

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 12, 2025

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATING: (BAM Insured) S&P: AA (stable outlook)
(Underlying) S&P: BBB+ (negative outlook)**

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2025B Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2025B Bonds. In the opinion of Bond Counsel, interest on the Series 2025B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025B Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that interest on the Series 2025A Bonds and the Series 2025B Bonds is exempt from State of Arkansas income taxation and the Series 2025A Bonds and the Series 2025B Bonds are exempt from property taxation in the State of Arkansas. In the opinion of Bond Counsel, interest on the Series 2025A Bonds is includable in gross income for federal income tax purposes. See **LEGAL MATTERS**, Tax Matters.*

\$72,360,000*
CITY OF HOT SPRINGS, ARKANSAS
WASTEWATER REVENUE BONDS

\$24,975,000*
TAXABLE SERIES 2025A

\$47,385,000*
SERIES 2025B

Dated: Date of Delivery

Due: December 1, as described herein

The Series 2025A Bonds and the Series 2025B Bonds (collectively, 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 June 1, 2025, 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 and series 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 Underwriter 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.

Stephens Inc.

Dated: _____, 2025.

* Preliminary; subject to change.

MATURITY SCHEDULE*

Series 2025A Bonds

\$9,285,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2028	\$ 325,000		
2029	1,090,000		
2030	1,145,000		
2031	1,205,000		
2032	1,270,000		
2033	1,340,000		
2034	1,415,000		
2035	1,495,000		

\$5,015,000 _____ % Term Bonds due December 1, 2038 to Yield _____ %
\$10,675,000 _____ % Term Bonds due December 1, 2044 to Yield _____ %

Series 2025B Bonds

\$4,955,000 _____ % Term Bonds due December 1, 2045 to Yield _____ %
\$14,900,000 _____ % Term Bonds due December 1, 2050 to Yield _____ %
\$27,530,000 _____ % Term Bonds due December 1, 2057 to Yield _____ %

* Preliminary; subject to change.

No dealer, broker, salesman or any other person has been authorized by the City, the Financial Advisor, or the Underwriter 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 (the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer, supplied by the Insurer 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	7
Security	8
Cybersecurity Risk	8
Climate Change Risk	8
THE CITY AND THE COUNTY	8
General	8
Governmental Organization	9
Executive Officers	9
Population	9
Economic Data	9
Employment	10
Public School Enrollment	10
Arkansas School for Mathematics, Sciences and the Arts	10
National Park College	10
Major Employers	11
Medical Facilities	11
Litigation	11
THE SYSTEM	11
General	11
Description of System	11
Users	12
Litigation	12
Rates	12

BOND INSURANCE	14
Bond Insurance Policy	14
Build America Mutual Assurance Company	14
BAM GreenStar Bonds	15
Credit Insights Videos	16
Credit Profiles	16
Disclaimers	16
THE AUTHORIZING ORDINANCE	17
Rates and General Covenants to Operate	17
Funds and Disposition of Revenues	17
Parity Bonds	19
Accounts and Records	19
Maintenance; Insurance	19
Defeasance	20
Default and Remedies	20
Amendment of Authorizing Ordinance	21
The Trustee	22
Investments	22
Nonarbitrage	23
FINANCIAL INFORMATION	24
Generally	24
Historical Revenues and Expenses	24
Forecasted Revenues and Expenses	25
PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS	26
DEBT SERVICE REQUIREMENTS	28
DEBT SERVICE COVERAGE	31
CONTINUING DISCLOSURE AGREEMENT	31
Past Compliance	31
Purpose of the Continuing Disclosure Agreement	33
Definitions	33
Provision of Annual Report	33
Content of Annual Reports	34
Reporting of Listed Events	34
Termination of Reporting Obligation	35
Dissemination Agent	35
Amendment; Waiver	35
Additional Information	36
Default	36
Duties of Dissemination Agent and Right of Indemnity	36
Beneficiaries	36
LEGAL MATTERS	36
Legal Proceedings	36
Legal Opinions	37
Tax Matters	37
FORWARD-LOOKING STATEMENTS	41

MISCELLANEOUS	41
Enforceability of Remedies	41
Bankruptcy	41
Underwriting	41
Financial Advisor	42
Ratings	42
Information in the Official Statement	42
APPENDIX A -	Comprehensive Annual Financial Report of the City for the Fiscal Year Ended December 31, 2023
APPENDIX B -	Unaudited Statement of Revenues, Expenses and Changes in Net Position of the System for the Fiscal Year Ended December 31, 2024
APPENDIX C -	Specimen Municipal Bond Insurance Policy

OFFICIAL STATEMENT

\$72,360,000* **CITY OF HOT SPRINGS, ARKANSAS** **WASTEWATER REVENUE BONDS**

\$24,975,000*
TAXABLE SERIES 2025A

\$47,385,000*
SERIES 2025B

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, Taxable Series 2025A, in the aggregate principal amount of \$24,975,000* (the "Series 2025A Bonds") and its Wastewater Revenue Bonds, Series 2025B, in the aggregate principal amount of \$47,385,000* (the "Series 2025B Bonds" and collectively with the Series 2025A Bonds, the "Bonds"). The Series 2025A Bonds are being issued to finance a portion of the costs of acquiring, constructing and equipping betterments and improvements to the City's wastewater system (the "System"), to pay the premium for the Insurance Policy (hereinafter defined) for the Series 2025A Bonds, to pay a portion of the premium for the Reserve Policy (hereinafter defined) and to pay expenses of issuing the Series 2025A Bonds. The Series 2025B Bonds are being issued to finance all or a portion of the costs of acquiring, constructing and equipping betterments and improvements to the System, to pay the premium for the Insurance Policy (hereinafter defined) for the Series 2025B Bonds, to pay a portion of the premium for the Reserve Policy (hereinafter defined), to fund capitalized interest and to pay expenses of issuing the Series 2025B Bonds. See **THE BONDS, Purposes for Bonds**.

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 ("System Revenues") 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, the City's Wastewater Revenue Bond, Taxable Series 2022A, the City's Wastewater Revenue Bond, Series 2022B and the City's Wastewater Revenue Bonds, Series 2022C (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. _____ adopted by the Board of Directors of the City on _____, 2025 (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**.

* Preliminary; subject to change.

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 June 1, 2025 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 separate municipal bond insurance 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, Ratings**.

The Bonds of each series are subject to optional redemption on and after June 1, 2030. The Series 2025B Bonds are subject to extraordinary redemption from proceeds of the Series 2025B Bonds not needed for the purposes intended. The Series 2025A Bonds maturing on December 1 in the years 2038* and 2044* and the Series 2025B Bonds maturing on December 1 in the years 2045*, 2050* and 2057* 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 Series 2025B Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Series 2025B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025B Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations, (iii) interest on the Bonds is exempt from State income tax, (iv) the Bonds are exempt from property taxes in the State and (v) interest on the Series 2025A Bonds is includable in gross income for federal income tax purposes. See **LEGAL MATTERS, Tax Matters**.

It is expected that the Bonds will be available for delivery on or about March 27, 2025, through the facilities of The Depository Trust Company, in New York, New York.

The City has entered into a Continuing Disclosure Agreement in order to assist the Underwriter 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 Stephens Inc., 111 Center Street, Suite 100, 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

* Preliminary; subject to change.

be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity and series 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.

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 Underwriter 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 and series, 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 not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close 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. (a) The Series 2025A Bonds are not subject to extraordinary redemption.

(b) The Series 2025B Bonds must be redeemed from proceeds of the Series 2025B Bonds 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 of each series shall be subject to redemption at the option of the City from funds from any source on and after June 1, 2030, 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 and series 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 of a series 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.* (a) To the extent not previously redeemed, the Series 2025A Bonds maturing on December 1 in the years 2038 and 2044 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:

Series 2025A Bonds Maturing December 1, 2038	
<u>Years</u> <u>(December 1)</u>	<u>Principal Amounts</u>
2036	\$1,580,000
2037	1,670,000
2038 (maturity)	1,765,000

[Remainder of page intentionally left blank]

* Preliminary; subject to change.

Series 2025A Bonds Maturing December 1, 2044

<u>Years (December 1)</u>	<u>Principal Amounts</u>
2039	\$1,865,000
2040	1,980,000
2041	2,100,000
2042	2,225,000
2043	2,355,000
2044 (maturity)	150,000

(b) To the extent not previously redeemed, the Series 2025B Bonds maturing on December 1 in the years 2045, 2050 and 2057 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:

Series 2025B Bonds Maturing December 1, 2045

<u>Years (December 1)</u>	<u>Principal Amounts</u>
2044	\$2,345,000
2045 (maturity)	2,610,000

Series 2025B Bonds Maturing December 1, 2050

<u>Years (December 1)</u>	<u>Principal Amounts</u>
2046	\$2,725,000
2047	2,845,000
2048	2,975,000
2049	3,110,000
2050 (maturity)	3,245,000

Series 2025B Bonds Maturing December 1, 2057

<u>Years (December 1)</u>	<u>Principal Amounts</u>
2051	\$3,395,000
2052	3,560,000
2053	3,735,000
2054	3,915,000
2055	4,105,000
2056	4,305,000
2057 (maturity)	4,515,000

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 an appropriate notice of any 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 Series 2025A 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 premium for the Insurance Policy for the Series 2025A Bonds, to pay a portion of the premium for the Reserve Policy (hereinafter defined) and to pay expenses of issuing the Series 2025A Bonds.

The Series 2025B Bonds are being issued to finance a portion of the costs of the Project, to pay a portion of the premium for the Insurance Policy for the Series 2025B Bonds, to pay a portion of the premium for the Reserve Policy (hereinafter defined), to fund capitalized interest and to pay expenses of issuing the Series 2025B Bonds.

The Project includes particularly, without limitation, wastewater treatment plant improvements and improvements to gravity mains, force mains and pump stations necessary to eliminate sewer system overflows and improve operations.

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

Sources:*	Series 2025A <u>Bonds</u>	Series 2025B <u>Bonds</u>	<u>Total</u>
Principal Amount of Bonds	\$24,975,000	\$47,385,000	\$72,360,000
TOTAL SOURCES	<u>\$24,975,000</u>	<u>\$47,385,000</u>	<u>\$72,360,000</u>
Uses:*			
Project Costs	\$24,439,810	\$44,437,064	\$68,876,874
Capitalized Interest	--	1,830,000	1,830,000
Costs of Issuance, Insurance Policy Premium, Reserve Policy Premium and Underwriter's Discount	<u>535,190</u>	<u>1,117,936</u>	<u>1,653,126</u>
TOTAL USES	<u>\$24,975,000</u>	<u>\$47,385,000</u>	<u>\$72,360,000</u>

The payment of Underwriter's discount, Insurance Policy premiums, 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 Underwriter's discount. The City will deposit the principal amount of the Series 2025A Bonds plus any original issue premium less any original issue discount, Underwriter's discount, premium for the Insurance Policy for the Series 2025A Bonds, a portion of the premium for the Reserve Policy for the Series 2025A Bonds and certain issuance costs into an account of the City designated "Wastewater Bond Construction Fund, Series 2025A" (the "2025A Construction Fund") to be established at a bank or banks selected by the City. Moneys in the 2025A Construction Fund will be disbursed in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Series 2025A Bonds.

* Preliminary; subject to change.

The City will deposit the principal amount of the Series 2025B Bonds plus any original issue premium less any original issue discount, Underwriter's discount, premium for the Insurance Policy for the Series 2025B Bonds, a portion of the premium for the Reserve Policy, capitalized interest and certain issuance costs into an account of the City designated "Wastewater Bond Construction Fund, Series 2025B" (the "2025B Construction Fund") to be established at a bank or banks selected by the City. Moneys in the 2025B Construction Fund will be disbursed in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Series 2025B 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.

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	Owner, Hotel and Restaurant	December 31, 2026
Phyllis Beard	Community Advocate	December 31, 2026
Karen Garcia	Accountant	December 31, 2026
Dudley Webb	Educator	December 31, 2026
Steve Trusty	Retired	December 31, 2028
Marcia Dobbs-Smith	Business Owner	December 31, 2028
Erin Holliday	Executive Director-Emergent Arts	December 31, 2028

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	Karen Scott

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
2023 (Estimate as of July 1)	37,994	99,784

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

<u>Year</u>	<u>Per Capita Income</u>
2019	\$41,386
2020	45,046
2021	48,218
2022	49,641
2023	52,506

Total personal income estimates for the County have been as follows:⁽¹⁾

<u>Year</u>	<u>Total Personal Income</u>
2019	\$4,130,439,000
2020	4,516,229,000
2021	4,840,744,000
2022	4,963,172,000
2023	5,239,294,000

⁽¹⁾Source: Bureau of Economic Analysis.

Employment. Set forth below are the annual average unemployment rates for the City, the County and the State since 2019 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>
2019	4.1	3.7	3.5
2020	9.7	8.1	6.2
2021	6.0	4.9	4.0
2022	4.2	3.7	3.2
2023	4.0	3.7	3.3
2024*	3.8*	3.4*	3.1**

* Preliminary as of November 2024

** Preliminary as of December 2024

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, Jessieville, Lake Hamilton, Lakeside and Mountain Pine. Public school enrollment within the County has been as follows for the years ended June 30, 2020 - 2024:

<u>Year</u> <u>(Ended June 30)</u>	<u>Hot Springs School District</u>	<u>Other County Districts</u>
2020	3,579	11,271
2021	3,629	10,893
2022	3,631	10,852
2023	3,574	10,801
2024	3,533	10,570

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 the 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	1,520
CHI St. Vincent Hot Springs	Healthcare	1,258
Walmart	Retail	799
National Park Medical Center	Healthcare	750
City of Hot Springs	Government	644
Hot Springs School District	Education	524
Garland County	Government	460
Xpress Boats	Manufacturing	410
National Park College	Education	379
Lakeside School District	Education	360
Radius Aerospace	Aviation	360
Kroger	Retail	345
Berry Global	Manufacturing	300
Triump Airborne Structures	Manufacturing	250
StarTek Marketing Services	Customer service center	240
Reynolds Packaging	Packaging	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	62	Deputy City Manager	3 years
Monty Ledbetter	57	Utilities Director	8 years
Harold Mauldin	58	Facilities Operations Manager	30 years
Bobby Harris	59	Assistant Utilities Director	13 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 36 persons in the wastewater treatment and collection areas and 13 persons in utility administration, which serves both water and wastewater administrative functions. These 49 persons are part of the total of 147 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 January 1, 2025, there were 27,327 wastewater users. Of these, 10,095 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>
2020	23,736	2,866	11	26,563
2021	24,017	2,862	10	26,843
2022	24,316	2,839	12	27,167
2023	24,248	2,851	6	27,105
2024	24,414	2,893	20	27,327

No user accounts for more than 5% of gross revenues of the System. The following were the largest users of the System in 2024:

1. Oaklawn Racing Casino Resort
2. Triumph Airborne Structures
3. CHI St. Vincent Hospital
4. Arlington Hotel
5. Garland County Detention Facility

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 is also using proceeds of the City's Wastewater Revenue Bond, Taxable Series 2022A, the City's Wastewater Revenue Bond, Series 2022B and the City's Wastewater Revenue Bonds, Series 2022C to make improvements to the System to comply with the Consent Administrative Orders.

Rates. On January 7, 2025, the Board of Directors of the City passed the current rate ordinance which increased rates as 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>
March 1 – December 31, 2025	\$6.08	\$8.45
January 1 – December 31, 2026	6.26	8.70
January 1 – December 31, 2027	6.45	9.96
January 1 – December 31, 2028	6.64	9.23
January 1, 2029 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:

[Remainder of page intentionally left blank]

	<u>Inside City</u>	<u>Outside City</u>
March 1 – December 31, 2025	\$6.08	\$8.45 per 1,000 gallons or portion thereof
January 1 – December 31, 2026	6.26	8.70 per 1,000 gallons or portion thereof
January 1 – December 31, 2027	6.45	9.96 per 1,000 gallons or portion thereof
January 1 – December 31, 2028	6.64	9.23 per 1,000 gallons or portion thereof
January 1, 2029 and thereafter	3% increase per annum	3% increase 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:

MARCH 1, 2025 - DECEMBER 31, 2025

	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 26.98	\$ 37.50
3/4"	26.98	37.50
1"	40.93	56.90
1 1/2"	56.26	78.21
2"	93.06	129.36
3"	375.42	521.83
4"	482.84	671.15
6"	728.36	1,012.42
8"	1,013.73	1,409.09

JANUARY 1, 2026 - DECEMBER 31, 2026

	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 29.48	\$ 40.98
3/4"	29.48	40.98
1"	44.73	62.17
1 1/2"	61.48	85.45
2"	101.69	141.34
3"	410.20	570.18
4"	527.58	733.34
6"	795.85	1,106.23
8"	1,107.67	1,539.66

JANUARY 1, 2027 - DECEMBER 31, 2027

	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 31.98	\$ 44.45
3/4"	31.98	44.45
1"	48.52	67.44
1 1/2"	66.69	92.70
2"	110.31	153.33
3"	444.99	618.54
4"	572.32	795.53
6"	863.34	1,200.05
8"	1,201.60	1,670.23

JANUARY 1, 2028 - DECEMBER 31, 2028

	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 32.94	\$ 45.79
3/4"	32.94	45.79
1"	49.97	69.46
1 1/2"	68.69	95.48
2"	113.62	157.93
3"	458.34	637.09
4"	589.49	819.39
6"	889.24	1,236.05
8"	1,237.65	1,720.33

JANUARY 1, 2029 AND THEREAFTER

	<u>Inside City</u>	<u>Outside City</u>
All meter sizes	3% increase per annum	3% increase 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 municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the Code. 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.bambonds.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. An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects 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 September 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.6 million, \$246.3 million and \$256.3 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, 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 as a 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://bambonds.com/wp-content/uploads/2020/10/2024-BAM-GreenStar-Winter-Not-for-Print.pdf> and <https://bambonds.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 Underwriter, and the City and the Underwriter 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 www.bambonds.com/insights/#video. (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 www.bambonds.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 Underwriter, and the City and the Underwriter 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 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 "2025 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 Code; provided, however, that payments into the Bond Fund (a) through May 2025 shall be in an amount equal to 1/2 of the interest due on the Bonds on June 1, 2025 and (b) payments representing principal of the

Bonds shall not commence until December 2027. Monthly payments into the Bond Fund through May 2026 shall be reduced by any amounts to be paid from moneys in the Capitalized Interest Fund (as hereinafter defined).

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.

(g) Proceeds of the Bonds in the amount of \$1,830,000* will be deposited into a special fund of the City created with the Trustee and designated "2025B Wastewater Capitalized Interest Fund" (the "Capitalized Interest Fund"). Moneys in the Capitalized Interest Fund shall be transferred to the Bond Fund in order to pay a portion of the interest on the Series 2025B Bonds due through June 1, 2026 as follows: \$280,000* on June 1, 2025, \$775,000* on December 1, 2025 and the remainder on June 1, 2026.

* Preliminary; subject to change.

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 Series 2025B Bonds or cause any of the Series 2025B 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 the Capitalized Interest Fund and (B) the date or dates when the moneys will be needed for the purposes intended in the case of the 2025A Construction Fund and the 2025B 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 Series 2025B 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 Series 2025B Bonds will be used directly or indirectly in such manner as to cause the Series 2025B 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 to this Official Statement is the City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2023, 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 by Forvis Mazars, LLP, Certified Public Accountants ("Forvis"), in accordance with auditing standards generally accepted in the United States. The City did not request Forvis to perform any updating procedures subsequent to the date of its audit report on the financial statements for the fiscal year ended December 31, 2023. Forvis also has not performed any procedures relating to this Official Statement.

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, 2024, 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, 2020-2024:

	<u>2024</u> <u>(Unaudited)</u>	<u>2023</u> <u>(Audited)</u>	<u>2022</u> <u>(Audited)</u>	<u>2021</u> <u>(Audited)</u>	<u>2020</u> <u>(Audited)</u>
Operating Revenues	\$22,938,866	\$21,614,759	\$19,573,363	\$18,677,265	\$17,763,351
Operating Expenses (Excluding Depreciation and Amortization)	<u>(12,896,496)</u>	<u>(12,470,942)</u>	<u>(11,273,418)</u>	<u>(10,030,193)</u>	<u>(11,443,091)</u>
Operating Income Before Depreciation and Amortization	10,042,370	9,143,817	8,299,945	8,647,072	6,320,260
Depreciation and Amortization	(5,199,347)	(5,330,348)	(5,335,523)	(5,061,622)	(5,007,710)
Non-operating Expense	<u>(1,578,329)</u>	<u>(1,441,110)</u>	<u>(4,673,492)</u>	<u>(2,606,501)</u>	<u>(2,730,367)</u>
Net Income (Loss)	<u>\$3,264,694</u>	<u>\$2,372,359</u>	<u>\$(1,709,070)</u>	<u>\$978,949</u>	<u>\$(1,417,817)</u>

[Remainder of page intentionally left blank]

Forecasted Revenues and Expenses. Operating revenues and expenses of the System for the fiscal years ending December 31, 2025 – 2033 have been projected below by Willdan Financial Services, Plano, Texas ("Willdan"), in its capacity as rate consultant. 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 5-6% per year in the monthly charges for all customer classes for the period 2025-2027, and 3.0% per year for the period 2028-2033. 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 2024 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 31, 2023 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.

	Fiscal Years Ending December 31								
	Projected <u>2025</u>	Projected <u>2026</u>	Projected <u>2027</u>	Projected <u>2028</u>	Projected <u>2029</u>	Projected <u>2030</u>	Projected <u>2031</u>	Projected <u>2032</u>	Projected <u>2033</u>
Operating Revenues	\$24,091,817	\$25,907,664	\$27,540,304	\$28,614,600	\$29,648,588	\$30,695,584	\$31,753,920	\$32,821,835	\$33,897,470
Operating Expenses ⁽¹⁾	<u>(14,346,817)</u>	<u>(14,872,098)</u>	<u>(15,398,305)</u>	<u>(15,924,211)</u>	<u>(16,468,924)</u>	<u>(17,033,171)</u>	<u>(17,617,717)</u>	<u>(18,223,364)</u>	<u>(18,850,952)</u>
Net Revenues Available for Debt Service	\$9,744,999	\$11,035,565	\$12,141,999	\$12,690,389	\$13,179,664	\$13,662,413	\$14,136,203	\$14,598,471	\$15,046,517

[Remainder of page intentionally left blank]

⁽¹⁾ Excluding depreciation, interest and amortization of deferred bond discount expenses.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Some of 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, 2023, which are contained in Appendix A attached hereto. The financial statements of the City for the fiscal year ended December 31, 2024 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, 2024, 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 2024, the City contributed 26.50% of covered employees' salaries to the plan for firefighters and police officers. City contributions to the LOPFI plan for the year ended December 31, 2024 were \$3,359,473.

At December 31, 2024, the City reported a liability of \$30,471,261 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2023, the City's proportion was 3.05%.

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, 2024. City contributions to APERS for the year ended December 31, 2024 were \$3,298,986.

At December 31, 2024, the City reported a liability of \$22,502,883 for its proportionate share of the APERS net pension liability. The net pension liability was received on June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2024, the City's proportion was .90%.

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, 2023, the date of the actuarial valuation, there were 48 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 2024 plan year were a set amount and no longer a percentage of active payroll, based upon the December 31, 2023 actuarial report. Contributions to the Old Fire Plan by the City equaled \$1,615,224 for the year ended December 31, 2024, and the City's pension expense associated with the Old Fire Plan was \$1,420,292 for the same period. The City's net pension liability of \$21,564,330 as of December 31, 2024, was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023.

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, 2023, the date of the actuarial valuation, there were 58 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 2024 plan year were a set amount and no longer a percentage of active payroll, based upon the December 31, 2023 actuarial report. Contributions to the Old Police Plan by the City were \$839,424 for the year ended December 31, 2024, and the City's pension expense associated with the Old Police Plan was \$631,232 for the same period. The City's net pension liability of \$7,486,357 as of December 31, 2024, was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023.

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.

SERIES 2025A BONDS

<u>Year</u> <u>(Ending December 31)</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2025	--		
2026	--		
2027	--		
2028	\$ 325,000		
2029	1,090,000		
2030	1,145,000		
2031	1,205,000		
2032	1,270,000		
2033	1,340,000		
2034	1,415,000		
2035	1,495,000		
2036	1,580,000		
2037	1,670,000		
2038	1,765,000		
2039	1,865,000		
2040	1,980,000		
2041	2,100,000		
2042	2,225,000		
2043	2,355,000		
2044	150,000		
Totals	\$24,975,000		

[Remainder of page intentionally left blank]

* Preliminary; subject to change.

SERIES 2025B BONDS

<u>Year</u> <u>(Ending December 31)</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total Debt Service</u>
2025	--		
2026	--		
2027	--		
2028	--		
2029	--		
2030	--		
2031	--		
2032	--		
2033	--		
2034	--		
2035	--		
2036	--		
2037	--		
2038	--		
2039	--		
2040	--		
2041	--		
2042	--		
2043	--		
2044	\$2,345,000		
2045	2,610,000		
2046	2,725,000		
2047	2,845,000		
2048	2,975,000		
2049	3,110,000		
2050	3,245,000		
2051	3,395,000		
2052	3,560,000		
2053	3,735,000		
2054	3,915,000		
2055	4,105,000		
2056	4,305,000		
2057	4,515,000		
Totals	\$47,385,000		

[Remainder of page intentionally left blank]

* Preliminary; subject to change.

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>
2025		\$8,163,647.02	
2026		8,162,021.52	
2027		8,163,235.52	
2028		8,127,011.52	
2029		7,370,525.52	
2030		7,364,891.52	
2031		7,368,195.52	
2032		7,374,051.52	
2033		7,364,851.26	
2034		7,366,168.76	
2035		7,364,211.26	
2036		7,372,509.76	
2037		7,360,571.76	
2038		5,643,871.26	
2039		5,643,103.26	
2040		5,643,089.26	
2041		5,643,536.76	
2042		5,643,573.26	
2043		5,643,024.76	
2044		5,645,243.76	
2045		5,642,631.26	
2046		5,644,650.00	
2047		5,641,025.00	
2048		5,641,675.00	
2049		5,643,425.00	
2050		5,643,612.50	
2051		2,811,925.00	
2052		2,811,050.00	
2053		--	
2054		--	
2055		--	
2056		--	
2057		--	
Totals		\$177,907,328.54	

[Remainder of page intentionally left blank]

DEBT SERVICE COVERAGE

The following table shows the projected net revenues available for debt service through the 2033 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 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030	Projected 2031	Projected 2032	Projected 2033
Net Revenues Available for Debt Service ⁽¹⁾ (A)	\$9,744,999	\$11,035,565	\$12,141,999	\$12,690,389	\$13,179,664	\$13,662,413	\$14,136,203	\$14,598,471	\$15,046,517
Current Year Debt Service for Bonds and Parity Bonds ⁽²⁾⁽³⁾ (B)	9,589,984	11,048,010	11,824,224	12,113,000	12,105,206	12,099,331	12,102,614	12,109,701	12,101,311
Debt Service Coverage (A/B)	1.02x	1.00x	1.03x	1.05x	1.09x	1.13x	1.17x	1.21x	1.24x
Maximum Annual Debt Service for Bonds and Parity Bonds ⁽³⁾⁽⁴⁾ (C)	12,113,000	12,113,000	12,113,000	12,113,000	12,110,641	12,110,641	12,110,641	12,110,641	12,110,641
Debt Service Coverage (A/C)	0.80x	0.91x	1.00x	1.05x	1.09x	1.13x	1.17x	1.21x	1.24x
Average Annual Debt Service for Bonds and Parity Bonds ⁽³⁾⁽⁵⁾ (D)	9,915,702	9,925,881	9,889,683	9,825,198	9,746,309	9,662,062	9,571,793	9,474,454	9,369,044
Debt Service Coverage (A/D)	0.98x	1.11x	1.23x	1.29x	1.35x	1.41x	1.48x	1.54x	1.61x

⁽¹⁾ System Revenues less operation and maintenance expenses (other than depreciation, interest and amortization of deferred bond discount expenses).

⁽²⁾ Using a year ending December 31. Assuming (a) an average coupon rate of 5.83% for the Series 2025A Bonds and (b) an average coupon rate of 4.73% for the Series 2025B Bonds.

⁽³⁾ Net of capitalized interest being financed with proceeds of the Series 2025B Bonds as follows: \$1,055,000 in 2025 and \$775,000 in 2026. Gross current year debt service for the Bonds and the Parity Bonds is \$10,644,984 in 2025 and \$11,823,010 in 2026. Capitalized interest amounts are preliminary and subject to change.

⁽⁴⁾ Maximum annual debt service for the Bonds and the Parity Bonds is in 2028 and decreases in subsequent years. The maximum annual debt service shown above only takes into account the current year and any subsequent years.

⁽⁵⁾ 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 twelve 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 eleven 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 issue (the "A&P Bond Issue"), the City was obligated to file the audited financial statements of the Advertising and Promotion Commission of the City (the "Commission"). Beginning with the fiscal year ended December 31, 2022, the ACFR includes the financial information of 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 timely filed the ACFR for the fiscal years ended December 31, 2019, 2020, and 2022 on EMMA. The ACFR for the fiscal year ended December 31, 2021 was filed late for multiple series of bonds but was available in filings that were timely made in connection with other then outstanding bonds of the City. The ACFR for the fiscal year ended December 31, 2023 was filed 4 days late. The ACFR for the fiscal year ended December 31, 2024 is not yet available.

For the A&P Bond Issue, the City timely filed the audited financial statements of the Commission for the fiscal year ended December 31, 2019. The audited financial statements of the Commission for the fiscal years ended December 31, 2020 and 2021 were filed late by one day and 16 days, respectively. The ACFR for the fiscal year ended December 31, 2022 was timely filed, and the ACFR for the fiscal year ended December 31, 2023 was filed 4 days late. The ACFR for the fiscal year ended December 31, 2024 is not yet available.

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 the bond issues secured by revenues of the System, the City filed all required supplemental financial and operating data on EMMA. For the fiscal years ended December 31, 2019, 2021 and 2022, the City timely filed the required supplemental financial and operating data related to the System. For the fiscal years ended December 31, 2020 and 2023, the financial and operating data of the System was filed one day late and 11 days late, respectively. The data for the fiscal year ended December 31, 2024 is not yet due.

For the bond issues secured by revenues of the Waterworks System, the City filed all of the required supplemental financial and operating data for the fiscal years ended December 31, 2019, 2020 and 2021. For the fiscal years ended December 31, 2022 and December 31, 2023, the City did not include any changes in water rates, as required. The supplemental financial and operating data related to the Waterworks System was timely filed for the years ended December 31, 2019, 2021, and 2022. The supplemental financial and operating data related to the Waterworks System for the years ended December 31, 2020 and 2023 was filed one day late and 11 days late, respectively. The data for the fiscal year ended December 31, 2024 is not yet due.

For the A&P Bond Issue, the City filed all required supplemental financial and operating data on EMMA. For the years ended December 31, 2020 and 2023 the required supplemental financial and operating data was filed one day late and 4 days late, respectively. The required supplemental financing and operating data was timely filed for the years ended December 31, 2019, 2021 and 2022. The data for the fiscal year ended December 31, 2024 is not yet due.

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 Underwriter 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 2025 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 City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 City, 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 City, 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 the City 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 Underwriter 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 Underwriter 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 Matters. (a) 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.

(b) The information in this subsection (b) is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2025A Bonds under the Code, regulations and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold the Series 2025A Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Series 2025A Bond and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "Foreign Investors," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary does not discuss the tax laws of any state other than Arkansas or any local or foreign governments. Potential purchasers of the Series 2025A Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2025A Bonds.

General. Although there are not any regulations, published rulings, or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 2025A Bonds, Bond Counsel has advised that the Series 2025A Bonds will be treated for federal income tax purposes as evidences of indebtedness of the City and not as an ownership interest in the trust estate securing the Series 2025A Bonds or as an equity interest in the City or any other party, or in a separate association taxable as a corporation. Although the Series 2025A Bonds are issued by the City, interest on the Series 2025A Bonds (including original issue discount, if any) is not excludable from gross income for federal income tax purposes under Code Section 103. Interest on the Series 2025A Bonds will be fully subject to federal income taxation. Thus, owners of the Series 2025A Bonds generally must include interest (including any original issue discount) on the Series 2025A Bonds in gross income for federal income tax purposes.

In general, interest paid on the Series 2025A Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2025A Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount) will be treated as a return of capital.

Market Discount. An investor that acquires a Series 2025A Bond for a price less than the adjusted issue price of such Series 2025A Bond (or an investor who purchases a Series 2025A Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the regulations, "market discount" means (i) in the case of a Series 2025A Bond originally issued at a discount, the amount by which the issue price of such Series 2025A Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (ii) in the case of a Series 2025A Bond not originally issued at a discount, the amount by which the stated redemption price of such Series 2025A Bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2025A Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described at "Sale or Other Dispositions" under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in legislative history will apply. Under those rules, market discount will be included in income, in the case of a Series 2025A Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2025A Bond who acquired a Series 2025A Bond at a market discount also may be required to defer, until the maturity date of such Series 2025A Bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2025A Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Series 2025A Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2025A Bond for the days during the taxable year on which the owner held the Series 2025A Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction to be taken into account in the taxable year in which the Series 2025A Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If a Series 2025A Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Series 2025A Bond. The adjusted basis of a Series 2025A Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series 2025A Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series 2025A Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss taxable at the applicable rate determined by the Code if the Series 2025A Bond to which it is attributable is held as a "capital asset."

Gain on the sale or other disposition of a Series 2025A Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series 2025A Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Market Discount"). In addition, if the City is determined (pursuant to regulations that have yet to be promulgated under Code Section 1271(g)(2)(A)) to have had an intention on the date of original issuance of the Series 2025A Bonds to call all or a portion of the Series 2025A Bonds prior to maturity, then gain on the sale or other disposition of a Series 2025A Bond in an amount equal to the original issue discount not previously includable in gross income would be required to be treated as ordinary income taxable at the applicable rate determined by the Code.

Backup Withholding. Payments of principal and interest (including original issue discount) on the Series 2025A Bonds, as well as payments of proceeds from the sale of the Series 2025A Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code with respect to interest or original issue discount on the Series 2025A Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Series 2025A Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2025A Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2025A Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount accruing on the Series 2025A Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2025A Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of the Series 2025A Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2025A Bond.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an "ERISA Plan") and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series 2025A Bond, could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the City or any underwriter of the Series 2025A Bonds, might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2025A Bonds are acquired by such plans or arrangements with respect to which the City or any underwriter is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2025A Bonds.

(c) In the opinion of Bond Counsel, interest on the Series 2025B Bonds under existing law (a) is excludable from gross income for federal income tax purposes under Section 103 of the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025B Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. 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 Series 2025B 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 Series 2025B Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Series 2025B Bonds to be so included in gross income retroactive to the date of issuance of the Series 2025B Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Series 2025B 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 Series 2025B Bonds, (ii) interest on the Series 2025B 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 Series 2025B 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 Series 2025B Bonds.

Prospective purchasers of the Series 2025B 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 Series 2025B 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 Series 2025B 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 inside front 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.

As shown on the inside front cover page of this Official Statement, certain of the Series 2025B Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of a Premium Bond callable prior to its maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of a Premium Bond should consult with their tax advisors with respect

to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2025B Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2025B 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 Series 2025B Bonds. Prospective purchasers of the Series 2025B 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 Series 2025B 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, Stephens Inc. (the "Underwriter") has agreed, subject to certain conditions precedent, to purchase (a) the Series 2025A Bonds from the City at an aggregate purchase price of \$ _____ (principal amount less Underwriter's discount of \$ _____) and (b) the Series 2025B Bonds from the City at an aggregate purchase price of \$ _____ (principal amount _____

net original issue _____ of \$ _____ and less Underwriter's discount of \$ _____). The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter 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 inside front cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

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.

Ratings. 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. S&P assigned an underlying rating of "BBB+ (negative outlook)" to the Bonds.

An explanation of the significance of such ratings 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 ratings 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 ratings could have an adverse effect on market prices of the Bonds. The Underwriter 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 _____
Mayor

Dated: As of the Cover Page hereof.

APPENDIX A

Comprehensive Annual Financial Report of the City for the Fiscal Year Ended December 31, 2023



HOT
SPRINGS

NATIONAL PARK
ARKANSAS



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

CITY OF HOT SPRINGS, ARKANSAS

Annual Comprehensive Financial Report

For the Year Ended December 31, 2023

Prepared by: Finance Department

Karen Scott
Finance Director/Treasurer

Renee Brewer
Assistant Finance Director

Mary Rice
Accounting Supervisor

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, 2023

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Letter of Transmittal.....	iii
GFOA Certificate of Achievement for Excellence in Financial Reporting	xvii
Organizational Chart.....	xviii
List of Elected Officials	xix
List of Appointed Officials	xx

II. FINANCIAL SECTION

Independent Auditor's Report	3
------------------------------------	---

A. MANAGEMENT'S DISCUSSION AND ANALYSIS	7
--	----------

B. BASIS FINANCIAL STATEMENTS

Government-Wide Financial Statements:

Statement of Net Position	21
Statement of Activities.....	23

Fund Financial Statements:

Governmental Funds:

Balance Sheet	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27

Proprietary Funds:

Statement of Net Position	28
Statement of Revenues, Expenses and Changes in Net Position	30
Statement of Cash Flows	31

Fiduciary Funds:

Statement of Fiduciary Net Position.....	33
Statement of Changes in Fiduciary Net Position	34

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

Notes to Financial Statements

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

C. REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Combining Statements and Individual Fund Financial Statements and Schedules

Explanation of Nonmajor Governmental Funds 119

Nonmajor Governmental Funds

Combining Balance Sheet 120

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances..... 123

Internal Service Funds:

Combining Statement of Net Position 129

Combining Statement of Revenues, Expenses and Changes
in Net Position..... 130

Combining Statement of Cash Flows 131

Custodial Funds:

Combining Statement of Net Position 135

Combining Statement of Revenues, Expenses, and Changes
in Net Position..... 136

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

General Fund..... 137

District Court..... 139

Public Transportation..... 140

Jail Expense Fines..... 141

III. STATISTICAL SECTION

Financial Trends

Net Position by Component..... 147

Changes in Net Position 148

Fund Balances, Governmental Funds..... 149

Changes in Fund Balance, Governmental Funds..... 150

Program Revenues by Functions/Programs..... 151

Revenue Capacity

Major Tax/Fee Revenue by Source, Governmental Funds 155

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

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

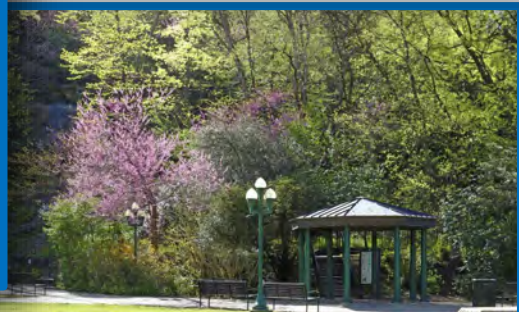
Full Time Equivalent City Budgeted Employees by Function/Program.....	175
Operating Indicators by Function/Program	176
Capital Asset Statistics by Function/Program	177

IV. SINGLE AUDIT AND COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	181
Schedule of Expenditures of State Awards.....	183
Notes to the Schedule of Expenditures of Federal and State Awards.....	184
Schedule of Findings and Questioned Costs.....	185
Summary Schedule of Prior-Year Audit Findings	187
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report	189
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Uniform Guidance – Independent Auditor’s Report	191
Report on Compliance with Certain State Acts – Independent Auditor’s Report	195

INTRODUCTORY SECTION

WELCOME TO HOT SPRINGS, ARKANSAS



City of Hot Springs
Finance Department



Post Office Box 6300
Hot Springs National Park

June 28, 2024

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

State law requires that all cities of the first class publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by licensed, certified public accountants. Pursuant to the fulfillment of that requirement, we hereby issue the annual comprehensive financial report for the City of Hot Springs, Arkansas, for the year ended December 31, 2023.

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

Forvis Mazars, LLP, certified public accountants, issued unmodified opinions on the City of Hot Springs' financial statements for the year ended December 31, 2023. The independent auditor's report is at the beginning of the financial section of this report.

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

Profile of the City of Hot Springs

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

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

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

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

The appropriated budget is prepared by fund, department, and major classification, which is the legal level of control. The Finance Director may make transfers between individual line items in a major classification (i.e., supplies to supplies) in the same department and fund. Transfers from one major classification to another and transfers from one department to another within the same fund must be approved by the City Manager. Transfers between funds require the approval of the Board of Directors; however, the City Manager may make transfers from the General Fund into the Police Fund, Fire Fund, and Street Fund, provided the transfers are in compliance with local, state and federal regulations.

The budget is monitored by category (personnel, services, supplies, capital) and the City Manager can approve expenditures over appropriation by major category when necessary. Approval of budget amendments are required by the Board when the total departmental expenditures exceed the total departmental appropriation. Budget-to-actual reports are provided in this report for each major individual

governmental fund for which an appropriate annual budget has been adopted and are presented in the required supplementary information section of this report. These funds are the General Fund, Police Fund, Fire Fund, and Street Fund. Budget-to-actual reports for all other budgeted funds are located in the combining and individual statements and schedules section.

Economic Conditions and Outlook

Economic conditions and outlook continues to be unpredictable and influenced by events on the macro-level that filter down throughout the economy. Both 2020 and 2021 provided deep downturns globally and quickly followed by a strong consumer led rebound in 2022. The economic shocks from the Russian invasion of Ukraine, supply chain issues coupled with labor shortages on top of the continued presence of COVID-19 waves all suppressed an otherwise strong economy into modest growth. However, on the national level, the fear of inflation and rising interest rate environment continues to impact all aspects of the economy. At the state and local levels, Arkansas and Hot Springs fared much better than its peers at the nationwide levels by posting record revenue growth. Arkansas Department of Finance and Administration revenue report from January 2024 showed a 6% increase above forecast or \$231.2 million in available net revenues. Looking at the City of Hot Springs sales tax returns shows an 8.38% increase for November 2023 and a 6.43% increase year-to-date, compared to 2022. Common themes that contributed to the strong economic outlook at the local level has been conservative approach to spending, quality of life offerings, scenic beauty and a national profile as a visitor destination.

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

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

Hot Springs National Park might be small in land area, but it more than makes up for it with its economic impact. A 2022 National Park Service report showed 2.6 million visitors to Hot Springs National Park spending \$192 million in the local community. The associated visitor spending support 2,710 jobs with a positive benefit of \$258 million to the local economy.

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

Hot Springs has established itself as a premier mountain bike destination. 33 miles of world class mountain bike trails are just 5 minutes from downtown Hot Springs. The Northwoods system includes

Green, Blue and Black single track, multi-track, flow trails, jump lines and the Lucky 13 expert section. The Northwoods is home to the annual Gudrun MTB Festival each November. Bikers, hikers and trail runners are all welcome. Opening this summer, Velocity Park will be a bicycle playground designed for you and beginner riders.

The Hot Springs Greenway Trail opened in 1998. It originates downtown and runs south alongside Hot Springs Creek and will eventually connect to Lake Hamilton. The trail has been largely funded by Transportation Alternative Grant funds. As of year end 2023, 3.5 miles of trail have been completed with construction currently going on to add another mile of trail and a trailhead at Television Hill Road, named the Jean W. Wallace Wetlands Trailhead in the spring of 2024. This will be the first time Central Avenue and south Hot Springs residences will have direct access to the trail. The trail features many neighborhood connections, offering access to the trail within walking distance from their homes. The trail is in a beautiful setting and features many art elements, and outdoor workout equipment along the way.

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

The City also hosts various fishing tournaments, motorcycle rallies, and parades. The City also hosts the World's Shortest St. Patrick's Day Parade annually, which draws a large number of visitors and participants (<https://shorteststpats.com/>).

Hot Springs has an active growing night life. Over the past years, several new premium restaurants have been added to augment the other long standing restaurants. Microbreweries have become more popular across the United States and Hot Springs is no exception, with two located downtown, as well as a wine bar and distillery. Visitors can enjoy live music seven nights a week at one or more locations in the City. Origami Sake opened in May, 2023 and is the first sake brewery in the City. There is additional information on this business in the Business Development section of the 2023 Growth Highlights.

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

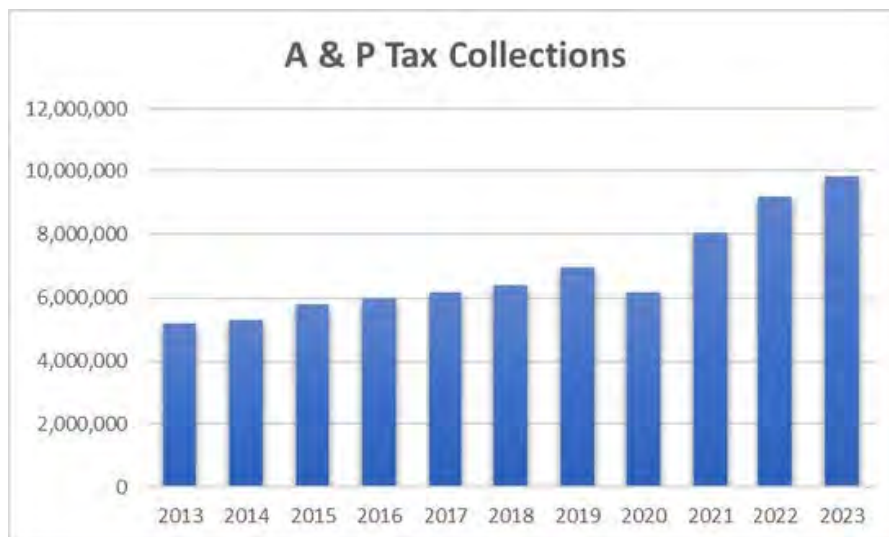
There are several school districts in the community. Arkansas School of Mathematics, Sciences, and the Arts (ASMSA), a two year, public residential high school is located in Hot Springs. National Park College was established in 1973 and is located in Hot Springs, Arkansas. The College enrolls over 7,000 credit and non-credit students per year. NPC is a comprehensive two-year institution offering associate degrees and certificates as well as continuing education, community services and workforce training. NPC partnered with Southern Arkansas University to offer three bachelor's degrees on campus (<https://np.edu/>).

Approximately 37,930 residents live within the city limits according to the 2020 Census. Hot Springs is the county seat for Garland County, which has a total population of over 100,180. Many county residents travel to Hot Springs to work, play, shop, and dine. Economic growth in the City has a positive effect on the county and vice versa, and should be viewed as a regional endeavor and not just what happens in the city limits. The unemployment rate for the state of Arkansas dipped to a low of 2.7% in

September 2022 and reached a high of 3.7% in November 2022. The Hot Springs Metropolitan Statistical Area (MSA, which includes Garland County) fluctuated from a high of 4.1% in January 2023 to a low 2.7% unemployment rate in April 2023.

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

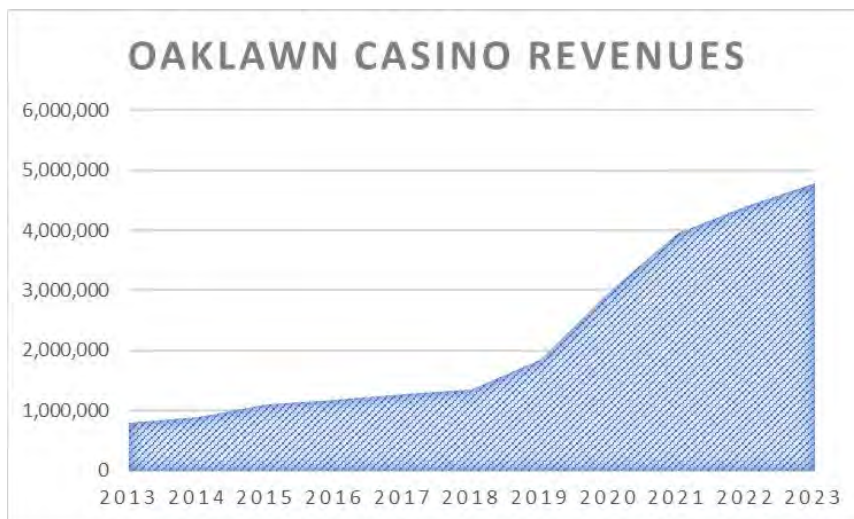
As shown in the chart below, this tax has steadily increased over the past few years. The tax revenues have shown strong year over year growth. There was a dip in 2020 due to the pandemic, but 2021 showed a significant increase of 30% over 2020, and 15% over 2019. The total collections for 2023 outpaced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



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

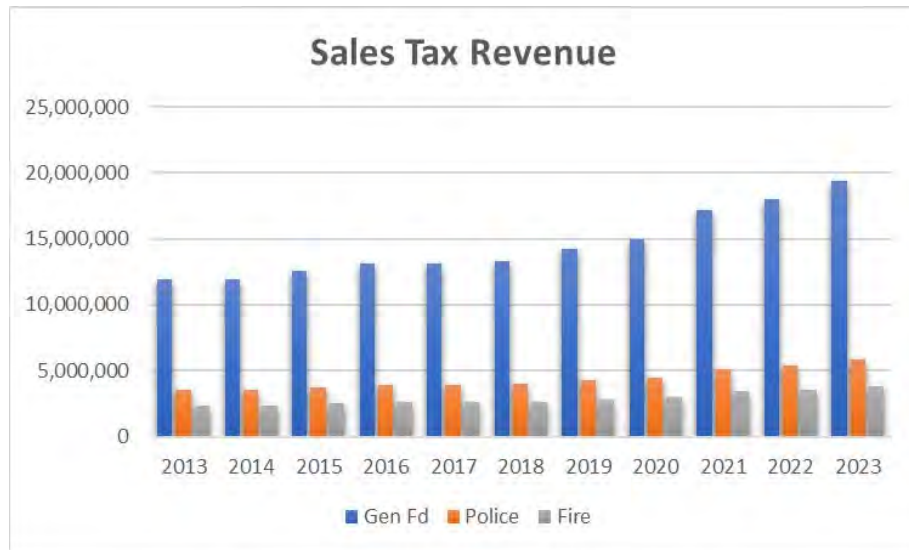
As a result of legislation passed in 2018 regarding casinos, the distribution of tax revenues changed, providing a much larger distribution to the municipality and the county where the casino is located. This became effective in July, 2019 and as a result, Hot Springs revenue from Oaklawn has increased significantly. During the first six months of 2019, our revenue was \$1.2 million. During the last six months of 2019, our revenue grew to \$1.9 million, an increase of around 54%. This growth was interrupted in 2020 by the pandemic and revenue declined by 12.1% compared to 2019. With the rebound in 2021, revenue increased 34% over 2020. With a full year of hotel and event center operations, 2022 revenues

were up 10.78% over 2021. Revenues continued to outpace past years in 2023 and were up 8.7%. The following graph provides historical information on Oaklawn casino revenue.



Currently 52% of the funding for the City of Hot Springs' general government operating activities (administration, police, fire, streets, parks) comes from a sales tax. A 1% sales tax levy is for general government activities and a 0.5% sales tax levy is restricted to police and fire activities. In 2022, the City collected approximately \$26.95 million from this combined tax. The tax increased 7% in 2019, 4.91% in 2020, 14.62% in 2021, 7.58% in 2022 and 7.75% in 2023 (with December estimated). A conservative 4% increase has been projected for 2024 due to the trend analysis, uncertainty at the time of forecast, and the desire to use a realistic approach due to the percentage of our revenue derived from sales tax collections. Because of tourism, the tax burden has been borne by sales tax and the City does not levy a property tax. While this is a positive for residents, it makes this major income source more volatile and sensitive to economic shifts. Tourism spending is discretionary spending. However, sometimes economic downturns mean that tourists choose to go to smaller places and not travel as much, and this can result in a positive, or neutral impact on the local economy. For the last 23 years, sales tax increased every year, except for 2009 (the end of the Great Recession) when it declined by 2.4%. It is interesting to note that sales tax increased in 2007 and 2008, the first two years of the Great Recession.

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



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

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

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

In addition to downtown development, there is major development in other areas of the City. The residential real estate market shows a 3.7% increase year over year for median home sales prices to \$222,000. Homes sold has slowed down from the fast pace seen early in the pandemic as well. A combination of low supply and higher interest rates and borrowing costs are likely the cause. The following is a comparison of 2021, 2022, and 2023 commercial construction permits:

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

Economic development outreach for the City and Garland County is outsourced through the Hot Springs Metro Partnership (HSMP), a division of the Chamber of Commerce. In 2023, there were 27 active economic development projects. The Metro Partnership is also very active in retention and growth efforts of our existing industries and continue to be instrumental in adding new jobs to area.

Here are the growth highlights that they provided for 2023:

Majestic Project

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

Workforce Development

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

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

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

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

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

Broadband Expansion

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

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

Business Development

Origami Sake had a grand opening on May 20, 2023. The HSMP has been working with previous iterations of this Sake Brewery in Hot Springs since 2016. We helped them look for property and explore water sources for production purposes in 2021. They purchased an industrial facility at 2360 E. Grand Ave. in December, 2021 and in 2022 and 2023 the property was renovated and outfitted with millions of dollars in sake brewing equipment and a staff of nine was hired from all over the world. With the expertise of key members, Origami Sake expects to be the largest craft sake brewer in the USA when they fully scale up.

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

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

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

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

Local Award Winners

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

Economic Outlook

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

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

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

Downtown

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

Downtown Growth Report

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

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

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

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

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

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

Summary

Our goal is to continually improve the tourism experience and the quality of life for our citizens. This report has attempted to list many of the different plans that are either currently being implemented, or will be implemented in the near future, but it is not all inclusive. The [City Manager's State of the City](#) (SOTC) report serves as a useful complement to a discussion on economic conditions and outlook in Hot Springs and readers are encouraged to read it. Our economic outlook is sound and we are confident that Hot Springs will continue to be one of the best small towns in America.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hot Springs for its annual comprehensive financial report for the fiscal year ended December 31, 2022. The Certificate is a prestigious, continental award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized, annual comprehensive financial report (ACFR), the contents of which conform to program standards. Such ACFR must satisfy generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for one year. The City has received a Certificate of Achievement for thirty consecutive years (fiscal years ended December 31, 1993 through 2022). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA. The preparation of the annual comprehensive financial report is a team effort of the City's Finance Department and management team. Credit must also be given to the Mayor, Board of Directors and other City staff for their unfailing support for maintaining the highest standards of integrity and professionalism in the management of the City of Hot Springs' finances.

Respectfully submitted,



Bill Burrough, City Manager



Karen Scott, Finance Director

ARBOR DAY





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hot Springs
Arkansas**

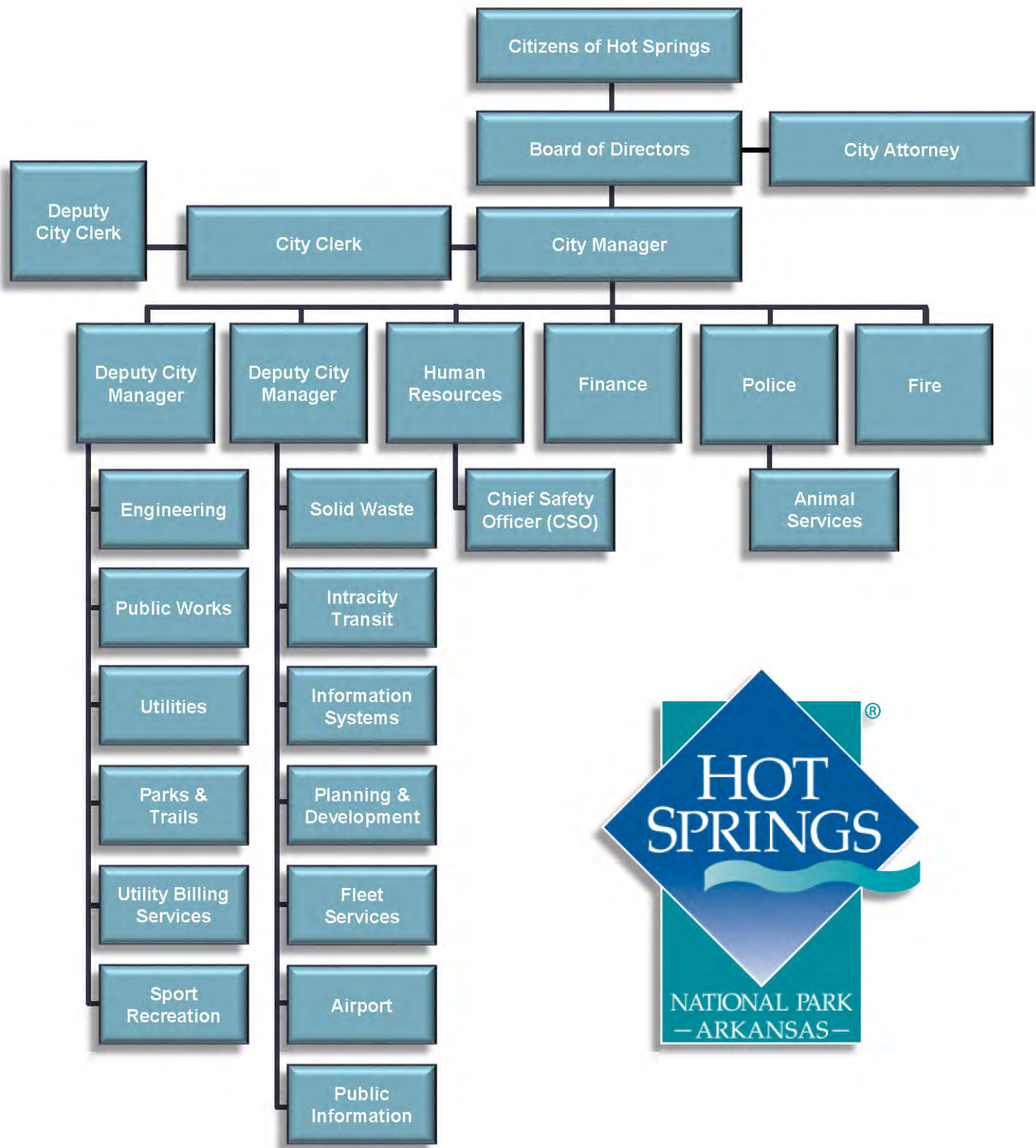
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

ORGANIZATIONAL CHART



ELECTED OFFICIALS

Board of Directors



Mayor
Pat McCabe



District 1
Erin Holliday



District 2
Phyllis Beard



District 3
Marcia Dobbs-Smith



District 4
Dudley Webb



District 5
Karen Garcia



District 6
Steve Trusty

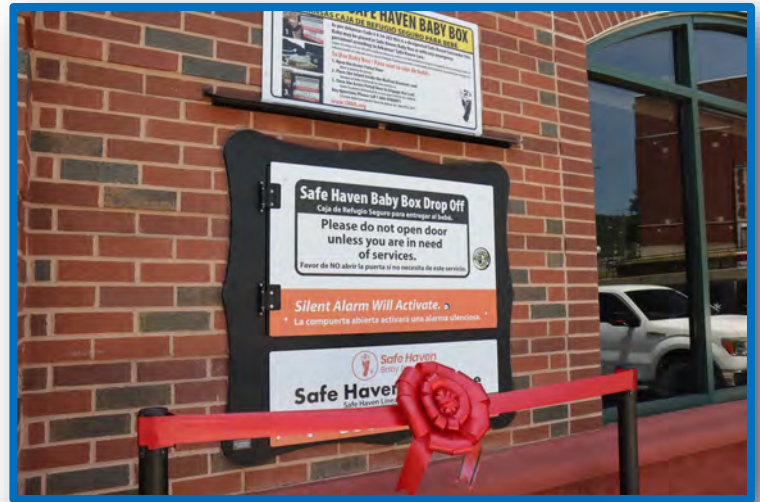
As the executive policy-making body under the city manager form of government, the Board of Directors adopts ordinances and resolutions, approves the budget and sets policies. They appoint a city manager who oversees the City's day-to-day operations. For a board district map, visit <http://maps.cityhs.net/javascript/COHSCityMap.html>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

APPOINTED OFFICIALS

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

FINANCIAL SECTION

SAFE HAVEN BABY BOX



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas (City), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements and schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

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

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, 2023. We encourage readers to consider the information presented in conjunction with the letter of transmittal, at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

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

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City of Hot Springs' net position changed during 2023. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation leave).

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

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

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

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

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government 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 government activities.

The City of Hot Springs maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Police Fund, Fire Fund, Street Fund, and ARPA (American Rescue Plan Act) Fund, all of which are considered to be major funds. Data from the other 10 governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report on pages 120 through 123.

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

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

All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere on pages 129 through 141 of this report. The basic proprietary fund financial statements are on pages 28 through 32 of this report.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 through 98 of this report.

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

Government-Wide Overall Financial Analysis

City of Hot Springs Net Position

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

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

Net position can serve over time as a useful indicator of a government's financial position. In the case of the City of Hot Springs, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$213,133,057 as of December 31, 2023.

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

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

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

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

Governmental activities

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

The major changes from 2022 to 2023 are as follows:

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

Hot Springs' main industry is tourism and sales tax is the City's main source of revenue for governmental activities. The City does not rely on any property taxes. As the City began to recover from the economic slowdown due to COVID, taxable sales began to climb. In 2020, Oaklawn Resort and Casino completed a \$100 million project that included a new hotel, expanded casino, and several restaurants. The 2021 economic impact from this was immense compared to 2020, a year when spectators were not allowed at the races and casino activity was reduced due to social distancing. The City continues to experience direct positive impacts on both sales tax and direct revenue from the casino. The following chart shows comparable taxable sales for 2022 and 2023. The State of Arkansas does not release individual business taxable sales, so the City only receives data by classification of tax source. With the exception of the increase in utilities, which is not explainable without individual data, the highest source of growth was in accommodation and food services.

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

Business-Type Activities

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

Financial Analysis of the Government Funds

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

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

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

Police, Fire, and Street Funds – Revenue, transfers in, and issuance of debt was less than expenditures and transfers out by \$727,888 in the Police Fund which was due to mid-year salary increases for all uniformed personnel. Revenue, transfers in, and issuance of debt exceeded expenditures by \$7,123 (Fire Fund), and \$7,807,578 (Street Fund). The Police and Fire Funds are normally balanced by transfers from General Fund and do not keep a very large fund balance. In 2023, the Police Fund ended with a deficit balance because the expenditures in that fund exceeded the budgeted amount for the transfers from General Fund. The Street Fund has dedicated revenues and may roll forward from year to year. The new Pave It Forward sales tax for street repairs and maintenance began to be deposited into the Street Fund, resulting in a large amount of revenues in excess of expenditures. The Street Fund has \$16,832,617 classified as restricted fund balance.

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

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

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

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

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

General Fund Budgetary Highlights

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

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

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

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

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

The City had one bond issuance in 2023. The Water Revenue Bonds, Series 2023 were issued in the par amount of \$47.93 million to fund improvements to the water system.

Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation (GO) debt up to 20% of total assessed valuation. This translates to allowable GO debt of \$215 million. As of the end of 2023, the City had outstanding GO (special obligation) debt of \$8.035 million. The City is also allowed to issue short-term debt (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term notes of \$5.19 million are well below the statutory limit of \$53.75 million. Voter approval is not required for short-term financing.

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

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

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

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

Economic Factors and the Next Year's Budget and Rates

The City of Hot Springs, Arkansas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2024 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2024 continues to be maintaining quality service for citizens and visitors while observing prudent and sustainable spending practices.

The strategic priorities are as follows:

- Downtown Parking Solutions
- New Employee Handbook and Updated Job Descriptions
- Code Update/Align Code with 2040 Comprehensive Plan
- Gulpha Basin Wastewater Project; and,
- Affordable Housing Strategy
- Develop Congregate Feeding Program and Operate Warming/Cooling Shelter
- Complete Preliminary Work to Prepare for the Demolition of the Old Hospital Building (Arkansas School for Mathematics, Science and Art)

Highlights of the 2024 budget include:

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

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

For 2024, water rates will increase around 3%. Wastewater rates will increase 3% and Solid Waste commercial rates will increase 2%.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

BOO WITH A BADGE



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

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

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

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

December 31, 2023

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

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

City of Hot Springs, Arkansas
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

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

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

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

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

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

City of Hot Springs, Arkansas

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

December 31, 2023

Total fund balances - governmental funds (page 24) \$ 63,042,465

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 36,870,058

Leased assets used in governmental activities are not financial resources and therefore are not reported in the funds. 265,608

Subscription assets 523,735

Internal service funds are used by management to charge the costs of fleet services and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 6,225,724

Accrued interest payable on long-term debt (162,492)

Long term liabilities, (notes and bonds payable, leases, compensated absences, and subscriptions) are not due and payable in the current period and therefore are not reported in the funds. (17,822,667)

Net pension liabilities are not reported in the funds. (76,398,549)

Other post employment benefits liability are not reported in the funds. (2,722,075)

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

Deferred pension outflows (GASB 68) 22,394,541

Deferred pension inflows (GASB 68) (2,974,126)

Deferred OPEB inflows (GASB 75) (1,322,509)

Deferred OPEB outflows (GASB 75) 514,473

Net position of governmental activities \$ 28,434,186

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

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

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

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

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

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

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

Governmental Funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 3,574,417

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

Contributed capital recorded as revenue in the statement of activities that does not provide current financial resources are not reported as revenues in the funds 36,763

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

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. (264,106)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (429,681)

Internal service funds are used by management to charge the costs of fleet management and employee health care to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities. 792,080

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

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

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

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

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

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

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

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

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

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

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

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

City of Hot Springs, Arkansas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

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

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

City of Hot Springs, Arkansas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

DILLON DAM



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

NOTE 1: Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

2026 to comply with federal guidelines.

The City reports the following major proprietary funds:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Fiduciary Funds account for activities in the following areas:

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

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

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

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

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

Assets, Liabilities and Net Position

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

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements. The cost of governmental fund type

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

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

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

Unearned Revenue. Unearned revenue consists mainly of grant receipts. At December 31, 2023, the total amount of Unearned Revenue was \$1,090,809 and was derived primarily from various public safety and parks grants and gifts and contributions.

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

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

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

Leases.

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

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

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

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

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

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

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

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

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

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

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

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

Variable payments that depend on an index or a rate (such as the Consumer Price Index or market

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

interest rate), initially measured using the index or rate as of the commencement of the lease term.

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

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

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

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

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

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

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

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

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

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

December 31, 2023

discounts are deferred and amortized over the lives of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Defined Benefit Pension Plans. The City has two agent multiple-employer defined benefit pension plans, the City of Hot Springs Firemen's Pension and Relief Fund and the City of Hot Springs Policemen's Pension and Relief fund, and also participates in two cost-sharing multiple-employer defined benefit pension plans, the Local Police and Fire Retirement System and the Arkansas Public Employees Retirement System (the Plans). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has eight items that qualify as deferred inflows of resources as of December 31, 2023. The items reported in the statements are related to pension, bond refunding, leases and other postemployment benefits; and could include changes in assumptions, difference between expected and actual experience, changes in proportion and

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

differences between contribution and proportionate share of contributions, and difference between actual and expected investment earnings. Deferred inflows for both pension and other postemployment benefits are amortized over future periods.

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

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

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

Committed - amounts constrained to a specific purpose by the City itself, using its highest level of decision making authority (i.e. City Board). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint (i.e. Resolution). At the end of 2023 the City had \$13,827,355 in committed funds.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Board or by an official or body to which the City Board delegates the authority. At the end of 2023 the City had \$3,142,637 in assigned amounts.

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

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

The City's current fund balance policy (which was updated with Resolution 8009 during 2012) states, "The unreserved fund balance shall be maintained at an amount which represents the approximate equivalent of 16.5% of annual operating expenses." This policy is in line with the guidelines from GFOA.

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

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

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to December 31, 2023:

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

Accounting Pronouncements Adopted

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

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

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

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

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

December 31, 2023

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

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

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

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.” The details of this \$36,870,058 are as follows:

Capital assets not being depreciated	\$ 12,061,504
Buildings	18,252,306
Less : Accumulated depreciation-buildings	(11,887,907)
Improvements other than buildings	91,829,600
Less : Accumulated depreciation-improvements other than buildings	(87,824,722)
Machinery and equipment	41,234,706
Less: Accumulated depreciation-machinery and equipment	(26,795,429)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 36,870,058</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. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position”. The details of this \$6,225,724 difference are as follows:

Net position of the internal service funds	\$ 11,022,909
Less: Utilities Administration Fund net position reported in the business-type funds net position	(848,456)
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(3,479,641)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(469,088)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 6,225,724</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 (\$17,548,840) difference are as follows:

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

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

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities. The governmental fund statement of revenue, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was less than capital outlays in the current period.” The details of this \$3,574,417 difference are as follows:

Capital outlay	\$ 6,128,180
Depreciation expense	<u>(2,553,763)</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,574,417</u>
--	---------------------

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this (\$264,106) are as follows:

Debt issued or incurred:	
General obligation notes	\$ (2,284,000)
Principal repayments	
Special obligation bonds	335,000
General obligation notes	<u>1,684,894</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (264,106)</u>
--	---------------------

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

NOTE 3: Stewardship, Compliance and Accountability

Budgetary Information. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all City operating funds. The General Fund, District Court Fund, Police Fund, Fire Fund, Street Fund, Jail Expense Fines Fund, and Public Transportation Fund all have legally adopted annual budgets. Annual budgets are also legally adopted for all business-type funds. Enterprise Funds include Water Fund, Wastewater Fund, Solid Waste Fund, Airport Fund, Stormwater Fund and Parking Fund. Internal Service Funds include the Fleet Service Fund, Utility Administration Fund and Employee Health Insurance Fund. On November 15, 2022 the Board of Directors approved the appropriations for the 2023 budget presented by the City Manager as required by Arkansas statutes. The annual budget is used as a revenue and expenditure control feature in the City's management and accountability systems.

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

The appropriated budget is prepared by fund, department, and major classification, which is the legal level of control. The Finance Director may make transfers between individual line items in a major classification (i.e., supplies to supplies) in the same department and fund. Transfers from one major classification to another and transfers from one department to another within the same fund must be approved by the City Manager. Transfers between funds require the approval of the Board of Directors; however, the City Manager may make transfers from the General Fund into the Police Fund, Fire Fund, and Street Fund, provided the transfers are in compliance with local, state and federal regulations. During 2023, the board made several changes in the General Fund including re-appropriation of \$313,650 for 2022 purchases not received until 2023. Reflected on the final General Fund budget was a \$1,614,182 decrease in fund balance.

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

NOTE 4: Detailed Notes on All Funds

Deposits and Investments

The City's deposits and investments are governed by local ordinance in the City of Hot Springs Code Section "Public Finance." This code is structured in the deposit and investment constraints of state law. At December 31, 2023, the deposits and investments held by the City and discretely presented component unit were as follows:

City Deposits and Investments by Type

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

Reconciliation to Statement of Net Position

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

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

<u>Discretely Presented Component Unit -- Deposits by Type</u>	<u>Carrying Value</u>
Demand deposits, including certificates of deposit	\$ 20,901,061
Cash on hand	21,990
Total Deposits	<u>\$ 20,923,051</u>
<u>Reconciliation to Statement of Net Position</u>	
Current assets:	
Cash and cash equivalents	\$ 6,573,977
Certificates of Deposit	14,273,068
Restricted assets:	
Cash and cash equivalents	76,006
Total -- Statement of Net Position	<u>\$ 20,923,051</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City does not have a policy for custodial credit risk. During 2023, the collateralization of cash and investments was accomplished on a city-wide basis. The carrying amount of the entire City's deposits and investments was \$220,208,549, with corresponding bank balances of \$220,007,706 (including cash on hand). Of this balance, \$146,546,471 was invested in United States government-backed securities, \$500,000 was covered by federal deposit insurance, \$20,882,647 was invested in municipal bonds, \$52,074,093 was collateralized with securities, and \$4,495 was held in cash. None of the amounts collateralized with securities and money market mutual funds were subject to custodial credit risk.

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

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

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

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

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

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

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- *Level 3:* Unobservable inputs

All City held investments at December 31, 2023 were classified as Level 2.

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

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

Receivables

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

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

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

Capital, Lease, and Subscription Assets

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

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

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

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

Governmental Activities

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

Business-type Activities

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

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

Construction Commitments. As of December 31, 2023, the City had the following active construction projects:

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

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

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

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

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

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

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

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

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

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

Interfund Receivables, Payables and Transfers.

Interfund receivables, payables and transfers arise when cash transfers between funds are not settled as of the balance sheet date. The current portion of these balances is referred to as due to/due from. The long- term portion of these balances is referred to as advances to/advances from. In addition, cash transfers between funds arise when cash funding is required for one fund by another. The major reasons for transfers are the settlement of sales tax collections, general support of the public safety function mandated by voter initiative, bond documents and the local match of state and federal grants. Following is the composition of interfund balances and transfers as of December 31, 2023:

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

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

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

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

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

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

Leases

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

Lease Receivable - Fire - On January 1, 2022, the City of Hot Springs entered into a 142 month lease as Lessor for the use of space on a communication tower at 1311 Golf Links Road. An initial lease receivable was recorded in the amount of \$420,473. As of December 31, 2023, the value of the lease receivable is \$369,788. The lessee is required to make monthly fixed payments of \$2,718. The lease has an interest rate of 1.84%. The value of the deferred inflow of resources as of December 31, 2023 was \$349,491, and the City of Hot Springs recognized revenue of \$42,372, which includes both lease revenue and interest during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

Lease Receivable - Airport - The City leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds and use space on a communication tower, the terms of which expire in 2024 through 2033. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number of leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

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

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

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

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

The following is a schedule by year of minimum payments to be received under the City's leases that are included in the measurement of the lease receivable as of December 31, 2023:

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

Regulated Leases - The Airport leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire in 2033. Revenue recognized for fixed payments under regulated lease contracts during the years ended December 31, 2023 was \$104,523. The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2023:

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

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

Lease Liabilities

On January 1, 2022, the City entered into a 147 month lease as Lessee for the use of Hot Springs-Red Bird (Central Avenue) communication tower. An initial lease liability was recorded in the amount of \$440,738. As of December 31, 2023, the value of the lease liability is \$389,726. The City is required to make monthly fixed payments of \$2,596. The lease has an interest rate of 1.84%. The value of the right to use asset as of December 31, 2023 of \$440,738 with accumulated amortization of \$71,957. The City has 4 extension option(s), each for 60 months.

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

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

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

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

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

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

Long-term Liabilities

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

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

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

The Fleet Service Fund (an internal service fund) predominantly serves the governmental funds. Accordingly, long term liabilities for this fund are included above as part of the totals for governmental activities. As of December 31, 2023, \$112,839 of Fleet Service Fund's compensated absences are included in the above governmental activities amounts. The Utility Administration Fund (an internal service fund) serves only the business-type activities. As of December 31, 2023, \$323,983 of Utility Administration Funds compensated absences are included in the above business-type activities. Compensated absences and the OPEB liability will be liquidated by the fund paying the underlying employee. For governmental activities the following funds were used to liquidate them in the prior year: General Fund, Police Fund, Fire Fund, Street Fund, District Court Fund, and Public Transportation Fund.

Following is a summary of bonds and notes payable:

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

Governmental Activities

Special Obligation Bonds

Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018

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

Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019

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

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

Notes Payable (Direct Borrowings)

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

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

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

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

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

2023 Short-term Financing Note – The \$2,284,000 promissory note was issued to finance the cost of acquiring a pumper truck, police cars and other vehicles, and other special equipment for general government operations. Principal payments are paid annually, and interest payments (3.66%) are paid semi-annually.

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

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements on special obligation bonds and direct borrowing notes payable, outstanding at December 31, 2023:

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

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

Business-type Activities

Revenue bonds

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

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

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

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

Waterworks Revenue Bonds Series 2023—These 30-year bonds were issued on January 31, 2023 with a face value of \$47,930,000 for the purpose of constructing a new water supply system consisting of an intake, new water treatment plant, raw and finished water lines to transport the water, and additional water storage infrastructure and associated transmission mains. In addition, \$3,293,222 was used for refunding Waterworks Revenue Improvement Bonds Series 2010A. The interest rates range between 4.0% and 5.0%. Principal repayments are due annually on October 1, starting in 2023, and interest payments are due semiannually on October 1 and April 1.

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

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

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

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

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

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

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

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

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

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

Notes Payable (Direct Borrowings)

2017 Water note payable to Mid-Arkansas Water Alliance (MAWA) – In 2017, the city purchased an allocation of water stored in Lake Ouachita (a nearby lake) in order to supply water needs for the future. The allocation came from the U.S. Army Corps of Engineers and their agreement is with the Mid-Arkansas Water Alliance (MAWA). The City contracted with MAWA for 23 million gallons per day, 76.67% of the total 30 million gallons per day purchased by MAWA. In exchange the City executed a 30-year note with MAWA in the amount of \$9,534,832 at an interest rate of 2.5%. Principal and interest payments are due annually. The 2023 debt service includes \$245,720 in principal and \$204,714 in interest

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds, and notes payable, outstanding at December 31, 2023:

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

Restricted Funds

The City is required by certain revenue bond covenants to restrict funds for unspent bond proceeds, current principal and interest payments, debt reserve funds, and renewal and replacements. The following funds were restricted as of December 31, 2023:

Governmental Type Activities

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

Business-type Activities

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

ENTERGY PARK POLLINATOR GARDEN



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

NOTE 5: Other Information Including Risk Management

Risk Management

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

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

Employee Wellness Fund is a self-insured plan to provide health insurance coverage to City employees and their dependents. The fund is accounted for as an internal service fund. Revenues are recognized over the period of risk. Expenses are recognized as they are incurred using the full-accrual basis of accounting. Please see additional information on this fund on pages 129 - 132.

As of December 31, 2023, the City had known unpaid claims totaling \$199,732. These unpaid claims are based on actual claims paid in the new fiscal year 2024 by the third-party administrator. The City and the third- party administrator estimate amounts for outstanding claims. The fund has no deferred policy acquisition cost and therefore, does not report, record or amortize such costs.

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

Year	Beginning Liability	Changes in Estimates	Claims and Adjustments	Claim Payments	Ending Liability
2014	217,004	(217,004)	2,498,340	\$ 2,147,119	351,221
2015	351,221	(351,221)	3,800,782	\$ 3,362,772	438,010
2016	438,010	(438,010)	3,064,276	\$ 2,740,309	323,967
2017	323,967	(323,967)	2,251,997	\$ 1,894,015	357,982
2018	357,982	(357,982)	1,968,972	\$ 1,412,454	556,518
2019	556,518	(556,518)	1,983,027	\$ 1,631,409	351,618
2020	351,618	(351,618)	2,289,939	\$ 1,911,911	378,028
2021	378,028	(378,028)	2,546,256	\$ 2,219,309	326,947
2022	326,947	(326,947)	2,436,628	\$ 2,136,628	300,000
2023	300,000	(300,000)	2,775,100	\$ 2,475,100	300,000

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

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

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

Municipal League Defense Program - This insurance program provides coverage for legal defense, expenses and damages in suits against City officials and employees and civil-rights suits against the municipal government. The program is a participant in a funded trust with pooled risk involving approximately 421 cities in Arkansas. The coverage of each case is at the sole discretion of the program's administrator. The maximum coverage of any one loss cannot exceed 25% of the program's fund reserve; therefore, the City could be at risk if any suit against the City exceeds 25% of the program's reserve. For the year ended December 31, 2023, and for the prior three fiscal years there were no settlements that exceeded insurance coverage.

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

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

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

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

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

NOTE 6: Defined Benefit Pension Plans

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

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

City of Hot Springs Firemen's Pension and Relief Fund

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

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

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

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

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	51
Inactive or current employees entitled to but not yet receiving benefits	<u>-</u>
	51

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary. The City's required contributions for the 2023 plan year totaled \$1,548,984.

Net Pension Liability

The City's net pension liability of \$22,020,015 as of December 31, 2023 was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

- A) A rate of return on the investment of present and future assets of 7.25% per year
- B) The assumption that benefits will increase 3% per year after retirement

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 4.05% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"); and the resulting Single Discount Rate is 4.05%.

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

Changes in the Net Pension Liability

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

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City for the Firemen's Plan, calculated using the single discount rate of 4.05%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

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

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

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

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

For the year ended December 31, 2023, the City recognized negative pension expense of (\$4,332,662). At December 31, 2023, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City's contribution made subsequent to the measurement date of the net pension liability	1,548,978	
Total	<u>\$ 1,548,978</u>	<u>\$ -</u>

At December 31, 2023, the City reported \$1,548,978 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability at December 31, 2024. No other amounts are reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023.

Payable to the Pension Plan

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

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

City of Hot Springs Policemen's Pension and Relief Fund

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

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

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

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

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

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

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

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

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

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary. The City's required contributions for the 2023 plan year totaled \$839,424.

Net Pension Liability

The City's net pension liability of \$8,711,236 as of December 31, 2023 was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

- A) A rate of return on the investment of present and future assets of 7.25% per year
- B) The assumption that benefits will increase 3% per year after retirement

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

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

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

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

For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 4.05% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"); and the resulting Single Discount Rate is 7.25%.

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

Changes in the Net Pension Liability

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

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City for the Policemen's Plan, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

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

Pension plan fiduciary net position.

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

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

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

For the year ended December 31, 2023, the City recognized pension expense of \$402,575. At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,451,514	\$ -
City's contribution made subsequent to the measurement date of the net pension liability	839,424	
Total	<u>\$ 2,290,938</u>	<u>\$ -</u>

At December 31, 2023, the City reported \$839,424, as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability at December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023, related to pensions will be recognized in pension expense as follows:

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

Payable to the Pension Plan

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

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

Arkansas Public Employees Retirement System (APERS)

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

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

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

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

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

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

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

Contributions. Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% for municipal employees of compensation from January 1 to December 31, 2023. Contributions to APERS from the City were \$3,007,206 for the year ended December 31, 2023.

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

At December 31, 2023, the City reported a liability of \$25,976,372 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2023, the City's proportion was 0.89%.

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

For the year ended December 31, 2023, the City recognized APERS pension expense of \$4,746,681. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,466,312	\$ 142,703
Changes of assumptions	1,221,211	
Net difference between projected and actual earning on pension plan investments	3,233,126	
Changes in proportion and differences between City contributions and proportionate share of contributions	432,716	582,013
City contributions subsequent to the measurement date	1,533,771	
Total	<u>\$ 7,887,136</u>	<u>\$ 724,716</u>

At December 31, 2023 the City reported \$1,533,771 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and prior to year end that will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2024	\$ 1,382,865
2025	653,073
2026	3,810,922
2027	<u>(218,211)</u>
Total	<u>\$ 5,628,649</u>

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

December 31, 2023

Actuarial assumptions. The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	23 years (6.6 years for District Judges New Plan/Paid Off Old Plan and 15 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed fair value; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.0%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.7241

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in APERS's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	6.19%
International Equity	24.00%	6.77%
Real Assets	16.00%	3.34%
Absolute Return	5.00%	3.36%
Domestic Fixed	18.00%	1.79%
Total	100.00%	
Total Real Rate of Return		4.94%
Plus: Price Inflation - Actuary Assumption		2.50%
Net Expected Return		7.44%

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

December 31, 2023

Discount rate. The discount rate used to measure the total pension liability was 7.15% for the year ended June 30, 2023. The single discount rate was based on the expected rate of return on pension plan investments of 7%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current	1% Increase
	6%	Discount Rate	8%
	7%		
City's proportionate share of the net pension liability	\$ 41,404,000	\$ 25,976,372	\$ 13,265,467

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

Payable to the Pension Plan

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

Arkansas Local Police and Fire Retirement System (LOPFI)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

December 31, 2023

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 8.5% of covered payroll. The City's required contributions for the 2023 plan year for police and fire were 25.56% and 26.25%, respectively, of annual covered payroll, based upon the December 31, 2022 actuarial report. Contributions to the pension plan from the City were \$3,009,991 for the year ended December 31, 2023.

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

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

At December 31, 2023, the City reported a liability of \$33,139,614 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. At December 31, 2022, the City's proportion was 3.1%.

For the year ended December 31, 2023, the City recognized LOPFI pension expense of \$5,968,025. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,178,395	\$
Changes of assumptions	361,285	
Net difference between projected and actual investment earnings on pension plan investments	8,066,752	2,569,531
Changes in proportion and differences between City contributions and proportionate share of contributions	1,134,279	114
City's contribution made subsequent to the measurement date	3,010,148	
Total	<u>\$ 14,750,859</u>	<u>\$ 2,569,645</u>

As of December 31, 2023, \$3,010,148 was reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2024	\$ 1,312,942
2025	1,722,579
2026	2,321,025
2027	3,814,520
2028	
Thereafter	
Total	<u>\$ 9,171,066</u>

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

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

Wage inflation	3.00%
Price inflation	2.50%
Salary increases	Based on merit and seniority
Investment rate of return	7.25%, as adopted by the board

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

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

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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

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

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

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

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

Payable to the Pension Plan

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

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

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

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

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

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

NOTE 7: Closure and Post Closure Care Costs

State and federal laws and regulations require the City to place a final cover on its wastewater compost facility site in the event it stops accepting waste to convert to compost material and to perform certain maintenance and monitoring functions onsite to reinstate the property to its previous condition. The reinstatement mandates that the land will be environmentally and ecologically usable pursuant to the requirements of Section 22.810 and Chapter 14 of Regulation 22 of the Pollution Control and Ecology Commission, and GASB 18. The City intends to keep the composting facility in operation indefinitely. It is the primary means of sludge disposal for the wastewater treatment plant. Though the life of the site is not determinable, management decided to amortize the estimated closure costs over 22 years starting in 2006. Total estimated post closure costs for the site are \$1,014,276. Yearly costs were accrued at the amortized payment of \$27,304. The amortization will be analyzed yearly based on economic growth factors and adjusted accordingly. It was determined that costs should not be retroactively charged due to the immaterial impact that would be caused on the financial statements. As of December 31, 2023, \$841,834 has been recognized. The total current cost of the compost closure and postclosure care is an estimate subject to changes resulting from inflation, deflation, technology, and changes in applicable laws and regulations.

NOTE 8: Other Postemployment Benefits (OPEB)

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

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

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

Employees Covered by Benefit Terms. At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	14
Active employees	612
	626

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

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Payroll Growth	3.25% plus merit/productivity increases, which are based on the Arkansas Public Employees Retirement System actuarial valuations as of June 30, 2019
Discount Rate	4.0% as of December 31, 2023 and 4.31% as of December 31, 2022
Healthcare Trend Rates	8.0% for 2023 decreasing by 0.50% annually to an ultimate rate of 4.5%. The initial trend was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information.
Retirees' Share of Benefit-Related Costs	The retirees pay the full active employee blended premium for both employee and spousal coverage

Mortality tables remain the same as last year and are as follows:

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

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

Changes in Total OPEB Liability

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

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

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.0%) or 1% higher (5.0%) than the current discount rate (4.0%):

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

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate. The current healthcare trend rate starts at an initial rate of 8.0% decreasing to an ultimate rate of 4.5%. The 1.0% decrease in healthcare trend rates would assume an initial rate of 7.0% decreasing to an ultimate rate of 3.5%. The 1.0% increase in healthcare trend rates would assume an initial rate of 9.0% decreasing to an ultimate rate of 5.5%.

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

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

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

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

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

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

Differences between expected and actual experience	\$ (1,278,836)
Changes in assumptions	<u>(853,288)</u>
Total	<u>\$ (2,132,124)</u>

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

Fiscal Year Ending December 31,	Amount
2024	\$ (251,450)
2025	(265,896)
2026	(204,897)
2027	(245,104)
2028	(258,272)
Thereafter	<u>(78,419)</u>
	<u>\$ (1,304,038)</u>

REQUIRED SUPPLEMENTARY INFORMATION

FIRE ARFF TRAINING



City of Hot Springs, Arkansas GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2023				
	Budgeted			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Sales	\$ 18,254,692	\$ 18,254,692	\$ 19,539,859	\$ 1,285,167
Mixed drink and other	1,000,000	1,000,000	1,336,132	336,132
Fees and permits:				
Code inspection	739,700	739,700	798,018	58,318
Business licenses	1,055,000	1,055,000	1,543,109	488,109
Alcoholic beverage	150,000	150,000	157,433	7,433
Franchise	2,812,500	2,812,500	3,180,610	368,110
Other	93,800	93,800	106,810	13,010
Intergovernmental:				
State turnback	568,950	568,950	579,003	10,053
County aid	576,403	594,115	624,238	30,123
Charge for services	3,006,144	3,006,144	3,020,944	14,800
Gaming and breakage	4,508,000	4,508,000	4,870,001	362,001
Fines and forfeitures	586,750	586,750	656,982	70,232
Investment earnings (loss)	75,000	75,000	1,756,450	1,681,450
Miscellaneous	240,500	266,123	430,757	164,634
Total revenues	33,667,439	33,710,774	38,600,346	4,889,572
EXPENDITURES				
General government:				
Board of Directors	197,170	197,170	64,216	132,954
City Manager	519,686	525,886	525,792	94
City Attorney	453,844	458,510	458,510	
Human Resources	668,129	668,129	449,752	218,377
Finance	1,257,074	1,257,074	1,202,704	54,370
City Clerk	297,262	297,262	218,896	78,366
Public Information	217,700	219,800	180,956	38,844
Information Systems	1,094,000	1,106,356	955,317	151,039
Special General Fund Appropriations	2,447,360	2,468,705	202,074	2,266,631
Total general government	7,152,225	7,198,892	4,258,217	2,940,675
Community Development:				
Planning and Development	2,149,770	2,421,076	1,545,519	875,557
Total Community Development	2,149,770	2,421,076	1,545,519	875,557
Parks and Recreation:				
Parks and Trails	2,073,576	2,292,295	1,557,402	734,893
Sport Recreation	1,375,678	1,391,968	757,025	634,943
Total Parks and Recreation	3,449,254	3,684,263	2,314,427	1,369,836
Public Works:				
Public Works Administration	1,713,394	1,886,365	1,067,937	818,428
Engineering	423,257	459,492	442,011	17,481
Traffic	1,039,466	1,107,689	908,215	199,474
Total Public Works	3,176,117	3,453,546	2,418,163	1,035,383
Total expenditures	15,927,366	16,757,777	10,536,326	6,221,451
Excess of revenues over expenditures	17,740,073	16,952,997	28,064,020	11,111,023
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,914,313)	(19,173,929)	(17,536,310)	1,637,619
Transfers in	80,750	80,750	4,521,483	4,440,733
Issuance of debt	526,000	526,000	526,000	
Total other financing sources and uses	(17,307,563)	(18,567,179)	(12,488,827)	6,078,352
Net change in fund balances	432,510	(1,614,182)	15,575,193	17,189,375
Fund balances - beginning	22,537,722	22,537,722	22,537,722	
Fund balances - ending	\$ 22,970,232	\$ 20,923,540	\$ 38,112,915	\$ 17,189,375

City of Hot Springs, Arkansas POLICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL For the Year Ended December 31, 2023				
	Budgeted			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 5,829,095	\$ 5,829,095	\$ 5,861,958	\$ 32,863
Fees and permits	117,000	117,000	142,654	25,654
Intergovernmental	1,589,099	1,589,099	1,625,241	36,142
Fines and forfeitures	60,000	60,000	74,705	14,705
Investment earnings (loss)	100	100	1,509	1,409
Miscellaneous	19,000	(70,085)	110,939	181,024
Total revenues	7,614,294	7,525,209	7,817,006	291,797
EXPENDITURES				
Public safety:				
Personnel	13,200,963	13,505,636	13,514,703	(9,067)
Services	1,337,494	1,476,111	1,185,283	290,828
Supplies	1,093,663	1,338,208	1,113,525	224,683
Intergovernmental exp	30,000	30,000	30,000	
Principal	472,651	472,651	385,488	87,163
Interest	41,362	41,362	43,449	(2,087)
Capital outlay	578,440	2,325,354	1,979,602	345,752
Total expenditures	16,754,573	19,189,322	18,252,050	937,272
Excess (deficiency) of revenues over (under) expenditures	(9,140,279)	(11,664,113)	(10,435,044)	1,229,069
OTHER FINANCING SOURCES (USES)				
Transfers in	8,703,279	9,699,953	9,429,808	(270,145)
Transfers out	(56,000)	(477,856)	(215,652)	262,204
Issuance of debt	493,000	493,000	493,000	
Total other financing sources (uses)	9,140,279	9,715,097	9,707,156	(7,941)
Net change in fund balances		(1,949,016)	(727,888)	1,221,128
Fund balance - beginning	2,883,252	2,883,252	2,883,252	
Fund balance - ending	\$ 2,883,252	\$ 934,236	\$ 2,155,364	\$ 1,221,128

City of Hot Springs, Arkansas

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended December 31, 2023

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

City of Hot Springs, Arkansas

STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended December 31, 2023

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fees and permits	\$ 50,000	\$ 50,000	\$ 34,433	\$ (15,567)
Intergovernmental	6,257,495	6,257,495	13,431,443	7,173,948
Investment earnings (loss)	2,000	2,000	537,805	535,805
Miscellaneous	500	500	146,602	146,102
Total revenues	6,309,995	6,309,995	14,150,283	7,840,288
EXPENDITURES				
Personnel	1,343,133	1,343,133	1,095,347	247,786
Services	6,123,810	9,138,043	4,998,684	4,139,359
Supplies	667,200	683,253	425,530	257,723
Principal	215,144	215,144	147,959	67,185
Interest	27,378	27,378	26,070	1,308
Capital outlay	526,000	839,456	542,463	296,993
Total expenditures	8,902,665	12,246,407	7,236,053	5,010,354
Excess (deficiency) of revenues over (under) expenditures	(2,592,670)	(5,936,412)	6,914,230	12,850,642
OTHER FINANCING SOURCES (USES)				
Transfers in	468,590	468,590	653,000	184,410
Transfers out	(150,000)	(639,466)	(139,652)	499,814
Issuance of debt	380,000	380,000	380,000	
Total other financing sources (uses)	698,590	209,124	893,348	684,224
Net change in fund balances	(1,894,080)	(5,727,288)	7,807,578	13,534,866
Fund balance - beginning	10,786,035	10,786,035	10,786,035	
Fund balance - ending	\$ 8,891,955	\$ 5,058,747	\$ 18,593,613	\$ 13,534,866

City of Hot Springs, Arkansas
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2023

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

Notes to Schedule:

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

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

City of Hot Springs, Arkansas
FIREMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2023

Total Pension Liability	2015	2016	2017	2018	2019	2020	2021	2022	2023
Interest on the Total Pension Liability	\$ 1,390,952	\$ 992,623	\$ 935,891	\$ 946,832	\$ 857,169	\$ 883,599	\$ 707,516	\$ 540,373	\$ 475,314
Differences between expected and actual experience of the Total Pension Liability	588,473	(707,752)	519,475	602,770	226,506	146,541	72,272	(616,402)	419,635
Changes of assumptions	10,059,689	(30,399)	(597,312)	1,288,459	(1,147,175)	2,614,637	2,261,469	638,396	(5,227,611)
Benefit payments, including refunds of employee contributions	(1,637,407)	(1,605,501)	(2,228,135)	(1,675,473)	(2,304,875)	(1,727,484)	(1,739,741)	(1,761,167)	(1,736,275)
Net change in total pension liability	10,401,707	(1,351,029)	(1,370,081)	1,162,588	(2,368,375)	1,917,293	1,301,516	(1,198,800)	(6,068,937)
Total pension liability - beginning	18,205,608	28,607,315	27,256,286	25,886,205	27,048,793	24,680,418	26,597,711	27,899,227	26,700,427
Total pension liability - ending	\$ 28,607,315	\$ 27,256,286	\$ 25,886,205	\$ 27,048,793	\$ 24,680,418	\$ 26,597,711	\$ 27,899,227	\$ 26,700,427	\$ 20,631,490
Plan fiduciary net position									
Contributions - employer	\$ 1,516,004	\$ 1,524,974	\$ 1,569,144	\$ 1,501,418	\$ 1,497,903	\$ 1,695,957	\$ 1,735,641	\$ 1,603,335	\$ 1,809,315
Net investment income	34,495	745	2,385		-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,637,407)	(1,605,501)	(2,228,135)	(1,675,473)	(2,304,875)	(1,727,484)	(1,739,741)	(1,761,167)	(1,736,275)
Administrative expense	(820)	(1,381)	(692)						
Net change in plan fiduciary net position	(87,728)	(81,163)	(657,298)	(174,055)	(806,972)	(31,527)	(4,100)	(157,832)	73,040
Plan fiduciary net position - beginning	539,110	451,382	370,219	(287,079)	(461,134)	(1,268,106)	(1,299,633)	(1,303,733)	(1,461,565)
Plan fiduciary net position - ending	\$ 451,382	\$ 370,219	\$ (287,079)	\$ (461,134)	\$ (1,268,106)	\$ (1,299,633)	\$ (1,303,733)	\$ (1,461,565)	\$ (1,388,525)
City's net pension liability - ending	\$ 28,155,933	\$ 26,886,067	\$ 26,173,284	\$ 27,509,927	\$ 25,948,524	\$ 27,897,344	\$ 29,202,960	\$ 28,161,992	\$ 22,020,015
Plan fiduciary net position as a percentage of the total pension liability	1.58%	1.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ 140,754	\$ 124,808	\$ 72,984	\$ 38,072	\$ -	\$ -	\$ -	\$ -
City's net pension liability as a percentage of covered payroll	N/A	19101.46%	20970.84%	37693.09%	68156.45%	N/A	N/A	N/A	N/A

Notes to Schedule:

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

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

City of Hot Springs, Arkansas
FIREMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2023

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,347,979	\$ 1,347,979		\$ -	N/A
2015	1,314,304	1,314,304		140,754	934%
2016	1,350,594	1,350,594		124,808	1082%
2017	1,322,508	1,322,508		72,984	1812%
2018	1,317,744	1,317,744		38,072	3461%
2019	1,420,368	1,420,368		-	N/A
2020	1,470,852	1,470,852		-	N/A
2021	1,498,284	1,498,284		-	N/A
2022	1,519,992	1,519,992		-	N/A
2023	1,548,984	1,548,984		-	N/A

Notes to Schedule:

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

Valuation date: 12/31/2022

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual entry-age normal
Amortization Method	Closed amortization period based on projected future payroll
Remaining Amortization Period	16 years beginning January 1, 2022
Asset Valuation Method	5-year smoothed fair value; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	RP-2014 Healthy annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MXP-2016.

Other Information:

Notes There were no benefit changes during the year. The assumed investment rate of return remained 7.50%, the wage inflation assumption remained 3.25% and the price inflation assumption remained 2.50%. This plan only covers retirees and there are no current employees in this plan.

Changes in assumptions:

The following single discount rates were used in each period:

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

City of Hot Springs, Arkansas
POLICEMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2023

Total Pension Liability	2015	2016	2017	2018	2019	2020	2021	2022	2023
Interest	\$ 1,772,747	\$ 1,774,217	\$ 1,625,453	\$ 1,629,624	\$ 1,612,811	\$ 1,614,036	\$ 1,545,100	\$ 1,565,546	\$ 1,585,096
Differences between expected and actual experience	(13,618)	(1,596,791)	269,092	730,678	303,192	(718,675)	642,837	687,000	321,250
Changes of assumptions		404,504		1,538,172	-	-	-	(36,474)	(560,549)
Benefit payments, including refunds of employee contributions	(1,728,996)	(1,752,514)	(1,819,593)	(1,861,841)	(1,909,627)	(1,887,367)	(1,872,951)	(1,918,755)	(1,954,817)
Net change in Total Pension Liability	30,133	(1,170,584)	74,952	2,036,633	6,376	(992,006)	314,986	297,317	(609,020)
Total Pension Liability - beginning	23,023,831	23,053,964	21,883,380	21,958,332	23,994,965	24,001,341	23,009,335	23,324,321	23,621,638
Total Pension Liability - ending	<u>\$ 23,053,964</u>	<u>\$ 21,883,380</u>	<u>\$ 21,958,332</u>	<u>\$ 23,994,965</u>	<u>\$ 24,001,341</u>	<u>\$ 23,009,335</u>	<u>\$ 23,324,321</u>	<u>\$ 23,621,638</u>	<u>\$ 23,012,618</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 1,129,350	\$ 1,108,489	\$ 1,036,800	\$ 1,023,337	\$ 970,994	\$ 991,034	\$ 977,149	\$ 980,737	\$ 983,562
Net investment income	1,007,240	26,018	804,014	1,901,756	(414,996)	2,461,180	1,925,208	2,601,560	(2,556,523)
Benefit payments, including refunds of employee contributions	(1,728,996)	(1,752,514)	(1,819,593)	(1,861,841)	(1,909,627)	(1,887,367)	(1,872,951)	(1,918,755)	(1,954,817)
Administrative expense	(23,934)	(32,964)	(25,891)	(24,381)	(27,513)	(21,645)	(23,810)	(21,592)	(16,798)
Net change in Plan Fiduciary Net Position	383,660	(650,971)	(4,670)	1,038,871	(1,381,142)	1,543,202	1,005,596	1,641,950	(3,544,576)
Plan Fiduciary Net Position - beginning	14,269,462	14,653,122	14,002,151	13,997,481	15,036,352	13,655,210	15,198,412	16,204,008	17,845,958
Plan Fiduciary Net Position - ending	<u>\$ 14,653,122</u>	<u>\$ 14,002,151</u>	<u>\$ 13,997,481</u>	<u>\$ 15,036,352</u>	<u>\$ 13,655,210</u>	<u>\$ 15,198,412</u>	<u>\$ 16,204,008</u>	<u>\$ 17,845,958</u>	<u>\$ 14,301,382</u>
Net Pension Liability	<u>\$ 8,400,842</u>	<u>\$ 7,881,229</u>	<u>\$ 7,960,851</u>	<u>\$ 8,958,613</u>	<u>\$ 10,346,131</u>	<u>\$ 7,810,923</u>	<u>\$ 7,120,313</u>	<u>\$ 5,775,680</u>	<u>\$ 8,711,236</u>
Plan fiduciary net position as a percentage of the total pension liability	63.56%	63.99%	63.75%	62.66%	56.89%	66.05%	69.47%	75.55%	62.15%
Covered payroll	-	-	-	-	-	-	-	-	-
Net Pension Liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

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

City of Hot Springs, Arkansas
POLICEMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2023

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 994,392	\$ 994,392			N/A
2016	962,259	962,259			N/A
2017	926,611	926,611			N/A
2018	887,074	887,074			N/A
2019	823,764	823,764			N/A
2020	849,480	849,480			N/A
2021	838,584	838,584			N/A
2022	839,424	839,424			N/A
2023	839,424	839,424			N/A

Notes to Schedule:

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

Valuation date: December 31, 2022

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual entry-age normal
Amortization Method	Closed amortization period based on projected future payroll
Remaining Amortization Period	16 years beginning January 1, 2022
Asset Valuation Method	5-year smoothed fair value; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retire and Employee mortality tables for males and females. The tables applied credibility adjustments for 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

Other Information:

Notes There were no benefit changes during the year. The assumed investment rate of return remained 7.50%, the wage inflation assumption remained 3.25% and the price inflation assumption remained 2.50%.
This plan only covers retirees and there are no current employees in this plan.

Changes in assumptions:

The following single discount rates were used in each period:

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

City of Hot Springs, Arkansas
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
For the Year Ended December 31, 2023

Plan Fiscal Year Ended June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	0.8260%	0.8225%	0.8483%	0.8606%	0.8561%	0.8923%	0.8900%	0.9220%	0.8914%
City's proportionate share of the net pension liability	\$ 15,212,662	\$ 19,354,819	\$ 21,921,830	\$ 18,985,041	\$ 20,654,421	\$ 25,552,300	\$ 6,842,900	\$ 24,872,014	\$ 25,976,372
City's covered payroll	\$ 14,418,972	\$ 14,731,736	\$ 15,697,587	\$ 15,947,473	\$ 16,704,491	\$ 17,217,683	\$ 18,207,696	\$ 19,408,274	\$ 19,757,667
City's proportionate share of the net pension liability as a percentage of its covered payroll	106%	131%	140%	119%	124%	148%	38%	128%	131%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	75.50%	75.65%	79.50%	78.55%	75.38%	93.57%	78.31%	77.94%

Notes to Schedule:

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

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

City of Hot Springs, Arkansas
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2023

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 2,111,439	\$ 2,111,439		\$ 14,431,565	14.63%
2016	2,136,229	2,136,229		14,732,286	14.50%
2017	2,288,094	2,288,094		15,609,194	14.66%
2018	2,446,603	2,446,603		16,150,803	15.15%
2019	2,588,420	2,588,420		16,704,491	15.50%
2020	2,814,936	2,814,936		18,193,381	15.47%
2021	2,790,155	2,790,155		18,207,696	15.32%
2022	2,973,347	2,973,347		19,408,274	15.32%
2023	3,007,206	3,007,206		19,617,581	15.33%

Notes to Schedule:

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

City of Hot Springs, Arkansas
LOCAL POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	2.6711%	2.7012%	2.7602%	2.7669%	2.7964%	2.7700%	2.8770%	2.9800%	3.1040%
City's proportionate share of the net pension liability	\$ 9,669,807	\$ 14,175,008	\$ 15,747,937	\$ 19,661,160	\$ 25,009,113	\$ 21,398,468	\$ 19,778,911	\$ 15,056,596	\$ 33,139,614
City's covered payroll ***	9,400,062	9,391,613	9,670,823	9,976,679	10,568,742	10,568,742	11,132,890	12,107,367	12,073,377
City's proportionate share of the net pension liability as a percentage of its covered payroll	103%	151%	163%	197%	237%	202%	178%	124%	274%
Plan fiduciary net position as a percentage of the total pension liability	79.14%	72.92%	72.46%	71.48%	66.09%	73.21%	77.79%	84.67%	69.07%

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

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

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

City of Hot Springs, Arkansas
LOCAL POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2023

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 1,703,055	\$ 1,703,055		\$ 9,391,613	18.13%
2016	1,848,108	1,848,108		9,670,823	19.11%
2017	1,995,344	1,995,344		9,976,679	20.00%
2018	2,164,038	2,164,038		10,412,565	20.78%
2019	2,310,081	2,310,081		10,568,653	21.86%
2020	2,543,084	2,543,084		11,132,890	22.84%
2021	2,659,340	2,659,340		11,146,738	23.86%
2022	2,713,737	2,713,737		12,107,367	22.41%
2023	3,009,991	3,009,991		12,996,002	23.16%

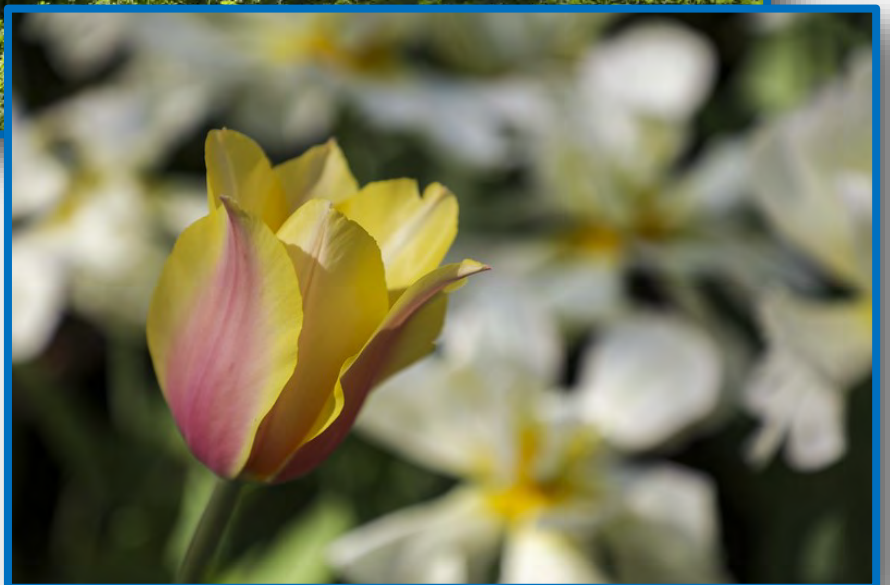
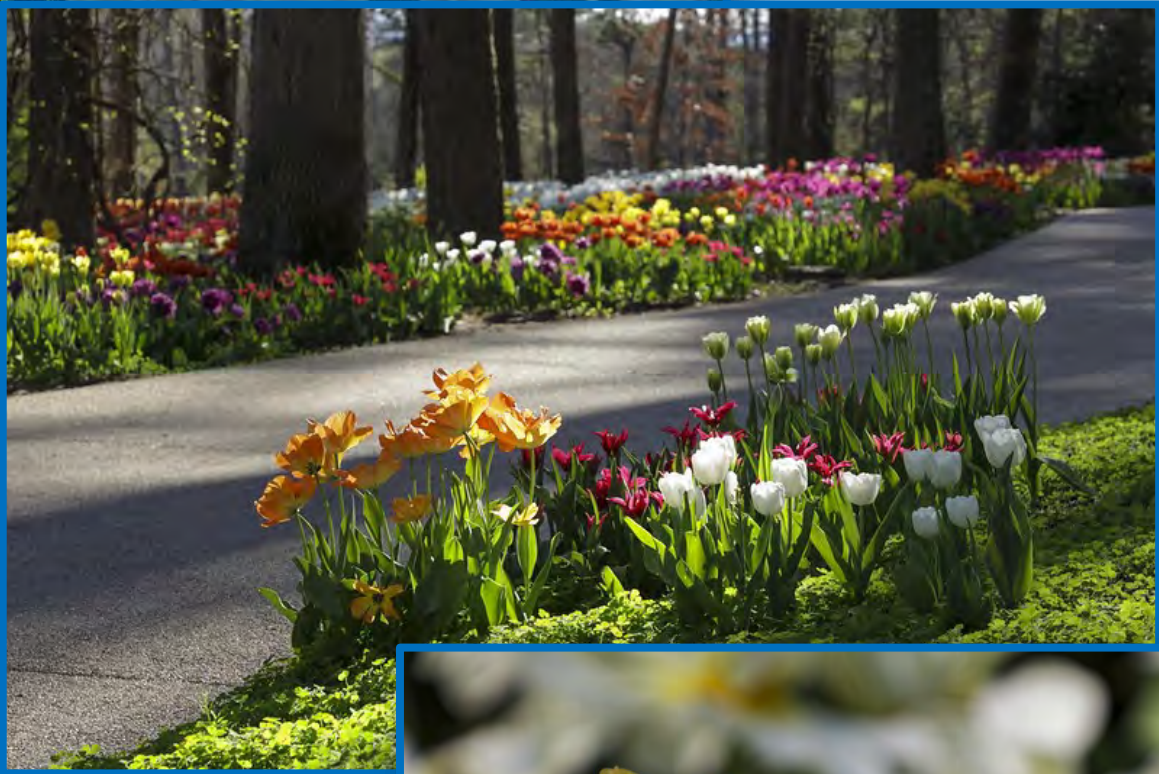
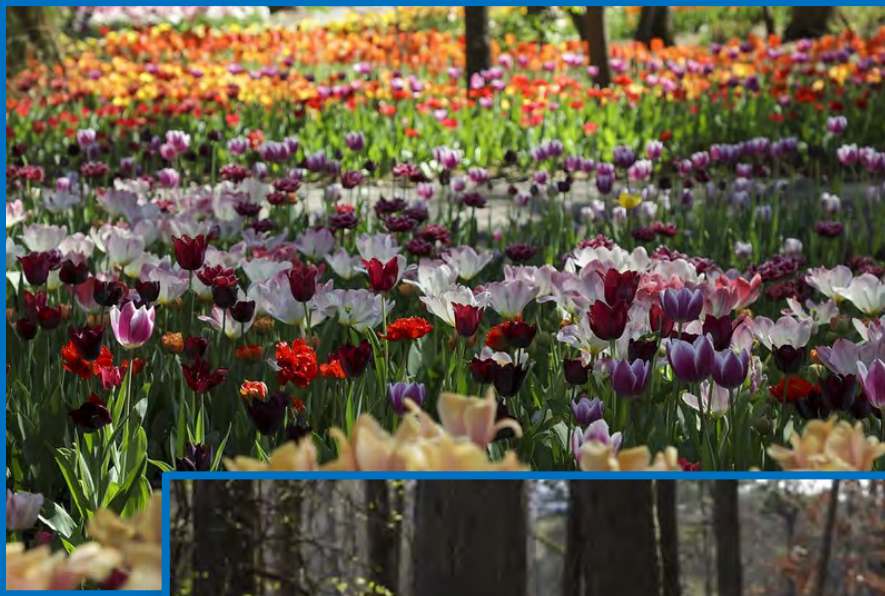
Notes to Schedule:

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

This page intentionally left blank

COMBINING AND INDIVIDUAL FUND STATEMENTS

GARVAN GARDENS TULIPS



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

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

Special revenue funds include:

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

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

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

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

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

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

City of Hot Springs, Arkansas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(continued)
December 31, 2023

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

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

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

December 31, 2023

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 148,149	\$ 674,099	\$ 1,590,318
Investments	198,742	1,076,872	2,497,558
Interest receivable	-	-	2,212
Accounts receivable	-	-	97,753
Due from other funds	-	-	1,216
Intergovernmental receivables	-	-	1,371,310
Total assets	<u>346,891</u>	<u>1,750,971</u>	<u>5,560,367</u>
LIABILITIES			
Accounts payable	1	-	196,341
Accrued expenditures	45,692	-	81,305
Due to other governments	-	-	1,044,766
Due to other funds	-	-	416,787
Unearned revenue	46,001	-	277,353
Total liabilities	<u>91,694</u>	<u>-</u>	<u>2,016,552</u>
FUND BALANCES (DEFICIT)			
Restricted:			
Debt service	255,197	-	255,197
Capital projects	-	1,750,971	1,750,971
Parks	-	-	3,325
Public safety	-	-	1,383,701
Public transportation	-	-	87,108
Public works	-	-	63,513
Total Fund Balances (Deficit)	<u>255,197</u>	<u>1,750,971</u>	<u>3,543,815</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 346,891</u>	<u>\$ 1,750,971</u>	<u>\$ 5,560,367</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, 2023

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

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

City of Hot Springs, Arkansas

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

For the Year Ended December 31, 2023

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

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

City of Hot Springs, Arkansas

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

For the Year Ended December 31, 2023

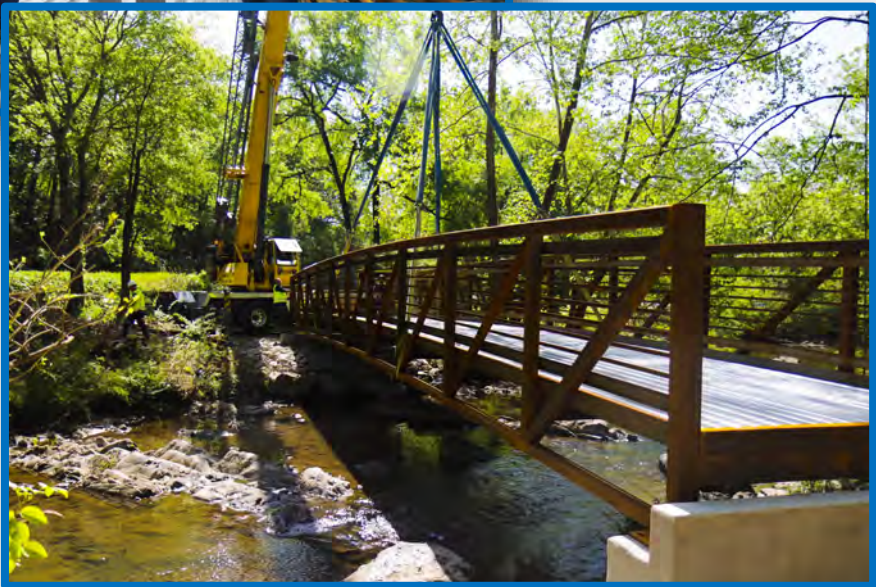
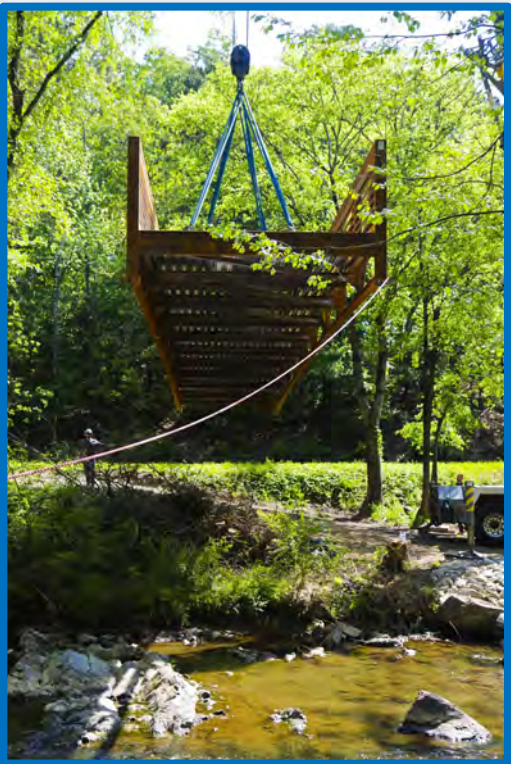
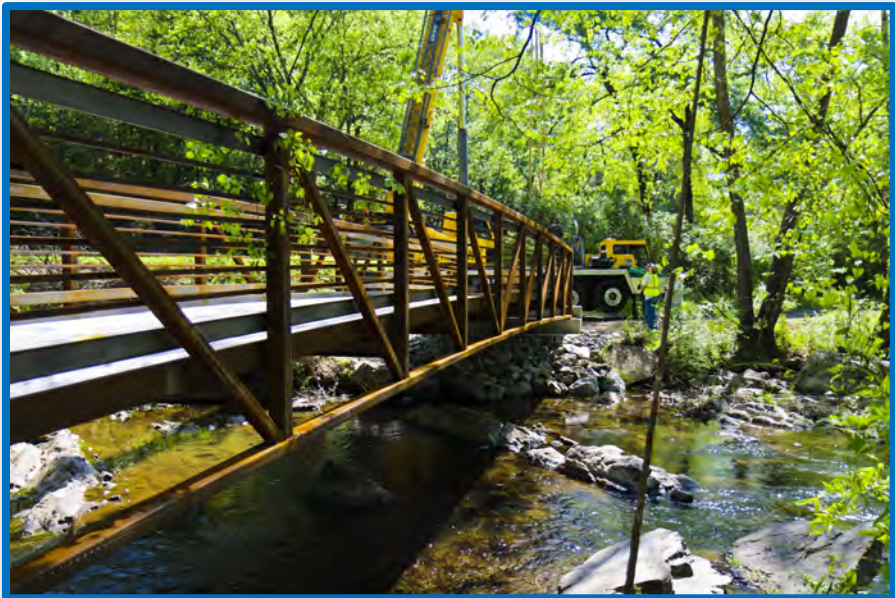
	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Taxes	\$	\$ 229	\$ 229
Fees and permits			7,044
Charges for services			112,076
Intergovernmental	596,186		8,256,751
Fines and forfeitures			314,165
Investment earnings (loss)	5,663	4,436	49,627
Miscellaneous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

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

This page intentionally left blank

INTERNAL SERVICE FUNDS

GREENWAY BRIDGE INSTALLATION



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

	Fleet Service	Utility Administration	Employee Wellness Fund	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 300	\$ 89,137	\$ 3,261,460	\$ 3,350,897
Investments		230,956	6,981,541	7,212,497
Accounts receivable		25	6,541	6,566
Due from other funds		48,400		48,400
Inventories	442,499	1,357,679		1,800,178
Total current assets	442,799	1,726,197	10,249,542	12,418,538
Noncurrent Assets:				
Capital assets:				
Land	50,113	18,152		68,265
Buildings and systems	187,800	928,325		1,116,125
Improvements other than buildings	283,954	473,723		757,677
Machinery and equipment	567,825	2,758,084		3,325,909
Less accumulated depreciation	(899,340)	(2,774,970)		(3,674,310)
Subscription assets, net		161,254		161,254
Total noncurrent assets (net of accumulated depreciation)	190,352	1,564,568		1,754,920
Total assets	633,151	3,290,765	10,249,542	14,173,458
LIABILITIES				
Current liabilities:				
Accounts payable	65,000	267,743	27,820	360,563
Due to other funds	187,494	1,628,349		1,815,843
Compensated absences	13,654	39,202		52,856
Accrued expenses	15,090	62,102	300,000	377,192
Total current liabilities	281,238	1,997,396	327,820	2,606,454
Noncurrent liabilities:				
Compensated absences	99,185	284,781		383,966
Subscription liability		160,129		160,129
Total noncurrent liabilities	99,185	444,910		544,095
Total liabilities	380,423	2,442,306	327,820	3,150,549
NET POSITION				
Net investment in capital assets	190,352	1,564,568		1,754,920
Unrestricted	62,376	(716,109)	9,921,722	9,267,989
Total net position	\$ 252,728	\$ 848,459	\$ 9,921,722	\$ 11,022,909

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

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

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

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

City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

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

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

City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

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

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

CUSTODIAL FUNDS

GREENWAY TRAIL



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

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

City of Hot Springs, Arkansas

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
CUSTODIAL FUNDS**

For the Year Ended December 31, 2023

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

City of Hot Springs, Arkansas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended December 31, 2023

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

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

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

City of Hot Springs, Arkansas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET (GAAP BASIS) AND ACTUAL

(continued)

For the Year Ended December 31, 2023

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

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

City of Hot Springs, Arkansas
DISTRICT COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2023

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

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

City of Hot Springs, Arkansas
PUBLIC TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2023

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

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

City of Hot Springs, Arkansas
JAIL EXPENSE FINES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2023

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 91,313	\$ 91,313	\$ 88,093	\$ (3,220)
Total revenues	91,313	91,313	88,093	(3,220)
EXPENDITURES				
Public safety	91,313	98,090	93,433	4,657
Interest	-	-	(1)	1
Total expenditures	91,313	98,090	93,432	4,658
Excess (deficiency) of revenues over (under) expenditures	-	(6,777)	(5,339)	1,438
OTHER FINANCING SOURCES (USES)				
Transfers in	-	21,345	21,340	(5)
Total other financing sources (uses)	-	21,345	21,340	(5)
Net change in fund balance	-	14,568	16,001	1,433
Fund balances - beginning	(16,001)	(16,001)	(16,001)	-
Fund balances - ending	<u>\$ (16,001)</u>	<u>\$ (1,433)</u>	<u>\$ -</u>	<u>\$ 1,433</u>

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

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.

<u>Contents</u>	<u>Pages</u>
Financial Trends	145
These Statements contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	153
These schedules contain information to help readers assess the City's most significant local revenue source -- sales tax.	
Debt Capacity	161
These schedules present information to help readers assess the affordability of the City's most current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	169
These schedules offer demographic and economic indications to help readers understand the environment within which the City's financial activities take place.	
Operating Information	173
These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

This page intentionally left blank

FINANCIAL TRENDS

MLK BENCH DEDICATION



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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental activities										
Net investment in capital assets	\$ 25,044	\$ 24,549	\$ 24,845	\$ 24,314	\$ 26,126	\$ 25,859	\$ 25,664	\$ 18,847	\$ 20,492	\$ 23,807
Restricted	1,891	206	955	3,000	2,437	2,928	8,551	8,209	25,094	22,137
Unrestricted	1,642	(45,925)	(45,279)	(45,554)	(50,546)	(50,255)	(55,152)	(47,331)	(47,012)	(17,510)
Total Governmental activities net position	<u>\$ 28,577</u>	<u>\$ (21,170)</u>	<u>\$ (19,479)</u>	<u>\$ (18,240)</u>	<u>\$ (21,983)</u>	<u>\$ (21,468)</u>	<u>\$ (20,937)</u>	<u>\$ (20,275)</u>	<u>\$ (1,426)</u>	<u>\$ 28,434</u>
Business-type activities										
Net investment in capital assets	\$ 135,707	\$ 138,755	\$ 134,519	\$ 137,703	\$ 139,005	\$ 141,989	\$ 143,919	\$ 144,023	\$ 143,575	\$ 147,862
Restricted	7,716	3,658	10,221	10,077	10,674	10,574	12,070	11,651	12,072	13,119
Unrestricted	8,978	6,359	6,066	3,962	9,415	12,849	16,145	23,534	18,406	23,718
Total Business-type activities net position	<u>\$ 152,401</u>	<u>\$ 148,772</u>	<u>\$ 150,806</u>	<u>\$ 151,742</u>	<u>\$ 159,094</u>	<u>\$ 165,412</u>	<u>\$ 172,134</u>	<u>\$ 179,208</u>	<u>\$ 174,053</u>	<u>\$ 184,699</u>
Primary government										
Net investment in capital assets	\$ 160,751	\$ 163,304	\$ 159,364	\$ 162,017	\$ 165,131	\$ 167,848	\$ 169,583	\$ 162,870	\$ 164,067	\$ 171,669
Restricted	9,607	3,864	11,176	13,077	13,111	13,502	20,623	19,861	37,166	35,256
Unrestricted	10,620	(39,566)	(39,213)	(41,592)	(41,131)	(37,406)	(39,009)	(23,797)	(28,606)	6,208
Total Primary government net position	<u>\$ 180,978</u>	<u>\$ 127,602</u>	<u>\$ 131,327</u>	<u>\$ 133,502</u>	<u>\$ 137,111</u>	<u>\$ 143,944</u>	<u>\$ 151,197</u>	<u>\$ 158,934</u>	<u>\$ 172,627</u>	<u>\$ 213,133</u>

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

		2014	2015**	2016	2017	2018	2019	2020	2021	2022	2023
Expenses -	Governmental activities										
	General government	\$ 4,164	\$ 6,971	\$ 4,737	\$ 4,966	\$ 5,533	\$ 3,957	\$ 4,290	\$ 2,496	\$ 3,960	\$ 7,724
	Community development	1,329	2,598	1,354	1,610	1,727	1,887	1,786	1,787	2,002	2,443
	Parks and recreation	1,722	2,034	1,854	2,112	2,028	2,061	2,149	9,632	2,197	2,663
	Public safety	22,909	31,177	23,065	25,806	30,313	29,052	31,782	32,722	29,539	30,204
	Public transportation	1,684	1,974	1,394	1,586	1,644	1,652	1,729	1,590	1,821	1,778
	Public works	6,318	6,806	5,421	6,123	5,958	6,239	6,040	5,998	9,234	9,888
	Interest and long term debt	77	62	82	70	58	126	376	376	375	464
	Total Governmental activities expenses	38,203	51,622	37,907	42,273	47,261	44,974	48,152	54,601	49,128	55,163
	Business-type activities										
	Water	10,189	11,654	11,610	12,046	12,990	13,930	15,814	17,057	19,352	21,443
	Wastewater	14,947	15,096	15,513	15,387	16,402	17,717	19,252	17,628	20,381	22,212
	Solid Waste	6,376	6,535	7,088	7,379	7,264	8,219	8,586	7,680	8,770	9,133
	Airport	3,969	3,363	3,189	3,477	3,748	3,821	3,599	3,919	4,841	4,625
	Stormwater	558	640	680	712	780	905	891	858	1,009	992
	Parking	238	234	228	249	259	264	266	283	426	411
	Total Business-type activities expenses	36,277	37,522	38,308	39,250	41,443	44,856	48,409	47,426	54,779	58,816
	Total Primary government expenses	\$ 74,480	\$ 89,144	\$ 76,215	\$ 81,523	\$ 88,704	\$ 89,830	\$ 96,561	\$ 102,027	\$ 103,907	\$ 113,979
Program Revenues	Governmental activities										
	Charges for services*										
	General Government	\$ 337	\$ 1,770	\$ 2,968	\$ 3,300	\$ 4,098	\$ 4,084	\$ 4,843	\$ 4,994	\$ 5,579	\$ 6,352
	Community Development	331	412	258	326	549	689	587	705	834	1,241
	Parks and Recreation	121	88	70	59	107	97	59	96	20	608
	Public Safety	1,371	1,137	612	1,473	1,718	1,692	2,230	2,138	2,145	2,482
	Public Transportation	161	161	149	157	147	141	112	104	132	128
	Public Works	240	80	289	372	558	263	135	150	139	257
	Operating grants/contributions	4,235	4,270	3,645	3,708	6,318	6,561	10,072	10,600	21,330	25,754
	Capital grants/contributions	613	1,050	330	1,514	1,448	644	424	621	769	1,139
	Total Governmental activities program revenues	7,409	8,968	8,321	10,909	14,943	14,171	18,462	19,408	30,947	37,961
	Business Type Activities										
	Charges for services	38,552	38,258	39,203	40,377	44,065	46,096	47,375	51,238	54,624	58,829
	Operating grants/contributions				5	1,958	65	2,036	1,306	40	440
	Capital grants/contributions	223	1,934	658	214	1,946	3,597	4,747	2,717	998	1,829
	Total Business-type activities program revenues	38,775	40,192	39,861	40,596	47,969	49,758	54,159	55,262	55,663	61,098
	Total Primary government program revenues	\$ 46,184	\$ 49,160	\$ 48,182	\$ 51,505	\$ 62,912	\$ 63,929	\$ 72,621	\$ 74,670	\$ 86,610	\$ 99,059
	Net (Expense) Revenue										
Governmental activities	\$ (30,794)	\$ (42,654)	\$ (29,586)	\$ (31,364)	\$ (32,318)	\$ (30,803)	\$ (29,690)	\$ (35,193)	\$ (18,181)	\$ (17,202)	
Business-type activities	2,498	2,670	1,553	1,346	6,526	4,902	5,750	7,836	884	2,282	
Total Primary government net expense	\$ (28,296)	\$ (39,984)	\$ (28,033)	\$ (30,018)	\$ (25,792)	\$ (25,901)	\$ (23,940)	\$ (27,357)	\$ (17,298)	\$ (14,920)	
General Revenues and Other Changes in Net Position											
Governmental	Taxes										
Activities	Sales taxes	\$ 20,219	\$ 21,262	\$ 22,137	\$ 22,165	\$ 19,977	\$ 21,390	\$ 22,441	\$ 25,722	\$ 27,618	\$ 29,310
	Franchise fees	2,679	2,519	2,631	2,705	2,711	2,655	2,810	2,678	2,921	3,181
	Other taxes and revenues	6,112	6,312	6,479	9,311	5,711	6,806	6,188	7,631	8,306	9,451
	Investment earnings	82	51	30	92	175	436	321	(141)	(1,657)	2,345
	Transfers	0	0	0	0	0	31	(1,542)	(36)	(158)	2,776
Total Governmental activities		29,092	30,144	31,277	34,273	28,574	31,318	30,219	35,855	37,030	47,063
Business-type activities											
	Sales tax	25	66	34	32	55	51	42	40	72	70
	Investment earnings (loss)	707	666	447	563	769	1,397	920	(837)	(6,268)	8,004
	Transfers	-					(31)	9	36	158	290
Total Business-type activities		732	732	481	595	824	1,417	971	(761)	(6,039)	8,364
Total Primary government		\$ 29,824	\$ 30,876	\$ 31,758	\$ 34,868	\$ 29,398	\$ 32,735	\$ 31,190	\$ 35,094	\$ 30,991	\$ 55,426
Change in Net Position	Governmental activities	\$ (1,702)	\$ (12,510)	\$ 1,691	\$ 2,909	\$ (3,744)	\$ 515	\$ 529	\$ 662	\$ 18,848	\$ 29,860
	Business-type activities	3,230	3,402	2,034	1,941	7,350	6,319	6,721	7,075	(5,155)	10,646
	Total Primary government	\$ 1,528	\$ (9,108)	\$ 3,725	\$ 4,850	\$ 3,606	\$ 6,834	\$ 7,250	\$ 7,737	\$ 13,693	\$ 40,506

* This number includes state turnback.

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

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

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Fund										
Nonspendable	\$ 328	\$ 387	\$ 455	\$ 482	\$ 1,132	\$ 1,143	\$ 641	\$ 785	\$ 837	\$ 984
Committed	421	194						2,993	10,853	11,643
Assigned			511	1,752	485	-	2,093	491	420	774
Unassigned	<u>5,065</u>	<u>4,527</u>	<u>3,757</u>	<u>3,441</u>	<u>4,223</u>	<u>5,924</u>	<u>9,576</u>	<u>14,147</u>	<u>10,428</u>	<u>24,712</u>
Total General Fund	<u>\$ 5,814</u>	<u>\$ 5,108</u>	<u>\$ 4,723</u>	<u>\$ 5,675</u>	<u>\$ 5,840</u>	<u>\$ 7,067</u>	<u>\$ 12,311</u>	<u>\$ 18,416</u>	<u>\$ 22,538</u>	<u>\$ 38,113</u>
All Other Governmental Funds										
Nonspendable	\$ 1									
Restricted	1,891	2,106	1,384	3,000	5,252	11,451	8,672	3,455	12,480	20,376
Committed								1,761	3,723	2,184
Assigned	547	433	1,643	1,590	2,372	-	3,301	3,109	1,550	2,369
Unassigned	<u>105</u>								(16)	-
Total all other governmental funds	<u>\$ 2,544</u>	<u>\$ 2,539</u>	<u>\$ 3,027</u>	<u>\$ 4,590</u>	<u>\$ 7,624</u>	<u>\$ 11,451</u>	<u>\$ 11,972</u>	<u>\$ 8,325</u>	<u>\$ 17,738</u>	<u>\$ 24,930</u>
Total governmental funds	<u><u>\$ 8,358</u></u>	<u><u>\$ 7,647</u></u>	<u><u>\$ 7,750</u></u>	<u><u>\$ 10,265</u></u>	<u><u>\$ 13,464</u></u>	<u><u>\$ 18,518</u></u>	<u><u>\$ 24,283</u></u>	<u><u>\$ 26,741</u></u>	<u><u>\$ 40,276</u></u>	<u><u>\$ 63,042</u></u>

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

Fiscal Year

Revenues	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Taxes	\$ 24,308	\$ 21,833	\$ 23,457	\$ 24,454	\$ 25,192	\$ 22,173	\$ 23,060	\$ 26,643	\$ 28,792	\$ 30,646
Licenses, fees and permits	812	4,088	3,314	4,136	4,318	4,476	4,505	4,608	5,215	5,874
Charges for services	1,531	1,763	2,465	2,402	2,572	2,696	2,562	2,917	3,045	3,235
Intergovernmental	8,259	7,175	6,848	8,689	7,988	10,772	15,359	15,823	26,934	32,967
Intergovernmental - Gaming and breakage	1,528	1,939	2,081	2,263	2,397	3,414	2,979	3,947	4,397	4,870
Fines and penalties	1,074	867	1,096	985	947	830	909	918	752	1,046
Investment earnings	81	51	30	92	175	436	321	(141)	(1,657)	2,352
Other Revenue	401	542	405	517	422	312	604	739	681	1,003
Total Revenues	37,994	38,258	39,696	43,538	44,009	45,109	50,301	55,454	68,159	81,994
Expenditures										
General government	4,445	4,715	4,910	4,811	3,831	3,937	3,971	4,200	4,184	4,488
Community development	1,319	1,760	1,401	1,543	1,650	1,901	1,718	1,935	1,926	2,246
Parks and recreation	1,470	1,537	1,557	1,681	1,623	1,740	1,791	1,902	1,928	2,230
Public transportation	1,419	1,378	1,308	1,397	1,484	1,554	1,600	1,665	1,791	1,670
Public safety	21,969	22,345	22,591	23,729	25,423	26,261	27,431	29,199	31,515	33,119
Public works	5,286	4,793	4,208	4,861	4,668	5,365	5,207	5,185	8,603	8,980
Public utilities								354	1	-
Debt service										
Principal	965	1,335	1,672	1,656	1,619	1,313	1,650	1,928	2,144	2,020
Interest and other charges	75	83	82	70	57	126	376	376	371	454
Capital outlay	2,226	2,983	3,133	2,153	2,427	3,493	6,416	9,163	3,990	6,128
Total Expenditures	39,174	40,929	40,862	41,901	42,782	45,690	50,161	55,906	56,453	61,334
Excess of revenues over (under) expenditures	(1,180)	(2,671)	(1,166)	1,637	1,227	(582)	140	(452)	11,706	20,659
Other Financing Sources (Uses)										
Issuance of debt	1,370	1,963	1,272	878	2,097	9,889	1,358	2,946	1,987	2,284
Transfer in	12,660	13,201	13,255	13,287	14,540	16,044	14,014	15,674	17,407	22,598
Transfer out	(12,717)	(13,204)	(13,259)	(13,287)	(14,663)	(16,013)	(14,031)	(15,709)	(17,564)	(22,774)
Total Financing sources (uses)	1,313	1,960	1,268	878	1,973	9,919	1,341	2,910	1,829	2,108
Net change in fund balance	\$ 133	\$ (711)	\$ 102	\$ 2,515	\$ 3,200	\$ 9,337	\$ 1,481	\$ 2,458	\$ 13,535	\$ 22,767
Debt service as a percentage of noncapital expenditures	2.8%	3.7%	4.6%	4.3%	4.2%	3.4%	4.6%	4.9%	4.8%	4.5%

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

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

This page intentionally left blank

REVENUE CAPACITY

NEW LADDER TRUCK



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

Fiscal Year	Sales and Use Tax	Property Tax	Alcohol Taxes and Permits	Franchise Fees	Business License Fees	Breakage/ Gaming *	Total
2014	20,219		621	2,679	718	1,528	25,765
2015	21,262		688	2,519	732	1,939	27,140
2016	22,137		712	2,631	743	2,081	28,304
2017	22,165	3,348	745	2,705	735	2,263	28,613
2018**	19,977	201	807	2,711	736	2,397	26,829
2019	21,390	(39)	956	2,656	739	3,414	29,116
2020	22,441		725	2,810	749	2,978	29,703
2021	25,723		1,072	2,678	854	3,947	34,274
2022	27,618		1,329	2,920	1,102	4,397	37,366
2023	29,310		1,494	3,181	1,543	4,870	40,398
Change							
2014-2023	45.0%	N/A	140.6%	18.7%	114.9%	218.7%	56.8%

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

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

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

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

NAICS	Economic	Sector	Description	Fiscal Year 2021				Fiscal Year 2020			
				Taxable		Percentage of		Taxable		Percentage of	
				Sales	Tax Collected	Total City Sales Tax	Rank	Sales	Tax Collected	Total City Sales Tax	Rank
11			Agriculture, Forestry, Fishing and Hunting	(3,478)	(52)	-0.20%	22	(2,271)	(34)	-0.15%	20
21			Mining	123	2	0.01%	18	(208)	(3)	-0.01%	19
22			Utilities	32,709	491	1.85%	8	17,241	259	1.12%	10
23			Construction	11,782	177	0.67%	12	9,939	149	0.64%	12
31-33			Manufacturing	38,435	577	2.17%	7	34,623	520	2.25%	7
42			Wholesale Trade	110,085	1,651	6.23%	3	99,167	1,488	6.43%	3
44-45			Retail Trade	1,037,723	15,566	58.71%	1	943,374	14,151	61.19%	1
48-49			Transportation and Warehousing	6,149	92	0.35%	14	2,641	39	0.17%	14
51			Information	44,632	669	2.53%	5	38,902	584	2.52%	5
52			Finance and Insurance	2,079	31	0.12%	15	2,122	32	0.14%	15
53			Real Estate and Rental and Leasing	32,120	482	1.82%	9	30,186	453	1.96%	8
54			Professional, Scientific and Technical Services	10,592	159	0.60%	13	8,138	122	0.53%	13
55			Management of Companies and Enterprises	17	-	0.00%	20	11	-	0.00%	18
56			Admin, Support, Waste Mgmt and Remediation Svcs	31,803	477	1.80%	10	26,541	398	1.72%	9
61			Educational Services	1,422	21	0.08%	16	510	8	0.03%	17
62			Health Care and Social Assistance	1,100	17	0.06%	17	790	12	0.05%	16
71			Arts, Entertainment and Recreation	26,691	400	1.51%	11	12,992	195	0.84%	11
72			Accommodation and Food Services	253,762	3,806	14.36%	2	200,030	3,000	12.98%	2
81			Other Services (except Public Administration)	43,973	660	2.49%	6	36,767	552	2.38%	6
92			Public Administration	19	-	0.00%	19	-	-	0.00%	
			Uncategorized *	85,826	1,287	4.86%	4	80,125	1,202	5.20%	4
			Totals	\$ 1,767,564	\$ 26,513	100.00%		\$ 1,541,620	\$ 23,127	100.00%	

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

		Fiscal Year 2019				Fiscal Year 2018			
NAICS				Percentage of				Percentage of	
Economic		Taxable	Tax	Total City		Taxable	Tax	Total City	
Sector	Description	Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(3,439)	(52)	-0.23%	19	(5,013)	(75)	-0.37%	19
21	Mining	(18)	-	0.00%	18	(580)	(9)	-0.04%	18
22	Utilities	20,989	315	1.43%	10	867	13	0.06%	16
23	Construction	11,425	171	0.78%	12	10,284	154	0.76%	12
31-33	Manufacturing	33,991	509	2.32%	7	32,951	495	2.45%	7
42	Wholesale Trade	95,454	1,432	6.51%	3	81,003	1,215	6.02%	3
44-45	Retail Trade	841,706	12,626	57.36%	1	764,163	11,463	56.83%	1
48-49	Transportation and Warehousing	1,212	18	0.08%	15	11,145	167	0.83%	11
51	Information	41,387	621	2.82%	5	52,304	785	3.89%	5
52	Finance and Insurance	1,892	28	0.13%	14	1,605	24	0.12%	14
53	Real Estate and Rental and Leasing	33,088	496	2.26%	8	28,384	426	2.11%	8
54	Professional, Scientific and Technical Services	4,405	66	0.30%	13	2,903	44	0.22%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	-	-	0.00%		21,451	322	1.60%	9
61	Educational Services	22,691	340	1.55%	9	(79)	(1)	-0.01%	17
62	Health Care and Social Assistance	781	12	0.05%	17	970	15	0.07%	15
71	Arts, Entertainment and Recreation	1,131	17	0.08%	16	20,744	311	1.54%	10
72	Accommodation and Food Services	18,944	284	1.29%	11	212,349	3,185	15.79%	2
81	Other Services (except Public Administration)	228,840	3,433	15.60%	2	34,287	514	2.55%	6
92	Public Administration	38,570	579	2.63%	6	-	-	0.00%	
	Uncategorized*	74,244	1,114	5.06%	4	74,859	1,123	5.57%	4
	Totals	\$ 1,467,293	\$ 22,009	100.00%		\$ 1,344,597	\$ 20,171	100.00%	

		Fiscal Year 2017				Fiscal Year 2016			
NAICS				Percentage of				Percentage of	
Economic		Taxable	Tax	Total City		Taxable	Tax	Total City	
Sector	Description	Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(2,844)	(43)	-0.21%	19	(4,032)	(60)	-0.30%	19
21	Mining	13	-	0.00%	17	99	1	0.01%	17
22	Utilities	3,724	56	0.28%	11	9,659	145	0.73%	11
23	Construction	8,989	135	0.68%	12	8,137	122	0.62%	12
31-33	Manufacturing	33,492	502	2.52%	7	32,069	481	2.42%	7
42	Wholesale Trade	78,939	1,184	5.93%	3	77,924	1,169	5.89%	3
44-45	Retail Trade	771,291	11,569	57.94%	1	775,551	11,633	58.64%	1
48-49	Transportation and Warehousing	9,677	146	0.73%	13	7,626	114	0.58%	13
51	Information	49,906	749	3.75%	5	40,913	614	3.09%	5
52	Finance and Insurance	1,112	17	0.08%	15	1,319	20	0.10%	15
53	Real Estate and Rental and Leasing	29,557	443	2.22%	8	26,196	393	1.98%	8
54	Professional, Scientific and Technical Services	3,063	46	0.23%	14	2,439	37	0.18%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	20,352	305	1.53%	9	19,654	295	1.49%	9
61	Educational Services	(1,734)	(26)	-0.13%	18	(1,349)	(20)	-0.10%	18
62	Health Care and Social Assistance	711	11	0.05%	16	1,073	16	0.08%	16
71	Arts, Entertainment and Recreation	17,185	258	1.29%	10	15,778	237	1.19%	10
72	Accommodation and Food Services	204,375	3,066	15.35%	2	212,225	3,183	16.05%	2
81	Other Services (except Public Administration)	32,524	488	2.44%	6	32,988	495	2.49%	6
92	Public Administration	692	10	0.05%		-	-	0.00%	
	Uncategorized*	70,173	1,053	5.27%	4	64,257	960	4.86%	4
	Totals	\$ 1,331,197	\$ 19,969	100.00%		\$ 1,322,526	\$ 19,835	100.00%	

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

NAICS Economic		Fiscal Year 2015				Fiscal Year 2014			
		Taxable		Percentage of		Taxable		Percentage of	
		Sales	Tax Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(998)	(15)	-0.08%	18	(1,235)	(19)	-0.10%	18
21	Mining	32		0.00%	17	205	3	0.02%	17
22	Utilities	40,911	614	3.25%	5	55,043	826	4.61%	4
23	Construction	9,597	144	0.76%	13	2,739	41	0.23%	14
31-33	Manufacturing	32,054	481	2.55%	7	32,037	481	2.69%	6
42	Wholesale Trade	85,205	1,278	6.77%	3	86,554	1,298	7.25%	3
44-45	Retail Trade	715,557	10,733	56.87%	1	685,130	10,277	57.43%	1
48-49	Transportation and Warehousing	10,775	162	0.86%	12	10,763	161	0.90%	12
51	Information	50,085	751	3.98%	4	42,220	633	3.54%	5
52	Finance and Insurance	762	11	0.06%	16	1,602	24	0.13%	15
53	Real Estate and Rental and Leasing	20,677	310	1.64%	9	20,566	308	1.72%	8
54	Professional, Scientific and Technical Services	3,268	49	0.26%	14	2,698	40	0.23%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	19,125	287	1.52%	10	17,662	265	1.48%	9
61	Educational Services	(3,183)	(48)	-0.25%	19	(1,813)	(27)	-0.15%	19
62	Health Care and Social Assistance	828	12	0.07%	15	635	10	0.05%	16
71	Arts, Entertainment and Recreation	14,589	219	1.16%	11	15,725	236	1.32%	10
72	Accommodation and Food Services	193,393	2,901	15.37%	2	178,345	2,675	14.95%	2
81	Other Services (except Public Administration)	31,707	476	2.52%	8	29,842	448	2.50%	7
92	Public Administration	33,807	507	2.69%	6	14,344	215	1.20%	11
Totals		<u>1,258,191</u>	<u>\$ 18,872</u>	<u>100.00%</u>		<u>1,193,063</u>	<u>\$ 17,895</u>	<u>100.00%</u>	

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

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

SALES TAX RATE

Fiscal Year	City Direct Rate	General Fund	Fire and Police
2014	1.5	1.0	0.5
2015	1.5	1.0	0.5
2016	1.5	1.0	0.5
2017	1.5	1.0	0.5
2018	1.5	1.0	0.5
2019	1.5	1.0	0.5
2020	1.5	1.0	0.5
2021	1.5	1.0	0.5
2022	1.5	1.0	0.5
2023	1.5	1.0	0.5

SALES TAX RECEIVED

Fiscal Year	Total	General Fund	Fire and Police
2014	17,896,612	11,931,075	5,965,537
2015	18,872,829	12,581,886	6,290,943
2016	19,683,356	13,122,237	6,561,119
2017	19,688,002	13,125,334	6,562,668
2018	19,977,450	13,318,300	6,659,150
2019	21,389,832	14,259,888	7,129,944
2020	22,440,961	14,960,641	7,480,320
2021	25,722,488	17,148,325	8,574,163
2022	27,920,384	18,714,239	9,206,145
2023	29,309,789	19,539,859	9,769,930

This page intentionally left blank

DEBT CAPACITY

HSPD BADGE PINNING



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

	Governmental Activities				Business-Type Activities								
	Special										Total	Percentage	
Fiscal	Obligation	Notes			Water	Wastewater	Airport	Notes			Primary	of Personal	Per
Year	Bonds	Payable	Leases	SBITAs	Bonds	Bonds	Bonds	Payable	Leases	SBITAs	Government	Income	Capita
2014	635	3,257			18,186	75,255	495	202			98,030	7.13%	2,747
2015	513	4,005			25,480	74,034	425	115			104,572	8.09%	2,931
2016	389	3,730			24,417	72,503	349	195			101,583	7.43%	2,755
2017	264	3,077			23,268	71,301	269	9,241			107,420	7.55%	2,914
2018	1,575	2,244			42,251	68,594		8,978			123,642	8.77%	3,260
2019	9,310	3,084			40,271	65,818		8,709			127,192	8.55%	3,422
2020	9,005	3,097			148,056	84,297		8,434			252,889	15.97%	6,466
2021	8,690	4,429			146,194	81,339		8,188			248,840	14.55%	6,453
2022	8,370	4,592	207		144,484	124,028		7,949	207		289,837	17.79%	7,605
2023	8,035	5,192	278	436	176,950	121,125		7,703	278	183	320,180	18.05%	8,402

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

Hotel and Restaurant Gross Receipt Tax Bonds

Fiscal Year	Special Obligation Bonds	Less Debt Service	Net Special Obligation Bonds	Net Bond as a Percentage of Sales Tax	Per Capita
2014	635	204	431	8.13%	12.08
2015	513	207	306	5.29%	8.58
2016	389	206	183	3.06%	4.96
2017	264	198	66	1.07%	1.79
2018	1,575	16	1,559	24.36%	41.10
2019	9,310	247	9,063	130.12%	243.83
2020	9,005	321	8,684	140.47%	222.03
2021	8,690	320	8,370	104.09%	217.07
2022	8,370	335	8,035	87.77%	210.84
2023	8,035	120	7,915	78.01%	201.79

Notes: Details regarding this bond issue can be found on page 65 in the notes to the financial statements. The bonds are special obligations payable solely from collections of the 3% tax levied by the city on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, and similar establishments in the city. This sales tax is recorded on the books of the component unit. The sales tax as percentage of net bond above includes only that 3% tax.

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

Taxing Jurisdiction	Total Outstanding Debt	Estimated Percent Applicable*	Direct and Estimated Overlapping Debt
<u>Direct</u>			
City of Hot Springs	\$ 13,941	100.00%	\$ 13,941
<u>Overlapping</u>			
Garland County	-	40.66%	-
National Park Community College	27,615	40.66%	11,228
Lake Hamilton School District	60,915	2.58%	1,572
Hot Springs School District	94,700	98.39%	93,175
Lakeside School District	75,300	32.42%	24,412
Fountain Lake School District	11,055	2.09%	231
Cutter Morning Star School District	18,400	33.86%	6,230
Mountain Pine School District	<u>5,845</u>	5.78%	<u>338</u>
Total overlapping	<u>293,830</u>		<u>137,186</u>
Total direct and estimated overlapping bonded debt	<u>\$ 307,771</u>		<u>\$ 151,127</u>

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt limit	\$ 166,789	\$ 169,599	\$ 173,304	\$ 191,487	\$ 191,487	\$ 210,016	\$ 215,915	\$ 221,593	\$ 250,938	\$ 268,762
Total net debt										
applicable to limit	3,257	4,005	3,730	3,341	3,819	12,394	12,102	13,119	12,962	13,227
Legal debt margin	<u>\$ 163,532</u>	<u>\$ 165,594</u>	<u>\$ 169,574</u>	<u>\$ 188,146</u>	<u>\$ 187,668</u>	<u>\$ 197,622</u>	<u>\$ 203,813</u>	<u>\$ 208,474</u>	<u>\$ 237,976</u>	<u>\$ 255,535</u>

Legal Debt Margin Calculation for Fiscal Year 2023

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

Note:

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

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

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

Water Revenue Bonds

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	10,843	7,130	3,713	542	195	5.04
2015	12,119	8,074	4,045	876	472	3.00
2016	12,156	7,881	4,275	1,057	649	2.51
2017	12,645	8,197	4,448	1,143	681	2.44
2018	15,071	8,189	6,882	1,360	1,051	2.85
2019	16,193	9,146	7,047	1,482	1,300	2.53
2020 (3)	17,564	8,901	8,663	1,791	2,228	2.35
2021 (4)	19,456	8,608	10,848	1,511	3,925	2.00
2022 (4)	20,058	10,269	9,789	1,125	3,721	2.02
2023	22,670	10,911	11,759	3,350	5,801	1.28

Wastewater Revenue Bonds

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	14,219	8,173	6,046	2,176	3,303	1.10
2015	15,715	8,533	7,182	2,231	3,248	1.31
2016	15,764	8,597	7,167	2,201	3,116	1.35
2017	16,521	8,832	7,689	2,460	2,950	1.42
2018	16,844	9,195	7,649	2,595	2,742	1.43
2019	17,111	10,468	6,643	2,823	2,668	1.21
2020	17,763	11,338	6,425	2,071	2,451	1.42
2021	18,677	10,030	8,647	2,915	2,422	1.62
2022	19,573	11,024	8,549	2,975	3,036	1.42
2023	21,615	12,471	9,144	3,040	4,267	1.25

(1) Gross revenues include operating revenues.

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

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

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

Source: City Records.

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

Airport Revenue Bonds				Debt Service		Coverage
Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Principal	Interest	
2014	3,239	2,896	343	65	37	3.36
2015	2,559	2,270	289	70	32	2.83
2016	2,378	2,089	289	75	28	2.81
2017	2,433	2,362	71	80	23	0.69
2018 (3)	3,021	2,664	357	270	4	1.30
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-

(1) Gross revenues include operating revenues.

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

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

Source: City Records.

DEMOGRAPHIC AND ECONOMIC INFORMATION

This page intentionally left blank

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

Year	Population	Personal Income (in thousands)	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2014	35,680	1,242,520	34,824	43.5	7,239	6.7%
2015	35,673	1,292,005	36,218	42.0	7,264	6.2%
2016	36,867	1,367,397	37,090	43.1	7,379	4.4%
2017	36,867	1,422,292	38,579	42.0	7,294	4.5%
2018	37,931	1,451,202	38,259	42.0	8,206	3.7%
2019	38,797	1,552,035	40,004	41.8	7,491	3.5%
2020	39,111	1,606,250	41,069	41.9	6,498	5.2%
2021	37,930	1,682,499	44,358	42.0	7,193	4.6%
2022	37,930	1,620,294	42,718	43.2	7,189	3.4%
2023	38,109	1,773,479	46,537	44.7	7,407	3.8%

Sources:

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

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

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

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

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

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

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

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

2019 Population from the US Census Bureau

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

2020 Population estimate from World Population Review

2021 Population from the 2020 US Census Bureau

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

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

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

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

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

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

OPERATING INFORMATION

TORCH RUN FOR SPECIAL OLYMPICS



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

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

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

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

Function/Program			2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Community development:												
	New construction building permits issued (C)		62	84	61	63	18	71	-	-	-	-
	New construction residential building permits issued								79	74	79	70
	New construction commercial building permits issued								19	26	17	14
Parks:												
	Number of parks		18	18	18	20	20	20	20	21	22	22
	Acreage		215	215	215	218	218	218	218	219	222	222
Trails:												
	Number of miles	(A)										
	Paved Trails					4.50	5.00	5.00	5.00	5.00	5.00	11.00
	Natural Surface					3.35	3.35	3.35	3.35	3.35	3.35	3.35
Public works:												
	Engineering:	Floodplain reviews	66	81	62	63	67	59	92	72	111	123
		Work item requests (B)	607	827	2,157	1,715	2,462	2,543	2,161	1,971	1,642	6,388
	Traffic:	Pavement markings (linear feet) on contract	240,722	235,359	178,341	153,000	335,353	158,477	181,771	181,771	513,619	219,810
		Signs installed/repaired	926	515/283	182/173	413/190	348/280	183/215	276/111	165/119	202/120	322/203
Police:												
	Parking violations		1,684	1,167	1,823	1,866	1,759	772	653	994	287	423
	Traffic violations		9,611	16,329	7,039	7,267	5,591	5,064	2,875	5,135	6,198	4,458
	Physical Arrests		5,047	8,420	4,174	4,597	6,780	7,208	4,444	4,213	2,753	3,995
	Animal services:	Animals in	2,030	2,448	1,999	1,962	1,802	1,852	1,777	1,947	1,969	2,221
		Animals adopted	542	646	487	537	551	580	657	668	874	1,407
		Animals reclaimed	256	272	243	265	195	198	275	202	243	241
Fire:												
	Calls answered		1,770	1,889	2,085	2,294	2,317	2,473	2,546	2,812	2,970	2,677
	Hydrants		1,925	2,006	2,099	2,114	2,136	2,180	2,546	2,212	2,235	2,307
Street/Engineering												
	Paving cuts		544	385	406	459	513	527	253	255	265	127
Intracity Transit:												
	Riders including transfers		164,355	175,908	144,606	177,749	163,416	168,628	120,256	105,762	121,927	136,356
Water:												
	Consumers		89,632	90,603	91,169	91,769	92,196	90,487	90,636	91,316	90,787	91,988
	Average daily consumption		7,479,043	8,062,351	7,983,988	7,778,211	7,789,205	7,277,608	7,516,705	7,793,912	7,727,192	7,871,433
Wastewater:												
	Consumers		67,394	67,915	68,292	68,830	69,308	68,636	69,057	69,595	70,200	71,318
	Miles of lines		690	696	705	708	710	710	710	712	713	716
Solid Waste:												
	Consumers		14,104	14,028	14,042	14,533	14,628	18,109	13,056	15,240	15,510	17,090
	Tons of recycled material		3,807	3,700	2,231	2,539	3,932	4,122	4,462	4,541	4,267	4,337
	Tons of residential and commercial garbage collected		49,089	41,897	42,386	42,151	43,401	43,490	43,295	49,992	45,937	47,561
Airport:												
	Aviation fuel and oil sales		\$ 1,888,476	\$ 1,426,666	\$ 1,219,175	\$ 1,303,852	\$ 1,724,002	\$ 1,700,376	\$ 1,201,474	\$ 1,530,492	\$ 2,454,739	\$ 2,285,028
Parking:												
	Parking meter revenue		\$ 96,060	\$ 81,630	\$ 87,195	\$ 95,975	\$ 95,622	\$ 94,518	\$ 70,846	\$ 102,949	\$ 95,978	\$ 91,486

Notes:

(A) Trails added for 2017 ACFR.

(B) The use of a new system that combines work orders led to an apparent decrease in 2017.

(C) New construction building permits issued will be split between residential and commercial from 2020 forward.

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

Function/Program		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Parks	Number of parks	18	18	18	20	20	20	20	21	22	22
	Playgrounds (A)	18	18	18	20	20	20	20	20	20	21
	Boat ramps	4	4	4	5	5	5	5	5	5	5
Public works	Traffic signals	71	71	72	72	72	68	72	73	73	70
Police	Stations (B)	3	3	2	2	2	2	2	2	2	2
	Patrol units	126	134	134	132	132	131	132	141	164	148
	Animal services dog units	4	4	4	4	4	4	4	4	6	9
Fire	Stations	5	5	5	5	5	5	5	5	5	5
	Fire trucks	8	8	8	8	8	8	8	7	7	7
	Trucks								4	4	4
	Boats								2	2	2
Street/Engineering	Miles of streets (C)	299	299	303	303	314	307	304	304	312	312
	Number of street lights	5,198	5,227	5,246	5,258	5,277	5,298	5,308	5,308	5,397	5,418
Intracity Transit	Buses	8	8	6	6	6	5	5	6	6	7
	Vans/mini buses	5	4	6	5	5	4	4	5	5	4
Water	Water mains (miles)	884	896	904	910	914	919	925	930	934	940
	Storage capacity										
	(gallons in thousands)	15,600	15,600	15,600	15,600	15,600	15,600	18,600	18,600	18,600	18,600
Wastewater	Miles of lines	690	696	705	708	710	710	710	712	713	716
	Treatment capacity										
	(gallons per day)	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,050,001
Solid Waste	Collection vehicles	25	25	25	25	25	25	25	26	26	26
	Transfer vehicles/trailers	21	21	21	21	21	21	21	19	19	20
	Equipment --										
	backhoe, loaders, bobcats	9	9	9	9	9	10	10	11	11	11
	Recycling vehicles/trailers	8	8	8	8	8	8	8	6	6	6
Airport	Square feet of hangar rentals	225,895	225,895	238,335	238,335	238,335	238,335	238,335	238,335	238,335	284,331
Parking	Parking meters	300	300	300	300	300	300	297	297	311	301

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

(A) Certain Parks have multiple playgrounds

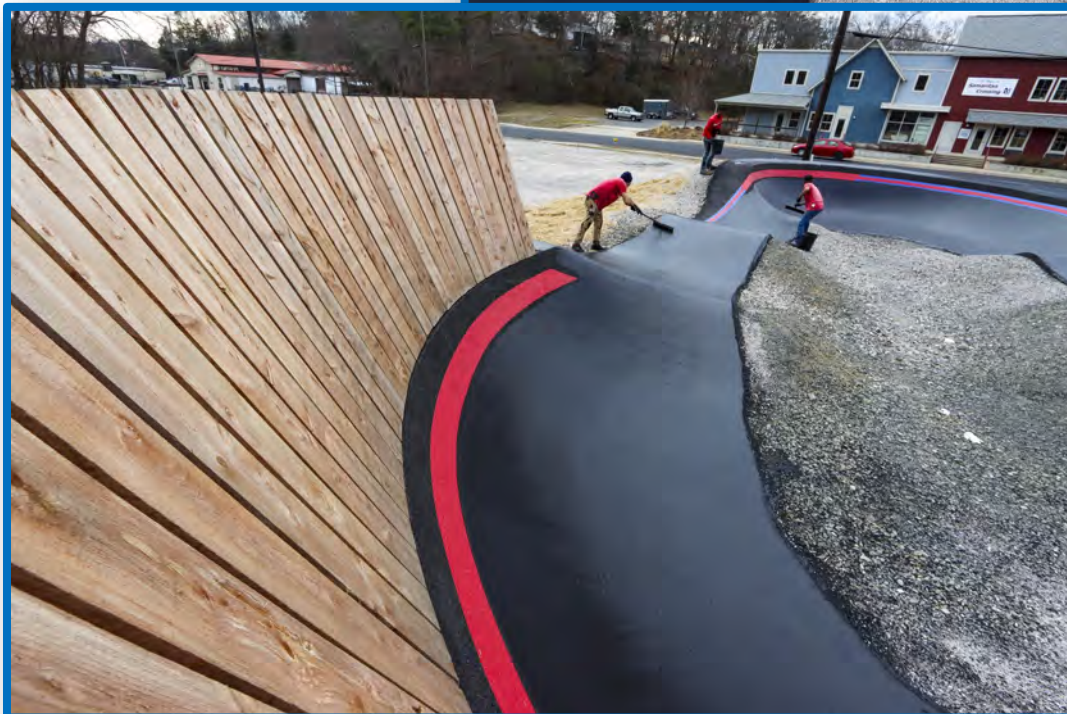
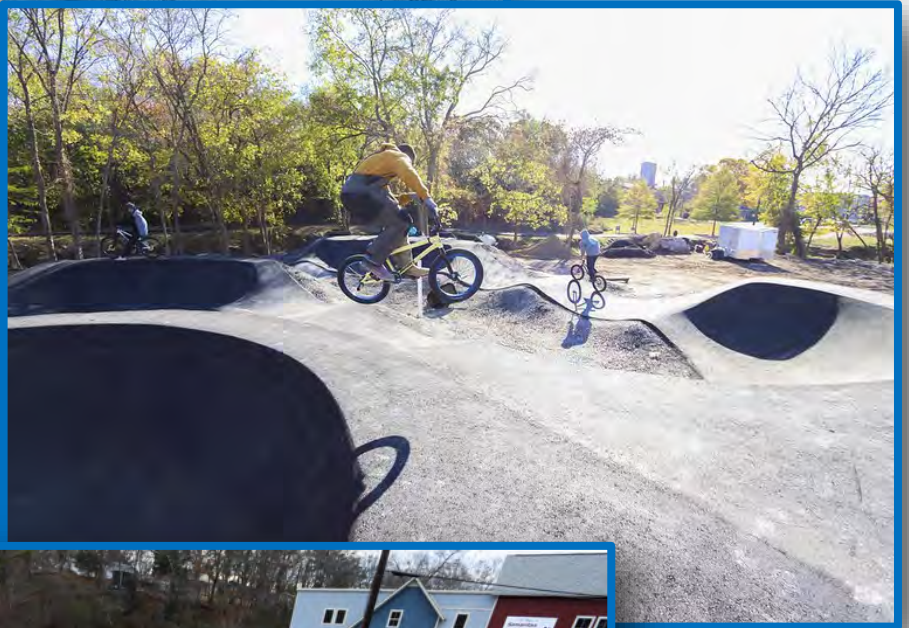
(B) 641 Malvern Ave is open 24/7, 128 Exchange Street is only open intermittently. 805 Park Ave is no longer operational.

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

This page intentionally left blank

SINGLE AUDIT AND COMPLIANCE SECTION

VELOCITY PARK



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

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

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

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

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Total Federal Expenditures	Passed Through To Subrecipients
Awarding Agency - Department of the Interior National Park Service			
Pass-Through From:			
Federal Lands Access Program			
15.916	Outdoor Recreation, Acquisition, Development and Planning-Eastern FLAP Project (236) Wayfinding Signage 61577	69,680	
15.916	Hot Springs Pedestrian Improvement (318) ArDOT 61455	417,114	
Total Department of the Interior National Park Service		486,794	-
Awarding Agency - U.S. Department of Justice			
Direct Programs:			
16.607	Bullet Proof Vest Partnership (371)	9,271	
<i>Edward Byrne Memorial Justice Assistance Program Cluster</i>			
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 15PBJA-22-GG-01146-JAGX	19,684	
16.710	Community Oriented Policing Service COPS (375) 15JCOPS-21-GG-03412-UHPX	198,002	
<i>Total Edward Byrne Memorial Justice Assistance Program</i>		217,686	-
Pass-Through From:			
Arkansas Department of Finance and Administration			
16.754/16.838	COAP-Comprehensive Opioid Abuse Program (378) FY2018 & FY2019	36,093	
16.609	Project Safe Neighborhoods (374) 2020-GP-BX-0016	2,567	
Total U. S. Department of Justice		265,617	-
Awarding Agency - U.S. Department of Housing and Urban Development			
Direct Program:			
<i>Community Development Block Grants/Entitlement Grants Cluster</i>			
14.218	Community Development Block Grants/Entitlement Grants (390) FY2017 B-17-MC-05-0014	13,414	6,614
14.218	Community Development Block Grants/Entitlement Grants (390) FY2018 B-18-MC-05-0014	1,316	1,316
14.218	Community Development Block Grants/Entitlement Grants (390) FY2019 B-19-MC-05-0014	711	711
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MC-05-0014	41,472	-
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MW-05-0014 CARES	127,950	119,312
14.218	Community Development Block Grants/Entitlement Grants (390) FY2022 B-22-MC-05-0014	249,133	2,499
14.218	Community Development Block Grants/Entitlement Grants (390) FY2023 Pending	31,693	-
<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>		465,689	130,452
Total U.S. Department of Housing and Urban Development		465,689	130,452
Awarding Agency - Department of Treasury			
Direct Program:			
21.027	American Rescue Plan Act (ARPA) SLT-2077 (333)	7,491,458	-
Total Department of Treasury		7,491,458	-
Awarding Agency - U.S. Department of Health and Human Services			
Pass-Through From:			
Arkansas Energy & Environment			
93.499	Low-Income Household Water Assistance Program (640)	528,115	-
Total U.S. Department of Health and Human Services		528,115	-
Awarding Agency - U.S. Department of Homeland Security			
Direct Program:			
97.044	Assistance to Fire Fighters Grant-AFG (347) EMW-2020-FG-14615	6,253	-
Total U. S. Department of Homeland Security		6,253	-
Total Federal Awards		\$ 12,082,918	\$ 130,452

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

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

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

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, 2023

Note 1: Basis of Presentation –

The accompanying schedule of expenditures of federal and state awards (the “Schedules”) includes the federal and state award activity of the City of Hot Springs, Arkansas (the City) under programs of the federal and state government for the year ended December 31, 2023. The information in the Federal Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies –

Expenditures reported on the Schedules are reported on the modified accrual (governmental funds) and accrual (enterprise funds) basis of accounting. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate –

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

City of Hot Springs, Arkansas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

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

Section I – Summary of Auditor’s Results
Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. Internal control over financial reporting:
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Material weakness(es) identified? ☐ Yes ☒ No
3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over the major federal award programs:
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Material weakness(es) identified? ☐ Yes ☒ No
5. Type of auditor’s report issued on compliance for major federal programs:
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No
7. Identification of the major federal programs:

Assistance Listing Number

Name of Federal Program or Cluster

21.027
20.106

COVID-19 Coronavirus State and Local Fiscal Recovery Fund
Airport Improvement Program (Including COVID Funding)

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

City of Hot Springs, Arkansas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

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

Section II – Financial Statement Findings

Reference Number	Finding
---------------------	---------

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
---------------------	---------

No matters are reportable.

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

Reference Number	Summary of Finding	Status
No matters are reportable.		

This page intentionally left blank

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas (City), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Forvis Mazars, LLP

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hot Springs' (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

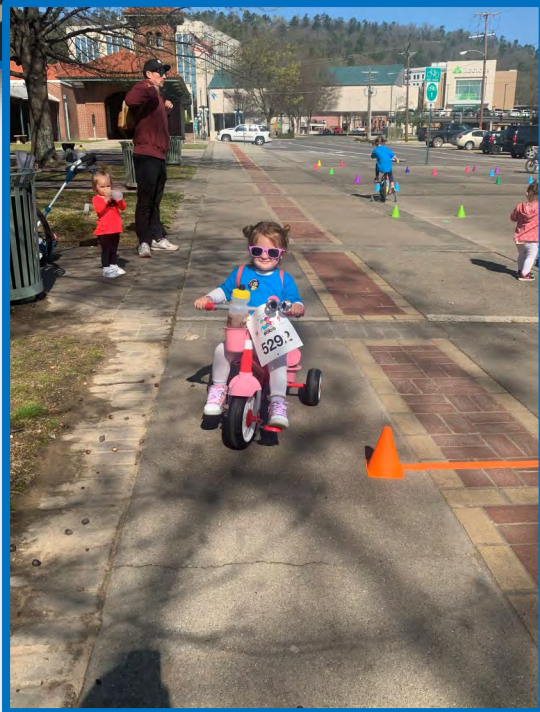
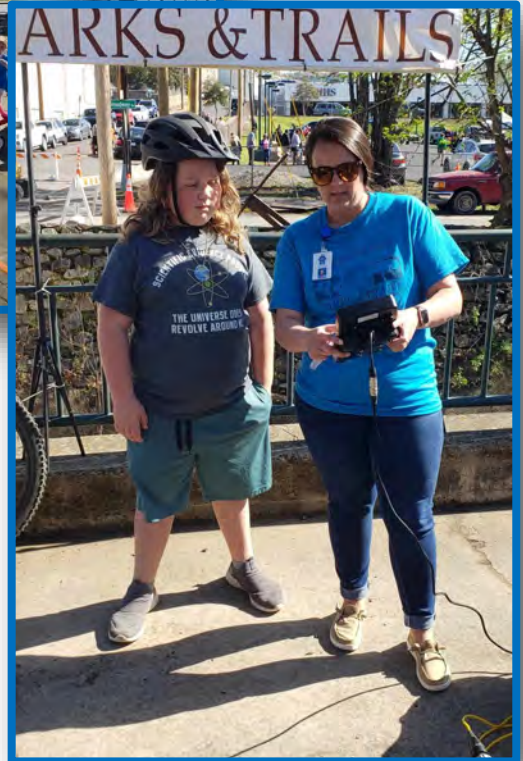
The Honorable Mayor, Members of the Board of Directors, and City Manager
City of Hot Springs, Arkansas

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

Forvis Mazars, LLP

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

TIKES AND TRIKES



Independent Accountant's Report on Compliance with Certain State Acts

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

We have examined management's assertion that the City of Hot Springs, Arkansas (City) complied with the requirements of the *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2023.

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

Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above based upon our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the City of Hot Springs, Arkansas complied with the aforementioned requirements during the year ended December 31, 2023 is fairly stated, in all material respects.

Forvis Mazars, LLP

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

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, 2024

City of Hot Springs, Arkansas

Statement of Revenues, Expenses and Changes in Net Position

Wastewater

****Unaudited****

For the Year Ended December 31, 2024

	<u>Wastewater</u>
OPERATING REVENUES	
Charges for sales and services:	
WasteWater Charges	22,000,855
Other Service Fees	755,178
Misc & Other Rev	182,833
Total Operating Revenue	<u>22,938,866</u>
OPERATING EXPENSES	
Salaries & Benefits	4,165,382
Services	2,850,111
Administration Costs	3,464,795
Post Closure Exp	24,313
Supplies	2,391,895
Depreciation	5,199,347
Total Operating Expense	<u>18,095,843</u>
Operating Income (expense)	<u>4,843,023</u>
NON OPERATING REVENUES (EXPENSES)	
Intergovernmental	-
Investment Earnings	2,460,286
Net increase (decrease) in fair value of assets	476,986
Bond costs & other	(4,515,601)
Gain (loss) on sale of assets	-
Total non operating revenue (exp)	<u>(1,578,329)</u>
Income before contributions & transfers	3,264,694
Capital contributions	-
Change in net position	<u>3,264,694</u>
Total net position, beginning of year	<u>55,976,676</u>
Total net position, end of year	<u><u>\$ 59,241,370</u></u>

APPENDIX C

Specimen Municipal Bond Insurance Policy



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

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN