the City's share of this funding is \$11.4 million. Since Hot Springs is a metro city, it received 50% of that funding directly from the federal government on May 20, 2021. It will receive the remaining some time in 2022. The use of these funds is restricted to certain activities and Hot Springs is in the initial phase of evaluating possible uses.

*{This page intentionally left blank}*

# REQUIRED SUPPLEMENTARY INFORMATION

---

# *SCENIC HILL SOLAR POWER GROUND BREAKING*

---



**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, 2020**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Sales	\$ 14,070,359	\$ 14,070,359	\$ 14,960,641	\$ 890,282
Mixed drink and other	750,000	750,000	593,225	(156,775)
Fees and permits:				
Code inspection	479,900	479,900	584,001	104,101
Business licenses	750,000	750,000	748,615	(1,385)
Alcoholic beverage	135,000	135,000	131,798	(3,202)
Franchise	2,695,000	2,695,000	2,809,977	114,977
Other	99,600	99,600	53,664	(45,936)
Intergovernmental:				
State turnback	615,000	615,000	555,424	(59,576)
County aid	293,280	293,280	295,236	1,956
Charge for services	2,452,298	2,467,982	2,403,801	(64,181)
Gaming and breakage	4,545,000	4,545,000	2,978,898	(1,566,102)
Fines and forfeitures	586,750	586,750	621,325	34,575
Investment earnings	50,000	50,000	230,538	180,538
Miscellaneous	301,970	301,970	362,497	60,527
Total revenues	<u>27,824,157</u>	<u>27,839,841</u>	<u>27,329,640</u>	<u>(510,201)</u>
<b>EXPENDITURES</b>				
General government:				
Board of Directors	115,600	113,000	6,534	106,466
City Manager	475,297	532,212	509,422	22,790
City Attorney	429,165	473,016	473,013	3
Human Resources	408,358	408,358	365,795	42,563
Finance	1,138,587	1,206,588	1,190,604	15,984
City Clerk	227,488	231,027	211,273	19,754
Public Information	192,513	197,752	183,688	14,064
Information Systems	800,850	826,984	807,076	19,908
Special General Fund Appropriations	2,034,098	2,042,552	558,687	1,483,865
Total general government	<u>5,821,956</u>	<u>6,031,489</u>	<u>4,306,092</u>	<u>1,725,397</u>
Community Development:				
Planning and Development	1,530,617	1,617,029	1,432,711	184,318
Total Community Development	<u>1,530,617</u>	<u>1,617,029</u>	<u>1,432,711</u>	<u>184,318</u>
Parks and Recreation:				
Parks and Trails	1,673,457	1,722,176	1,553,542	168,634
Sport Recreation	361,181	423,297	269,768	153,529
Total Parks and Recreation	<u>2,034,638</u>	<u>2,145,473</u>	<u>1,823,310</u>	<u>322,163</u>
Public Works:				
Public Works Administration	2,062,716	2,542,789	2,414,230	128,559
Engineering	220,559	228,969	196,251	32,718
Traffic	710,868	818,909	752,673	66,236
Total Public Works	<u>2,994,143</u>	<u>3,590,667</u>	<u>3,363,154</u>	<u>227,513</u>
Total expenditures	<u>12,381,354</u>	<u>13,384,658</u>	<u>10,925,267</u>	<u>2,459,391</u>
Excess (deficiency) of revenues over expenditures	<u>15,442,803</u>	<u>14,455,183</u>	<u>16,404,373</u>	<u>1,949,190</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(16,933,431)	(17,239,762)	(12,961,115)	4,278,647
Transfers in	75,750	75,750		(75,750)
Issuance of debt	625,500	625,500	625,500	
Total other financing sources and uses	<u>(16,232,181)</u>	<u>(16,538,512)</u>	<u>(12,335,615)</u>	<u>4,202,897</u>
Net change in fund balances	(789,378)	(2,083,329)	4,068,758	6,152,087
Fund balances - beginning	8,241,824	8,241,824	8,241,824	
Fund balances - ending	<u>\$ 7,452,446</u>	<u>\$ 6,158,495</u>	<u>\$ 12,310,582</u>	<u>\$ 6,152,087</u>

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

**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, 2020**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 4,082,033	\$ 4,082,033	\$ 4,488,192	\$ 406,159
Fees and permits	117,000	117,000	139,088	22,088
Intergovernmental	1,083,724	1,083,724	1,601,689	517,965
Fines and forfeitures	60,000	60,000	57,222	(2,778)
Investment earnings	100	100	209	109
Miscellaneous	36,000	36,000	72,967	36,967
Total revenues	<u>5,378,857</u>	<u>5,378,857</u>	<u>6,359,367</u>	<u>980,510</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel	11,849,484	11,849,484	10,144,094	1,705,390
Services	796,444	827,928	689,427	138,501
Supplies	649,013	836,937	638,563	198,374
Intergovernmental exp	30,000	30,000	30,000	
Principal	491,114	491,114	491,114	
Interest	25,825	25,825	25,288	537
Capital outlay	601,000	588,376	582,320	6,056
Total expenditures	<u>14,442,880</u>	<u>14,649,664</u>	<u>12,600,806</u>	<u>2,048,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,064,023)</u>	<u>(9,270,807)</u>	<u>(6,241,439)</u>	<u>3,029,368</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,522,023	8,522,023	5,572,874	(2,949,149)
Transfers out	(28,000)	(309,200)	(309,181)	19
Issuance of debt	570,000	570,000	570,000	
Total other financing sources (uses)	<u>9,064,023</u>	<u>8,782,823</u>	<u>5,833,693</u>	<u>(2,949,130)</u>
Net change in fund balances		(487,984)	(407,746)	80,238
Fund balance - beginning	1,022,133	1,022,133	1,022,133	
Fund balance - ending	<u>\$ 1,022,133</u>	<u>\$ 534,149</u>	<u>\$ 614,387</u>	<u>\$ 80,238</u>

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

**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, 2020**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 2,814,072	\$ 2,814,072	\$ 2,992,128	\$ 178,056
Fees and permits	23,400	23,400	22,162	(1,238)
Intergovernmental	725,000	725,000	873,122	148,122
Miscellaneous	33,800	33,800	36,321	2,521
Total revenues	<u>3,596,272</u>	<u>3,596,272</u>	<u>3,923,733</u>	<u>327,461</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel	8,419,189	8,841,761	8,817,949	23,812
Services	741,637	741,637	519,282	222,355
Supplies	464,655	531,301	385,828	145,473
Principal	118,600	118,960	118,599	361
Interest	2,449	2,449	2,806	(357)
Capital outlay	283,000	42,954	35,215	7,739
Total expenditures	<u>10,029,530</u>	<u>10,279,062</u>	<u>9,879,679</u>	<u>399,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,433,258)</u>	<u>(6,682,790)</u>	<u>(5,955,946)</u>	<u>726,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,385,258	6,385,258	6,056,380	(328,878)
Transfers out		(235,000)	(235,000)	
Issuance of debt	48,000	48,000	48,000	
Total other financing sources (uses)	<u>6,433,258</u>	<u>6,198,258</u>	<u>5,869,380</u>	<u>(328,878)</u>
Net change in fund balances		(484,532)	(86,566)	397,966
Fund balance - beginning	423,520	423,520	423,520	
Fund balance - ending	<u>\$ 423,520</u>	<u>\$ (61,012)</u>	<u>\$ 336,954</u>	<u>\$ 397,966</u>

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

**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, 2020**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fees and permits	\$ 50,000	\$ 50,000	\$ 64,586	\$ 14,586
Intergovernmental	2,875,000	2,875,000	3,728,856	853,856
Investment earnings	2,000	2,000	33,292	31,292
Miscellaneous	500	500	5,180	4,680
Total revenues	<u>2,927,500</u>	<u>2,927,500</u>	<u>3,831,914</u>	<u>904,414</u>
<b>EXPENDITURES</b>				
Personnel	1,222,743	1,222,743	1,173,351	49,392
Services	1,964,950	2,386,508	1,892,871	493,637
Supplies	355,450	310,756	272,589	38,167
Principal	148,303	148,303	148,304	(1)
Interest	8,744	8,744	8,646	98
Capital outlay	204,200	492,495	401,965	90,530
Reserves	400,000	400,000		400,000
Total expenditures	<u>4,304,390</u>	<u>4,969,549</u>	<u>3,897,726</u>	<u>1,071,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,376,890)</u>	<u>(2,042,049)</u>	<u>(65,812)</u>	<u>1,976,237</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	771,690	771,690	664,100	(107,590)
Transfers out	(50,000)	(368,452)	(22,789)	345,663
Issuance of debt	114,200	114,200	114,200	
Total other financing sources (uses)	<u>835,890</u>	<u>517,438</u>	<u>755,511</u>	<u>238,073</u>
Net change in fund balances	<u>(541,000)</u>	<u>(1,524,611)</u>	<u>689,699</u>	<u>2,214,310</u>
Fund balance - beginning	1,659,481	1,659,481	1,659,481	
Fund balance - ending	<u>\$ 1,118,481</u>	<u>\$ 134,870</u>	<u>\$ 2,349,180</u>	<u>\$ 2,214,310</u>

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

**City of Hot Springs, Arkansas**  
**JAIL MAINTENANCE TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2020**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 2,850,000	\$ 3,221,000	\$ 3,220,984	\$ (16)
Investment earnings			7,936	7,936
Total revenues	<u>2,850,000</u>	<u>3,221,000</u>	<u>3,228,920</u>	<u>7,920</u>
<b>EXPENDITURES</b>				
Intergovernmental exp	<u>2,850,000</u>	<u>3,221,000</u>	<u>3,220,984</u>	<u>16</u>
Total expenditures	<u>2,850,000</u>	<u>3,221,000</u>	<u>3,220,984</u>	<u>16</u>
Net change in fund balances			7,936	7,936
Fund balance - beginning	454,497	454,497	454,497	
Fund balance - ending	<u>\$ 454,497</u>	<u>\$ 454,497</u>	<u>\$ 462,433</u>	<u>\$ 7,936</u>

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

**City of Hot Springs, Arkansas**  
**OTHER POSTEMPLOYMENT BENEFITS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For the Year Ended December 31, 2020**

<b>Total OPEB Liability</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Service cost	\$ 306,471	\$ 370,071	\$ 335,464	\$ 408,243
Interest	165,934	187,234	213,267	195,804
Changes of benefit terms				
Differences between expected and actual experience	79,562	(238,611)	728,016	571,909
Changes in assumptions or other inputs	36,028	(249,396)	(406,393)	(466,506)
Benefit payments	(86,058)	(90,882)	(119,734)	(131,838)
<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>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>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>Covered payroll</b>	<b>\$ 24,145,025</b>	<b>\$ 24,929,738</b>	<b>\$ 25,796,450</b>	<b>\$ 26,634,835</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>20.44%</b>	<b>19.71%</b>	<b>21.95%</b>	<b>23.43%</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 CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**For the Year Ended December 31, 2020**

<b>Total Pension Liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Interest on the Total Pension Liability	\$ 1,390,952	\$ 992,623	\$ 935,891	\$ 946,832	\$ 857,169	\$ 883,599
Differences between expected and actual experience of the Total Pension Liability	588,473	(707,752)	519,475	602,770	226,506	146,541
Changes of assumptions	10,059,689	(30,399)	(597,312)	1,288,459	(1,147,175)	2,614,637
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)
<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>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>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>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
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)
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>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>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>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>
Plan fiduciary net position as a percentage of the total pension liability	1.58%	1.36%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 4,440,214	\$ 140,754	\$ 124,808	\$ 72,984	\$ -	\$ -
City's net pension liability as a percentage of covered payroll	634.11%	19101.46%	20970.84%	37693.09%	N/A	N/A

**Notes to Schedule:**

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

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

**City of Hot Springs, Arkansas**  
**FIREMEN'S PENSION AND RELIEF FUND**  
**SCHEDULE OF CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2020**

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 1,288,616	\$ 1,288,616		\$ 140,754	916%
2016	1,326,940	1,326,940		124,808	934%
2017	1,308,890	1,308,890		72,984	1793%
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

**Notes to Schedule:**

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

**Valuation date:** 12/31/2019  
**Notes:** Actuarially determined contribution rates are calculated as of December 31st of each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:**  
**Notes:** There were no benefit changes during the year. The assumed investment rate of return decreased from 7.75% to 7.50%, the wage inflation assumption was decreased from 3.75% to 3.25% and the price inflation assumption was decreased from 2.75% to 2.50%. This plan only covers retirees and there are no current employees in this plan.

**City of Hot Springs, Arkansas**  
**POLICEMEN'S PENSION AND RELIEF FUND**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**For the Year Ended December 31, 2020**

<b>Total Pension Liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Interest	\$ 1,772,747	\$ 1,774,217	\$ 1,625,453	\$ 1,629,624	\$ 1,612,811	\$ 1,614,036
Differences between expected and actual experience	(13,618)	(1,596,791)	269,092	730,678	303,192	(718,675)
Changes of assumptions		404,504		1,538,172	-	-
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)
Net change in Total Pension Liability	30,133	(1,170,584)	74,952	2,036,633	6,376	(992,006)
Total Pension Liability - beginning	23,023,831	23,053,964	21,883,380	21,958,332	23,994,965	24,001,341
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>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 1,129,350	\$ 1,108,489	\$ 1,036,800	\$ 1,023,337	\$ 970,994	\$ 991,034
Net investment income	1,007,240	26,018	804,014	1,901,756	(414,996)	2,461,180
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)
Administrative expense	(23,934)	(32,964)	(25,891)	(24,381)	(27,513)	(21,645)
Net change in Plan Fiduciary Net Position	383,660	(650,971)	(4,670)	1,038,871	(1,381,142)	1,543,202
Plan Fiduciary Net Position - beginning	14,269,462	14,653,122	14,002,151	13,997,481	15,036,352	13,655,210
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>
<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>
Plan fiduciary net position as a percentage of the total pension liability	63.56%	63.99%	63.75%	62.66%	56.89%	66.05%
Covered payroll	-	-	-	-	-	-
Net Pension Liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

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

**City of Hot Springs, Arkansas**  
**POLICEMEN'S PENSION AND RELIEF FUND**  
**SCHEDULE OF CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2020**

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 962,259	\$ 962,259			N/A
2016	926,799	926,799			N/A
2017	887,483	887,483			N/A
2018	823,764	823,764			N/A
2019	849,480	849,480			N/A
2020	838,584	838,584			N/A

**Notes to Schedule:**

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

**Valuation date:**

December 31, 2019

**Notes**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:**

**Notes**

There were no benefit changes during the year. The assumed investment rate of return decreased from 7.75% to 7.50%, the wage inflation assumption was decreased from 3.75% to 3.25% and the price inflation assumption was decreased from 2.75% to 2.50%. This plan only covers retirees and there are no current employees in this plan.

**City of Hot Springs, Arkansas**  
**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**For the Year Ended December 31, 2020**

Plan Fiscal Year Ended June 30,	2015	2016	2017	2018	2019	2020
City's proportion of the net pension liability	0.8260%	0.8225%	0.8483%	0.8606%	0.8561%	0.8923%
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
City's covered payroll	\$ 14,418,972	\$ 14,731,736	\$ 15,697,587	\$ 15,947,473	\$ 16,704,491	\$ 17,217,683
City's proportionate share of the net pension liability as a percentage of its covered payroll	106%	131%	140%	119%	124%	148%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	75.50%	75.65%	79.50%	78.55%	75.38%

**Notes to Schedule:**

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

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

**City of Hot Springs, Arkansas**  
**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2020**

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

**Notes to Schedule:**

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

**City of Hot Springs, Arkansas**  
**LOCAL POLICE AND FIRE RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Year Ended December 31, 2020**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
City's proportion of the net pension liability	2.6711%	2.7012%	2.7602%	2.7669%	2.7964%	2.7700%
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
City's covered payroll ***	9,400,062	9,391,613	9,670,823	9,976,679	10,568,742	10,568,742
City's proportionate share of the net pension liability as a percentage of its covered payroll	103%	151%	163%	197%	237%	202%
Plan fiduciary net position as a percentage of the total pension liability	79.14%	72.92%	72.46%	71.48%	66.09%	66.09%

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

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

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

**City of Hot Springs, Arkansas**  
**LOCAL POLICE AND FIRE RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**For the Year Ended December 31, 2020**

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%

**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.

# COMBINING AND INDIVIDUAL FUND STATEMENTS

---

# 324 MALVERN RIBBON CUTTING

---



---

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

---

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

**Special revenue funds include:**

- a. District Court Fund is used to account for revenues and expenditures associated with operating, automation and probation activities of the Garland County District Court. The court is a joint operation of the City and the County.
- b. Miscellaneous Gift Fund is used to account for small local grants that benefit the community
- c. Public Transportation Fund is used to account for federal grants, capital acquisitions, and other revenues used to operate the City's bus system.
- d. Community Development Block Grant (CDBG) is used to account for HUD grants used to help improve the quality of life in local neighborhoods.
- e. Public Works Projects Fund is used to account for federal, state and local grants received by the City that are restricted to expenditures for specified projects associated with the Public Works department.
- f. Parks and Trails Fund is used to account for federal, state and local grants received by the City that are restricted to expenditures for specified projects for the Parks and Trails department.
- g. Public Safety Fund is used to account for federal grants, state grants and revenues received by the City that are restricted to expenditures for specified projects within the Public Safety function.
- h. Jail Expense Fines Fund is used to account for collected fines which are restricted in use for the support of jail related activities.
- i. CARES Act Fund is used to account for revenue and expenditures associated with the 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act that was signed into law in 2020 in response to the economic fallout of the COVID-19 pandemic

**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 the Mid America Museum for a building expansion to add a new exhibit area and related equipment and furnishings and for the construction of the new Majestic Park Baseball Complex.

**City of Hot Springs, Arkansas**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2020**

	<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	\$ 183,857	\$ 16,817	\$ 18,006	\$ 543
Investments	516,771	-	-	-
Interest receivable	885	-	-	-
Accounts receivable	99,398	-	15,890	-
Due from other funds	9,637	-	-	-
Intergovernmental receivables	-	-	188,410	176,476
Total assets	<u>810,548</u>	<u>16,817</u>	<u>222,306</u>	<u>177,019</u>
<b>LIABILITIES</b>				
Accounts payable	25,844	9,027	34,042	27,631
Accrued expenditures	12,533	-	10,685	-
Due to other funds	55,542	-	88,903	148,538
Unearned revenue	-	7,790	5,602	850
Total liabilities	<u>93,919</u>	<u>16,817</u>	<u>139,232</u>	<u>177,019</u>
<b>FUND BALANCES</b>				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	-	-	-
Public safety	716,629	-	-	-
Public transportation	-	-	83,074	-
Public works	-	-	-	-
Total Fund Balances	<u>716,629</u>	<u>-</u>	<u>83,074</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 810,548</u>	<u>\$ 16,817</u>	<u>\$ 222,306</u>	<u>\$ 177,019</u>

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

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

**December 31, 2020**

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
<b>ASSETS</b>				
Cash and cash equivalents	\$ 67,684	\$ 44,266	\$ 142,681	\$ 16,646
Investments	-	-	-	-
Interest receivable	-	-	-	-
Accounts receivable	-	3,568	-	-
Due from other funds	-	-	-	4,193
Intergovernmental receivables	87,491	4,286	15,695	-
Total assets	<u>155,175</u>	<u>52,120</u>	<u>158,376</u>	<u>20,839</u>
<b>LIABILITIES</b>				
Accounts payable	54,320	372	27,763	16,646
Accrued expenditures	-	-	-	-
Due to other funds	36,342	2,141	15,695	-
Unearned revenue	-	48,247	-	-
Total liabilities	<u>90,662</u>	<u>50,760</u>	<u>43,458</u>	<u>16,646</u>
<b>FUND BALANCES</b>				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	1,360	-	-
Public safety	-	-	114,918	4,193
Public transportation	-	-	-	-
Public works	64,513	-	-	-
Total Fund Balances	<u>64,513</u>	<u>1,360</u>	<u>114,918</u>	<u>4,193</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 155,175</u>	<u>\$ 52,120</u>	<u>\$ 158,376</u>	<u>\$ 20,839</u>

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

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

**December 31, 2020**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects</u>	<b>Total Nonmajor Governmental Funds</b>
	<u>CARES Act Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 389,007	\$ 6,949,889	\$ 7,829,396
Investments	-	-	-	516,771
Interest receivable	-	-	-	885
Accounts receivable	-	-	-	118,856
Due from other funds	-	-	-	13,830
Intergovernmental receivables	-	-	-	472,358
Total assets	<u>-</u>	<u>389,007</u>	<u>6,949,889</u>	<u>8,952,096</u>
<b>LIABILITIES</b>				
Accounts payable	-	50,089	1,597,863	1,843,597
Accrued expenditures	-	-	-	23,218
Due to other funds	-	-	-	347,161
Unearned revenue	-	68,237	-	130,726
Total liabilities	<u>-</u>	<u>118,326</u>	<u>1,597,863</u>	<u>2,344,702</u>
<b>FUND BALANCES</b>				
Restricted:				
Debt service	-	270,681	-	270,681
Capital projects	-	-	5,352,026	5,352,026
Parks	-	-	-	1,360
Public safety	-	-	-	835,740
Public transportation	-	-	-	83,074
Public works	-	-	-	64,513
Total Fund Balances	<u>-</u>	<u>270,681</u>	<u>5,352,026</u>	<u>6,607,394</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 389,007</u>	<u>\$ 6,949,889</u>	<u>\$ 8,952,096</u>

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

**City of Hot Springs, Arkansas**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2020**

<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	\$	\$	\$ 93,592	\$ 478,117
Intergovernmental	512,839		1,558,718	
Fines and forfeitures	152,161			
Investment earnings	4,929			
Miscellaneous	7,643	22,947	26,536	
Total revenues	<u>677,572</u>	<u>22,947</u>	<u>1,678,846</u>	<u>478,117</u>
<b>EXPENDITURES</b>				
Current:				
Community development				302,875
Parks and recreation				
Public transportation			1,600,073	
Public safety	1,238,449	9,027		
Public works				
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay		13,920		175,243
Total expenditures	<u>1,238,449</u>	<u>22,947</u>	<u>1,600,073</u>	<u>478,118</u>
Excess (deficiency) of revenues over expenditures	<u>(560,877)</u>		<u>78,773</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	620,524			
Transfers out	(17,458)			
Total other financing sources (uses)	<u>603,066</u>			
<b>Net Change in Fund Balance</b>	42,189		78,773	(1)
<b>Fund Balance, Beginning of Year</b>	<u>674,440</u>		<u>4,301</u>	<u>1</u>
<b>Fund Balance, End of Year</b>	<u>\$ 716,629</u>	<u>\$</u>	<u>\$ 83,074</u>	<u>\$</u>

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

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

**For the Year Ended December 31, 2020**

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
<b>REVENUES</b>				
Charges for services	\$	\$	\$	\$
Intergovernmental	82,135	16,384	151,881	141,024
Fines and forfeitures				78,347
Investment earnings				
Miscellaneous		70,274		
Total revenues	<u>82,135</u>	<u>238,539</u>	<u>141,024</u>	<u>78,347</u>
<b>EXPENDITURES</b>				
Current:				
Community development				
Parks and recreation		44,121		
Public transportation				
Public safety			154,719	80,254
Public works	4,723			
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay	100,201	262,057	8,675	
Total expenditures	<u>104,924</u>	<u>306,178</u>	<u>163,394</u>	<u>80,254</u>
Excess (deficiency) of revenues over expenditures	<u>(22,789)</u>	<u>(67,639)</u>	<u>(22,370)</u>	<u>(1,907)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	22,789	64,266	35,049	
Transfers out			(868)	
Total other financing sources (uses)	<u>22,789</u>	<u>64,266</u>	<u>34,181</u>	
<b>Net Change in Fund Balance</b>		(3,373)	11,811	(1,907)
<b>Fund Balance, Beginning of Year</b>	<u>64,513</u>	<u>4,733</u>	<u>103,107</u>	<u>6,100</u>
<b>Fund Balance, End of Year</b>	<u>\$ 64,513</u>	<u>\$ 1,360</u>	<u>\$ 114,918</u>	<u>\$ 4,193</u>

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

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

**For the Year Ended December 31, 2020**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>CARES Act Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>REVENUES</b>				
Charges for services	\$	\$	\$	\$ 109,976
Intergovernmental	1,502,741	656,382		5,083,837
Fines and forfeitures				230,508
Investment earnings		3,475	40,968	49,372
Miscellaneous				127,400
Total revenues	<u>1,502,741</u>	<u>659,857</u>	<u>40,968</u>	<u>5,601,093</u>
<b>EXPENDITURES</b>				
Current:				
Community development				302,875
Parks and recreation		2,512		46,633
Public transportation				1,600,073
Public safety	1,502,741			2,985,190
Public works				4,723
Debt service:				
Principal		305,000		305,000
Interest		307,402		307,402
Capital expenditures:				
Capital outlay			3,215,814	3,775,910
Total expenditures	<u>1,502,741</u>	<u>614,914</u>	<u>3,215,814</u>	<u>9,327,806</u>
Excess (deficiency) of revenues over expenditures		<u>44,943</u>	<u>(3,174,846)</u>	<u>(3,726,713)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in		468,035		1,210,663
Transfers out		(468,035)		(486,361)
Total other financing sources (uses)				<u>724,302</u>
<b>Net Change in Fund Balance</b>		44,943	(3,174,846)	(3,002,411)
<b>Fund Balance, Beginning of Year</b>		<u>225,738</u>	<u>8,526,872</u>	<u>9,609,805</u>
<b>Fund Balance, End of Year</b>	<u>\$</u>	<u>\$ 270,681</u>	<u>\$ 5,352,026</u>	<u>\$ 6,607,394</u>

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

*{This page intentionally left blank}*

# INTERNAL SERVICE FUNDS

---

# *DAVID WATKINS MEMORIAL PARK PROGRESS*

---



**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**December 31, 2020**

	<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	\$ 21,965	\$ 12,361	\$ 1,916,869	\$ 1,951,195
Investments			3,974,922	3,974,922
Accounts receivable		10,775	26,632	37,407
Inventories	230,918	881,382		1,112,300
Total current assets	<u>252,883</u>	<u>904,518</u>	<u>5,918,423</u>	<u>7,075,824</u>
Noncurrent Assets:				
Capital assets:				
Land	50,113	18,152		68,265
Buildings and systems	187,800	928,325		1,116,125
Improvements other than buildings	283,954	367,446		651,400
Machinery and equipment	540,112	2,470,751		3,010,863
Less accumulated depreciation	<u>(854,116)</u>	<u>(2,397,066)</u>		<u>(3,251,182)</u>
Total noncurrent assets (net of accumulated depreciation)	<u>207,863</u>	<u>1,387,608</u>		<u>1,595,471</u>
Total assets	<u>460,746</u>	<u>2,292,126</u>	<u>5,918,423</u>	<u>8,671,295</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	82,878	168,307	171,771	422,956
Due to other funds		947,306		947,306
Compensated absences	9,399	21,223		30,622
Accrued expenses	11,117	44,155	300,000	355,272
Total current liabilities	<u>103,394</u>	<u>1,180,991</u>	<u>471,771</u>	<u>1,756,156</u>
Noncurrent liabilities:				
Compensated absences	109,581	247,423		357,004
Total noncurrent liabilities	<u>109,581</u>	<u>247,423</u>		<u>357,004</u>
Total liabilities	<u>212,975</u>	<u>1,428,414</u>	<u>471,771</u>	<u>2,113,160</u>
<b>NET POSITION</b>				
Net investment in capital assets	207,863	1,387,608		1,595,471
Unrestricted (deficit)	39,908	(523,896)	5,446,652	4,962,664
Total net position	<u>\$ 247,771</u>	<u>\$ 863,712</u>	<u>\$ 5,446,652</u>	<u>\$ 6,558,135</u>

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

**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2020**

	<u>Fleet Service</u>	<u>Utility Administration</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Other service fees	\$	\$ 412,188	\$ 535,878	\$ 948,066
Reimbursement from other funds	1,016,676	4,067,858	5,074,768	10,159,302
Miscellaneous other revenue	1,625	34,915	101,004	137,544
Total operating revenues	<u>1,018,301</u>	<u>4,514,961</u>	<u>5,711,650</u>	<u>11,244,912</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	899,677	2,879,098		3,778,775
Services	71,136	1,130,452	4,220,940	5,422,528
Supplies	27,982	346,244	98,699	472,925
Depreciation	19,503	130,487		149,990
Total operating expenses	<u>1,018,298</u>	<u>4,486,281</u>	<u>4,319,639</u>	<u>9,824,218</u>
Operating income (loss)	<u>3</u>	<u>28,680</u>	<u>1,392,011</u>	<u>1,420,694</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings			2,479	2,479
Gain (loss) on sale of assets		(11,545)		(11,545)
Total nonoperating revenue (expense)		<u>(11,545)</u>	<u>2,479</u>	<u>(9,066)</u>
Change in net position	3	17,135	1,394,490	1,411,628
Net position - beginning	<u>247,768</u>	<u>846,577</u>	<u>4,052,162</u>	<u>5,146,507</u>
Net position - ending	<u>\$ 247,771</u>	<u>\$ 863,712</u>	<u>\$ 5,446,652</u>	<u>\$ 6,558,135</u>

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

**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2020**

	Fleet	Utility Admin	Employee Wellness Fund	Total Enterprise
<b>CASH FLOWS FROM OPERATION ACTIVITIES</b>				
Receipts from customers and users	\$	\$ 412,211	\$ 509,246	\$ 921,457
Other receipts	1,625	34,915	101,004	137,544
Receipts (payments) - other departments	1,016,677	4,067,858	5,074,768	10,159,303
Payments to suppliers and service providers	(118,488)	(1,591,872)	(4,246,541)	(5,956,901)
Payments to employees	(907,857)	(2,894,056)		(3,801,913)
Net cash provided by (used for) operating activities	(8,043)	29,056	1,438,477	1,459,490
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in (out) from other funds				
Receipts (repayments) of advances given				
Receipts (repayments) of due to (from) other funds		344,572		344,572
Net cash provided by (used for) non financing activities		344,572		344,572
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets		(529,627)		(529,627)
Capital grants				
Proceeds from sale of capital assets		(11,545)		(11,545)
Net cash provided by (used for) capital and related financing activities		(541,172)		(541,172)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale (purchase) of investments		117,228	(1,202,501)	(1,085,273)
Investment income			2,479	2,479
Net cash provided by (used for) investing activities		117,228	(1,200,022)	(1,082,794)
Net change in cash and cash equivalents	(8,043)	(50,316)	238,455	180,096
Cash and cash equivalents -- January 1	30,008	62,677	1,678,414	1,771,099
Cash and Cash equivalents -- December 31	<u>\$ 21,965</u>	<u>\$ 12,361</u>	<u>\$ 1,916,869</u>	<u>\$ 1,951,195</u>

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

**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2020**

	<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]	\$ 3	\$ 28,680	\$ 1,392,011	\$ 1,420,694
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	19,504	130,487		149,991
(Increases) decreases in assets				
Accounts receivable		23	(26,632)	(26,609)
Inventory	(10,358)	(113,583)		(123,941)
Increases (decreases) in liabilities				
Accounts payable	7,186	37,907	123,098	168,191
Compensated absences	(8,180)	(14,958)		(23,138)
Unearned revenue				
Accrued expenses	(16,198)	(39,500)	(50,000)	(105,698)
Total adjustments	<u>(8,046)</u>	<u>376</u>	<u>46,466</u>	<u>38,796</u>
Net cash provided by operating activities	<u>\$ (8,043)</u>	<u>\$ 29,056</u>	<u>\$ 1,438,477</u>	<u>\$ 1,459,490</u>

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

# CORNERSTONE WATER TANK RIBBON CUTTING



**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, 2020**

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Sales	\$ 14,070,359	\$ 14,070,359	\$ 14,960,641	\$ 890,282
Mixed drink and other	750,000	750,000	593,225	(156,775)
Code inspection	479,900	479,900	584,001	104,101
Business licenses	750,000	750,000	748,615	(1,385)
Alcoholic beverage	135,000	135,000	131,798	(3,202)
Franchise	2,695,000	2,695,000	2,809,977	114,977
Other	99,600	99,600	53,664	(45,936)
State turnback	615,000	615,000	555,424	(59,576)
County aid	293,280	293,280	295,236	1,956
Charge for services	2,452,298	2,467,982	2,403,801	(64,181)
Gaming and breakage	4,545,000	4,545,000	2,978,898	(1,566,102)
Fines and forfeitures	586,750	586,750	621,325	34,575
Investment earnings	50,000	50,000	230,538	180,538
Miscellaneous	301,970	301,970	362,497	60,527
Total revenues	<u>27,824,157</u>	<u>27,839,841</u>	<u>27,329,640</u>	<u>(510,201)</u>
<b>EXPENDITURES</b>				
General Government				
Board of Directors				
Personnel Costs	800	1,400	1,336	64
Services	52,300	49,100	913	48,187
Supplies	42,500	42,500	4,285	38,215
Reserves	20,000	20,000		20,000
Total Board of Directors	<u>115,600</u>	<u>113,000</u>	<u>6,534</u>	<u>106,466</u>
City Manager				
Personnel Costs	426,447	483,299	483,299	
Services	29,800	29,800	13,624	16,176
Supplies	9,050	11,350	10,927	423
Reserves	10,000	6,563		6,563
Total City Manager	<u>475,297</u>	<u>531,012</u>	<u>507,850</u>	<u>23,162</u>
City Attorney				
Personnel Costs	382,003	422,244	422,243	1
Services	25,507	26,058	26,013	45
Supplies	21,655	25,914	26,329	(415)
Total City Attorney	<u>429,165</u>	<u>474,216</u>	<u>474,585</u>	<u>(369)</u>
Human Resources				
Personnel Costs	331,355	331,355	325,540	5,815
Services	46,588	46,588	29,746	16,842
Supplies	30,415	30,415	10,509	19,906
Total Human Resources	<u>408,358</u>	<u>408,358</u>	<u>365,795</u>	<u>42,563</u>
Finance				
Personnel Costs	933,800	933,800	930,874	2,926
Services	171,792	219,092	215,658	3,434
Supplies	26,700	53,696	44,072	9,624
Capital Assets	6,295			
Total Finance	<u>1,138,587</u>	<u>1,206,588</u>	<u>1,190,604</u>	<u>15,984</u>
City Clerk				
Personnel Costs	166,405	169,944	169,944	
Services	55,896	55,896	39,604	16,292
Supplies	5,187	5,187	1,725	3,462
Total City Clerk	<u>227,488</u>	<u>231,027</u>	<u>211,273</u>	<u>19,754</u>
Public Information				
Personnel Costs	155,396	158,855	158,854	1
Services	29,647	27,647	20,360	7,287
Supplies	7,470	11,250	4,474	6,776
Total Public Information	<u>192,513</u>	<u>197,752</u>	<u>183,688</u>	<u>14,064</u>
Information Systems				
Personnel Costs	613,293	613,293	608,781	4,512
Services	154,707	154,707	146,272	8,435
Supplies	32,850	36,984	33,714	3,270
Capital Assets		22,000	18,309	3,691
Total Information Systems	<u>800,850</u>	<u>826,984</u>	<u>807,076</u>	<u>19,908</u>

This statement demonstrates compliance at the legal level of budgetary control.  
The notes to the financial statements are an integral part of this statement.

City of Hot Springs, Arkansas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL

(continued)

For the Year Ended December 31, 2020

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
Special Appropriations				
Personnel Costs	(50,000)	(50,000)		(50,000)
Services	242,300	250,704	167,664	83,040
Intergovernmental	77,606	77,606	74,223	3,383
Reserves	135,750	135,750		135,750
Transfers Out	1,328,000	1,328,000	16,311	1,311,689
Debt Service	300,442	300,492	300,489	3
Total Special Appropriations	2,034,098	2,042,552	558,687	1,483,865
Total General Government	5,821,956	6,031,489	4,306,092	1,725,397
Community Development				
Planning Development				
Personnel Costs	1,251,767	1,251,767	1,241,240	10,527
Services	219,900	306,312	147,307	159,005
Supplies	41,450	40,900	26,117	14,783
Capital Assets	17,500	18,050	18,047	3
Total Planning and Development	1,530,617	1,617,029	1,432,711	184,318
Total Community Development	1,530,617	1,617,029	1,432,711	184,318
Parks and Recreation				
Parks and Trails				
Personnel Costs	991,123	991,123	927,909	63,214
Services	345,671	358,929	324,663	34,266
Supplies	231,663	249,862	249,863	(1)
Capital Assets	105,000	122,262	51,107	71,155
Total Parks and Trails	1,673,457	1,722,176	1,553,542	168,634
Sport Recreation				
Personnel Costs	127,820	129,936	129,935	1
Services	118,766	118,766	90,913	27,853
Supplies	42,595	42,953	21,528	21,425
Capital Assets	72,000	131,642	27,392	104,250
Total Sport Recreation	361,181	423,297	269,768	153,529
Total Parks and Recreation	2,034,638	2,145,473	1,823,310	322,163
Public Works				
Public Works Administration				
Personnel Costs	502,426	502,426	494,785	7,641
Services	460,035	519,704	415,712	103,992
Supplies	99,630	101,364	93,486	7,878
Capital Assets	681,000	1,099,670	1,091,713	7,957
Debt Service	319,625	319,625	318,534	1,091
Total Public Works Admin	2,062,716	2,542,789	2,414,230	128,559
Engineering				
Personnel Costs	180,817	180,817	172,555	8,262
Services	27,792	36,202	16,124	20,078
Supplies	11,950	11,950	7,572	4,378
Total Engineering	220,559	228,969	196,251	32,718
Traffic				
Personnel Costs	436,733	436,733	424,023	12,710
Services	150,035	162,735	162,722	13
Supplies	106,100	110,030	76,575	33,455
Capital Assets	18,000	109,411	89,353	20,058
Total Traffic	710,868	818,909	752,673	66,236
Total Public Works	2,994,143	3,590,667	3,363,154	227,513
Total expenditures	12,381,354	13,384,658	10,925,267	2,459,391
Excess (deficiency) of revenues over expenditures	15,442,803	14,455,183	16,404,373	1,949,190
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(16,933,431)	(17,239,762)	(12,961,115)	4,278,647
Transfers in	75,750	75,750		(75,750)
Issuance of debt	625,500	625,500	625,500	
Total other financing sources and (uses)	(16,232,181)	(16,538,512)	(12,335,615)	4,202,897
Net change in fund balances	(789,378)	(2,083,329)	4,068,758	6,152,087
Fund balances - beginning	8,241,824	8,241,824	8,241,824	
Fund balances - ending	\$ 7,452,446	\$ 6,158,495	\$ 12,310,582	\$ 6,152,087

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

**City of Hot Springs, Arkansas**  
**DISTRICT COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2020**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 484,577	\$ 573,891	\$ 512,839	\$ (61,052)
Fines and forfeitures	91,800	91,800	152,161	60,361
Investment earnings	8,500	8,500	4,929	(3,571)
Miscellaneous	8,000	8,000	7,643	(357)
Total revenues	<u>592,877</u>	<u>682,191</u>	<u>677,572</u>	<u>(4,619)</u>
<b>EXPENDITURES</b>				
Public safety	<u>1,211,177</u>	<u>1,384,503</u>	<u>1,238,449</u>	<u>146,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(618,300)</u>	<u>(702,312)</u>	<u>(560,877)</u>	<u>141,435</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	585,577	668,158	620,524	(47,634)
Transfers out	<u>(48,750)</u>	<u>(48,750)</u>	<u>(17,458)</u>	<u>31,292</u>
Net change in fund balance	(81,473)	(82,904)	42,189	125,093
Fund balances - beginning	674,440	674,440	674,440	-
Fund balances - ending	<u>\$ 592,967</u>	<u>\$ 591,536</u>	<u>\$ 716,629</u>	<u>\$ 125,093</u>

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

**City of Hot Springs, Arkansas**  
**PUBLIC TRANSPORTATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2020**

	<b>Budgeted</b>		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 127,000	\$ 127,000	\$ 93,592	\$ (33,408)
Intergovernmental	1,175,743	1,352,411	1,558,718	206,307
Miscellaneous	9,700	9,700	26,536	16,836
Total revenues	<u>1,312,443</u>	<u>1,489,111</u>	<u>1,678,846</u>	<u>189,735</u>
<b>EXPENDITURES</b>				
Public transportation	1,594,826	1,622,257	1,600,073	22,184
Capital outlay	20,000	20,000	-	20,000
Public transportation	175,000	364,704	-	364,704
Total expenditures	<u>1,789,826</u>	<u>2,006,961</u>	<u>1,600,073</u>	<u>406,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(477,383)</u>	<u>(517,850)</u>	<u>78,773</u>	<u>596,623</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>477,383</u>	<u>485,225</u>	<u>-</u>	<u>(485,225)</u>
Net change in fund balance	-	(32,625)	78,773	111,398
Fund balances - beginning	4,301	4,301	4,301	-
Fund balances - ending	<u>\$ 4,301</u>	<u>\$ (28,324)</u>	<u>\$ 83,074</u>	<u>\$ 111,398</u>

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

**City of Hot Springs, Arkansas**  
**JAIL EXPENSE FINES**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2020**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 80,000	\$ 80,500	\$ 78,347	\$ (2,153)
Total revenues	<u>80,000</u>	<u>80,500</u>	<u>78,347</u>	<u>(2,153)</u>
<b>EXPENDITURES</b>				
Public safety	80,000	80,500	80,254	246
Net change in fund balance	-	-	(1,907)	(1,907)
Fund balances - beginning	6,100	6,100	6,100	-
Fund balances - ending	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ 4,193</u>	<u>\$ (1,907)</u>

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

**City of Hot Springs, Arkansas**  
**COMMUNICATION SYSTEM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2020**

	Final	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$	25,836	\$ 25,836
Total revenues		25,836	25,836
<b>EXPENDITURES</b>			
Capital outlay	2,106,685	324,982	1,781,703
Total expenditures	2,106,685	324,982	1,781,703
Excess (deficiency) of revenues over expenditures	(2,106,685)	(299,146)	1,807,539
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		510,000	510,000
Total other financing sources (uses)		510,000	510,000
Net change in fund balance	(2,106,685)	210,854	2,317,539
Fund balance - beginning	1,390,872	1,390,872	
Fund balance - ending	\$ (715,813)	\$ 1,601,726	\$ 2,317,539

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

*{This page intentionally left blank}*

# STATISTICAL SECTION

---

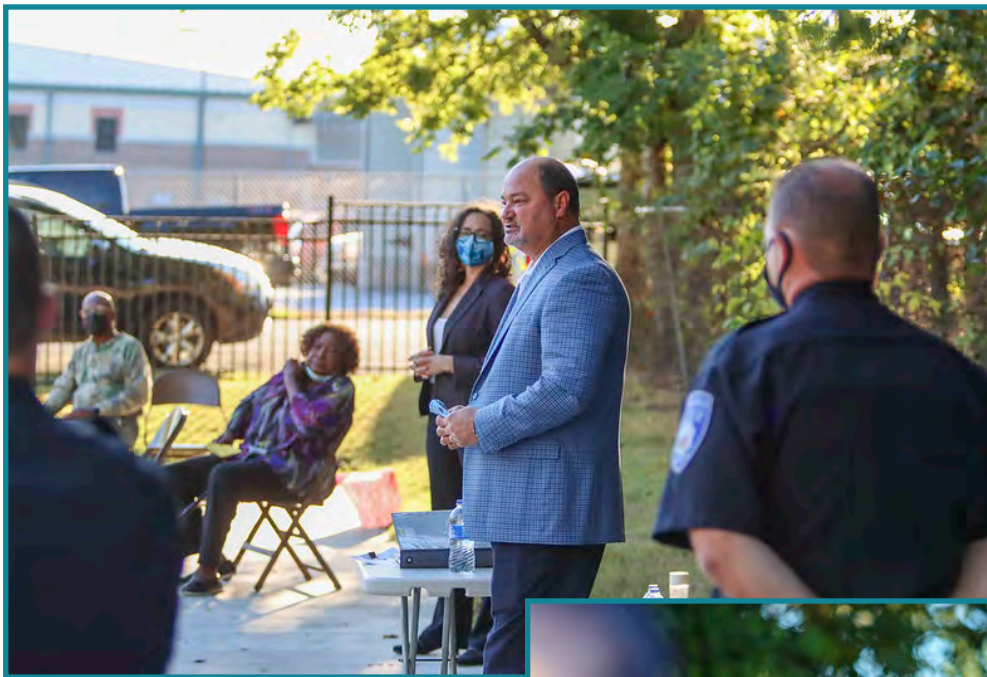
This part of the City of Hot Springs' Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b>	147
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>	153
These schedules contain information to help readers assess the City's most significant local revenue source -- sales tax.	
<b>Debt Capacity</b>	159
These schedules present information to help readers assess the affordability of the City's most current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	167
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>	171
These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

# *TOWN HALL MEETING DISTRICT 1 & 2*

---



# FINANCIAL TRENDS

---

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 75,216	\$ 71,821	\$ 25,160	\$ 25,044	\$ 24,549	\$ 24,845	\$ 24,314	\$ 26,126	\$ 25,859	\$ 25,664
Restricted	1,589	1,821	2,720	1,891	206	955	3,000	2,437	2,928	8,551
Unrestricted	2,480	1,891	2,399	1,642	(45,925)	(45,279)	(45,554)	(50,546)	(50,255)	(55,152)
<b>Total Governmental activities net position</b>	<b>\$ 79,285</b>	<b>\$ 75,533</b>	<b>\$ 30,279</b>	<b>\$ 28,577</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>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 109,203	\$ 120,345	\$ 86,547	\$ 135,707	\$ 138,755	\$ 134,519	\$ 137,703	\$ 139,005	\$ 141,989	\$ 143,919
Restricted	27,342	11,538	50,677	7,716	3,658	10,221	10,077	10,674	10,574	12,070
Unrestricted	7,270	16,007	11,947	8,978	6,359	6,066	3,962	9,415	12,849	16,145
<b>Total Business-type activities net position</b>	<b>\$ 143,815</b>	<b>\$ 147,890</b>	<b>\$ 149,171</b>	<b>\$ 152,401</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>Primary government</b>										
Invested in capital assets, net of related debt	\$ 184,419	\$ 192,166	\$ 111,707	\$ 160,751	\$ 163,304	\$ 159,364	\$ 162,017	\$ 165,131	\$ 167,848	\$ 169,583
Restricted	28,931	13,359	53,397	9,607	3,864	11,176	13,077	13,111	13,502	20,622
Unrestricted	9,750	17,898	14,346	10,620	(39,566)	(39,213)	(41,592)	(41,131)	(37,406)	(39,008)
<b>Total Primary government net position</b>	<b>\$ 223,100</b>	<b>\$ 223,423</b>	<b>\$ 179,450</b>	<b>\$ 180,978</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>

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Expenses -</b>										
Governmental activities										
General government	\$ 5,287	\$ 5,495	\$ 3,205	\$ 4,164	\$ 6,971	\$ 4,737	\$ 4,966	\$ 5,533	\$ 3,957	\$ 4,290
Community development	1,477	1,579	1,419	1,329	2,598	1,354	1,610	1,727	1,887	1,786
Parks and recreation	1,613	1,440	1,658	1,722	2,034	1,854	2,112	2,028	2,061	2,149
Public safety	18,465	19,581	20,325	22,909	31,177	23,065	25,806	30,313	29,052	31,782
Public transportation	1,843	1,862	1,833	1,684	1,974	1,394	1,586	1,644	1,652	1,729
Public works	6,743	6,298	6,892	6,318	6,806	5,421	6,123	5,958	6,239	6,040
Interest and long term debt	40	48	63	77	62	82	70	58	126	376
Total Governmental activities expenses	<u>35,468</u>	<u>36,303</u>	<u>35,395</u>	<u>38,203</u>	<u>51,622</u>	<u>37,907</u>	<u>42,273</u>	<u>47,261</u>	<u>44,974</u>	<u>48,151</u>
Business-type activities										
Water	12,276	9,843	9,911	10,189	11,654	11,610	12,046	12,990	13,930	15,814
Wastewater	11,732	11,857	13,134	14,947	15,096	15,513	15,387	16,402	17,717	19,252
Solid Waste	6,194	6,138	6,282	6,376	6,535	7,088	7,379	7,264	8,219	8,586
Airport	4,082	4,821	4,020	3,969	3,363	3,189	3,477	3,748	3,821	3,599
Stormwater	376	367	497	558	640	680	712	780	905	891
Parking	264	264	266	238	234	228	249	259	264	266
Total Business-type activities expenses	<u>34,924</u>	<u>33,290</u>	<u>34,110</u>	<u>36,277</u>	<u>37,522</u>	<u>38,308</u>	<u>39,250</u>	<u>41,443</u>	<u>44,856</u>	<u>48,408</u>
Total Primary government expenses	<u>\$ 70,392</u>	<u>\$ 69,593</u>	<u>\$ 69,505</u>	<u>\$ 74,480</u>	<u>\$ 89,144</u>	<u>\$ 76,215</u>	<u>\$ 81,523</u>	<u>\$ 88,704</u>	<u>\$ 89,830</u>	<u>\$ 96,559</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services**										
General Government	\$ 2,635	\$ 2,505	\$ 2,037	\$ 337	\$ 1,770	\$ 2,968	\$ 3,300	\$ 4,098	\$ 4,084	\$ 4,843
Community Development	363	367	356	331	412	258	326	549	689	587
Parks and Recreation	118	105	93	121	88	70	59	107	97	59
Public Safety	1,227	1,618	1,543	1,371	1,137	612	1,473	1,718	1,692	2,230
Public Transportation	186	182	154	161	161	149	157	147	141	112
Public Works	780	854	930	240	80	289	372	558	263	135
Operating grants/contributions	1,405	1,716	1,199	4,235	4,270	3,645	3,708	6,318	6,561	10,072
Capital grants/contributions	1,161	554	1,452	613	1,050	330	1,514	1,448	644	424
Total Governmental activities program revenues	<u>7,875</u>	<u>7,901</u>	<u>7,764</u>	<u>7,409</u>	<u>8,968</u>	<u>8,321</u>	<u>10,909</u>	<u>14,943</u>	<u>14,171</u>	<u>18,463</u>
Business Type Activities										
Charges for services	34,935	35,961	35,535	38,552	38,258	39,203	40,377	44,065	46,096	47,375
Operating grants/contributions							5	1,958	65	2,036
Capital grants/contributions	2,940	912	16	223	1,934	658	214	1,946	3,597	4,747
Total Business-type activities program revenues	<u>37,875</u>	<u>36,873</u>	<u>35,551</u>	<u>38,775</u>	<u>40,192</u>	<u>39,861</u>	<u>40,596</u>	<u>47,969</u>	<u>49,758</u>	<u>54,158</u>
Total Primary government program revenues	<u>\$ 45,750</u>	<u>\$ 44,774</u>	<u>\$ 43,315</u>	<u>\$ 46,184</u>	<u>\$ 49,160</u>	<u>\$ 48,182</u>	<u>\$ 51,505</u>	<u>\$ 62,912</u>	<u>\$ 63,929</u>	<u>\$ 72,620</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	<u>\$(27,593)</u>	<u>\$(28,402)</u>	<u>\$(27,631)</u>	<u>\$(30,794)</u>	<u>\$(42,654)</u>	<u>\$(29,586)</u>	<u>\$(31,364)</u>	<u>\$(32,318)</u>	<u>\$(30,803)</u>	<u>\$(29,689)</u>
Business-type activities	<u>2,951</u>	<u>3,583</u>	<u>1,441</u>	<u>2,498</u>	<u>2,670</u>	<u>1,553</u>	<u>1,346</u>	<u>6,526</u>	<u>4,902</u>	<u>5,750</u>
Total Primary government net expense	<u>\$(24,642)</u>	<u>\$(24,819)</u>	<u>\$(26,190)</u>	<u>\$(28,296)</u>	<u>\$(39,984)</u>	<u>\$(28,033)</u>	<u>\$(30,018)</u>	<u>\$(25,792)</u>	<u>\$(25,901)</u>	<u>\$(23,939)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes										
Sales taxes	\$ 17,366	\$ 17,405	\$ 19,569	\$ 20,219	\$ 21,262	\$ 22,137	\$ 22,165	\$ 19,977	\$ 21,390	\$ 22,441
Franchise fees	2,751	2,579	2,677	2,679	2,519	2,631	2,705	2,711	2,655	2,810
Other taxes and revenues	4,329	4,611	4,996	6,112	6,312	6,479	9,311	5,711	6,806	6,188
Investment earnings	67	55	38	82	51	30	92	175	436	321
Transfers	(18)		(44,860)	0	0	0	0	0	31	(1,542)
Total Governmental activities	<u>24,495</u>	<u>24,650</u>	<u>(17,580)</u>	<u>29,092</u>	<u>30,144</u>	<u>31,277</u>	<u>34,273</u>	<u>28,574</u>	<u>31,318</u>	<u>30,219</u>
Business-type activities										
Sales tax	57	32	24	25	66	34	32	55	51	42
Investment earnings	414	459	246	707	666	447	563	769	1,397	920
Transfers	18	-	(25)	-	-	-	-	-	(31)	9
Total Business-type activities	<u>489</u>	<u>491</u>	<u>245</u>	<u>732</u>	<u>732</u>	<u>481</u>	<u>595</u>	<u>824</u>	<u>1,417</u>	<u>971</u>
Total Primary government	<u>\$ 24,984</u>	<u>\$ 25,141</u>	<u>\$(17,335)</u>	<u>\$ 29,824</u>	<u>\$ 30,876</u>	<u>\$ 31,758</u>	<u>\$ 34,868</u>	<u>\$ 29,398</u>	<u>\$ 32,735</u>	<u>\$ 31,190</u>
<b>Change in Net Position</b>										
Governmental activities	<u>\$ (3,097)</u>	<u>\$ (3,752)</u>	<u>\$(45,211)</u>	<u>\$ (1,702)</u>	<u>\$(12,510)</u>	<u>\$ 1,691</u>	<u>\$ 2,909</u>	<u>\$(3,744)</u>	<u>\$ 515</u>	<u>\$ 530</u>
Business-type activities	<u>3,440</u>	<u>4,075</u>	<u>1,686</u>	<u>3,230</u>	<u>3,402</u>	<u>2,034</u>	<u>1,941</u>	<u>7,350</u>	<u>6,319</u>	<u>6,721</u>
Total Primary government	<u>\$ 343</u>	<u>\$ 323</u>	<u>\$(43,525)</u>	<u>\$ 1,528</u>	<u>\$(9,108)</u>	<u>\$ 3,725</u>	<u>\$ 4,850</u>	<u>\$ 3,606</u>	<u>\$ 6,834</u>	<u>\$ 7,251</u>

\* This number includes state turnbackas other revenue.

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

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

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Nonspendable			\$ 296	\$ 328	\$ 387	\$ 455	\$ 482	\$ 1,132	\$ 1,143	\$ 641
Committed				421	194					
Assigned						511	1,752	485	-	2,093
Unassigned			5,528	5,065	4,527	3,757	3,441	4,223	5,924	9,576
Pre 2013										
Reserved	370	371								
Unreserved	5,447	5,143								
Total General Fund	<u>\$ 5,817</u>	<u>\$ 5,514</u>	<u>\$ 5,824</u>	<u>\$ 5,814</u>	<u>\$ 5,108</u>	<u>\$ 4,723</u>	<u>\$ 5,675</u>	<u>\$ 5,840</u>	<u>\$ 7,067</u>	<u>\$ 12,311</u>
All Other Governmental Funds										
Nonspendable			\$ 23	\$ 1						
Restricted			2,378	1,891	2,106	1,384	3,000	5,252	11,451	8,672
Committed										
Assigned				547	433	1,643	1,590	2,372	-	3,301
Unassigned				105						
Pre 2013										
Reserved	426									
Prepays										
Public Safety	619	723								
Public Works	290	289								
Unreserved, reported in:										
Special revenue funds		557								
Capital project funds	48	48								
Debt service funds	206	206								
Total all other governmental funds	<u>\$ 1,589</u>	<u>\$ 1,823</u>	<u>\$ 2,401</u>	<u>\$ 2,544</u>	<u>\$ 2,539</u>	<u>\$ 3,027</u>	<u>\$ 4,590</u>	<u>\$ 7,624</u>	<u>\$ 11,451</u>	<u>\$ 11,972</u>
Total governmental funds	<u>\$ 7,406</u>	<u>\$ 7,337</u>	<u>\$ 8,225</u>	<u>\$ 8,358</u>	<u>\$ 7,647</u>	<u>\$ 7,750</u>	<u>10,265</u>	<u>\$ 13,464</u>	<u>\$ 18,517</u>	<u>\$ 24,283</u>

Note: Fund balance presentation has been changed pursuant to the adoption of GASB 54.

**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>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Taxes	\$ 21,451	\$ 21,394	\$ 23,643	\$ 24,308	\$ 21,833	\$ 23,457	\$ 24,454	\$ 25,192	\$ 22,173	\$ 23,060
Licenses, fees and permits	901	842	818	812	4,088	3,314	4,136	4,318	4,476	4,505
Charges for services	2,150	2,490	1,006	1,531	1,763	2,465	2,402	2,572	2,696	2,562
Intergovernmental	7,076	7,287	7,804	8,259	7,175	6,848	8,689	7,988	10,772	15,359
Intergovernmental - Gaming and breakage	919	1,215	1,353	1,528	1,939	2,081	2,263	2,397	3,414	2,979
Fines and penalties	1,309	1,196	993	1,074	867	1,096	985	947	830	909
Investment earnings	79	54	3	81	51	30	92	175	436	321
Other Revenue	416	432	330	401	542	405	517	422	312	604
<b>Total Revenues</b>	<b>34,301</b>	<b>34,910</b>	<b>35,950</b>	<b>37,994</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>Expenditures</b>										
General government	5,118	5,342	4,310	4,445	4,715	4,910	4,811	3,831	3,937	3,971
Community development	1,474	1,576	1,407	1,319	1,760	1,401	1,543	1,650	1,901	1,718
Parks and recreation	1,280	1,331	1,400	1,470	1,537	1,557	1,681	1,623	1,740	1,791
Public transportation	1,420	1,471	1,442	1,419	1,378	1,308	1,397	1,484	1,554	1,600
Public safety	17,866	18,922	19,543	21,969	22,345	22,591	23,729	25,423	26,261	27,431
Public works	5,521	5,167	5,855	5,286	4,793	4,208	4,861	4,668	5,365	5,207
Debt service										
Principal	276	368	631	965	1,335	1,672	1,656	1,619	1,313	1,650
Interest and other charges	40	48	63	75	83	82	70	57	126	376
Capital outlay	1,532	1,731	2,522	2,226	2,983	3,133	2,153	2,427	3,493	6,416
<b>Total Expenditures</b>	<b>34,527</b>	<b>35,956</b>	<b>37,173</b>	<b>39,174</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>
Excess of revenues over (under) expenditures	(226)	(1,046)	(1,223)	(1,180)	(2,671)	(1,166)	1,637	1,227	(582)	140
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	538	977	1,944	1,370	1,963	1,272	878	2,097	9,889	1,358
Transfer in	12,065	12,706	12,281	12,660	13,201	13,255	13,287	14,540	16,044	14,014
Transfer out	(12,083)	(12,706)	(12,114)	(12,717)	(13,204)	(13,259)	(13,287)	(14,663)	(16,013)	(14,031)
<b>Total Financing sources (uses)</b>	<b>520</b>	<b>977</b>	<b>2,111</b>	<b>1,313</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>Net change in fund balance</b>	<b>\$ 294</b>	<b>\$ (69)</b>	<b>\$ 888</b>	<b>\$ 133</b>	<b>\$ (711)</b>	<b>\$ 102</b>	<b>\$ 2,515</b>	<b>\$ 3,200</b>	<b>\$ 9,337</b>	<b>\$ 1,481</b>
Debt service as a percentage of noncapital expenditures	1.0%	1.2%	1.9%	2.9%	3.9%	4.9%	4.5%	4.3%	3.5%	4.9%

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

Function/Program	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities:										
General government	\$ 2,635	\$ 2,505	\$ 2,037	\$ 338	\$ 1,770	\$ 3,244	\$ 3,350	\$ 4,127	\$ 4,100	\$ 4,862
Community development	646	742	356	331	412	550	685	917	1,162	1,065
Parks and recreation	272	122	93	120	88	177	233	1,806	404	331
Public safety	1,794	2,448	1,543	1,371	1,137	2,838	3,527	5,559	6,097	8,568
Public transportation	1,039	1,043	154	161	161	1,160	1,075	1,150	1,150	1,671
Public works	1,489	1,040	930	240	81	353	2,040	1,385	1,258	1,965
Subtotal Governmental activities	<u>\$ 7,875</u>	<u>\$ 7,900</u>	<u>\$ 5,113</u>	<u>\$ 2,561</u>	<u>\$ 3,649</u>	<u>\$ 8,322</u>	<u>\$ 10,910</u>	<u>\$ 14,944</u>	<u>\$ 14,171</u>	<u>\$ 18,463</u>
Business-type activities										
Water	11,523	11,944	11,333	12,668	12,157	12,334	12,654	15,965	16,455	20,029
Wastewater	12,330	12,787	13,315	14,688	15,719	15,780	16,521	17,897	17,785	19,548
Solid Waste	6,464	6,564	6,782	7,180	7,116	7,862	7,588	7,735	8,239	7,874
Airport	6,739	4,769	3,296	3,219	2,493	2,938	2,611	4,791	5,604	4,980
Stormwater	682	670	680	701	690	858	1,126	1,352	1,575	1,656
Parking	137	139	129	96	83	88	96	229	99	72
Subtotal Business-type activities	<u>\$ 37,875</u>	<u>\$ 36,873</u>	<u>\$ 35,535</u>	<u>\$ 38,552</u>	<u>\$ 38,258</u>	<u>\$ 39,860</u>	<u>\$ 40,596</u>	<u>\$ 47,969</u>	<u>\$ 49,757</u>	<u>\$ 54,158</u>
Total Primary government	<u>\$ 45,750</u>	<u>\$ 44,773</u>	<u>\$ 40,648</u>	<u>\$ 41,113</u>	<u>\$ 41,907</u>	<u>\$ 48,182</u>	<u>\$ 51,506</u>	<u>\$ 62,913</u>	<u>\$ 63,928</u>	<u>\$ 72,620</u>

\* 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

---

**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>Occupation Tax</b>	<b>Breakage/ Gaming *</b>	<b>Total</b>
2011	17,344		544	2,821	702	919	22,330
2012	17,405		559	2,578	719	1,216	22,477
2013	19,569		597	2,677	708	1,353	24,904
2014	20,219		621	2,679	718	1,528	25,765
2015	21,262		688	2,519	732	1,939	27,140
2016	22,137		712	2,631	743	2,081	28,304
2017	22,165	3,348	745	2,705	735	2,263	31,961
2018**	19,977	201	807	2,711	736	2,397	26,829
2019	21,390	(39)	956	2,656	739	3,414	29,116
2020	22,441		725	2,810	749	2,978	29,703
Change							
2010-2019	29.4%	N/A	33.3%	-0.4%	6.7%	224.0%	33.0%

\* 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)**

NAICS Economic Sector	Description	Fiscal Year 2020				Fiscal Year 2019			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Total City Sales Tax	Rank	Sales	Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(2,271)	(34)	-0.15%	20	(3,439)	(52)	-0.23%	19
21	Mining	(208)	(3)	-0.01%	19	(18)	-	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	-	0.00%	18				
56	Admin, Support, Waste Mgmt and Remediation Svcs	26,541	398	1.72%	9	22,691	340	1.55%	9
61	Educational Services	510	8	0.03%	17	781	12	0.05%	17
62	Health Care and Social Assistance	790	12	0.05%	16	1,131	17	0.08%	16
71	Arts, Entertainment and Recreation	12,992	195	0.84%	11	18,944	284	1.29%	11
72	Accommodation and Food Services	200,030	3,000	12.98%	2	228,840	3,433	15.60%	2
81	Other Services (except Public Administration)	36,767	552	2.38%	6	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 Sector	Description	Fiscal Year 2018				Fiscal Year 2017			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Total City Sales Tax	Rank	Sales	Collected	Total City Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(5,013)	(75)	-0.37%	19	(2,844)	(43)	-0.21%	19
21	Mining	(580)	(9)	-0.04%	18	13		0.00%	17
22	Utilities	867	13	0.06%	16	3,724	56	0.28%	11
23	Construction	10,284	154	0.76%	12	8,989	135	0.68%	12
31-33	Manufacturing	32,951	495	2.45%	7	33,492	502	2.52%	7
42	Wholesale Trade	81,003	1,215	6.02%	3	78,939	1,184	5.93%	3
44-45	Retail Trade	764,163	11,463	56.83%	1	771,291	11,569	57.94%	1
48-49	Transportation and Warehousing	11,145	167	0.83%	11	9,677	146	0.73%	13
51	Information	52,304	785	3.89%	5	49,906	749	3.75%	5
52	Finance and Insurance	1,605	24	0.12%	14	1,112	17	0.08%	15
53	Real Estate and Rental and Leasing	28,384	426	2.11%	8	29,557	443	2.22%	8
54	Professional, Scientific and Technical Services	2,903	44	0.22%	13	3,063	46	0.23%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	21,451	322	1.60%	9	20,352	305	1.53%	9
61	Educational Services	(79)	(1)	-0.01%	17	(1,734)	(26)	-0.13%	18
62	Health Care and Social Assistance	970	15	0.07%	15	711	11	0.05%	16
71	Arts, Entertainment and Recreation	20,744	311	1.54%	10	17,185	258	1.29%	10
72	Accommodation and Food Services	212,349	3,185	15.79%	2	204,375	3,066	15.35%	2
81	Other Services (except Public Administration)	34,287	514	2.55%	6	32,524	488	2.44%	6
92	Public Administration			0.00%		692	10	0.05%	
	Uncategorized *	74,859	1,123	5.57%	4	70,173	1,053	5.27%	4
	<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 Sector	Description	Fiscal Year 2016				Fiscal Year 2015			
		Taxable Sales	Tax Collected	Percentage of Total City		Taxable Sales	Tax Collected	Percentage of Total City	
				Sales Tax	Rank			Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(4,032)	(60)	-0.30%	19	(998)	(15)	-0.08%	18
21	Mining	99	1	0.01%	17	32		0.00%	17
22	Utilities	9,659	145	0.73%	11	40,911	614	3.25%	5
23	Construction	8,137	122	0.62%	12	9,597	144	0.76%	13
31-33	Manufacturing	32,069	481	2.42%	7	32,054	481	2.55%	7
42	Wholesale Trade	77,924	1,169	5.89%	3	85,205	1,278	6.77%	3
44-45	Retail Trade	775,551	11,633	58.64%	1	715,557	10,733	56.87%	1
48-49	Transportation and Warehousing	7,626	114	0.58%	13	10,775	162	0.86%	12
51	Information	40,913	614	3.09%	5	50,085	751	3.98%	4
52	Finance and Insurance	1,319	20	0.10%	15	762	11	0.06%	16
53	Real Estate and Rental and Leasing	26,196	393	1.98%	8	20,677	310	1.64%	9
54	Professional, Scientific and Technical Services	2,439	37	0.18%	14	3,268	49	0.26%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	19,654	295	1.49%	9	19,125	287	1.52%	10
61	Educational Services	(1,349)	(20)	-0.10%	18	(3,183)	(48)	-0.25%	19
62	Health Care and Social Assistance	1,073	16	0.08%	16	828	12	0.07%	15
71	Arts, Entertainment and Recreation	15,778	237	1.19%	10	14,589	219	1.16%	11
72	Accommodation and Food Services	212,225	3,183	16.05%	2	193,393	2,901	15.37%	2
81	Other Services (except Public Administration)	32,988	495	2.49%	6	31,707	476	2.52%	8
92	Public Administration	-	-	0.00%		33,807	507	2.69%	6
	Uncategorized*	64,257	960	4.86%	4				
	<b>Totals</b>	<b>\$ 1,322,526</b>	<b>\$ 19,834</b>	<b>100.00%</b>		<b>\$ 1,258,191</b>	<b>\$ 18,872</b>	<b>100.00%</b>	

NAICS Economic Sector	Description	Fiscal Year 2014				Fiscal Year 2013			
		Taxable Sales	Tax Collected	Percentage of Total City		Taxable Sales	Tax Collected	Percentage of Total City	
				Sales Tax	Rank			Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(1,235)	(19)	-0.10%	18	333	5	0.03%	16
21	Mining	205	3	0.02%	17			0.00%	18
22	Utilities	55,043	826	4.61%	4	56,733	851	4.69%	4
23	Construction	2,739	41	0.23%	14	10,000	150	0.83%	12
31-33	Manufacturing	32,037	481	2.69%	6	31,800	477	2.63%	7
42	Wholesale Trade	86,554	1,298	7.25%	3	89,800	1,347	7.42%	3
44-45	Retail Trade	685,130	10,277	57.43%	1	691,733	10,376	57.18%	1
48-49	Transportation and Warehousing	10,763	161	0.90%	12	11,200	168	0.93%	11
51	Information	42,220	633	3.54%	5	39,533	593	3.27%	6
52	Finance and Insurance	1,602	24	0.13%	15	1,467	22	0.12%	15
53	Real Estate and Rental and Leasing	20,566	308	1.72%	8	20,066	301	1.66%	8
54	Professional, Scientific and Technical Services	2,698	40	0.23%	13	2,067	31	0.17%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	17,662	265	1.48%	9	16,533	248	1.37%	9
61	Educational Services	(1,813)	(27)	-0.15%	19	(400)	(6)	-0.03%	19
62	Health Care and Social Assistance	635	10	0.05%	16	1,533	23	0.13%	14
71	Arts, Entertainment and Recreation	15,725	236	1.32%	10	13,667	205	1.13%	10
72	Accommodation and Food Services	178,345	2,675	14.95%	2	173,333	2,600	14.33%	2
81	Other Services (except Public Administration)	29,842	448	2.50%	7	50,400	756	4.17%	5
92	Public Administration	14,344	215	1.20%	11			0.00%	17
	<b>Totals</b>	<b>\$ 1,193,062</b>	<b>\$ 17,895</b>	<b>100.00%</b>		<b>\$ 1,209,799</b>	<b>\$ 18,147</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 Sector	Description	Fiscal Year 2012				Fiscal Year 2011			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	400	6	0.03%	18	376	6	0.03%	17
21	Mining	800	12	0.07%	17			0.00%	
22	Utilities	55,933	839	4.70%	4	58,066	871	4.96%	4
23	Construction	8,533	128	0.72%	13	7,022	105	0.60%	13
31-33	Manufacturing	32,867	493	2.76%	6	26,761	401	2.29%	6
42	Wholesale Trade	88,200	1,323	7.41%	3	84,903	1,274	7.26%	3
44-45	Retail Trade	687,667	10,315	57.79%	1	679,230	10,188	58.05%	1
48-49	Transportation and Warehousing	10,000	150	0.84%	12	8,445	127	0.72%	12
51	Information	42,733	641	3.59%	5	44,444	667	3.80%	5
52	Finance and Insurance	1,200	18	0.10%	15	982	15	0.08%	15
53	Real Estate and Rental and Leasing	18,667	280	1.57%	8	22,591	339	1.93%	8
54	Professional, Scientific and Technical Services	1,800	27	0.15%	14	2,003	30	0.17%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	16,133	242	1.36%	9	15,394	231	1.32%	9
61	Educational Services	(933)	(14)	-0.08%	19	(52)	(1)	0.00%	18
62	Health Care and Social Assistance	1,333	20	0.11%	16	917	14	0.08%	16
71	Arts, Entertainment and Recreation	14,400	216	1.21%	11	9,829	147	0.84%	11
72	Accommodation and Food Services	168,800	2,532	14.18%	2	170,994	2,565	14.61%	2
81	Other Services (except Public Administration)	26,533	398	2.23%	7	25,106	377	2.15%	7
92	Public Administration	14,934	224	1.25%	10	13,035	196	1.11%	10
	<b>Totals</b>	<u>1,190,000</u>	<u>\$ 17,850</u>	<u>100.00%</u>		<u>\$ 1,170,046</u>	<u>\$ 17,552</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>
2011	1.5	1.0	0.5
2012	1.5	1.0	0.5
2013	1.5	1.0	0.5
2014	1.5	1.0	0.5
2015	1.5	1.0	0.5
2016	1.5	1.0	0.5
2017	1.5	1.0	0.5
2018	1.5	1.0	0.5
2019	1.5	1.0	0.5
2020	1.5	1.0	0.5

**SALES TAX RECEIVED**

<b>Fiscal Year</b>	<b>Total</b>	<b>General Fund</b>	<b>Fire and Police</b>
2011	17,344,423	11,562,923	5,781,500
2012	17,405,382	11,603,588	5,801,794
2013	17,847,283	11,898,189	5,949,094
2014	17,896,612	11,931,075	5,965,537
2015	18,872,829	12,581,886	6,290,943
2016	19,683,356	13,122,237	6,561,119
2017	19,688,002	13,125,334	6,562,668
2018	19,977,450	13,318,300	6,659,150
2019	21,389,832	14,259,888	7,129,944
2020	22,440,961	14,960,641	7,480,320

# DEBT CAPACITY

---

*{This page intentionally left blank}*

**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	Water Bonds	Wastewater Bonds	Airport Bonds	Notes Payable	Capital Leases			
2011	975	589	17,272	41,913	675	445	97	61,966	5.38%	1,761
2012	865	1,308	14,272	39,574	620	363		57,002	5.06%	1,600
2013	750	2,737	13,697	77,431	560	285		95,460	8.26%	2,691
2014	635	3,257	18,186	75,255	495	202		98,030	7.13%	2,747
2015	513	4,005	25,480	74,034	425	115		104,572	8.09%	2,931
2016	389	3,730	24,417	72,503	349	195		101,583	7.43%	2,755
2017	264	3,077	23,268	71,301	269	9,241		107,420	7.55%	2,914
2018	1,575	2,244	42,251	68,594	-	8,978		123,642	8.77%	3,260
2019	9,310	3,084	40,271	65,818	-	8,709		127,192	8.55%	3,422
2020	9,005	3,097	148,056	84,297	-	8,434		252,889	15.97%	6,466

**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**

<b>Fiscal Year</b>	<b>Special Obligation Bonds</b>	<b>Less Debt Service</b>	<b>Net Special Obligation Bonds</b>	<b>Net Bond as a Percentage of Sales Tax</b>	<b>Per Capita</b>
2011	975	205	770	15.89%	21.88
2012	865	206	659	13.04%	18.73
2013	750	205	545	10.51%	15.36
2014	635	204	431	8.13%	12.08
2015	513	207	306	5.29%	8.58
2016	389	206	183	3.06%	4.96
2017	264	198	66	1.07%	1.79
2018	1,575	16	1,559	24.36%	41.10
2019	9,310	247	9,063	130.12%	243.83
2020	9,005	321	8,684	140.47%	222.03

**Notes:** Details regarding this bond issue can be found on page 67 in the notes to the financial statements. The bonds are special obligations payable solely from collections of the 3% tax levied by the city on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, and similar establishments in the city. This sales tax is recorded on the books of the component unit. The sales tax as percentage of net bond above includes only that 3% tax.

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

Taxing Jurisdiction	Total Outstanding Debt	Estimated Percent Applicable*	Direct and Estimated Overlapping Debt
<u>Direct</u>			
City of Hot Springs	\$ 12,102	100.00%	\$ 12,102
<u>Overlapping</u>			
Garland County	22,905	41.61%	9,531
National Park Community College	29,993	41.61%	12,480
Lake Hamilton School District	62,230	2.65%	1,649
Hot Springs School District	70,600	98.61%	69,619
Lakeside School District	70,605	33.17%	23,420
Fountain Lake School District	11,835	2.06%	244
Cutter Morning Star School District	17,090	37.59%	6,424
Mountain Pine School District	<u>6,285</u>	4.60%	289
Total overlapping	<u>291,543</u>		<u>123,655</u>
Total direct and estimated overlapping bonded debt	<u>\$ 303,645</u>		<u>\$ 135,757</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt limit	\$ 159,865	\$ 156,505	\$ 162,545	\$ 166,789	\$ 169,599	\$ 173,304	\$ 191,487	\$ 191,487	\$ 210,016	\$ 215,915
Total net debt applicable to limit	589	1,308	2,737	3,257	4,005	3,730	3,341	3,819	12,394	12,102
Legal debt margin	\$ 159,276	\$ 155,197	\$ 159,808	\$ 163,532	\$ 165,594	\$ 169,574	\$ 188,146	\$ 187,668	\$ 197,622	\$ 203,813

**Legal Debt Margin Calculation for Fiscal Year 2020**

Assessed value	\$ 863,658
Debt limit:	
General obligation debt limitation (1)	172,732
Short-term financing debt limitation (2)	<u>43,183</u>
Total Debt Limitation	<u>215,915</u>
Debt applicable to limit:	
General obligation bonds	9,005
Short-term notes	<u>3,097</u>
Total net debt applicable to limit	<u>12,102</u>
Legal net margin	<u>\$ 203,813</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)

<b>Water Revenue Bonds</b>				<b>Debt Service</b>		
<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2011 (3)	11,067	9,623	1,444	980	492	0.98
2012	11,704	6,626	5,078	3,000	489	1.46
2013	11,407	6,932	4,475	575	371	4.73
2014	10,843	7,130	3,713	542	195	5.04
2015	12,119	8,074	4,045	876	472	3.00
2016	12,156	7,881	4,275	1,057	649	2.51
2017	12,645	8,197	4,448	1,143	681	2.44
2018	15,071	8,189	6,882	1,360	1,051	2.85
2019	16,193	9,146	7,047	1,482	1,300	2.53
2020 (4)	17,564	8,901	8,663	1,791	2,228	2.35

<b>Wastewater Revenue Bonds</b>				<b>Debt Service</b>		
<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2011	12,052	7,092	4,960	1,593	1,682	1.51
2012	12,643	7,336	5,307	2,339	1,621	1.34
2013	13,166	7,419	5,747	2,418	1,544	1.45
2014	14,219	8,173	6,046	2,176	3,303	1.10
2015	15,715	8,533	7,182	2,231	3,248	1.31
2016	15,764	8,597	7,167	2,201	3,116	1.35
2017	16,521	8,832	7,689	2,460	2,950	1.42
2018	16,844	9,195	7,649	2,595	2,742	1.43
2019	17,111	10,468	6,643	2,823	2,668	1.21
2020	17,763	11,338	6,425	2,071	2,451	1.42

(1) Gross revenues include operating revenues.

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

(3) Direct operating expenses include a large amount that was previously capitalized. It was incurred in 2009, 2010, and 2011.

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

Source: City Records.

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

(amounts expressed in thousands)

Fiscal Year	Airport Revenue Bonds			Debt Service		Coverage
	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Principal	Interest	
2011	3,845	3,161	684	195	58	2.70
2012	3,890	3,639	251	55	44	2.54
2013	3,325	2,976	349	60	40	3.49
2014	3,239	2,896	343	65	37	3.36
2015	2,559	2,270	289	70	32	2.83
2016	2,378	2,089	289	75	28	2.81
2017	2,433	2,362	71	80	23	0.69
2018 (3)	3,021	2,664	357	270	4	1.30
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-

(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

---

**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>
2011	35,193	1,249,246	35,497	42.4	7,005	8.3%
2012	35,587	1,370,313	38,506	44.6	7,164	7.2%
2013	35,478	1,241,482	34,993	43.5	7,143	7.5%
2014	35,680	1,242,520	34,824	43.5	7,239	6.7%
2015	35,673	1,292,005	36,218	42.0	7,264	6.2%
2016	36,867	1,367,397	37,090	43.1	7,379	4.4%
2017	36,867	1,422,292	38,579	42.0	7,294	4.5%
2018	37,931	1,451,202	38,259	42.0	8,206	3.7%
2019	38,797	1,552,035	40,004	41.8	7,491	3.5%
2020	39,111	1,606,250	41,069	41.9	6,498	5.2%

**Sources:**

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

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

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

**School Enrollement:** 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.

**2012 & 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

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

Year	2020*			2019			2018			2017			2016		
<b>Total Employment Numbers</b>	<b>35,480</b>			<b>39,809</b>			<b>39,146</b>			<b>38,805</b>			<b>38,443</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	4.79%	1	1,700	4.27%	1	1,600	4.09%	1	1,600	4.12%	1	2,300	5.98%
Oaklawn Park	2	1,275	3.59%	2	1,275	3.20%	2	1,400	3.58%	2	1,400	3.61%	2	1,300	3.38%
Wal-Mart Stores	4	810	2.28%	4	810	2.03%	4	765	1.95%	4	810	2.09%	3	1,026	2.67%
National Park Medical Center	3	900	2.54%	3	900	2.26%	3	900	2.30%	3	850	2.19%	4	664	1.73%
City of Hot Springs	5	632	1.78%	5	632	1.59%	5	628	1.60%	5	631	1.63%	5	615	1.60%
Hot Springs School District	6	467	1.32%	6	467	1.17%	7	465	1.19%	6	507	1.31%	6	588	1.53%
National Park Community College	8	400	1.13%	8	400	1.00%	8	400	1.02%		342	0.88%		332	0.86%
StarTek (Formerly ACCENT) Marketing Services	8	400	1.13%	8	400	1.00%			0.00%	9	400	1.03%	7	477	1.24%
Berry Plastics (Formerly Rexam)		300	0.85%		300	0.75%	9	360	0.92%	7	470	1.21%	9	380	0.99%
Garland County	7	431	1.21%	7	431	1.08%	6	516	1.32%	8	432	1.11%		350	0.91%
Xerox Document Imaging Svcs			0.00%			0.00%			0.00%			0.00%	8	450	1.17%
Kroger's Stores	10	345	0.97%	10	345	0.87%			0.00%		305	0.79%		341	0.89%
Radius Aerospace (formerly Triumph Fabrications)	9	385	1.09%	9	385	0.97%	10	350	0.89%	10	364	0.94%	10	376	0.98%

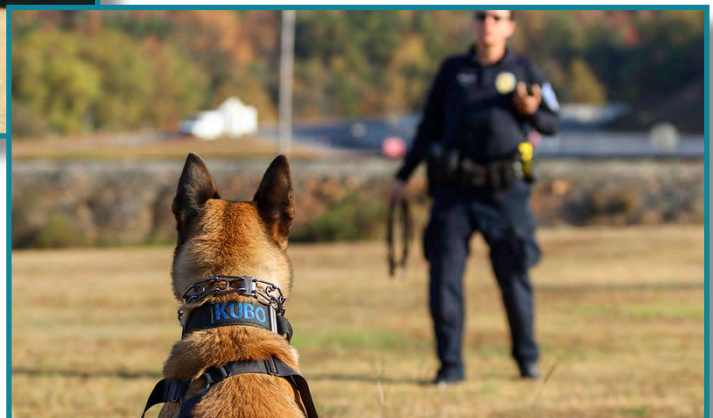
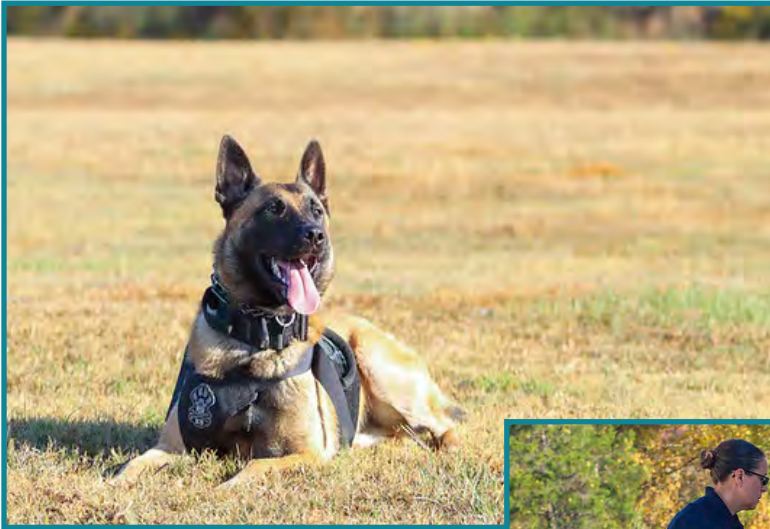
Year	2015			2014			2013			2012			2011		
<b>Total Employment Numbers</b>	<b>35,742</b>			<b>37,691</b>			<b>35,478</b>			<b>37,500</b>			<b>38,700</b>		
<b>Name of Firm or Company</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</b>	<b>% of Total</b>	<b>Rank</b>	<b>Employees</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	4.79%	1	2,300	6.10%	1	2,300	6.48%	1	2,300	6.13%	1	2,300	5.94%
Oaklawn Park	2	1,368	3.86%	2	1,300	3.45%	2	1,300	3.66%	2	1,233	3.29%	2	1,233	3.19%
Wal-Mart Stores	3	1,026	2.89%	3	1,026	2.72%	3	801	2.26%	4	737	1.97%	3	777	2.01%
National Park Medical Center	4	653	1.84%	4	664	1.76%	4	664	1.87%	3	900	2.40%	4	748	1.93%
City of Hot Springs	5	591	1.67%	5	615	1.63%	5	615	1.73%	6	610	1.63%	5	618	1.60%
Hot Springs School District	6	560	1.58%	6	588	1.56%	6	588	1.66%	7	600	1.60%	6	603	1.56%
National Park Community College			0.00%			0.00%			0.00%	8	465	1.24%	8	452	1.17%
StarTek (Formerly ACCENT) Marketing Services	7	480	1.35%	7	477	1.27%	7	477	1.34%	5	700	1.87%	7	600	1.55%
Berry Plastics (Formerly Rexam)			0.00%	9	380	1.01%	9	380	1.07%	9	450	1.20%	10	426	1.10%
Rexam & Containers	9	390	1.10%	10	350	0.93%			0.00%			0.00%			0.00%
Xerox Document Imaging Svcs	8	426	1.20%	8	450	1.19%	8	450	1.27%	10	450	1.20%	9	450	1.16%
Arlington	10	380	1.07%			0.00%			0.00%			0.00%			0.00%
Weyerhaeuser Company			0.00%			0.00%			0.00%			0.00%			0.00%
Garland County			0.00%			0.00%			0.00%			0.00%			0.00%
Triumph Fabricating (Formerly Chem Fab Corp)	10	376	1.06%	10	376	1.00%	10	376	1.06%			0.00%			0.00%

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

\*2020 numbers are same as 2019. New numbers not available at this time.

# *HSPD NEW K-9: KUBO*

---



# OPERATING INFORMATION

---

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

		Full Time Equivalent Employees									
Function/Program		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	City attorney	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.3	4
	City manager	2	2	2	2	2	2.3	2.3	2.3	3.5	4
	Human resources	4	4	4	4.5	4.5	4.5	4.5	4.5	4.5	5
	Finance	28	27	13	13	13	13	13.33	14.33	14	14
	City clerk	3	3	2.6	2.6	2.6	2.5	2.5	1.5	1.5	2
	Public information	2	2	2	2	2	2	2	2	2	2
	Information systems	9	9	8	8	10	9	9	9	9	10
	Property maintenance	2.5	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2
	Planning and zoning	19	19	18	18	18	17	19	19	19	19
	Parks & Trails	18	18	17	17	17	17	18	19	19	19
	Sport recreation	2	2	2	2	2.5	2	1	1	1	1
	Admin	3.5	3.5	2.25	2.25	2.25	2	2	2	2	3
	Engineering	2.25	2.85	2.45	2.45	2.45	2.5	3.45	2.45	2.7	9
	Urban forestry	3.75	4	3	3	3	3	4	4	4	4
Traffic services	7.5	7.5	7.5	7.5	7.5	7.3	7.34	7.34	7.67	8.5	
Animal services*	9	9	9	9	9.5	9					
Special revenue											
Police	Uniform	105	105	105	106	111.2	111.2	111.2	111.2	111.17	108
	Communication	12	13	13	13	13	13	6	6	6	15
	Clerical	17	16.1	16.8	14.8	9	9	16	16	16	15
	Animal Services *							9.5	9.5	9.5	8.5
Fire	Uniform	78	78	77	77	77	77	77	77	77	75
	Communication	2	2	2	2	2	2	2	2	2	2
	Clerical	2.5	2.4	1.4	1.4	1	1	1	1	1	1
Street and drainage	25	25	25	25	25	25	24	24	24	24	
Court	15	16	16	16	16.5	18	19.5	19.5	17	17	
Intracity transit	14	14	14	14	14	14	14	16	16	16	
Enterprise funds	Water	39	38	40	40	40	40	40	40	41	38
	Wastewater	58.25	58	63	63	63	64	67	70	70	67
	Solid Waste	68	68	68.25	68.25	68.25	68.4	70.4	70.4	70.4	69
	Recycling center	3	3	3	3	3	3	3	3	3	3
	Stormwater	3	3	3	3	3	3	4	4	3.1	3
	Airport	11	11	11.1	11.1	11.1	12.1	12.1	12.1	12.1	12
	Parking	1	1	1	0.5	0.5	0	0.50	0.5	0.5	-
Internal service	Fleet	16	16	16	16	16	16	16	16	16	16
	Utility administration	31.25	29.65	40.85	41.35	41.35	40.3	42.08	42.08	41.08	38
CDBG Planning	1	1	0	0	0	0	0	0	0	-	
Metropolitan Planning Organization (MPO)	1	1	0	0	0	0	0	0	0	-	
<b>Total</b>		<b>622</b>	<b>620</b>	<b>615</b>	<b>614.5</b>	<b>619</b>	<b>615.9</b>	<b>631.5</b>	<b>634.5</b>	<b>631.3</b>	<b>634</b>

NOTES:

In 2010, 3 Police positions were suspended. They were approved for 105 positions but budgeted only 102.

In 2013, 14 positions in Utility Billing and Customer Service were moved from Finance to Utility Administration as a new department called Municipal Customer Operations.

\*In 2017, the Animal Services Department began reporting to the Police department and the revenues and expenses for that function were moved to the Police fund.

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

Function/Program	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Community development:										
New construction building permits issued (D)	54	66	64	62	84	61	63	18	71	-
New construction residential building permits issued										79
New construction commercial building permits issued										19
Parks:										
Number of parks	18	18	18	18	18	18	20	20	20	20
Acreage	201	201	201	215	215	215	218	218	218	218
Trails:										
Number of miles (A)										
Paved Trails							4.50	5.00	5.00	5.00
Natural Surface							3.35	3.35	3.35	3.35
Public works:										
Engineering:										
Floodplain reviews	43	57	74	66	81	62	63	67	59	92
Work item requests (B)	101	131	156	607	827	2,157	1,715	2,462	2,543	2,161
Traffic:										
Pavement markings (linear feet) on contract	252,572	245,273	174,290	240,722	235,359	178,341	153,000	335,353	158,477	181,771
Signs installed/repaired	1,170	967	946	926	515/283	182/173	413/190	348/280	183/215	276/111
Police:										
Parking violations	2,951	2,502	1,546	1,684	1,167	1,823	1,866	1,759	772	653
Traffic violations	13,816	10,406	7,879	9,611	16,329	7,039	7,267	5,591	5,064	2,875
Physical Arrests	5,311	5,688	4,768	5,047	8,420	4,174	4,597	6,780	7,208	4,444
Animal services:										
Animals in	2,588	2,302	2,132	2,030	2,448	1,999	1,962	1,802	1,852	1,777
Animals adopted	455	527	565	542	646	487	537	551	580	657
Animals reclaimed	239	235	199	256	272	243	265	195	198	275
Fire:										
Calls answered	1,711	1,821	1,587	1,770	1,889	2,085	2,294	2,317	2,473	2,546
Hydrants	1,825	1,825	1,883	1,925	2,006	2,099	2,114	2,136	2,180	2,189
Street/Engineering										
Paving cuts	489	561	479	544	385	406	459	513	527	253
Intracity Transit:										
Riders including transfers	206,593	198,603	185,117	164,355	175,908	144,606	177,749	163,416	168,628	120,256
Water:										
Consumers (C)	36,036	81,211	81,924	89,632	90,603	91,169	91,769	92,196	90,487	90,636
Average daily consumption	8,837,404	8,996,064	8,132,001	7,479,043	8,062,351	7,983,988	7,778,211	7,789,205	7,277,608	7,516,705
Wastewater:										
Consumers (C)	25,408	61,969	61,969	67,394	67,915	68,292	68,830	69,308	68,636	69,057
Miles of lines	686	677	681	690	696	705	708	710	710	710
Solid Waste:										
Consumers	14,054	14,007	14,087	14,104	14,028	14,042	14,533	14,628	18,109	13,056
Tons of recycled material	3,736	4,006	4,362	3,807	3,700	2,231	2,539	3,932	4,122	4,462
Tons of residential and commercial garbage collected	39,091	38,682	38,581	49,089	41,897	42,386	42,151	43,401	43,490	43,295
Airport:										
Aviation fuel and oil sales	\$ 2,494,056	\$ 2,662,518	\$ 2,056,235	\$ 1,888,476	\$ 1,426,666	\$ 1,219,175	\$ 1,303,852	\$ 1,724,002	\$ 1,700,376	\$ 1,201,474
Parking:										
Parking meter revenue	\$ 131,762	\$ 131,791	\$ 122,751	\$ 96,060	\$ 81,630	\$ 87,195	\$ 95,975	\$ 95,622	\$ 94,518	\$ 70,846

**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) Prior to 2012 the numbers were reported based on number of water meters/bills; however, the Health Department uses a multiplier of 2.6 per household so starting in 2012 our numbers are adjusted accordingly.
- (D) 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		Fiscal Year									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Parks	Number of parks	18	18	18	18	18	18	20	20	20	20
	Playgrounds (A)	16	16	16	18	18	18	20	20	20	20
	Boat ramps (B)	4	4	4	4	4	4	5	5	5	5
Public works	Traffic signals	67	69	70	71	71	72	72	72	68	72
Police	Stations (C)	3	3	3	3	3	2	2	2	2	2
	Patrol units	122	127	128	126	134	134	132	132	131	132
	Animal services dog units	4	4	4	4	4	4	4	4	4	4
Fire	Stations	5	5	5	5	5	5	5	5	5	5
	Fire trucks	8	8	8	8	8	8	8	8	8	8
Street/Engineering	Miles of streets (D)	298	298	298	299	299	303	303	314	307	304
	Number of street lights (E)	5,552	5,556	5,186	5,198	5,227	5,246	5,258	5,277	5,298	5,308
Intracity Transit	Buses	8	8	8	8	8	6	6	6	5	5
	Vans/mini buses	6	4	5	5	4	6	5	5	4	4
Water	Water mains (miles)	868	874	877	884	896	904	910	914	919	925
	Storage capacity										
	(gallons in thousands)	15,600	19,061	19,061	15,600	15,600	15,600	15,600	15,600	15,600	18,600
Wastewater	Miles of lines	686	677	681	690	696	705	708	710	710	710
	Treatment capacity										
	(gallons per day)	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Solid Waste	Collection vehicles	25	25	25	25	25	25	25	25	25	25
	Transfer vehicles/trailers	21	21	21	21	21	21	21	21	21	21
	Equipment --										
	backhoe, loaders, bobcats	9	9	9	9	9	9	9	9	10	10
	Recycling vehicles/trailers	8	8	8	8	8	8	8	8	8	8
Airport	Square feet of hangar rentals (G)	216,825	225,895	225,895	225,895	225,895	238,335	238,335	238,335	238,335	238,335
Parking	Parking meters	572	571	572	300	300	300	300	300	300	297

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

(A) Certain Parks have multiple playgrounds

(B) This number was reportedly incorrectly as five for years 2005-2009 and now has been corrected back to four through 2016

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

(D) 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.

(E) In 2013, 370 bills that were formally on the Entergy Consolidated Bill were moved to separately billed meters when they converted to LED lights.

# SINGLE AUDIT AND COMPLIANCE SECTION

---

# FLAG RETIREMENT DROP BOX

---



**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2020**

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Bonds Payable 1/1/2020	Accrued Revenue Balances 1/1/2020	Cash Receipts	Principal Repayments/ Expenditures	Accrued Revenues/ Balances 12/31/2020	Passed Through To Subrecipients	Bonds Payable 12/31/2020
<b>Awarding Agency - U. S. Department of Transportation</b>								
Direct Program:								
<i>Airport Improvement Program</i>								
20.106	Airport Improvement Program (631) 3.05.0031.24.2016		5,785	19,355	27,093	13,523		
20.106	Airport Improvement Program (631) 3.05.0031.25.2017		170,925	181,777	10,850	(2)		
20.106	Airport Improvement Program (631) 3.05.0031.26.2018		243,271	262,758	19,482	(5)		
20.106	Airport Improvement Program (631) 3.05.0031.27.2019		13,404	117,172	276,317	172,549		
20.106	Airport Improvement Program (631) 3.05.0031.28.2020			60,610	60,610	-		
20.106	Airport Improvement Program (631) 3.05.0031.29.2020 CARES		-	1,380,835	2,012,529	631,694		
20.106	Airport Improvement Program (631) 3.05.0031.30.2020			91,650	91,650	-		
	<i>Total Airport Improvement Program</i>		433,385	2,114,157	2,498,531	817,759		
<i>Highway Planning and Construction Cluster</i>								
Pass-Through From:								
Arkansas Department of Transportation								
20.205	FAP TAPC Federal Highway Administration (314) ArDOT Job #61484		15,200	15,200	-	-		
20.205	Highway 7 North from the Gorge to Highway 5/7 Junction (640 & 645) ArDOT Job #061547		133,081	-	1,470,912	1,603,993		
20.205	Highway 7 South of Albright Road-Safety Improvements (645) ArDOT Job 061309		-	-	74,912	74,912		
20.205	Hollywood Ave. Multi-Use Trail (TAP-15)(S) (315) ArDOT Job #061483		-	-	78,475	78,475		
	<i>Total Highway Planning and Construction Cluster</i>		148,281	15,200	1,624,299	1,757,380		
<i>State and Community Highway Safety Cluster</i>								
Pass-Through From:								
Arkansas State Police Highway Safety Office								
20.600	Selective Traffic Enforcement (372) OP-2020-02-02-13, SE-2020-01-01-13, M5X-2020-06-06-13, DD-2020-02-02-13		5,374	37,956	36,476	3,894		
	<i>Total Selective Traffic Enforcement</i>		5,374	37,956	36,476	3,894		
Pass-Through From:								
Arkansas State Police Highway Safety Office								
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) MSCS-2019-13-13-02		(4)	-	4	-		
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) MSCS-2020-13-13-02		120	19,630	18,270	(1,240)		
	<i>Total Alcohol and Impaired Driving Countermeasures Program</i>		116	19,630	18,274	(1,240)		
	<i>Total State and Community Highway Safety Cluster</i>		5,490	57,586	54,750	2,654		
Direct Program:								
<i>Federal Transit and Formula Grants Cluster</i>								
20.507	Intracity Transit System Section 1B (382) AR-90-X168 2019		69,258	225,940	156,682	-		
20.507	Intracity Transit System Section 1B (382) AR-90-X163 2019 Malvern Ave		-	-	-	-		
20.507	Intracity Transit System Section 1B (382) AR-90-X176 2020 CARES		-	1,042,012	1,222,130	180,118		
	<i>Total Federal Transit and Formula Grants Cluster</i>		69,258	1,267,952	1,378,812	180,118		
<b>Total U. S. Department of Transportation</b>			<b>656,414</b>	<b>3,454,895</b>	<b>5,556,392</b>	<b>2,757,911</b>		
<b>Awarding Agency - Department of the Interior National Park Service</b>								
Pass-Through From:								
Federal Lands Access Program								
15.916	Outdoor Recreation, Acquisition, Development and Planning-Eastern FLAP Project (236) Wayfinding Signage 61577		26,076	20,720	3,660	9,016		
<b>Total Department of the Interior National Park Service</b>			<b>26,076</b>	<b>20,720</b>	<b>3,660</b>	<b>9,016</b>		

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

**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(continued)**  
**For the Year Ended December 31, 2020**

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Bonds Payable 1/1/2020	Revenue Balances 1/1/2020	Cash Receipts	Principal Repayments/ Expenditures	Revenues/ Balances 12/31/2020	Passed Through To Subrecipients	Bonds Payable 12/31/2020
<b>Awarding Agency - U.S. Department of Justice</b>								
Direct Programs:								
16.607	Bullet Proof Vest Partnership (371)		3,120	6,953	15,633	11,800		
<i>Edward Byrne Memorial Justice Assistance Program</i>								
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2017-DJ-BX-0310		-	15,161	15,161	-		
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2018-DJ-BX-0763		(280)	-	280	-		
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2019-DJ-BX-0446		-	18,636	18,636	-		
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2020-DJ-BX-0620		-	-	-	-		
	<i>Total Edward Byrne Memorial Justice Assistance Program</i>		(280)	33,797	34,077	-		
<b>Total U. S. Department of Justice</b>			<b>2,840</b>	<b>40,750</b>	<b>49,710</b>	<b>11,800</b>		
<b>Awarding Agency - U.S. Department of Housing and Urban Development</b>								
Direct Program:								
<i>Community Development Block Grants/Entitlement Grants Cluster</i>								
14.218	Community Development Block Grants/Entitlement Grants (390) FY2014 B-14-MC-05-0014		1,130	1,130	-	-		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2015 B-15-MC-05-0014		529	529	-	-		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2016 B-16-MC-05-0014		7,000	7,821	821	-		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2017 B-17-MC-05-0014		91,512	101,605	10,093	-	8,003	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2018 B-18-MC-05-0014		53,094	129,040	76,949	1,003	24,500	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2019 B-19-MC-05-0014		29,023	218,944	289,369	99,448	53,574	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MC-05-0014		-	23,525	37,374	13,849		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MW-05-0014 CARES		-	1,641	63,510	61,869	-	
	<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>		182,288	484,235	478,116	176,169	86,077	
<b>Total U.S. Department of Housing and Urban Development</b>			<b>182,288</b>	<b>484,235</b>	<b>478,116</b>	<b>176,169</b>	<b>86,077</b>	
<b>Awarding Agency - Department of Treasury</b>								
Pass-Through From:								
Arkansas Department of Finance and Administration								
21.019	Coronavirus Relief Fund (335)		-	1,502,741	1,502,741	-		
<b>Total Department of Treasury</b>			<b>-</b>	<b>1,502,741</b>	<b>1,502,741</b>	<b>-</b>		
<b>Awarding Agency - U.S. Department of Homeland Security</b>								
Direct Program:								
Pass-Through From:								
West Central Arkansas Planning and Development District								
97.029	FEMA FMA Grant (318) FMA-PJ-06-AR-2017-001 (EMT-2018-FM-E003 (0))		24,008	24,008	12,954	12,954		
97.044	Assistance to Firefighters Grant-AFG (347) EMW-2017-FO-05524		-	7,807	7,807	-		
<b>Total U. S. Department of Homeland Security</b>			<b>24,008</b>	<b>31,815</b>	<b>20,761</b>	<b>12,954</b>		
<b>Awarding Agency - U.S. Environmental Protection Agency</b>								
Pass-Through From:								
Arkansas Natural Resources Commission								
<i>Capitalization Grants for Drinking Water State Revolving Funds Cluster</i>								
66.468	Capitalization Grants for Drinking Water State Revolving Funds-Fixed Based Metering System		3,818,324	-	-	-	-	3,818,324
	<i>Total Capitalization Grants for Drinking Water State Revolving Funds Cluster</i>		3,818,324	-	-	-	-	3,818,324
<b>Total U.S. Environmental Protection Agency</b>			<b>3,818,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,818,324</b>
<b>Total Federal Awards</b>			<b>\$ 3,818,324</b>	<b>\$ 891,626</b>	<b>\$ 5,535,156</b>	<b>\$ 7,611,380</b>	<b>\$ 2,967,850</b>	<b>\$ 86,077</b>
			<b>\$ 3,818,324</b>	<b>\$ 891,626</b>	<b>\$ 5,535,156</b>	<b>\$ 7,611,380</b>	<b>\$ 2,967,850</b>	<b>\$ 86,077</b>

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

**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended December 31, 2020**

State Grantor/Program Title	Bonds Payable 1/1/2020	Accrued Revenue Balances 1/1/2020	Cash Receipts	Principal Repayments/ Expenditures	Accrued Revenues/ Balances 12/31/2020
<b>Awarding Agency - Arkansas General Assembly</b>					
Parks Grants (331) GIF David F Watkins Park WCAPDD #15-1-013 Outdoors Rec #A-10765-19-GA		4,375	200,216	200,127	4,286
<b>Awarding Agency - Arkansas Department of Parks &amp; Tourism</b>					
Parks Grants (313) Northwoods Urban Forest Park		-	-	-	-
<b>Awarding Agency - Arkansas Aeronautics Department</b>					
Airport Improvement Program (631) 3.05.0031.24.2016		9,974	-	1,427	11,401
Airport Improvement Program (631) 3.05.0031.25.2017		115,858	116,418	573	13
Airport Improvement Program (631) 3.05.0031.26.2018		107,278	108,293	1,026	11
Airport Improvement Program (631) 3.05.0031.27.2019		1,979	-	11,294	13,273
<b>Awarding Agency - Arkansas Department of Transportation</b>					
Selective Traffic Enforcement (372) Child Safety Seats/State Hwy Safety Program-2019		-	3,000	3,000	-
Highway 270 West Widening (640 & 645) ArDOT Job #CA0607/Connecting Arkansas Program		59,152	-	1,063,829	1,122,981
Covid-19 Relief Package Public Transit Trust Fund (383)		-	7,000	7,000	-
<b>Awarding Agency - Arkansas Department of Human Services</b>					
Emergency Workers Payment Program (222)		-	110,707	110,707	-
<b>Total State Awards</b>		<b>\$ 298,616</b>	<b>\$ 545,634</b>	<b>\$ 1,398,983</b>	<b>\$ 1,151,965</b>

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

**City of Hot Springs, Arkansas**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended December 31, 2020**

---

**Note 1: Summary of Significant Accounting Policies –**

Basis of Accounting. The City's assistance program funds are accounted for on the accrual (enterprise funds) and modified-accrual (special revenue funds) basis of accounting. Program receipts are recorded when earned and authorized under the program requirements, and expenditures are recorded as authorized program costs are incurred. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Preparations of Schedules of Federal and State Awards. The schedules have been prepared using the basis of accounting described in the preceding paragraph.

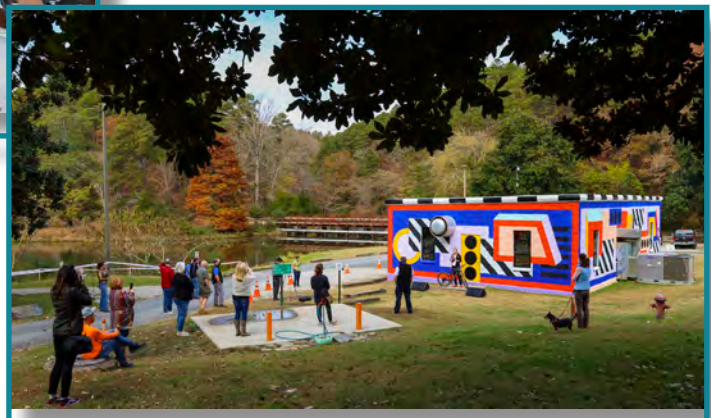
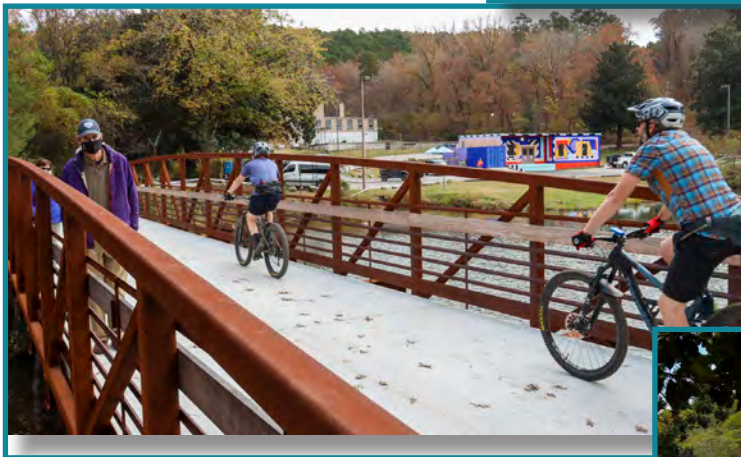
**Note 2: Federal Awards** – During the year ended December 31, 2020, the City was the recipient of various federal grant funds. These funds were received either directly from the federal agency or indirectly through a State of Arkansas pass-through agency.

The grant funds are administered and controlled through the respective departments of the City. The City accounts for the funds in accordance with governmental, generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The balances remaining in grant funds as of December 31, 2020, represent funds expended for authorized grant purposes and not yet received (accrued revenue).

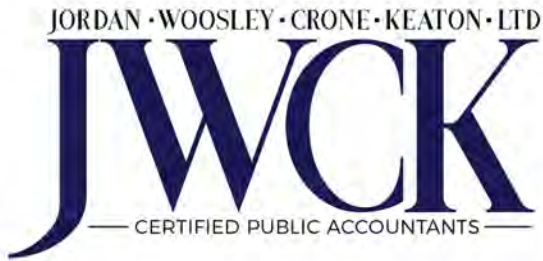
**Note 3: State Awards** – During the year ended December 31, 2020, in addition to federal financial assistance, the State financial assistance programs are accounted for under the same accounting principles as described above.

# ARKANVAS MURAL UNVEILING

---



*{This page intentionally left blank}*



**Partners**  
Gary D. Welch, CPA, CVA  
Courtney W. Moore, CPA, CFE, CGMA  
Christina B. Ellis, CPA

**Principals**  
Dennis C. Fason, CPA  
Jimmy M. Pate, CPA  
Phyllis A. Trent, CPA

**Founding Partners**  
Joe L. Woosley, CPA  
(1932-Present)  
Harry C. Keaton, CPA  
(1920-2005)  
Clarence W. Jordan, CPA  
(1930-2009)  
Glen W. Crone, Jr., CPA  
(1936-2016)

## **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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Hot Springs, Arkansas' basic financial statements, and have issued our report thereon dated July 19, 2021. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the City of Hot Springs, Arkansas' financial statements. The financial statements of the discretely presented component unit, were not audited in accordance with governmental auditing standards.


### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Hot Springs, Arkansas' 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 of Hot Springs, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hot Springs, Arkansas' 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.

---

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

  
501.624.5788

  
[www.jwck.com](http://www.jwck.com)  
-183-

  
126 Hobson Ave.  
Hot Springs, AR 71901

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Hot Springs, Arkansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

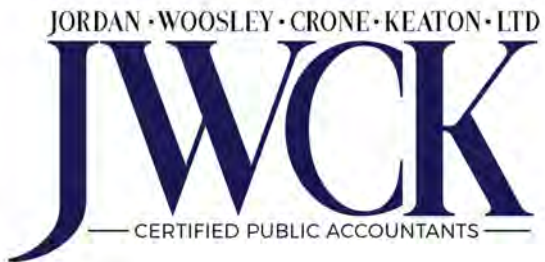
#### **Purpose of this Report**

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.

*JWCK, Ltd*

Certified Public Accountants  
Hot Springs, Arkansas

July 19, 2021



**Partners**  
Gary D. Welch, CPA, CVA  
Courtney W. Moore, CPA, CFE, CGMA  
Christina B. Ellis, CPA

**Principals**  
Dennis C. Fason, CPA  
Jimmy M. Pate, CPA  
Phyllis A. Trent, CPA

**Founding Partners**  
Joe L. Woosley, CPA  
(1932-Present)  
Harry C. Keaton, CPA  
(1920-2005)  
Clarence W. Jordan, CPA  
(1930-2009)  
Glen W. Crone, Jr., CPA  
(1936-2016)

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

### *Independent Auditor's Report*

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Hot Springs, Arkansas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Hot Springs, Arkansas' major federal programs for the year ended December 31, 2020. The City of Hot Springs, Arkansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***


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

#### ***Auditor's Responsibility***

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

---

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

  
501.624.5788

  
[www.jwck.com](http://www.jwck.com)  
-185-

  
126 Hobson Ave.  
Hot Springs, AR 71901

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Hot Springs, Arkansas complied, in all material respects, with the types of 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, 2020.

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Certified Public Accountants  
Hot Springs, Arkansas

July 19, 2021

City of Hot Springs, Arkansas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 For the Year Ended December 31, 2020

A. Summary of Auditor's Results

1. The independent auditor's report expresses an unmodified opinion on whether the basic financial statements of the City of Hot Springs, Arkansas were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditors report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Hot Springs, Arkansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditors report on compliance for each major federal program and report on internal control over compliance in accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major, federal award programs for the City of Hot Springs, Arkansas, expresses an unmodified opinion on all major programs.
6. There are no audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.
7. The programs tested as major programs were:

	<u>CFDA</u>	
United States Dept. of the Treasury	21.019	Coronavirus (CARES Act)
U.S. Dept. of Transportation	20.205	Highway Planning and Construction Cluster

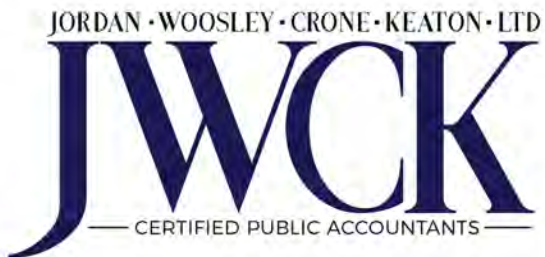
8. The threshold used for distinguishing Type A and B programs was \$750,000.
9. The City of Hot Springs, Arkansas was determined to be a not to be a low-risk auditee.

B. Findings - Financial Statement Audit: None

C. Federal Awards Findings and Questioned Costs: None

City of Hot Springs, Arkansas  
SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2019

None



**Partners**  
Gary D. Welch, CPA, CVA  
Courtney W. Moore, CPA, CFE, CGMA  
Christina B. Ellis, CPA

**Principals**  
Dennis C. Fason, CPA  
Jimmy M. Pate, CPA  
Phyllis A. Trent, CPA

**Founding Partners**  
Joe L. Woosley, CPA  
(1932-Present)  
Harry C. Keaton, CPA  
(1920-2005)  
Clarence W. Jordan, CPA  
(1930-2009)  
Glen W. Crone, Jr., CPA  
(1936-2016)

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CERTAIN STATE ACTS

City Manager and Board of Directors  
City of Hot Springs, Arkansas

We have examined management's assertions that the City of Hot Springs, Arkansas, complied with the requirements of Arkansas Code Annotation § 14-58-101 and the following Arkansas statutes during the year ended December 31, 2020:

1. Arkansas Municipal Accounting Law, § 14-59-101 et seq.,
2. Arkansas District Courts Accounting Law, § 16-10-210 et seq.,
3. Improvement contracts, §§ 22-9-202 – 22-9-204,
4. Budgets, purchases and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.,
5. Investment of public funds, § 19-1-501 et seq., and
6. Deposit of public funds, §§ 19-8-101 – 19-8-107.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.


In our opinion, the City of Hot Springs, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2020.

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

*JWCK, Ltd*  
Certified Public Accountants  
July 19, 2021

---

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

  
501.624.5788

  
[www.jwck.com](http://www.jwck.com)

  
126 Hobson Ave.  
Hot Springs, AR 71901

*{This page intentionally left blank}*

APPENDIX B

Unaudited Statement of Revenues, Expenses and  
Changes in Net Position of the System for the  
Fiscal Year Ended December 31, 2021

City of Hot Springs, Arkansas

**Statement of Revenues, Expenses, and Changes in Net Position**

**Wastewater**

**\*\*Unaudited\*\***

For the Year Ended December 31, 2021

	<u>Wastewater</u>
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Water sales	
Wastewater charges	17,885,589
Other services fees	672,783
Miscellaneous other revenue	78,904
Total operating revenue	<u>18,637,276</u>
<b>OPERATING EXPENSES</b>	
Salaries and benefits	3,070,402
Services	2,378,976
Administration costs	2,630,431
Post closure expense	77,852
Supplies	1,872,532
Depreciation	5,061,622
Total operating expense	<u>15,091,815</u>
Operating income (expense)	<u>3,545,461</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental	248,998
Investment earnings	115,351
Net increase (decrease) in fair value of investments	(195,237)
Bond costs and other	(2,735,624)
Gain (loss) on sale of assets	-
Total nonoperating revenue (expense)	<u>(2,566,512)</u>
Income before contributions and transfers	978,949
Capital contributions	117,555
Change in net position	1,096,504
Total net position, beginning of year	<u>53,676,918</u>
Total net position - end of year	<u>\$ 54,773,422</u>

APPENDIX C

Specimen Municipal Bond Insurance Policy



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN