

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 13, 2022

NEW ISSUE  
BOOK-ENTRY ONLY

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

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Bonds and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, for tax years beginning after December 31, 2022, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax (and the interest on the Bonds is exempt from State of Arkansas income tax and the Bonds are exempt from property taxation in the State of Arkansas). See **LEGAL MATTERS**, Tax Exemption.*

**\$48,610,000\***  
**CITY OF HOT SPRINGS, ARKANSAS**  
**WATERWORKS REVENUE REFUNDING AND CONSTRUCTION BONDS**  
**SERIES 2023**

Dated: Date of Delivery

Due: October 1, as described below

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 revenues derived from the operation of the City's waterworks system, which pledge in favor of the Bonds is on a parity with the pledge in favor of the City's Waterworks Revenue Bonds, Series 2018, the City's Waterworks Revenue Refunding Bonds, Series 2019, the City's Waterworks Revenue Bonds, Series 2020 and the City's Waterworks Revenue Refunding Bond, Series 2021 and is senior to the pledge in favor of the City's indebtedness to the Mid-Arkansas Water Alliance pursuant to an Agreement dated as of May 9, 2017.

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2023, and the Bonds mature (on October 1 of each year), bear interest and are priced to yield as follows:

**MATURITY SCHEDULE\***  
\$17,370,000 Serial Bonds

<u>YEAR</u>	<u>AMOUNT</u>	<u>RATE(%)</u>	<u>YIELD(%)</u>	<u>YEAR</u>	<u>AMOUNT</u>	<u>RATE(%)</u>	<u>YIELD(%)</u>
2023	\$ 105,000			2031	\$1,490,000		
2024	215,000			2032	1,550,000		
2025	225,000			2033	1,620,000		
2026	1,150,000			2034	1,520,000		
2027	1,215,000			2035	1,360,000		
2028	1,275,000			2036	1,415,000		
2029	1,345,000			2037	1,470,000		
2030	1,415,000						

\$8,315,000 \_\_\_\_\_ % Term Bonds Due October 1, 2042; Yield \_\_\_\_\_ %  
\$10,225,000 \_\_\_\_\_ % Term Bonds Due October 1, 2047; Yield \_\_\_\_\_ %  
\$12,700,000 \_\_\_\_\_ % Term Bonds Due October 1, 2052; Yield \_\_\_\_\_ %

The Bonds of each maturity will be initially issued as a single registered Bond registered in the name of Cede & Co., the nominee of The Depository Trust Company (DTC), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of the Bonds. Payments of principal of and interest on the Bonds will be made by Bank OZK, Little Rock Arkansas, as the 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 to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds are offered when, as and if issued and received by the Underwriters named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, 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.**

**RAYMOND JAMES®**

Dated: \_\_\_\_\_, 2022

\* Preliminary; subject to change.

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

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

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

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**OFFICIAL STATEMENT**  
**\$48,610,000\***  
**CITY OF HOT SPRINGS, ARKANSAS**  
**WATERWORKS REVENUE REFUNDING AND CONSTRUCTION BONDS**  
**SERIES 2023**

**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 exhibits 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 Waterworks Revenue Refunding and Construction Bonds, Series 2023, in the aggregate principal amount of \$48,610,000\* (the "Bonds"). The Bonds are being issued to refund the City's Waterworks Revenue Improvement Bond, Series 2010A (the "Bond Refunded"), to finance a portion of the costs of acquiring, constructing and equipping betterments and improvements to the City's waterworks system (the "Project"), to pay premiums for the Insurance Policy (hereinafter defined) and the Reserve Policy (hereinafter defined) and to pay expenses of issuing the 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 (the "County"), 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 234, Subchapter 2 and 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 but are special obligations payable solely from the revenues derived from the operation of the City's waterworks system (the "System"). The pledge of the revenues of the System ("System Revenues") in favor of the Bonds is on a parity with the pledge in favor of the City's Waterworks Revenue Bonds, Series 2018 (the "2018 Bonds"), the City's Waterworks Revenue Refunding Bonds, Series 2019, the City's Waterworks Revenue Bonds, Series 2020 (the "2020 Bonds") and the City's Waterworks Revenue Refunding Bond, Series 2021 (collectively, the "Parity Bonds") and is senior to the pledge in favor of the City's indebtedness to the Mid-Arkansas Water Alliance (the "Subordinate Obligation") pursuant to an Agreement dated as of May 9, 2017 (the "Water Storage Agreement"). 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. 6452, adopted November 15, 2022 as supplemented (collectively, 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**.

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\* 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 April 1, 2023, and semiannually thereafter on each April 1 and October 1. Principal is payable at the designated office of Bank OZK, Little Rock, Arkansas, as trustee and paying agent (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 fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (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 Exhibit 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 are subject to optional redemption on and after October 1, 2030 and are subject to extraordinary redemption from proceeds of the Bonds not needed for the purposes intended. The Bonds maturing on October 1 in the years 2042\*, 2047\* and 2052\* are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, for tax years beginning after December 31, 2022, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax, (iii) interest on the Bonds is exempt from State income tax and (iv) the Bonds are exempt from property taxes in the State. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Bonds will be available for delivery on or about January 31, 2023, through the facilities of The Depository Trust Company, in New York, New York.

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

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

## **THE BONDS**

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

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\* Preliminary; subject to change.

certificate for each maturity will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

Generally. The Bonds shall be dated, mature and bear interest and interest is payable on the Bonds as set forth on the 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, interchangeable in accordance with the provisions of the Authorizing Ordinance. 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 transferable by the registered owner thereof or by his attorney duly authorized in writing at the designated office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to the owner of any Bond for the privilege of registration, but any owner of any Bond 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 the 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 in the State are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

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

(1) Extraordinary Redemption. The Bonds must be redeemed from proceeds of the 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 are subject to redemption at the option of the City from funds from any source on and after October 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 of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

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

Bonds Maturing October 1, 2042

<u>Years</u>	<u>Principal Amount</u>
2038	\$1,530,000
2039	1,595,000
2040	1,660,000
2041	1,730,000
2042 (maturity)	1,800,000

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\* Preliminary; subject to change.

Bonds Maturing October 1, 2047

<u>Years</u>	<u>Principal Amount</u>
2043	\$1,875,000
2044	1,955,000
2045	2,040,000
2046	2,130,000
2047 (maturity)	2,225,000

Bonds Maturing October 1, 2052

<u>Years</u>	<u>Principal Amount</u>
2048	\$2,320,000
2049	2,425,000
2050	2,535,000
2051	2,650,000
2052 (maturity)	2,770,000

In the case of any redemption of Bonds prior to maturity, the Trustee shall mail, or send by other standard means, including electronic or facsimile communication, a copy of the redemption notice to the registered owners of the Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

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

**Purposes for Bonds.** The Bonds are being issued to refund the Bond Refunded (the "Refunding"), to finance a portion of the costs of the Project, to pay the premiums for the Insurance Policy and the Reserve Policy (hereinafter defined) and to pay costs of issuing the Bonds.

The Project includes particularly, without limitation, 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 into the System.

Proceeds of the Bonds will be used to finance a portion of the costs of the Project. The remainder of the costs are being financed with proceeds of the 2018 Bonds and the 2020 Bonds.

A portion of the Bond proceeds and other available funds will be deposited with the owner of the Bond Refunded and used to redeem the Bond Refunded on the date the Bonds are issued at a redemption price of par plus accrued interest.

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The proceeds of the Bonds are estimated to be used as follows:

**SOURCES:\***

Principal Amount of Bonds	\$48,610,000
Net Original Issue Premium	<u>515,068</u>
Total Sources	\$49,125,068

**USES:\***

Refunding Costs	\$ 3,302,919
Project Costs	45,000,000
Costs of Issuance, Insurance Policy Premium, Reserve Policy Premium and Underwriter's Discount	<u>822,149</u>
Total Uses	\$49,125,068

The payment of Underwriters' discount, Insurance Policy premium, Reserve Policy premium and costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting**. The City will deposit the principal amount of the Bonds plus any original issue premium less any original issue discount, Underwriters' discount, Refunding deposit, certain issuance costs, Insurance Policy premium and Reserve Policy premium into a special fund designated "Waterworks Bond Construction Fund, Series 2023" (the "Construction Fund"). The Construction Fund will be established at a bank or banks selected by the City. Moneys contained in the Construction Fund will be disbursed by the City solely in payment of Project costs, paying necessary expenses incidental thereto and paying expenses of issuing the Bonds. Disbursements shall be on the basis of checks or requisitions which shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. 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 System Revenues. The pledge of System Revenues securing the Bonds is on a parity with the pledge of System Revenues in favor of the Parity Bonds and is senior to the pledge of System Revenues in favor of the Subordinate Obligation.

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 principal and interest requirements on the 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. See **THE AUTHORIZING ORDINANCE, Parity Bonds**.

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

The COVID-19 pandemic did not negatively affect the financial condition of the System in 2021 and has not negatively affected the financial condition of the System in 2022. The City expects that its available funds will be sufficient to fund its essential services and make all debt service

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\* Preliminary; subject to change.

payments. The System also expects its available funds will be adequate to fund its services and make all debt service payments.

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

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

## **THE CITY AND THE COUNTY**

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

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

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

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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

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

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

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

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

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

<u>Year</u>	<u>Annual Average Unemployment Rate (%)</u>		
	<u>City</u>	<u>County</u>	<u>State</u>
2017	4.5	4.1	3.7
2018	4.6	4.0	3.6
2019	4.1	3.7	3.5
2020	9.5	8.0	6.1
2021	6.1	5.0	4.0
2022*	4.6	4.3	3.6

\*Preliminary as of September 2022

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

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, 2018 - 2022:

<u>Year</u> <u>(Ended June 30)</u>	<u>Hot Springs School District</u>	<u>Other County Districts</u>
2018	3,567	11,374
2019	3,579	11,289
2020	3,629	11,271
2021	3,631	10,893
2022	3,574	10,852

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 College is located on a 126-acre campus near the City.

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

<u>Employer</u>	<u>Product or Service</u>	<u>Number of Employees</u>
Oaklawn Racing Casino Resort	Horse racing and gaming	1,464
CHI St. Vincent Hot Springs	Healthcare	1,214
Walmart	Retail	799
National Park Medical Center	Healthcare	680
City of Hot Springs	Government	644
Hot Springs School District	Education	470
Garland County	Government	438
National Park College	Education	427
Lakeside School District	Education	346
Kroger	Retail	345
Radius Aerospace	Aviation	302
Window Mart	Manufacturing	300
Timber Automation	Manufacturing	280
Berry Global	Manufacturing	271
StarTek Marketing Services	Customer service center	240
Reynolds Packaging	Packaging	227
Triumph Airborne Structures	Aviation	225

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

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

## THE SYSTEM

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

Operation, maintenance and management of the combined utilities are operated by utility staff under the direction of a 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 38 persons in water production and distribution and 42 persons in utility administration, which serves both water and wastewater administrative functions. These 80 persons are part of the total of 147 employees of the combined utilities.

The waterworks system operates two water treatment plants and approximately 867 miles of distribution lines. The Ouachita Water Treatment Plant has a treatment capacity of 22 million gallons a day (MGD). The Lakeside Water Treatment Plant is a 6 MGD facility.

In the Water Storage Agreement, the City has been granted storage space in Lake Ouachita reserved to the Mid-Arkansas Water Alliance to be used to import water for municipal and industrial water supply.

The following table sets forth the average daily water production, the maximum daily water production and the total water production for the last five years:

<u>Year</u>	<u>Average Daily Water Production in Gallons</u>	<u>Maximum Daily Water Production in Gallons</u>	<u>Total Water Production in Gallons</u>
2017	12,078,890	18,589,000	4,408,798,000
2018	14,923,490	20,429,000	4,890,434,540
2019	14,272,490	17,648,939	5,170,752,000
2020	14,737,217	18,814,484	5,395,145,651
2021	15,459,783	21,265,119	5,641,174,242

Users. The System serves substantially all of the households in the City. There are approximately 15,663 retail water customers located outside the City. The City also sells water to three wholesale customers (City of Mountain Pine, North Garland County Regional Water District and Lake Catherine Waterworks and Sewer Facilities Board of Garland County, Arkansas). The following is a breakdown of the number of water users by category for the following years.

<u>Year</u>	<u>Residential</u>	<u>Non-Residential (Commercial)</u>	<u>Wholesale</u>	<u>Total</u>
2017	32,147	3,149	3	35,299
2018	32,310	3,162	3	35,475
2019*	31,176	3,639	3	34,818
2020	31,227	3,529	3	34,759
2021	32,433	3,644	3	36,080

\*The City began using new software in January 2019 that caused reclassification and adjustments to the number of water users in 2019.

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

1. Mountain View Heights LP
2. CNL Magic Springs Amusement Park
3. Lake Catherine Waterworks and Sewer Facilities Board of Garland County, Arkansas
4. Triumph Airborne Structures
5. City of Mountain Pine

Water Rates. On November 15, 2022, the Board of Directors of the City approved an increase in water rates. The first rate increase will become effective on January 1, 2023 with a second rate increase to take effect on November 1, 2023. Additional rate increases will become effective on January 1, 2025 and then on January 1 of each subsequent year, unless the water rate ordinance is amended by the Board of Directors of the City. Set forth in Exhibit A to this Official Statement are the monthly rates for the System.

Litigation. There is no material litigation or regulatory proceeding pending or threatened against the System.

## **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 Exhibit to this Official Statement.

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

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the City on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market

price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$512.5 million, \$196.6 million and \$316.9 million, respectively.

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

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

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

**BAM GreenStar Bonds.** The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the City as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and 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://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the City or the Underwriters, and the City and the Underwriters assume no responsibility for such designation.

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

#### *Additional Information Available from BAM*

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

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

for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

### **THE AUTHORIZING ORDINANCE**

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

Rates and General Covenants to Operate. (a) The rates charged for services of the System heretofore fixed by ordinance of the City and the conditions, rights and obligations pertaining thereto, as set out in that 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 water facilities (other than depreciation, interest and amortization of deferred bond discount expenses), provide the amount required to be set aside for the Depreciation Fund (described below), pay principal and interest on all outstanding bonds and other debt obligations to which System Revenues are pledged ("System Bonds"), maintain any debt service reserves at required levels and 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. 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 Treasurer, 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 initially deposited into a "Waterworks Revenue Fund" (the "Revenue Fund").

(b) There shall first be paid from the Revenue Fund into a special fund created with the Trustee and designated "2023 Waterworks Revenue Bond Fund" (the "Bond Fund"), beginning on the first business day of the month immediately following the month in which the Bonds are delivered, and continuing on the first business day of each month thereafter while any of the Bonds shall be outstanding, a sum equal to 1/6 of the next installment of interest plus 1/12 of the next installment of principal on the Bonds; provided, however, the monthly payments into the Bond Fund through September 2023 shall be increased as necessary to provide for the principal and

interest payments due through October 1, 2023. The City shall also deposit into the Bond Fund the amounts necessary to provide for payment, as due, of all fees and expenses of the Trustee.

There shall be maintained, as a part of the Bond Fund, a debt service reserve (the "Debt Service Reserve"). There shall be deposited into the Debt Service Reserve the Reserve Policy issued by the Insurer, which shall be in the face amount of one-half of the maximum annual debt service requirement on the Bonds.

Repayment to the Insurer of draws pursuant to the Reserve Policy shall be made after the required payments into the Bond Fund, the Parity Bond Funds and the bond funds for any additional parity bonds, but prior to any payments into any other fund or account. Repayment to the Insurer of draws pursuant to the Insurance Policy are on a parity with debt service on the Bonds.

The Bonds shall be specifically secured by a pledge of all System Revenues required to be placed into the Bond Fund. The pledge in favor of the Bonds is hereby irrevocably made according to the terms of the Authorizing Ordinance, and the City and its officers and employees shall execute, perform and carry out the terms thereof in strict conformity with the provisions thereof.

(c) 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 deposits 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 bond 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 revenues derived from the operation of the System 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.

(d) After making the required payments into the Bond Fund, the Parity Bond Funds and bond funds for any additional parity bonds ("Additional Parity Bond Funds"), there shall be set aside from the Revenue Fund an amount equal to 1/12 of the annual payment next due on the Subordinate Obligation.

(e) There shall next be paid from the Revenue Fund into a fund designated "Waterworks Depreciation Fund" (the "Depreciation Fund"), on the first business day of each month while any of the Bonds are outstanding, an amount equal to (1) 5% of the gross operating revenues (being gross revenues exclusive of revenues derived from the sale of capital assets and revenues derived from investment earnings) for the preceding month or (2) such other amount required by State law; provided, however, that so long as the Depreciation Fund has a balance of at least \$4,000,000 (the "Depreciation Level"), then no monthly deposit into the Depreciation Fund will be required. If the balance in the Depreciation Fund is less than the Depreciation Level, then the monthly deposit into the Depreciation Fund shall be made until the balance in the Depreciation Fund reaches the Depreciation Level. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements made necessary by the depreciation of the System and for the purpose of paying costs of damage caused by unforeseen catastrophes.

(f) After making the payments into the various funds described above, there shall be paid from the Revenue Fund into a fund designated "Waterworks Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.



If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of the deficiency shall be added to the amount otherwise required to be transferred and paid into such fund the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation, repair and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred into the Bond Fund, the Parity Bond Funds and the bond funds for any additional parity bonds, on a pro rata basis, or into the Depreciation Fund.

(g) Any surplus remaining 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 the System Bonds and may be used, at the option of the City, for any lawful purpose related to the System.

Parity Bonds. So long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on 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 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 either (i) the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds were equal to 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 of the System 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.

The term "net revenues" means gross 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.

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 of the Bonds 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 the Bonds 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. The City may provide comparable protection to the satisfaction of 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 Fund and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Defeasance. Any Bond shall be deemed paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond, either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment (1) cash fully insured by the FDIC and/or fully collateralized by direct or fully guaranteed obligations of the United States of America ("Defeasance Securities") and/or (2) Defeasance Securities (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (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 all arbitrage rebate due the United States 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.

Defaults and Remedies. (a) Subject to the provisions of subparagraph (f) 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 to the Insurer 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) No remedy conferred upon or reserved to the Trustee, the Insurer or to 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.

(d) 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.

(e) 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.

(f) 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.

(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 Insurer, the City, so long as it is not in default under the Authorizing Ordinance, 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 with the City Clerk and 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 the Construction Fund and the Bond Fund may be continuously invested and reinvested in Permitted Investments, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than (1) the payment date for interest or principal and interest in the case of the Bond Fund and (2) the date or

dates when the moneys will be needed for the purposes intended in the case of the Construction Fund.

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

(c) "Permitted Investments" are defined as (i) direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America ("Government Securities")), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by State law to secure public funds or (iv) money market funds, including funds managed by the Trustee, invested exclusively in Government Securities or investments described in (ii) above.

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

## **CONTINUING DISCLOSURE AGREEMENT**

Past Compliance. During the past five years, the City has been obligated to comply with continuing disclosure agreements related to fifteen 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 thirteen 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 wastewater system (the "Wastewater System"), as applicable. The City satisfied its obligation to file such financial statements by filing its Annual Comprehensive Financial Report ("ACFR"). For the remaining bond issues, the City was obligated to file the audited financial statements of the Advertising and Promotion Commission of the City (the "Commission").

For the bond issues that required the City to file on EMMA its general purpose financial statements, the financial statements of the System or the financial statements of the Wastewater System, as applicable, the City timely filed the ACFR for the fiscal years ended December 31, 2017, 2018, 2019 and 2020 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.

For the bond issues that required the City to file on EMMA the Commission's audited financial statements, the City has filed such audited financial statements. However, the audited financial statements of the Commission for the fiscal years ended December 31, 2020 and 2021 were filed late by one day and 16 days, respectively. The audited financial statements of the Commission for the fiscal years ended December 31, 2017 and 2019 were timely filed on EMMA. The audited financial statements of the Commission for the fiscal year ended December 31, 2018 were not required to be filed.

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

For the bond issues secured by the hotel and restaurant tax levied by the City (the "Tax"), the City timely filed on EMMA all required supplemental financial and operating data, except for the reports for the fiscal years ended December 31, 2017 and 2020. For the year ended December 31, 2017, the City only included Tax collections for the latest year and the three previous years rather than the latest year and the four previous years as required. For the year ended December 31, 2020, the required supplemental financial and operating data was filed one day late. The City was not required to make a filing for the fiscal year ended December 31, 2018.

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

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

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

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

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

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

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

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

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

"Financial Obligation" shall mean a

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if the City is not serving as the 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 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 resident and nonresident water customers as of the end of the fiscal year; and (ii) any change in water rates.

(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 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 website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

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

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



terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not 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 (if the City is not the Dissemination Agent) to comply with any provision of the Continuing Disclosure Agreement, the Insurer, the Underwriters or any Beneficial Owner may 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 Dissemination Agent 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 Dissemination Agent, the Insurer, the Underwriters and the Beneficial Owners and shall create no rights in any other person or entity.

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## FINANCIAL INFORMATION

Generally. Set forth in Exhibit B is the City's Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021, which includes the audited financial statements of the System for such period. These financial statements were prepared in accordance with accounting principles generally accepted in the United States and were audited in accordance with auditing standards generally accepted in the United States.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues	\$19,456,328	\$17,564,759	\$16,193,069	\$15,071,297	\$12,644,875
Operating Expenses (Excluding Depreciation)	<u>(8,608,054)</u>	<u>(8,900,530)</u>	<u>(9,146,339)</u>	<u>(8,189,519)</u>	<u>(8,197,219)</u>
Operating Income Before Depreciation	\$10,848,274	\$8,664,229	\$7,046,730	\$6,881,778	\$4,447,656
Depreciation	(4,011,390)	(3,511,390)	(3,238,831)	(3,367,668)	(3,280,725)
Non-operating Revenues (Expenses)	<u>(5,356,698)</u>	<u>(3,194,918)</u>	<u>(787,656)</u>	<u>(734,699)</u>	<u>(444,907)</u>
Net Income (Loss) (Before Contributions and Transfers)	<u>\$1,480,186</u>	<u>\$1,957,921</u>	<u>\$3,020,243</u>	<u>\$2,779,411</u>	<u>\$722,024</u>

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Forecasted Revenues and Expenses. Operating revenues and expenses of the System for the fiscal years ending December 31, 2023 – 2032 have been projected below by Willdan Financial Services, Plano, Texas ("Willdan"). The information in (a) and (b) below has been provided by Willdan and was used by Willdan in making the projections below.

(a) Planned increases in the water revenues include an increase in January 2023 that represents a \$2.00 increase in the base charge for 5/8" meters, proportionately higher adjustments on larger meters, and a 3.0% increase to the volume charge. The plan includes another water rate increase in November 2023, which is composed of a \$2.00 increase in the base charge for 5/8" meters, proportionately higher adjustments on larger meters, and a 3.0% increase to the volume charge. This is forecast to be followed by 3% annual base and volume rate increases through 2032. All non-rate revenues are assumed to increase approximately 3% per year from customer growth and fee increases.

(b) Operating expense forecast is based on FY 2022 approved budget for the System. Most expenses are adjusted annually by 3% for inflation. Certain expenses such as chemicals and health insurance are adjusted at a higher than inflation rate to reflect typically larger increases and growth in customer use. Volumes (gallons) used to determine rate revenue estimates are based on actual historical use for the twelve months ending August 2022 adjusted annually for reasonable growth assumptions (average annual increase of 1.0%). Operating expenses, as presented in the table below and used to determine debt service coverage, exclude depreciation, and capital outlays, in order to remain consistent with the 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 2032	Projected 2031	Projected 2030	Project 2029	Projected 2028	Projected 2027	Projected 2026	Projected 2025	Projected 2024	Projected 2023
Operating Revenues	\$33,542,898	\$32,373,740	\$31,205,001	\$30,040,017	\$28,881,983	\$27,733,933	\$26,598,732	\$25,512,284	\$24,378,856	\$22,336,563
Operating Expenses (Excluding Depreciation)	(16,342,692)	(15,734,103)	(15,150,539)	(14,590,912)	(14,054,180)	(13,539,350)	(13,045,474)	(12,465,528)	(11,725,809)	(10,759,823)
Net Revenues Available for Debt Service	\$17,200,206	\$16,639,637	\$16,054,461	\$15,449,106	\$14,827,803	\$14,194,583	\$13,553,259	\$13,046,755	\$12,653,047	\$11,576,740

## **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS**

All of the City's full-time employees receive retirement benefits. The City's uniformed police and fire personnel participate in the Arkansas Local Police and Fire Retirement System ("LOPFI") and if hired prior to January 1, 1983, the Police Pension and Relief Fund (the "Old Police Plan") or the Fireman's Pension and Relief Fund (the "Old Fire Plan"). The City's municipal judges and clerks and all other City employees are covered under the Arkansas Public Employees Retirement System ("APERS"). The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

LOPFI is a statewide cost-sharing, multiple-employer, defined benefit pension plan that provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. Contributions to LOPFI are made by both the members and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis.

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

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

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

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

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

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

The City's required contributions for the 2021 plan year were 31% of gross salary, based upon the December 31, 2020 actuarial report. Contributions to the Old Fire Plan by the City equaled \$1,498,284 for the year ended December 31, 2021, and the City's pension expense associated with the Old Fire Plan

was \$1,277,997 for the same period. The City's net pension liability of \$29,202,960 as of December 31, 2021, was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

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

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

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

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

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

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## DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for each year ending December 31:

<u>Year</u> <u>(Ending December 31)</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2023	\$ 105,000		
2024	215,000		
2025	225,000		
2026	1,150,000		
2027	1,215,000		
2028	1,275,000		
2029	1,345,000		
2030	1,415,000		
2031	1,490,000		
2032	1,550,000		
2033	1,620,000		
2034	1,520,000		
2035	1,360,000		
2036	1,415,000		
2037	1,470,000		
2038	1,530,000		
2039	1,595,000		
2040	1,660,000		
2041	1,730,000		
2042	1,800,000		
2043	1,875,000		
2044	1,955,000		
2045	2,040,000		
2046	2,130,000		
2047	2,225,000		
2048	2,320,000		
2049	2,425,000		
2050	2,535,000		
2051	2,650,000		
2052	2,770,000		
Totals:	\$48,610,000		

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\* Preliminary; subject to change.

Set forth below are the debt service requirements for the Bonds, the Parity Bonds and the Subordinate Obligation for each year ending December 31:

<u>Year (Ending December 31)</u>	<u>Bonds Debt Service</u>	<u>Parity Bonds Debt Service</u>	<u>Subordinate Obligation Debt Service</u>	<u>Total Debt Service</u>
2023		\$ 7,657,066.52	\$ 444,440.85	
2024		7,869,436.52	444,440.84	
2025		7,887,714.52	444,440.84	
2026		7,877,624.52	444,440.84	
2027		7,874,742.52	444,440.84	
2028		7,883,826.52	444,440.83	
2029		7,879,584.52	444,440.83	
2030		7,875,408.52	444,440.83	
2031		7,885,229.76	444,440.82	
2032		7,868,343.76	444,440.82	
2033		7,881,153.26	444,440.82	
2034		7,566,549.26	444,440.81	
2035		7,551,223.26	444,440.81	
2036		7,544,381.26	444,440.81	
2037		7,555,697.26	444,440.80	
2038		7,549,379.26	444,440.80	
2039		7,545,619.26	444,440.80	
2040		7,211,629.76	444,440.79	
2041		6,784,656.26	444,440.79	
2042		6,787,606.26	444,440.78	
2043		6,787,268.76	444,440.78	
2044		5,555,100.00	444,440.77	
2045		5,554,350.00	444,440.77	
2046		5,554,550.00	444,440.77	
2047		5,556,175.00	--	
2048		5,554,087.50	--	
2049		5,553,287.50	--	
2050		5,553,637.50	--	
2051		--	--	
2052		--	--	
Totals		\$198,205,329.04	\$10,666,579.44	

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## DEBT SERVICE COVERAGE

The following table shows the projected net revenues available for debt service through the 2032 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 2032	Projected 2031	Projected 2030	Projected 2029	Projected 2028	Projected 2027	Projected 2026	Projected 2025	Projected 2024	Projected 2023
Net Revenues Available for Debt Service (A)	\$17,200,206	\$16,639,637	\$16,054,461	\$15,449,106	\$14,827,803	\$14,194,583	\$13,553,259	\$13,046,755	\$12,653,047	\$11,576,740
Current Year Debt Service for Bonds and Parity Bonds <sup>(1)</sup> (B)	11,137,581	11,154,067	11,139,996	11,141,422	11,139,414	11,131,080	11,126,462	10,222,802	10,205,274	9,185,364
Debt Service Coverage (A/B)	1.54x	1.49x	1.44x	1.39x	1.33x	1.28x	1.22x	1.28x	1.24x	1.26x
Current Year Debt Service for Bonds, Parity Bonds and Subordinate Obligation <sup>(1)</sup> (C)	11,582,022	11,598,508	11,584,437	11,585,863	11,583,855	11,575,521	11,570,903	10,667,243	10,649,715	9,629,805
Debt Service Coverage (A/C)	1.49x	1.43x	1.39x	1.33x	1.28x	1.23x	1.17x	1.22x	1.19x	1.20x
Maximum Annual Debt Service for Bonds and Parity Bonds <sup>(1)(2)</sup> (D)	11,158,391	11,158,391	11,158,391	11,158,391	11,158,391	11,158,391	11,158,391	11,158,391	11,158,391	11,158,391
Debt Service Coverage (A/D)	1.54x	1.49x	1.44x	1.38x	1.33x	1.27x	1.21x	1.17x	1.13x	1.04x
Maximum Annual Debt Service for Bonds, Parity Bonds and Subordinate Obligation <sup>(1)(3)</sup> (E)	11,602,832	11,602,832	11,602,832	11,602,832	11,602,832	11,602,832	11,602,832	11,602,832	11,602,832	11,602,832
Debt Service Coverage (A/E)	1.48x	1.43x	1.38x	1.33x	1.28x	1.22x	1.17x	1.12x	1.09x	1.00x
Average Annual Debt Service for Bonds and Parity Bonds <sup>(1)(4)</sup> (F)	9,011,529	9,108,917	9,197,225	9,278,233	9,352,680	9,421,080	9,484,242	9,510,619	9,534,573	9,522,933
Debt Service Coverage (A/F)	1.91x	1.83x	1.75x	1.67x	1.59x	1.51x	1.43x	1.37x	1.33x	1.22x
Average Bond Debt Service for Bonds, Parity Bonds and Subordinate Obligation <sup>(1)(4)</sup> (G)	9,328,986	9,432,146	9,525,724	9,611,563	9,690,455	9,762,958	9,829,919	9,859,823	9,887,061	9,878,485
Debt Service Coverage (A/G)	1.84x	1.76x	1.69x	1.61x	1.53x	1.45x	1.38x	1.32x	1.28x	1.17x

<sup>(1)</sup>Using a year ending December 31. Assuming an average coupon rate of 4.36% for the Bonds.

<sup>(2)</sup>Maximum annual debt service for the Bonds and Parity Bonds is in 2033.

<sup>(3)</sup>Maximum annual debt service for the Bonds, Parity Bonds and Subordinate Obligation is in 2033.

<sup>(4)</sup>The average annual debt service shown above only takes into account the current year and any subsequent years.

## LEGAL MATTERS

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

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

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

Also, in the opinion of Bond Counsel, interest on the Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, with respect to certain corporations, for tax years beginning after December 31, 2022, such interest will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

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

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

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

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

issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

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

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

As shown on the cover page of this Official Statement, certain of the 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 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "IRA"), which, among other things, makes certain changes to the federal tax laws affecting the taxation of certain corporations for tax years beginning after December 31, 2022. The introduction or enactment of any other legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation (including particularly, without limitation, the IRA), regulations or litigation, as to which Bond Counsel expresses no opinion.

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

## FORWARD-LOOKING STATEMENTS

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

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

## MISCELLANEOUS

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

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

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

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

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

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

An explanation of the significance of such rating may be obtained from S&P. The City furnished to S&P the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their 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 rating could have an adverse effect on market prices of the Bonds. The Underwriters and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

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

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

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

CITY OF HOT SPRINGS, ARKANSAS

By /s/ \_\_\_\_\_  
Mayor

Dated: As of the Cover Page hereof.

## **EXHIBIT A**

### **Monthly Rates for the System**

SCHEDULE A-1

For Bills rendered between January 1 2023 and October 31 2023

I. MINIMUM MONTHLY CHARGE -- 1ST 1,000 GALLONS								
Meter Size (inches)	W1	W9	W2,W3,W6,W8	W10,W11,W14,W15	W7	W4,W5	W12,W13	
	Residential	Residential	Commercial/Industrial	Commercial/Industrial	Wholesale	Sprinkler	Sprinkler	
	In City	Out-of-City	Nonprofit/Construction	Nonprofit/Construction	In City	In City	Out-of-City	
5/8"	15.39	23.09	17.50	26.24	19.14	23.61	35.41	
3/4"	23.07	34.61	26.19	38.28	28.70	35.35	53.03	
1"	38.45	57.68	43.73	65.60	47.83	59.08	88.61	
1 1/2"	76.73	115.09	87.30	130.95	95.55	117.89	176.83	
2"	122.90	184.35	139.73	209.59	152.75	188.63	282.95	
3"	230.45	345.67	261.98	392.96	286.50	353.75	530.63	
4"	384.07	576.11	436.56	654.84	477.58	589.39	884.08	
6"	768.11	1,152.16	873.15	1,309.72	955.06			
8"	1,228.95	1,843.42	1,396.96	2,095.44	1,528.09			
10"	1,766.22	2,649.33	2,007.75	3,011.63	2,196.60			
II. ADDITIONAL MONTHLY VOLUME CHARGE (per 1,000 Gallons)								
	W1	W9	W2,W3,W6,W8	W10,W11,W14,W15	W7	W4,W5	W12,W13	
	Residential	Residential	Commercial/Industrial	Commercial/Industrial	Wholesale	Sprinkler	Sprinkler	
	In City	Out-of-City	Nonprofit/Construction	Nonprofit/Construction	In City	In City	Out-of-City	
1,001 5,000	3.01	4.52	3.42	5.12	2.27	4.61	6.92	
5,001 10,000	3.37	5.05	3.42	5.12	2.27	5.07	7.60	
10,001 20,000	3.71	5.57	3.42	5.12	2.27	5.58	8.37	
20,001 Above	4.06	6.09	3.42	5.12	2.27	6.14	9.21	

# SCHEDULE A-2

For Bills rendered between November 1 2023 and December 31 2024

I. MINIMUM MONTHLY CHARGE -- 1ST 1,000 GALLONS															
Meter	W1		W9		W2,W3,W6,W8		W10,W11,W14,W15		W7		W4,W5		W12,W13		
Size	Residential		Residential		Commercial/Industrial		Commercial/Industrial		Wholesale		Sprinkler		Sprinkler		
(inches)	In City		Out-of-City		In City		Out-of-City		In City		In City		Out-of-City		
5/8"	17.39		26.09		19.77		29.65		21.62		26.68		40.02		
3/4"	26.07		39.11		29.59		44.38		32.44		39.95		59.92		
1"	43.45		65.17		49.42		74.13		54.05		66.76		100.13		
1 1/2"	86.70		130.04		98.65		147.97		107.98		133.21		199.82		
2"	138.87		208.31		157.89		236.83		172.61		213.16		319.74		
3"	260.40		390.59		296.03		444.05		323.74		399.74		599.61		
4"	433.98		650.98		493.32		739.97		539.66		666.01		999.01		
6"	867.93		1,301.89		986.66		1,479.99		1,079.22						
8"	1,388.66		2,082.98		1,578.57		2,367.85		1,726.74						
10"	1,995.75		2,993.62		2,268.76		3,403.14		2,482.16						
II. ADDITIONAL MONTHLY VOLUME CHARGE (per 1,000 Gallons)															
		W1		W9		W2,W3,W6,W8		W10,W11,W14,W15		W7		W4,W5		W12,W13	
		Residential		Residential		Commercial/Industrial		Commercial/Industrial		Wholesale		Sprinkler		Sprinkler	
		In City		Out-of-City		In City		Out-of-City		In City		In City		Out-of-City	
1,001	5,000	3.10		4.66		3.52		5.28		2.34		4.75		7.13	
5,001	10,000	3.47		5.20		3.52		5.28		2.34		5.22		7.83	
10,001	20,000	3.82		5.74		3.52		5.28		2.34		5.75		8.63	
20,001	Above	4.19		6.28		3.52		5.28		2.34		6.32		9.48	



### SCHEDULE A-3

For Bills rendered between January 1 2025 and thereafter							
I. MINIMUM MONTHLY CHARGE -- 1ST 1,000 GALLONS							
Meter	W1	W9	W2,W3,W6,W8	W10,W11,W14,W15	W7	W4,W5	W12,W13
Size	Residential	Residential	Commercial/Industrial	Commercial/Industrial	Wholesale	Sprinkler	Sprinkler
(inches)	In City	Out-of-City	In City	Out-of-City	In City	In City	Out-of-City

3% increase per annum for all classifications and categories. Provided, however, that the per annum percentage increase shall not exceed the annual average CPI-U for the preceeding calendar year as published by the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers (CPI-U), U.S. city average, all items, percent change from previous year.

II. ADDITIONAL MONTHLY VOLUME CHARGE (per 1,000 Gallons)						
W1	W9	W2,W3,W6,W8	W10,W11,W14,W15	W7	W4,W5	W12,W13
Residential	Residential	Commercial/Industrial	Commercial/Industrial	Wholesale	Sprinkler	Sprinkler
In City	Out-of-City	In City	Out-of-City	In City	In City	Out-of-City

3% increase per annum for all classifications and categories. Provided, however, that the per annum percentage increase shall not exceed the annual average CPI-U for the preceeding calendar year as published by the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers (CPI-U), U.S. city average, all items, percent change from previous year.

## **EXHIBIT B**

### **Annual Comprehensive Financial Report of the City for the Fiscal Year Ended December 31, 2021**





# HOT SPRINGS

NATIONAL PARK  
ARKANSAS

CITY OF HOT SPINGS, ARKANSAS  
ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
FOR YEAR ENDED DECEMBER 31, 2021



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

# CITY OF HOT SPRINGS, ARKANSAS

## Annual Comprehensive Financial Report

### For the Year Ended December 31, 2021

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Prepared by: Finance Department

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Finance Director/Treasurer

Barbie Vrba, CPA  
Assistant Finance Director

Amanda Watson  
Accounting Supervisor

Mary Rice  
Grants & Fixed Assets Accountant

Renee Brewer  
Grants & Fixed Assets Accountant

James Weatherford  
General Accountant

Karey Lookadoo  
Budgeting and Financial Reporting Accountant

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City of Hot Springs, Arkansas  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
For the Year Ended December 31, 2021

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**City of Hot Springs, Arkansas**  
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**City of Hot Springs, Arkansas**  
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**City of Hot Springs, Arkansas**  
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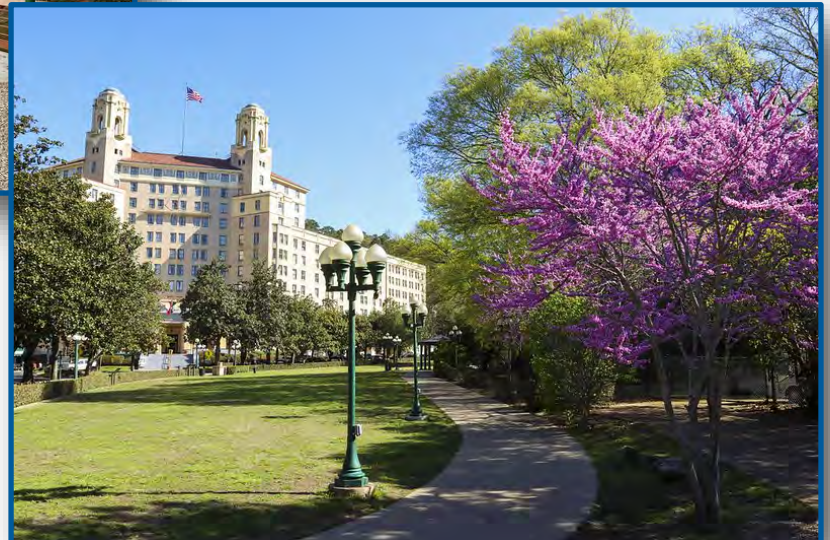


# INTRODUCTORY SECTION

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# *WELCOME TO HOT SPRINGS, ARKANSAS*

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City of Hot Springs  
Finance Department



Post Office Box 6300  
Hot Springs National Park

July 29, 2022

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, 2021.

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.

ATA, PLLC, certified public accountants, issued an unmodified opinion on the City of Hot Springs' financial statements for the year ended December 31, 2021. 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. 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 statement section.



## **Economic Conditions and Outlook**

Hot Springs, Arkansas is a growing, vibrant community with an exciting future. Its main industry is tourism and it is one of the South's most popular vacation and convention destinations. It hosts around 8 million visitors annually.

Hot Springs National Park is located in the heart of the City of Hot Springs. This area first became a United States territory in 1803 as part of the Louisiana Purchase. It quickly became a popular settlement due to the springs' potential as a health resort. In April, 1832 it was set aside as a federal reservation, making Hot Springs National Park the oldest preservation in the nation. This Park is still in existence today and is a valuable part of the Hot Springs' economy. The park includes several historic bathhouses, walking trails, scenic mountain roads and thermal pools. One of the old bathhouses has been converted to a brewery and restaurant and another is a nine-room boutique hotel with two public dining areas.

Hot Springs is surrounded by an abundance of natural resources. There are three lakes, which offer a wide variety of water sports, fishing, and entertainment opportunities. Local parks provide venues for outdoor enthusiasts who enjoy hiking, canoeing, rock mining, rock climbing and mountain biking.

Hot Springs is becoming established as a premier mountain bike destination. It is home to a versatile mountain bike trail system with offerings for riders of all ages, style, and skill levels. It has three International Mountain Bicycling Association (IMBA) Epic Rides within an hour drive from downtown and was designated as an IMBA Bronze-level Ride Center in 2015. In 2018, 15.7 miles of mountain bike trails were completed on a 2000-acre city-owned land located in the northern section of Hot Springs which is called the Northwoods Trail System. Completion of the Pullman trail increased total trail mileage to 16.5 in 2020. The Rogue Trails were worked on in 2021 and had just under a mile of the downhill/flow trail rehabilitated. Three new trails totaling 2.7 miles were completed in January 2022. With the addition of these three trails and opening up gravel road sections on the property, there is a total of 21.5 miles with the majority of that being foot friendly as well. IMBA will be here in February 2022 to begin the Phase 2 Design planning process. This and the work from Rouge are funded through a grant from the Walton Personal Philanthropy Group (\$175,000). There is now a total of 31.5 miles in the Northwoods Trail System which includes the trails at Cedar Glades, a neighboring county park.

With the opening of Northwoods, the City has been able to bring in events like the second round of the Southern Enduro Tour each year. This event brings in over 200 riders from around the region for a tri-state enduro series offering an enduro race and a cross country marathon race each February. We have also been host to NICA (National Interscholastic Cycling Association) events which brings over 500 youth riders and their families to our city. NICA is growing in Arkansas and our own Hot Springs Thoroughbred NICA team has grown from around a dozen athletes in 2018 to over 30 with 15 volunteer coaches.

We have also added a Three Day MTB festival, Gudrun, to our calendar of events. Since the first year, 2019, we have grown the festival from offering just four small events to six with plans to expand in the future. In 2019 we had a registration total of under 300, which grew to just over 700 registrations in 2021. We are excited to celebrate the 30th anniversary of one of the state's longest running cross country mountain bike races, Attila the Hun, at this year's festival

(<https://www.singletracks.com/mtb-trails/northwoods-trails-system/> ).

The Hot Springs Greenway Trail opened in 1998. It originates downtown and runs south alongside Hot Springs Creek and will eventually connect to Lake Hamilton. The trail has been largely funded by state

grants. Currently there is approximately two and a half miles of trail completed, and when finalized it will be about four miles in length with connections into the adjoining neighborhoods all along the multi-use pathway. This trail is used extensively for transportation and recreation. It is in a beautiful natural setting with many art elements along the way.

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

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

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

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

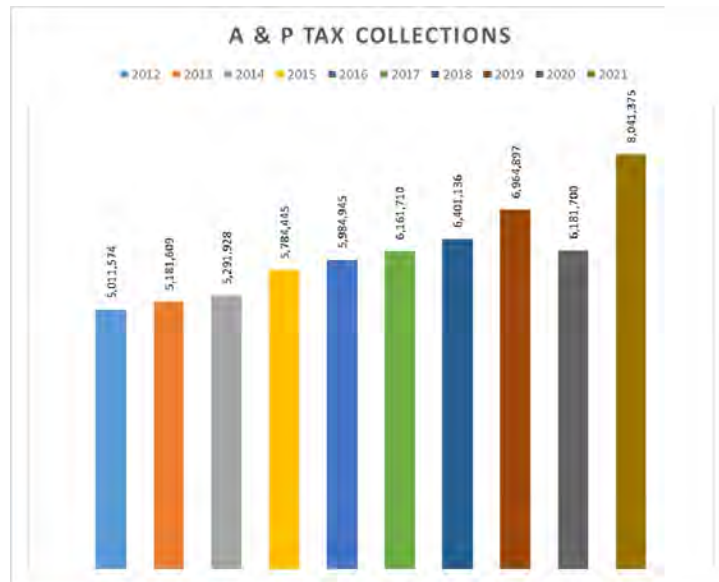
In addition to being a tourist destination, Hot Springs is a popular retirement community. Due to this, the health care industry has a significant economic presence in Hot Springs with two major hospitals and many other healthcare facilities. Both of these hospitals are two of the top ten employers in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

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

Approximately 37,930 residents live within the city limits per the World Population Review. Hot Springs is the county seat for Garland County, which has a total population of 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 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 ([www.hotsprings.org](http://www.hotsprings.org)). This tax provides an excellent barometer of the economic impact of visitors on the community.

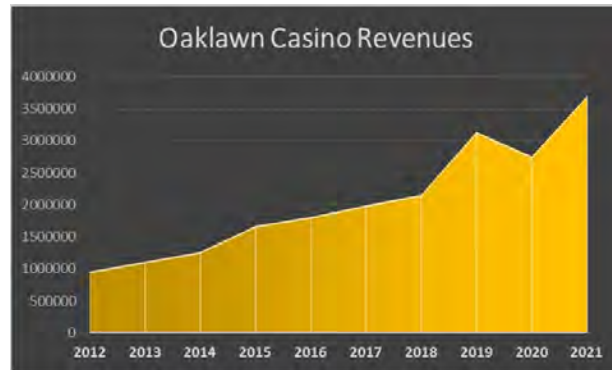




As shown on the chart above, this tax has steadily increased over the past few years. There was a dip in 2020 due to the pandemic, but 2021 showed a significant increase of 33% over 2020, and 18% over 2019.

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

As a result of the new laws passed in 2018 regarding casinos, the distribution of tax revenues from it was changed, providing a much larger distribution to the municipality and the county where the casino is located. This became effective in July, 2019 and as a result, Hot Springs revenue from Oaklawn has increased significantly. During the first six months of 2019, our revenue was \$1.2 million. During the last six months of 2019, our revenue was \$1.9 million, an increase of around 54%. This growth was interrupted in 2020 by the pandemic and revenue declined by 12.1% compared to 2019. With the rebound in 2021, revenue increased 34% over 2020. With a full year of hotel and event center operations, 2022 expectations are for growth at a minimum of 5% over 2021. The following graph provides historical information on Oaklawn casino revenue.



Currently 60% of the funding for the City of Hot Springs’ general government operating activities (administration, police, fire, streets, parks) comes from a sales tax. A 1% sales tax levy is for general government activities and a 0.5% sales tax levy is restricted to police and fire activities. In 2021, the City collected approximately \$22.4 million from this combined tax. The tax increased .02% in 2017, 1.47% in 2018, 7% in 2019, 4.91% in 2020, and 14.62% in 2021). A conservative 3% increase has been projected for 2022 due to the uncertainty at the time of forecast. Because of tourism, the tax burden has been borne by sales tax and the City does not levy a property tax. While this is a positive for residents, it makes this major income source more volatile and sensitive to economic shifts. Tourism spending is discretionary spending. However, sometimes economic downturns mean that tourists choose to go to smaller places and not travel as much, and this can result in a positive, or neutral impact on the local economy. For the last 22 years, sales tax increased every year, except for 2009 (the end of the Great Recession) when it declined by 2.4%. It is interesting to note that sales tax increased in 2007 and 2008, the first two years of the Great Recession.

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



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

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:

	2017	2018	2019	2020	2021
New Business Opened	41	21	30	10	24
Commercial Properties Sold in Downtown	30	16	15	8	21
Value of Commercial Properties Sold	\$9M	\$8M	\$12M	\$3M	\$8.3M
Downtown Investment	\$23M	\$12M	\$14.5M	\$3.85M	\$20.8M

In addition to downtown development, there is major development in other areas of the City. The following is a comparison of 2019, 2020, and 2021 commercial construction permits:

	2019		2020		2021	
	# of Permits	Valuation	# of Permits	Valuation	# of Permits	Valuation
New Commercial	35	\$ 139,460,035	30	\$ 56,621,656	37	\$ 36,303,955
Existing Commercial	300	\$ 15,318,442	178	\$ 11,573,452	178	\$ 36,188,884
Total		\$ 154,778,477		\$ 68,195,108		\$ 72,492,839

Economic development outreach for the City and Garland County is outsourced through the Hot Springs Metro Partnership, a division of the Chamber of Commerce. In 2021, there were 26 active economic development projects. The Metro Partnership is also very active in retention and growth efforts of our existing industries and were instrumental in adding a total of 89 new jobs to local companies plus approximately \$27 million in new investment during 2021.

Here are the growth highlights that the Metro Partnership provided for 2021:

FiberPro, a new sawmill equipment designer and manufacturer, was the largest economic development announcement of the year, announcing the acquisition of the long vacant 130,000 square foot former USNR warehouse at 2727 E. Grand Ave., a \$5 million investment in the facility and equipment, and the creation of 69 new jobs.

Triumph Airborne announced a new Joint Venture with Air France to locate in the Mid America Industrial Park and is expected to create significant jobs and investment over the next three years.

Resort Cable announced an investment of \$5.8 million to upgrade their network to deliver Gigabit internet service to all customers in their service area. Resort has been awarded just over \$12 million in grants through the Rural Connect Program and put \$3.9 million of its own investment to deliver broadband service and Gigabit speeds to underserved areas throughout Garland County, including areas in Royal, Percy and Diamondhead. The total yearly investment in the Garland County market is \$22.2 million.

From January to July much effort was spent organizing support to fight a proposed change to a federal rule that would disqualify Hot Springs as a Metropolitan Statistical Area (MSA) which would negatively impact the flow of federal funding into Hot Springs and our ability to recruit new business. This issue was successfully defeated.

The Chamber successfully lobbied in favor of greater transparency and restructuring of the way the state Department of Finance and Administration disperses sales tax revenue to local governments. Act 776 was signed into law in April 2021.

Site clearing began on the 110-acre tract at the intersection of Higdon Ferry Road and Twin Points Road. This is for a new apartment complex development by Keith Richardson.

Southern Airways began four weekly flights to Memphis.

For our downtown growth, the Chamber provided this information:

Some very large downtown developments are underway. Rick Wilson, a local contractor, is under contract with the City for the former Majestic Hotel land. His Majestic Amphitheater development is in the due diligence period for a \$19 million outdoor amphitheater programmed by the Walton Arts Center. The long vacant, 16 story, 40,000 sf Medical Arts Building was purchased this year and plans are made to renovate it into an Aloft Hotel. The long vacant Oliver Hotel at 246 Ouachita Avenue is undergoing a \$1.4 million renovation. Devine's Downtown is planning a multistory, multimillion dollar mixed use new construction building at 701 Central Avenue. The long vacant Darch apartment building was renovated and opened as Maison 226, a historic building with multiple short-term rental options at 226 Prospect Avenue. A new internal medicine clinic opened in a previously vacant remodeled building at 301 Exchange Street. The Chamber ran a campaign during the 2020 COVID lull in business that asked people to vote for which new business should open downtown. The voters chose a downtown grocer and Spa City Market opened in the summer of 2021.

### **Economic Drivers**

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

**Water Supply:** For many years the City has been focused on securing an adequate water supply for its future. Two separate sources were secured in the past few years and in 2018 work began on the required infrastructure to support drawing water out of Lake Ouachita. In 2020, the City issued approximately \$100 million in bonds to finance the water intake, raw and finished water lines, and a new water plant. Significant progress was made in 2021 and the entire project should be completed by late 2023. As a result of this progress, the City agreed to allow new water connections in all of its service areas. Previously, most water connections outside the City limits had been suspended due to concern about the water supply. Under a memorandum of understanding with Garland County, the County has agreed to share a portion of the anticipated increase in sales tax due to these new connections. This is expected to provide a significant economic impact for the City and the County, as it clears the path for development of both housing and new business. The City has a water supply to meet projected water demands through the year 2060 and it puts the City in a very advantageous position for future growth of residents, tourism, and other industries.

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

Bypass completion: The state is currently working to complete an extension to the Martin Luther King Bypass. This extension will provide a much better connector between Hot Springs and Hot Springs Village, a retirement community a few miles north of the City. This bypass will also provide some relief to the main downtown artery, Central Avenue, by diverting some of the larger transport trucks to the bypass. This is expected to be completed in August, 2022. By providing a better connector to the Village, we anticipate more of its residents coming to Hot Springs to shop and eat and make a positive economic impact.

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

Oaklawn Racing Casino Resort: Oaklawn Racing Casino Resort, Hot Springs’ major economic engine, has made many changes over the past few years. Once just a thoroughbred horseracing venue, it has expanded to become a casino, hotel, event center, and home to several restaurants. In 2021, the hotel, an event center, and several new restaurants were opened. Several of the existing restaurants in the casino and race track were remodeled. In 2022, Oaklawn will open a second high end restaurant, the Oak Room and Bar.

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

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

Majestic Amphitheatre: As discussed in the above report from the Hot Springs Metro Partnership, the addition of this 5,000-seat amphitheatre, to the downtown will generate major economic activity. It will

draw from surrounding cities and fill an entertainment gap that has been needed for some time.

### **Infrastructure**

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

The City has invested several million dollars in its Wastewater collection system over the past few years and plans to issue \$45 million in bonds in 2022 or 2023 to fund additional improvements. Since these improvements are funded by bond money, they do not appear in the Wastewater operating budget. We have also invested several million in our Stormwater system, continuing to protect the waters that flow into our lakes. The Solid Waste system provides excellent collection and recycling services to residents and businesses and has a solid capital replacement plan. All of the utility services are offered at affordable rates and the Board has shown solid support in keeping these utilities viable and sustainable. Each year, rates are reviewed to make sure we are meeting debt coverage ratios as well as providing funding for operations. The 2022 capital improvements plan (pages 148-149) includes several additional capital projects for these funds.

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

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

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

### **Planning**

While the City does not do multiple year budgets, there are many planning activities that take place. There is a Water Master Plan and a Wastewater Master Plan and Airport Master Plan are currently under development. In 2020, the City completed the Hot Springs 2040 Comprehensive Plan, referred to as Forward Hot Springs. This document can be viewed at [www.cityhs.net/documentcenter/view/13645](http://www.cityhs.net/documentcenter/view/13645). It lays out the vision for Hot Springs and provides a detailed action plan. One of the Board's funded priorities

for 2022 was to align our land-use codes to facilitate the goals outlined in Forward Hot Springs. The annual budget process each year includes a review of the fund balances or net position of each fund in conjunction with the proposed budget and expected changes over the next few years. Citizens serve as advisory boards for the airport, parks, planning and zoning, and community development. The local chamber of commerce has organized and supports a group called Fifty for the Future that is focused on how our community is changing and the best way to optimize our resources. All of these groups play an important role in envisioning the direction of our community and how funding priorities are established.

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

### **City Management**

Senior City management includes the City Manager, two Deputy City Managers, City Attorney, Finance Director, and Human Resources Director. The City Manager has been in that position since January 1, 2019, but previously served in other City positions since 2002. Thirteen out of 16 department heads have been with the City over five years. With an experienced team, the city is well positioned to meet the challenges of 2022.

### **Challenges**

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

### **Summary**

Our goal is to continually improve the tourism experience and the quality of place for our citizens. This report has attempted to list many of the different plans that are either currently being implemented, or will be implemented in the near future, but it is not all inclusive. The City Manager's State of the City (SOTC) report serves as a useful complement to a discussion on economic conditions and outlook in Hot Springs and readers are encouraged to read it (<https://www.cityhs.net/ArchiveCenter/ViewFile/Item/513>). 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, 2020. The Certificate is a prestigious, continental award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized, annual comprehensive financial report (ACFR), the contents of which conform to program standards. Such ACFR must satisfy generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is only valid for one year. The City has received a Certificate of Achievement for twenty-eight consecutive years (fiscal years ended December 31, 1993 through 2020). 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,

A handwritten signature in blue ink, appearing to read "Bill Burrough", written over a horizontal line.

Bill Burrough, City Manager

A handwritten signature in blue ink, appearing to read "Dorethea N. Yates", written over a horizontal line.

Dorethea N. Yates, Finance Director



# *DOWNTOWN HOT SPRINGS, ARKANSAS*

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Government Finance Officers Association

**Certificate of  
Achievement  
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**City of Hot Springs  
Arkansas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

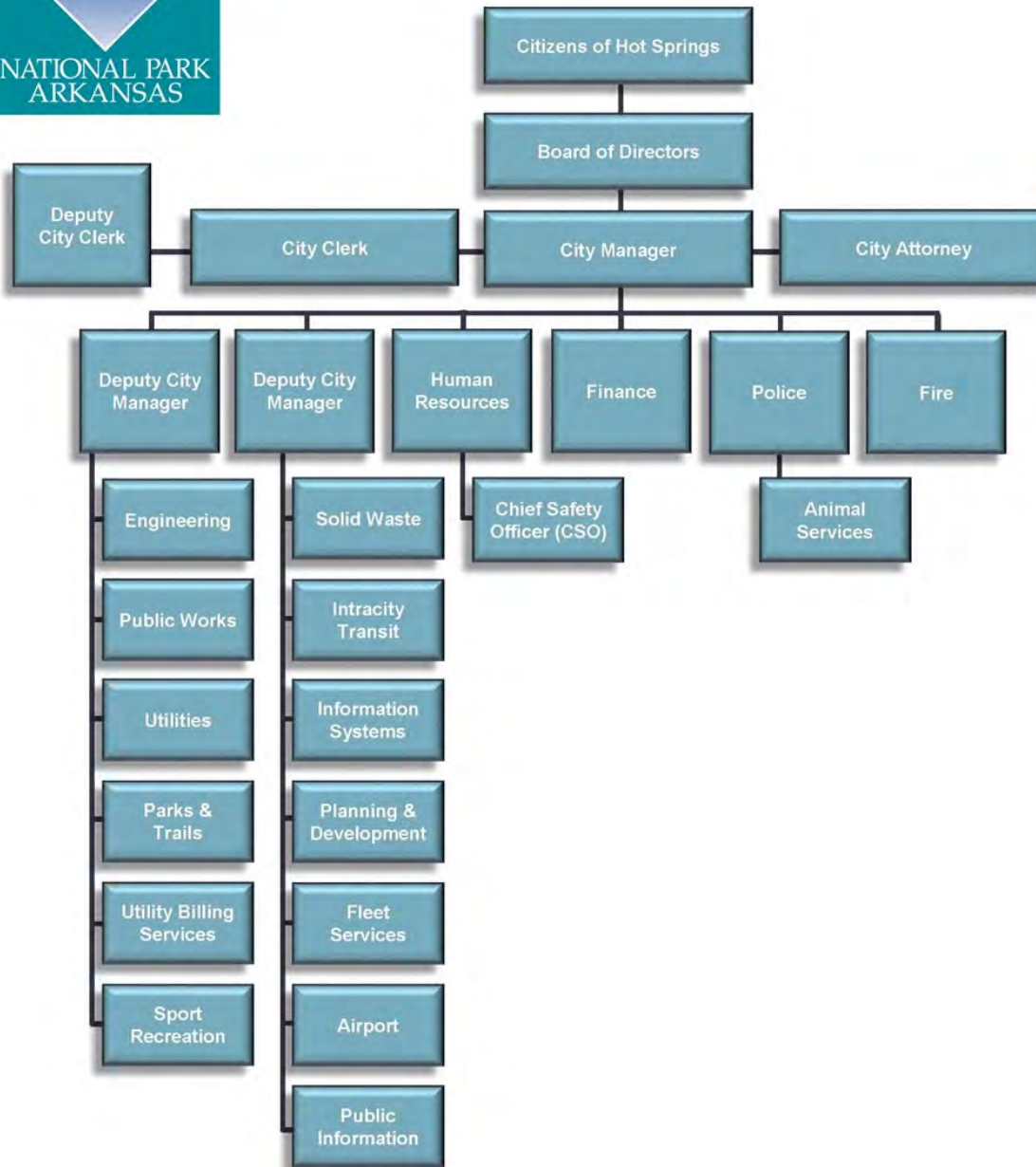
December 31, 2020

*Christopher P. Morrell*

Executive Director/CEO



# ORGANIZATIONAL CHART



# ELECTED OFFICIALS

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## Board of Directors



Mayor  
Pat McCabe



District 1  
Erin Holliday



District 2  
Elaine Jones



District 3  
Marcia Dobbs-Smith



District 4  
Carroll Weatherford



District 5  
Karen Garcia



District 6  
Steve Trusty

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

# APPOINTED OFFICIALS

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

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# FINANCIAL SECTION

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# *CENTENNIAL CELEBRATION - 100 YEARS*

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**Alexander Thompson Arnold PLLC**

11711 Durbin Ferry Road, Ste. 103, Hot Springs, AR 71913  
501/424-5719 501/423-1511  
www.atacpa.com

## Independent Auditor's Report

To the Major, Members of the Board of Directors, and City Manager  
City of 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, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Hot Springs, Arkansas' basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas, as of December 31, 2021, 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.

We did not audit the financial statements of the discretely presented component unit, the Hot Springs Advertising and Promotion Commission, which represents 13.4 percent, 41.3 percent, and 17.4 percent, respectively, of the assets, and deferred outflows of resources, net position, and revenues of the primary government. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

#### *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. 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 of Hot Springs, Arkansas 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 of Hot Springs, Arkansas' ability to continue as a going concern for twelve 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 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 of Hot Springs, Arkansas' 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 of Hot Springs, Arkansas' ability to continue as a going concern for a reasonable period.

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, schedule of budgetary comparison information, schedule of changes in OPEB liability, changes in net pension liability, and related ratios and the city's contributions on pages 7-17 and 101-113, 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 of Hot Springs, Arkansas' basic financial statements. The combining statements and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 auditing standards generally accepted in the United States of America. In our opinion, the

combining and individual nonmajor fund financial statements and the Schedules of federal and state awards are fairly stated in all material respect in relation to the basic financial statements as a whole.

#### **Other Information**

Management is responsible for the other information included in the annual comprehensive report. The other information comprises the introductory and statistical schedules 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 July 29, 2022, on our consideration of the City of Hot Springs, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hot Springs, Arkansas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hot Springs, Arkansas' internal control over financial reporting and compliance.

*Alexander Thompson Arnold, PLLC*

Alexander Thompson Arnold PLLC

Hot Springs, Arkansas  
July 29, 2022

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As management of the City of Hot Springs, we offer readers of the City of Hot Springs' financial statements this narrative overview and analysis of the financial activities of the City of Hot Springs for the fiscal year ended December 31, 2021. 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 \$500,796,583 and deferred outflows of \$16,660,772 exceeded its liabilities of \$338,094,662 and deferred inflows of \$20,429,117 by \$158,933,576. This is an increase of \$7,736,888 over the previous year.
- The net position of the governmental activities increased by \$663,005.
- The net position of the business-type activities increased by \$7,073,883.
- As of December 31, 2021, the City of Hot Springs governmental funds reported combined ending fund balances of \$26,740,654, an increase of \$2,457,998 over 2020. Approximately 53% of this amount, \$14,146,656 is available for spending at the City's discretion (unassigned fund balance).
- At the end of 2021, the unassigned fund balance for the General Fund was \$14,146,656 or 140% of total General Fund expenditures.
- A comparison of total liabilities for 2021 and 2020, as stated on the statement of net position, shows a decrease of \$20,677,789. This was due to decreases in net pension liability and long term debt.
- The City's component unit had a net position of \$65,600,872 as of December 31, 2021. This was a increase of \$10,344,728 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 2021. 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 118 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 127 through 130 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 statement is 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**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>						
Current and other assets	\$ 39,209,868	\$ 32,078,117	\$ 163,738,650	\$ 179,915,690	\$ 202,948,518	\$ 211,993,807
Capital assets	31,776,430	32,413,753	266,071,635	248,599,722	297,848,065	281,013,475
<b>Total Assets</b>	<u>70,986,298</u>	<u>64,491,870</u>	<u>429,810,285</u>	<u>428,515,412</u>	<u>500,796,583</u>	<u>493,007,282</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>9,451,969</u>	<u>10,553,543</u>	<u>7,208,803</u>	<u>9,249,245</u>	<u>16,660,772</u>	<u>19,802,788</u>
<b>LIABILITIES</b>						
Other liabilities	8,239,068	4,489,475	7,251,655	6,861,459	15,490,723	11,350,934
Long-term liabilities	79,330,720	89,027,032	243,273,219	258,394,485	322,603,939	347,421,517
<b>Total Liabilities</b>	<u>87,569,788</u>	<u>93,516,507</u>	<u>250,524,874</u>	<u>265,255,944</u>	<u>338,094,662</u>	<u>358,772,451</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>13,142,859</u>	<u>2,466,291</u>	<u>7,286,258</u>	<u>374,640</u>	<u>20,429,117</u>	<u>2,840,931</u>
<b>NET POSITION</b>						
Net investment in capital assets	18,847,436	25,664,017	144,022,652	143,918,735	162,870,088	169,582,752
Restricted	8,209,421	8,551,048	11,651,298	12,070,481	19,860,719	20,621,529
Unrestricted	(47,331,237)	(55,152,450)	23,534,006	16,144,857	(23,797,231)	(39,007,593)
<b>Total Net Position</b>	<u>\$ (20,274,380)</u>	<u>\$ (20,937,385)</u>	<u>\$ 179,207,956</u>	<u>\$ 172,134,073</u>	<u>\$ 158,933,576</u>	<u>\$ 151,196,688</u>

Net position can serve over time as a useful indicator of a government's financial position. In the case of the City of Hot Springs, assets exceeded liabilities by \$158,933,576 as of December 31, 2021.

The City's net investment in capital assets as of December 31, 2021 was \$162,870,088. In addition, there was \$2,628,722 restricted for debt service, \$11,037,194 restricted for capital improvements, \$1,286,391 restricted for public safety mandates, and \$4,908,412 restricted for public works, community development, transportation, and park projects. This left a remaining negative unrestricted net position of \$23,797,231.



The next table shows the changes in net position at year end and revenue and expense comparisons to 2020.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 8,187,351	\$ 7,966,328	\$ 51,238,145	\$ 47,374,658	\$ 59,425,496	\$ 55,340,986
Operating Grants and Contributions	10,599,821	10,072,057	1,305,582	2,036,184	11,905,403	12,108,241
Capital Grants and Contributions	620,543	424,380	2,717,210	4,746,689	3,337,753	5,171,069
General revenues:						
Sales tax	25,722,488	22,440,961	39,670	42,101	25,762,158	22,483,062
Franchise tax	2,678,294	2,809,977			2,678,294	2,809,977
Property tax	894	25,836			894	25,836
Other taxes	1,071,937	725,023			1,071,937	725,023
Grants not restricted to specific programs	6,558,499	5,437,120			6,558,499	5,437,120
Investment income	(140,740)	321,347	(837,233)	920,364	(977,973)	1,241,711
<b>Total revenues</b>	<b>55,299,087</b>	<b>50,223,029</b>	<b>54,463,374</b>	<b>55,119,996</b>	<b>109,762,461</b>	<b>105,343,025</b>
<b>Expenses</b>						
General government	2,495,961	4,290,201			2,495,961	4,290,201
Community development	1,786,646	1,785,908			1,786,646	1,785,908
Parks, trails and recreation	9,631,565	2,148,593			9,631,565	2,148,593
Public safety	32,721,967	31,782,167			32,721,967	31,782,167
Public transportation	1,590,094	1,728,551			1,590,094	1,728,551
Public works	5,998,476	6,040,283			5,998,476	6,040,283
Interest on long-term debt	375,572	375,768			375,572	375,768
Water			17,057,042	15,813,655	17,057,042	15,813,655
Wastewater			17,628,139	19,251,841	17,628,139	19,251,841
Solid waste			7,680,067	8,585,748	7,680,067	8,585,748
Airport			3,919,451	3,599,073	3,919,451	3,599,073
Stormwater			857,741	890,918	857,741	890,918
Parking			282,851	266,394	282,851	266,394
<b>Total expenses</b>	<b>54,600,281</b>	<b>48,151,471</b>	<b>47,425,291</b>	<b>48,407,629</b>	<b>102,025,572</b>	<b>96,559,100</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>698,806</b>	<b>2,071,558</b>	<b>7,038,083</b>	<b>6,712,367</b>	<b>7,736,889</b>	<b>8,783,925</b>
<b>Other Financing Sources</b>						
Transfers in		(1,541,579)	35,800		35,800	(1,541,579)
Transfers out	(35,800)			8,836	(35,800)	8,836
<b>Total other financing sources</b>	<b>(35,800)</b>	<b>(1,541,579)</b>	<b>35,800</b>	<b>8,836</b>	<b>-</b>	<b>(1,532,743)</b>
<b>Change in net position</b>	<b>663,006</b>	<b>529,979</b>	<b>7,073,883</b>	<b>6,721,203</b>	<b>7,736,889</b>	<b>7,251,182</b>
<b>Net position - beginning of year</b>	<b>(20,937,385)</b>	<b>(21,983,378)</b>	<b>172,134,073</b>	<b>159,093,697</b>	<b>151,196,688</b>	<b>143,945,506</b>
<b>Net position - end of year</b>	<b>\$ (20,274,379)</b>	<b>\$ (21,453,399)</b>	<b>\$ 179,207,956</b>	<b>\$ 165,814,900</b>	<b>\$ 158,933,577</b>	<b>\$ 151,196,688</b>

### ***Governmental activities***

Governmental activities increased the City of Hot Springs' net position by \$663,005 in fiscal year 2021 as compared to \$529,979 in 2020.

The major changes from 2020 to 2021 are as follows:

1. Sales tax increased 14.66%, an increase of over \$3.2 million in revenue.
2. Oaklawn revenues increased by approximately \$951,000.
3. General government grants and contributions increased by \$533,000 due to funds received from the ARPA grant and applied to general government operations.
4. Capital assets in the amount of \$7.5 million were transferred to the Advertising and Promotion Commission, a component unit of the City.
5. Pension expense for 2021 was approximately \$1 million compared to \$4.5 million in 2020.
6. Noncurrent liabilities decreased by \$9.7 million and deferred inflows increased by \$10.7 million compared to 2020.

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 a 2020, a year when spectators were not allowed at the races and casino activity was reduced due to social distancing. It had a direct impact on both sales tax and direct revenue from the casino. The following chart shows comparable taxable sales for 2020 and 2021. The State of Arkansas does not release individual business taxable sales, so the City only receives data by classification of tax source. With the exception of the increase in utilities, which is not explainable without individual data, the highest source of growth was in accommodation and food services.

Description of Tax Source	2021 Taxable Sales	2020 Taxable Sales	% Increase
Utilities	32,709	17,241	89.72%
Manufacturing	38,435	34,623	11.01%
Wholesale Trade	110,085	99,167	11.01%
Retail Trade	1,037,723	943,374	10.00%
Information	44,632	38,902	14.73%
Real Estate Rental & Leasing	32,120	30,186	6.41%
Admin, Support, Waste Mgmt.	31,803	26,541	19.83%
Accommodation & Food Services	253,762	200,030	26.86%
All other	186,295	151,556	22.92%
Total	1,767,564	1,541,620	14.66%

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

The City of Hot Springs' business-type activities had an increase in net position of approximately \$7.1 million. The Water Fund posted an increase in net position of \$1,645,616 and the Wastewater Fund posted an increase of \$1,096,504. Increases in net position were attributable to rates increases and reduced pension expenses. However, net position of both funds was impacted by a decrease in the fair value of investments. The Solid Fund posted an increase in net position of \$892,026. Increases in net position were attributable to rates increases and reduced pension expenses. The Airport Fund posted an increase in net position of \$2,228,263. Increases in net position were mainly attributable

to grants from the Federal government and the State of Arkansas. The Stormwater Fund posted an increase in net position of \$796,858. Increases in net position were attributable to unspent revenues. The Parking Fund posted a decrease in net position of \$150,509. This was due to depreciation on the parking deck.

#### 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, 2021, the City’s governmental funds reported combined ending fund balance of \$26,740,654, an increase of \$2,457,998 over the prior fiscal year. Of the ending balance, \$14,146,656 or 53% if unassigned and is available to the City for future spending. Some of the remaining balance is restricted for debt service (\$265,733), capital projects (\$1,748,885), public safety (1,286,391) or parks, public transportation, or public works (\$154,412). The balance is committed for capital projects (\$2,993,000) or street paving (\$1,761,000).

General Fund – Revenue, transfers in, and issuance of debt exceeded expenditures and transfers out by \$6,105,078. This increase is primarily due to increases in sales tax, and Oaklawn casino revenue. Some general fund salary expenses were picked up by the ARPA fund, reducing salary expense.

Police, Fire, and Street Funds – Revenue, transfers in, and issuance of debt exceeded expenditures and transfers out by \$197,601 (Police Fund), \$180,400 (Fire Fund), and \$1,191,051 (Street Fund). The Police and Fire Funds are balanced by transfers from General Fund and do not keep a very large fund balance. However, dedicated sales tax did increase for each fund and some salary expenses were picked up by the ARPA funds, reducing the amount of transfers needed from the General Fund. The Street Fund has dedicated revenues and may roll forward from year to year. Also, in 2021 the Board committed \$823,000 to a reserve for street paving which increased its fund balance, but it was classified as committed.

ARPA Fund – In 2021, the City received \$5,685,399 in ARPA funding. Expenditures for 2021 were \$1,129,418 and the remainder was deferred. A large portion of this was used to fund salaries in governmental funds, thereby increasing fund balance in those funds.

Nonmajor governmental funds - Expenditures and transfers out exceeded revenue and transfers in by \$5,216,132. This reduction is primarily due to the expenditure of funds in a capital project fund. The project was substantially completed in 2021.

The following is a comparison of the net change in fund balance for governmental funds for 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Revenue	\$ 31,147,876	\$ 27,329,640	\$ 3,818,236	14%
Expenditures	(10,115,402)	(10,908,956)	(793,554)	(7)%
Transfers in				
Transfers out	(15,197,846)	(12,977,426)	2,220,420	17%
Issuance of debt	270,450	625,500	(355,050)	(57)%
Net change in fund balance	6,105,078	4,068,758	2,036,320	50%
<b>Police Fund</b>				
Revenue	6,933,745	6,359,367	574,378	9%
Expenditures	(14,754,370)	(12,600,806)	2,153,564	17%
Transfers in	7,675,000	5,572,874	2,102,126	38%
Transfers out	(27,274)	(309,181)	(281,907)	(91)%
Issuance of debt	370,500	570,000	(199,500)	(35)%
Net change in fund balance	197,601	(407,746)	605,347	148%
<b>Fire Fund</b>				
Revenue	4,370,785	3,923,733	447,052	11%
Expenditures	(12,371,385)	(9,879,679)	2,491,706	25%
Transfers in	5,933,000	6,056,380	(123,380)	(2)%
Transfers out		(235,000)	(235,000)	(100)%
Issuance of debt	2,248,000	48,000	2,200,000	4583%
Net change in fund balance	180,400	(86,566)	266,966	308%
<b>Street Fund</b>				
Revenue	3,786,204	3,831,914	(45,710)	(1)%
Expenditures	(3,339,223)	(3,897,726)	(558,503)	(14)%
Transfers in	715,000	664,100	50,900	8%
Transfers out	(27,930)	(22,789)	5,141	23%
Issuance of debt	57,000	114,200	(57,200)	(50)%
Net change in fund balance	1,191,051	689,699	501,352	73%
<b>ARPA Fund</b>				
Revenue	1,129,418	-	1,129,418	N/A
Expenditures	(1,129,418)	-	1,129,418	N/A
Net change in fund balance				
<b>Nonmajor governmental funds</b>				
Revenue	8,086,077	8,855,849	(769,772)	(9)%
Expenditures	(14,196,568)	(12,873,772)	1,322,796	10%
Transfers in	1,350,771	1,720,663	(369,892)	(21)%
Transfers out	(456,412)	(486,361)	(29,949)	(6)%
Net change in fund balance	\$ (5,216,132)	\$ (2,783,621)	\$ (2,432,511)	(87)%

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	\$ 13,701,634
Wastewater	(269,608)
Solid Waste	2,221,006
Airport	2,775,311
Stormwater	2,698,295
Parking	(7,965)
Internal Service Funds	<u>6,602,846</u>
Total	<u>\$ 27,721,519</u>

#### General Fund Budgetary Highlights

The original budget provided a net increase in fund balance of \$803,870. The final amended budget resulted in a deficit of \$814,319, a difference of \$1,618,189. Of this amount, \$1.1 million was reappropriations. The remainder was emergency capital or building repairs.

The actual increase in fund balance for the year was \$6,105,078, a positive variance over the final amended budget of \$6.9 million. There are several differences:

1. Sales tax growth was much higher than estimated, producing an additional \$2,076,784 over the budget.
2. Oaklawn revenue came \$1 million under budget.
3. Reserves of \$1.8 million were not spent.
4. Due to supply chain issues, approximately \$800,000 in budgeted assets were not purchased. This will impact reappropriations for 2022.
5. Other revenues came in approximately \$600,000 over budget.
6. Due to increased revenue in the police fund and fire fund, the transfers out came in substantially below budget.
7. Personnel costs were below budget due to vacancies.
8. Services came in around \$500,000 under budget.

**Long-term debt.** The City's total bonded debt decreased by \$5,136,063 (2.1%) during 2021. The following table details the breakdown of the principal due on this debt.

Government wide:	2021	2020
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019	\$ 7,540,000	\$ 7,710,000
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018	1,150,000	1,295,000
Waterworks Revenue Bonds, Series 2010A	3,558,386	3,818,324
Waterworks Revenue Bonds, Series 2010B	-	3,541,085
Waterworks Revenue Refunding and Construction Bonds, Series 2015	-	6,879,340
Waterworks Revenue Bonds, Series 2018	18,488,098	19,060,057
Waterworks Revenue Refunding Bonds, Series 2019	4,846,140	5,181,955
Waterworks Revenue Bonds Series 2020	109,271,510	110,883,700
Waterworks Revenue Refunding Bonds, Series 2021	10,030,000	-
Wastewater Refunding Revenue Bonds, Series 2017	21,681,608	22,680,400
Wastewater Refunding and Construction Revenue Bonds, Series 2016	5,129,325	5,802,800
Wastewater Revenue Bonds Taxable Refunding Series 2020A	36,305,000	37,605,000
Wastewater Revenue Bonds Construction Series 2020B	18,222,601	16,901,070
Total bonded indebtedness	\$ 236,222,668	\$ 241,358,731

The City had one bond issuance in 2021. The Waterworks Revenue Refunding Bonds, Series 2021 were issued in the par amount of \$10.03 million to refund Water Revenue Bonds, Series 2010, and Waterworks Revenue Construction Bonds, Series 2015. The net present value of the savings was \$1.2 million.

In November 2021, S&P Global Ratings revised its outlook to stable from negative and affirmed its 'A' underlying rating (SPUR) on Hot Springs' existing wastewater revenue bonds.

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 \$177 million. As of the end of 2021, the City had outstanding GO (special obligation) debt of \$8.7 million. The City is also allowed to issue short-term debt (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term notes of \$4.4 million are well below the statutory limit of \$44 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.

### **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 2022 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2022 continues to be maintaining quality service for citizens and visitors while observing prudent and sustainable spending practices.

The strategic priorities are as follows:

- Gulpha Basin Project
- Majestic Site
- Development Code Updated
- Parking Solutions
- Identify Unfunded Capital Projects; and,
- Increase Public Safety Resources

Highlights of the 2022 budget include:

- Balanced budget, with total revenues and fund balance or net position equal to or greater than total expenditures
- Total City budget \$138.4 million
- Projected 3% increase in sales tax revenue
- Projected 5% increase in volume from Oaklawn Racing Casino Resort
- A 3.25% cost of living increase for all employees
- Capital improvements of \$2.6 million in governmental funds and \$8.2 million in business-type activities ( funded by operations)

For 2022, 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](http://www.cityhs.net).

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# BASIC FINANCIAL STATEMENTS

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# *DAVID WATKINS PARK DEDICATION*

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**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**December 31, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,556,832	\$ 4,320,721	\$ 10,877,553	\$ 15,216,041
Investments	17,751,378	18,072,408	35,823,786	
Interest receivable	82,706	65,561	148,267	
Accounts receivable (net of allowance for uncollectible)	6,099,200	2,512,822	8,612,022	1,314,178
Internal balances	(5,077,771)	5,077,771		
Accrued revenues		3,153,594	3,153,594	
Due from other governments	2,077,336	3,056,242	5,133,578	
Inventories	281,765	1,033,906	1,315,671	
Prepaid items	784,847	949,778	1,734,625	507,507
Restricted				
Cash and cash equivalents	688,334	18,276,063	18,964,397	78,881
Investments	9,964,077	107,104,504	117,068,581	
Interest receivable	1,164	115,280	116,444	
Capital Assets				
Capital assets not being depreciated	12,297,445	60,274,887	72,572,332	6,648,618
Capital assets, net of accumulated depreciation	19,478,985	205,796,748	225,275,733	45,521,417
Total assets	<u>70,986,298</u>	<u>429,810,285</u>	<u>500,796,583</u>	<u>69,286,642</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on bond refunding		5,498,875	5,498,875	
Deferred charge Royal assets		422,747	422,747	
OPEB - changes in assumptions	390,485	243,943	634,428	
OPEB - difference between expected and actual experience				16,542
Pension - changes in assumptions	528,577		528,577	
Pension - difference between expected and actual experience	2,098,997		2,098,997	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	714,911	230,272	945,183	35,919
Pension - contributions subsequent to the measurement date	5,718,999	812,966	6,531,965	190,703
Total deferred outflows of resources	<u>\$ 9,451,969</u>	<u>\$ 7,208,803</u>	<u>\$ 16,660,772</u>	<u>\$ 243,164</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, 2021**

	Governmental Activities	Business-type Activities	Total	Component Unit
<b>LIABILITIES</b>				
Accounts payable	\$ 1,453,370	\$ 4,389,239	\$ 5,842,609	\$ 700,533
Due to other governments	914,478	97,185	1,011,663	
Customer deposits		998,960	998,960	
Unearned revenue	5,007,488	2,713	5,010,201	475,306
Accrued expenses	789,744	247,402	1,037,146	120,987
Accrued interest payable	73,988	1,516,156	1,590,144	
Noncurrent liabilities				
Due within one year				
Notes payable	1,418,089	239,727	1,657,816	
Compensated absences	241,829	131,260	373,089	
Bonds payable	320,000	4,729,279	5,049,279	
Due in more than one year				
Bonds payable	8,370,000	222,803,389	231,173,389	
Notes and leases payable	3,011,494	7,948,816	10,960,310	
Post closure liability		687,292	687,292	
OPEB liability	3,304,081	1,946,594	5,250,675	
Compensated absences	3,312,396	1,194,610	4,507,006	
Net pension liability	59,352,831	3,592,252	62,945,083	722,793
Total liabilities	87,569,788	250,524,874	338,094,662	2,019,619
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflow from bond refunding		119,743	119,743	
OPEB - difference between expected and actual experience	1,126,433	687,557	1,813,990	
Pension - changes in proportion and differences between contribution and proportionate share of contributions				589,149
Pension - difference between actual and expected experience		148,170	148,170	46,356
Pension - changes in assumption		25,163	25,163	5,063
Pension - difference between actual and expected investment earnings	12,016,426	6,305,625	18,322,051	1,268,747
Total deferred inflows of resources	13,142,859	7,286,258	20,429,117	1,909,315
<b>NET POSITION</b>				
Net investment in capital assets	18,847,436	144,022,652	162,870,088	52,170,035
Restricted for:				
Debt service	265,733	2,362,989	2,628,722	
Capital improvements	1,748,885	9,288,309	11,037,194	8,419,692
Parks grants	3,791		3,791	
Public safety mandates	1,286,391		1,286,391	
Public transportation projects	87,108		87,108	
Public works projects	4,817,513		4,817,513	
Unrestricted	(47,331,237)	23,534,006	(23,797,231)	5,011,145
Total net position	<u>\$ (20,274,380)</u>	<u>\$ 179,207,956</u>	<u>\$ 158,933,576</u>	<u>\$ 65,600,872</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, 2021**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
<b>Governmental activities:</b>									
General government	\$ 2,495,961	\$ 4,994,337	\$ 357,145	\$ -	\$ 2,855,521	\$ -	\$ 2,855,521	\$	
Community development	1,786,646	705,423	506,069	117,152	(458,002)		(458,002)		
Parks, trails and recreation	9,631,565	95,821	44,450	276,336	(9,214,958)		(9,214,958)		
Public safety	32,721,967	2,137,936	5,789,263		(24,794,768)		(24,794,768)		
Public transportation	1,590,094	103,999	1,585,842		99,747		99,747		
Public works	5,998,476	149,835	2,317,052	227,055	(3,304,534)		(3,304,534)		
Interest on long-term debt	375,572				(375,572)		(375,572)		
Total governmental activities	54,600,281	8,187,351	10,599,821	620,543	(35,192,566)	-	(35,192,566)		
<b>Business-type activities:</b>									
Water	17,057,042	19,453,372	2,956	131,780		2,531,066	2,531,066		
Wastewater	17,628,139	18,637,275	4,057	362,497		1,375,690	1,375,690		
Solid Waste	7,680,067	8,728,516	26,654			1,075,103	1,075,103		
Airport	3,919,451	2,649,700	1,271,677	2,222,933		2,224,859	2,224,859		
Stormwater	857,741	1,672,808	238			815,305	815,305		
Parking	282,851	96,474				(186,377)	(186,377)		
Total business-type activities	47,425,291	51,238,145	1,305,582	2,717,210	-	7,835,646	7,835,646		
Total primary government	\$ 102,025,572	\$ 59,425,496	\$ 11,905,403	\$ 3,337,753	(35,192,566)	7,835,646	(27,356,920)		
<b>Component unit:</b>									
Advertising and promotion	8,710,849	1,516,007	1,240,000	8,003,360				2,048,518	
General revenues:									
Sales taxes					25,722,488	39,670	25,762,158	8,193,039	
Franchise fees					2,678,294		2,678,294		
Property tax					894		894		
Alcoholic beverage permit and taxes					1,071,937		1,071,937		
Grants and contributions not restricted to specific programs					6,558,499		6,558,499	13,700	
Investment earnings					(140,740)	(837,233)	(977,973)	89,471	
Transfers					(35,800)	35,800			
Total general revenues and transfers					35,855,572	(761,763)	35,093,809	8,296,210	
<b>Change in net position</b>					663,006	7,073,883	7,736,889	10,344,728	
<b>Net position - beginning of year</b>					(20,937,385)	172,134,073	151,196,688	55,256,144	
<b>Net position - end of year</b>					\$ (20,274,379)	\$ 179,207,956	\$ 158,933,577	\$ 65,600,872	

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

**City of Hot Springs, Arkansas**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2021**

	Special Revenue					Other Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	ARPA Fund		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,076,540	\$ 37,395	\$ 26,480	\$ 689,170	\$ 5,021	\$ 1,580,410	\$ 5,415,016
Investments	11,949,773		99,588	2,601,411	4,952,181	2,607,009	22,209,962
Interest receivable	71,328			8,590	1,164	2,788	83,870
Accounts receivable	4,144,945	1,053,860	618,393	227,328		54,674	6,099,200
Due from other funds	1,131,172	162,917				15,815	1,309,904
Intergovernmental receivables	79,518			275,590		1,722,228	2,077,336
Prepaid items	784,847						784,847
Total assets	<u>21,238,123</u>	<u>1,254,172</u>	<u>744,461</u>	<u>3,802,089</u>	<u>4,958,366</u>	<u>5,982,924</u>	<u>37,980,135</u>
<b>LIABILITIES</b>							
Accounts payable	428,558	201,759	91,126	244,143	94,627	220,340	1,280,553
Accrued expenditures	133,089	196,903	125,306	17,715		76,444	549,457
Due to other governments	5,166					909,312	914,478
Due to other funds	2,250,466				355,577	881,462	3,487,505
Unearned revenue	5,184	43,522	10,675		4,508,162	439,945	5,007,488
Total liabilities	<u>2,822,463</u>	<u>442,184</u>	<u>227,107</u>	<u>261,858</u>	<u>4,958,366</u>	<u>2,527,503</u>	<u>11,239,481</u>
<b>FUND BALANCES</b>							
Nonspendable	784,847						784,847
Restricted							
Debt service						265,733	265,733
Capital projects						1,748,885	1,748,885
Parks						3,791	3,791
Public safety						1,286,391	1,286,391
Public transportation						87,108	87,108
Public works						63,513	63,513
Committed	2,993,000			1,761,000			4,754,000
Assigned	491,157	811,988	517,354	1,779,231			3,599,730
Unassigned	14,146,656						14,146,656
Total fund balances	<u>18,415,660</u>	<u>811,988</u>	<u>517,354</u>	<u>3,540,231</u>		<u>3,455,421</u>	<u>26,740,654</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,238,123</u>	<u>\$ 1,254,172</u>	<u>\$ 744,461</u>	<u>\$ 3,802,089</u>	<u>\$ 4,958,366</u>	<u>\$ 5,982,924</u>	<u>\$ 37,980,135</u>

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

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City of Hot Springs, Arkansas

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

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December 31, 2021

Total fund balances - governmental funds (page 24) \$ 26,740,654

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. 31,588,618

Other long term assets are not available to pay for current period  
expenditures and therefore are deferred in the funds. (72,866)

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. 4,375,326

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. (16,558,309)

Net pension liabilities are not reported in the funds. (59,352,831)

Other post employment benefits liability are not reported in the funds. (3,304,081)

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) 9,061,484

Deferred OPEB outflows (GASB 75) 390,485

Deferred pension inflows (GASB 68) (12,016,426)

Deferred OPEB inflows (GASB 75) (1,126,433)

Net position of governmental activities \$ (20,274,379)

**City of Hot Springs, Arkansas**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2021**

	Special Revenue					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	ARPA Fund		
<b>REVENUES</b>							
Taxes	\$ 18,068,396	\$ 5,144,498	\$ 3,429,665	\$	\$	\$ 894	\$ 26,643,453
Fees and permits	4,390,673	132,952	15,038	69,150			4,607,813
Charges for services	2,819,492					97,971	2,917,463
Intergovernmental	977,508	1,343,610	871,442	3,727,777	1,177,237	7,725,685	15,823,259
Intergovernmental - gaming and breakage	3,946,583						3,946,583
Fines and forfeitures	643,165	60,529				213,845	917,539
Investment earnings	(76,331)	195		(13,502)	(47,819)	(3,283)	(140,740)
Miscellaneous	378,390	251,961	54,640	2,779		50,965	738,735
Total revenues	31,147,876	6,933,745	4,370,785	3,786,204	1,129,418	8,086,077	55,454,105
<b>EXPENDITURES</b>							
Current:							
General government	3,967,370				230,944	1,613	4,199,927
Community development	1,444,612				82,235	408,623	1,935,470
Parks and recreation	1,855,284				33,481	13,112	1,901,877
Public transportation					42,884	1,621,807	1,664,691
Public safety		13,905,762	9,788,475		313,533	5,191,152	29,198,922
Public works	1,752,162			3,190,094	72,129	170,528	5,184,913
Public utilities					354,212		354,212
Debt service:							
Principal	559,890	447,893	485,749	119,599		315,000	1,928,131
Interest	44,951	16,409	9,328	5,766		299,118	375,572
Capital outlay	491,133	384,306	2,087,833	23,764		6,175,615	9,162,651
Total expenditures	10,115,402	14,754,370	12,371,385	3,339,223	1,129,418	14,196,568	55,906,366
Excess (deficiency) of revenues over (under) expenditures	21,032,474	(7,820,625)	(8,000,600)	446,981		(6,110,491)	(452,261)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in		7,675,000	5,933,000	715,000		1,350,771	15,673,771
Transfers out	(15,197,846)	(27,274)		(27,930)		(456,412)	(15,709,462)
Issuance of debt	270,450	370,500	2,248,000	57,000			2,945,950
Total other financing sources (uses)	(14,927,396)	8,018,226	8,181,000	744,070		894,359	2,910,259
Changes in fund balances	6,105,078	197,601	180,400	1,191,051		(5,216,132)	2,457,998
Fund balances - beginning	12,310,582	614,387	336,954	2,349,180		8,671,553	24,282,656
Fund balances - ending	\$ 18,415,660	\$ 811,988	\$ 517,354	\$ 3,540,231	\$	\$ 3,455,421	\$ 26,740,654

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



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

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**For the Year Ended December 31, 2021**

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Net Changes in Fund Balances - total governmental funds (page 26) \$ 2,457,998

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

Governmental Funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. 7,054,023

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. (155,109)

Contributed capital recorded as revenue in the statement of activities that does not provide current financial resources and is reported as revenues in the funds (7,536,406)

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. (1,017,819)

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. 114,476

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. 927,809

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. (170,785)

Pension expense is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. (1,011,181)

Change in the net position of governmental activities \$ 663,006

**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	Business-type Activities - Enterprise Funds							
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	Internal Service Fund
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 2,337,397	\$ 374,199	\$ 587,205	\$ 378,367	\$ 611,352	\$ 156	\$ 4,288,676	\$ 1,862,993
Investments	9,964,375	2,139,882	2,115,895	1,427,201	2,308,005		17,955,358	5,621,745
Interest receivable	32,682	8,427	7,011	9,723	7,718		65,561	
Accounts receivable (net of allowance for uncollectible)	1,082,510	880,994	388,302	95,544	65,464		2,512,814	8
Due from other funds	526,720	492,586	2,250,466				3,269,772	
Accrued revenues	1,130,886	1,283,074	614,497		125,137		3,153,594	
Intergovernmental receivables	895,269	454,139		1,706,662	172		3,056,242	
Inventories	11,010			93,327			104,337	1,211,334
Prepaid items	636,752	313,026					949,778	
Restricted assets:								
Cash and cash equivalents	9,831,028	8,445,035					18,276,063	
Investments	93,602,569	13,501,935					107,104,504	
Interest receivable	98,327	16,953					115,280	
Total current assets	120,149,525	27,910,250	5,963,376	3,710,824	3,117,848	156	160,851,979	8,696,080
Noncurrent Assets:								
Capital assets:								
Land	4,965,480	632,195	275,121	7,269,061	170,140	668,847	13,980,844	68,265
Nondepreciable assets	11,552,246						11,552,246	
Buildings and systems	11,791,631	14,457,850	1,778,655	10,509,606		5,603,771	44,141,513	1,116,125
Improvements other than buildings	101,130,034	156,259,854	986,424	22,067,258	3,193,765	154,511	283,791,846	651,400
Machinery and equipment	27,778,717	38,039,051	12,004,095	2,320,372	899,369	172,508	81,214,112	2,975,620
Construction in progress	23,512,494	7,798,208	14,783	3,204,984	182,295		34,712,764	10,884
Less accumulated depreciation	(60,171,221)	(107,903,323)	(9,634,096)	(22,560,084)	(1,492,433)	(2,820,960)	(204,582,117)	(3,374,054)
Total noncurrent assets	120,559,381	109,283,835	5,424,982	22,811,197	2,953,136	3,778,677	264,811,208	1,448,240
Total assets	240,708,906	137,194,085	11,388,358	26,522,021	6,070,984	3,778,833	425,663,187	10,144,320
DEFERRED OUTFLOWS OF RESOURCES								
Deferred charge on bond refunding	43,358	5,455,517					5,498,875	
Deferred charge Royal assets	422,747						422,747	
OPEB - changes in assumptions	63,930	92,846	70,254	4,214	12,699		243,943	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	67,457	80,867	63,904	13,606	4,259	179	230,272	
Pension - contributions subsequent to the measurement date	238,152	285,496	225,612	48,036	15,037	633	812,966	
Total deferred outflows of resources	\$ 835,644	\$ 5,914,726	\$ 359,770	\$ 65,856	\$ 31,995	\$ 812	\$ 7,208,803	\$

*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, 2021**

	Business-type Activities - Enterprise Funds							Internal Service Fund
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ 2,691,425	\$ 1,146,387	\$ 64,036	\$ 154,037	\$ 193,125	\$	\$ 4,249,010	\$ 313,045
Due to other funds								1,019,306
Intergovernmental payables	25,947		63,405	7,074		759	97,185	
Compensated absences	26,585	33,340	31,961	10,729	830		103,445	39,249
Customer deposits payable	998,960						998,960	
Unearned revenue			2,713				2,713	
Accrued expenses	42,757	61,481	74,548	13,955	4,183	329	197,253	364,424
Notes payable	239,727						239,727	
Revenue bonds payable - current	1,710,543	3,018,736					4,729,279	
Accrued interest payable	1,301,076	215,080					1,516,156	
Total current liabilities	7,037,020	4,475,024	236,663	185,795	198,138	1,088	12,133,728	1,736,024
Noncurrent liabilities:								
Revenue bonds payable	144,483,591	78,319,798					222,803,389	
Other liabilities		687,292					687,292	
Notes payable	7,948,816						7,948,816	
Other postemployment benefits obligation	470,640	765,118	574,974	92,652	43,210		1,946,594	
Compensated absences	241,954	303,426	290,879	97,647	7,559		941,465	357,210
Net pension liability	1,052,323	1,261,520	996,910	212,258	66,443	2,798	3,592,252	
Total noncurrent liabilities	154,197,324	81,337,154	1,862,763	402,557	117,212	2,798	237,919,808	357,210
Total liabilities	161,234,344	85,812,178	2,099,426	588,352	315,350	3,886	250,053,536	2,093,234
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflow from bond refunding	119,743						119,743	
OPEB - difference between expected and actual experience	188,367	247,943	204,695	30,190	16,362		687,557	
Pension - difference between actual and expected liability experience	43,406	52,034	41,120	8,755	2,740	115	148,170	
Pension - changes in assumptions	7,371	8,837	6,983	1,487	465	20	25,163	
Pension - difference between actual and expected investment earnings	1,847,184	2,214,397	1,749,916	372,585	116,631	4,912	6,305,625	
Total deferred inflows of resources	2,206,071	2,523,211	2,002,714	413,017	136,198	5,047	7,286,258	
<b>NET POSITION</b>								
Net investment in capital assets	58,475,441	49,318,792	5,424,982	22,811,197	2,953,136	3,778,677	142,762,225	1,448,240
Restricted								
Debt service	1,913,255	449,734					2,362,989	
Capital projects	4,013,805	5,274,504					9,288,309	
Unrestricted (deficit)	13,701,634	(269,608)	2,221,006	2,775,311	2,698,295	(7,965)	21,118,673	6,602,846
Total net position	\$ 78,104,135	\$ 54,773,422	\$ 7,645,988	\$ 25,586,508	\$ 5,651,431	\$ 3,770,712	\$ 175,532,196	\$ 8,051,086
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time							3,675,760	
Net position of the business-type activities (page 28)							\$ 179,207,956	

*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, 2021**

	Business-type Activities - Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
<b>OPERATING REVENUES</b>								
Charges for sales and services:								
Water sales	\$ 18,724,906						\$ 18,724,906	\$
Wastewater charges		17,885,589					17,885,589	
Refuse collections and compaction			8,568,643				8,568,643	
Stormwater fees					1,625,486		1,625,486	
Merchandise sales				1,530,674			1,530,674	
Parking and rental fees				1,108,241		94,916	1,203,157	
Other service fees	555,378	672,783	189,887		42,435		1,460,483	1,006,309
Reimbursement from other funds								10,009,183
Miscellaneous other revenue	176,044	118,893	137,827	56,745	4,953	1,558	496,020	335,726
Total operating revenues	19,456,328	18,677,265	8,896,357	2,695,660	1,672,874	96,474	51,494,958	11,351,218
<b>OPERATING EXPENSES</b>								
Salaries and benefits	1,979,486	3,070,404	3,450,989	734,577	229,062	1,642	9,466,160	3,756,812
Services	5,491,150	5,009,412	2,437,009	640,538	370,334	117,580	14,066,023	5,447,877
Post closure expense		77,852					77,852	
Supplies	1,137,418	1,872,525	1,135,215	1,369,525	27,143	14,782	5,556,608	490,397
Depreciation	4,011,390	5,061,622	833,043	1,205,322	241,550	148,849	11,501,776	163,807
Total operating expenses	12,619,444	15,091,815	7,856,256	3,949,962	868,089	282,853	40,668,419	9,858,893
Operating income (expense)	6,836,884	3,585,450	1,040,101	(1,254,302)	804,785	(186,379)	10,826,539	1,492,325
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Intergovernmental	(33,650)	244,942		3,488,320	172		3,699,784	
Investment earnings	469,070	115,351	13,806	22,943	14,683	70	635,923	626
Net increase (decrease) in fair value of investments	(1,205,745)	(195,237)	(20,694)	(28,698)	(22,782)		(1,473,156)	
Bond costs and other	(4,586,373)	(2,735,624)					(7,321,997)	
Gain (loss) on sale of assets		(35,933)	(141,187)				(177,120)	
Total nonoperating revenue (expense)	(5,356,698)	(2,606,501)	(148,075)	3,482,565	(7,927)	70	(4,636,566)	626
Income before contributions and transfers	1,480,186	978,949	892,026	2,228,263	796,858	(186,309)	6,189,973	1,492,951
Capital contributions	165,430	117,555					282,985	
Transfers in						35,800	35,800	
Change in net position	1,645,616	1,096,504	892,026	2,228,263	796,858	(150,509)	6,508,758	1,492,951
Total net position, beginning of year	76,458,519	53,676,918	6,753,962	23,358,245	4,854,573	3,921,221	169,023,438	6,558,135
Total net position - end of year	\$ 78,104,135	\$ 54,773,422	\$ 7,645,988	\$ 25,586,508	\$ 5,651,431	\$ 3,770,712	\$ 175,532,196	\$ 8,051,086
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.							565,125	
Changes in net position of business-type activities (page 29)							\$ 7,073,883	

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, 2021**

	Business-type Activities - Enterprise Funds							Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total Enterprise	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers and users	\$ 19,246,789	\$ 18,407,351	\$ 8,618,797	\$ 2,604,729	\$ 1,658,632	\$ 94,916	\$ 50,631,214	\$ 1,082,983
Other receipts	176,044	118,893	137,827	56,745	4,953	1,558	496,020	350,101
Receipts (payments) - other departments								10,009,183
Payments to suppliers and service providers	(6,813,018)	(6,228,960)	(3,633,147)	(2,046,605)	(276,656)	(134,805)	(19,133,191)	(6,198,316)
Customer deposits received								
Customer deposits returned								
Payments to employees	(2,414,399)	(3,636,333)	(3,940,145)	(809,375)	(252,199)	(9,865)	(11,062,316)	(3,741,381)
Net cash provided by (used for) operating activities	10,195,416	8,660,951	1,183,332	(194,506)	1,134,730	(48,196)	20,931,727	1,502,570
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers from other funds						35,800	35,800	72,000
Transfers to other funds	(36,000)	(36,000)			(12,954)		(84,954)	
Net cash provided by (used for) noncapital financing activities	(36,000)	(36,000)			(12,954)	35,800	(49,154)	72,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Acquisition and construction of capital assets	(19,703,884)	(5,422,596)	(602,169)	(3,074,654)	(205,530)		(29,008,833)	(16,575)
Capital grants	572,652	1,075,043	1,912	2,624,113	12,954		4,286,674	
Proceeds from issuance of debt	10,030,000						10,030,000	
Principal paid on debt	(11,699,903)	(5,662,459)					(17,362,362)	
Interest paid on debt	(4,678,370)	296,653					(4,381,717)	
Payment of related debt costs	(310,348)						(310,348)	
Proceeds from sale of capital assets								
Net cash provided by (used for) capital and related financing activities	(25,789,853)	(9,713,359)	(600,257)	(450,541)	(192,576)		(36,746,586)	(16,575)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Sale of investments	24,985,000	13,250,000	(556,212)	371,605	(822,555)		37,227,838	(1,646,823)
Purchases of investments	(42,233,579)	(7,181,949)					(49,415,528)	
Investment income	514,980	169,741	12,797	18,711	(9,630)	70	706,669	626
Net cash provided by (used for) investing activities	(16,733,599)	6,237,792	(543,415)	390,316	(832,185)	70	(11,481,021)	(1,646,197)
Net change in cash and cash equivalents	(32,364,036)	5,149,384	39,660	(254,731)	97,015	(12,326)	(27,345,034)	(88,202)
Cash and cash equivalents -- Beginning of year	44,532,161	3,669,850	547,545	633,098	514,337	12,482	49,909,473	1,951,195
Cash and cash equivalents -- End of year	<u>\$ 12,168,125</u>	<u>\$ 8,819,234</u>	<u>\$ 587,205</u>	<u>\$ 378,367</u>	<u>\$ 611,352</u>	<u>\$ 156</u>	<u>\$ 22,564,439</u>	<u>\$ 1,862,993</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>								
Cash and cash equivalents	2,337,397	374,199	587,205	378,367	611,352	156	4,288,676	1,862,993
Restricted cash and cash equivalents	9,831,028	8,445,035					18,276,063	
Total Cash and cash equivalents	<u>\$ 12,168,425</u>	<u>\$ 8,819,234</u>	<u>\$ 587,205</u>	<u>\$ 378,367</u>	<u>\$ 611,352</u>	<u>\$ 156</u>	<u>\$ 22,564,739</u>	<u>\$ 1,862,993</u>

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

**City of Hot Springs, Arkansas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

	Business-type Activities - Enterprise Funds							Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total Enterprise	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>								
Operating income [loss]	\$ 6,836,884	\$ 3,585,450	\$ 1,040,101	\$ (1,254,302)	\$ 804,785	\$ (186,379)	\$ 10,826,539	\$ 1,492,325
Adjustments to reconcile operating income (loss) net cash provided by operating activities:								
Depreciation expense	4,011,390	5,061,622	833,043	1,205,322	241,550	148,849	11,501,776	163,807
(Increase) decrease in deferred outflows								
Increase (decrease) in deferred inflows								
(Increases) decreases in assets								
Accounts receivable	14,385	3,585	(10,557)	(27,896)	4,472		(16,011)	37,399
Accrued revenue	(102,291)	(154,606)	(131,889)	(6,290)	(13,761)		(408,837)	14,275
Inventory								(99,034)
Prepaid items	44,251	16,535					60,786	
Increases (decreases) in liabilities								
Accounts payable	(241,942)	701,789	(80,243)	(33,627)	120,044	(2,516)	463,505	(109,912)
Compensated absences	10,967	(9,449)	(38,560)	4,020	(3,521)		(36,543)	8,833
Unearned revenue			2,713				2,713	50,149
Accrued expenses	13,241	12,505	19,320	(2,915)	777	73	43,001	(55,272)
Customer deposits	54,411						54,411	
Other post employment benefits	28,796	37,515	31,193	5,297	1,873		104,674	
Net pension liability	(474,676)	(593,995)	(481,789)	(84,115)	(21,489)	(8,223)	(1,664,287)	
Total adjustments	3,358,532	5,075,501	143,231	1,059,796	329,945	138,183	10,105,188	10,245
Net cash provided by operating activities	<u>\$ 10,195,416</u>	<u>\$ 8,660,951</u>	<u>\$ 1,183,332</u>	<u>\$ (194,506)</u>	<u>\$ 1,134,730</u>	<u>\$ (48,196)</u>	<u>\$ 20,931,727</u>	<u>\$ 1,502,570</u>
<b>Noncash investing and financing activities:</b>								
Increase (decrease) in fair value of investments	63,680	74,967	8,147		(22,782)		124,012	
Capital contributions								
Total noncash investing, capital and financing activities	<u>\$ 63,680</u>	<u>\$ 74,967</u>	<u>\$ 8,147</u>	<u>\$ (22,782)</u>	<u>\$ (22,782)</u>	<u>\$ (48,196)</u>	<u>\$ 124,012</u>	

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

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**City of Hot Springs, Arkansas**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2021**

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 428,621
Receivables	
Due from other funds	68,783
Due from service providers	13,616
Collected for members	<u>79,441</u>
Total receivables	<u>161,840</u>
Total assets	<u>590,461</u>
 <b>LIABILITIES</b>	
Accounts payable	302,322
Due to other governments	146,490
Due to other funds	<u>141,649</u>
Total liabilities	<u>590,461</u>
 <b>NET POSITION</b>	
Individuals, organizations, and other governments	
Total net position	<u><u>\$ -</u></u>

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

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**City of Hot Springs, Arkansas**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2021**

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	Custodial Funds
	<u>          </u>
<b>ADDITIONS</b>	
District court fines collected	\$ 5,132,025
Collections on behalf of members	-
Collections from customer on behalf of another party	<u>971,660</u>
Total additions	<u>6,103,685</u>
 <b>DEDUCTIONS</b>	
District Court fines distributed to other governments	5,132,025
Member distributions	-
Payments of customer collections	<u>971,660</u>
Total deductions	<u>6,103,685</u>
Net increase (decrease) in fiduciary net position	-
Net position-beginning	<u>-</u>
Net position-ending	<u><u>\$ -</u></u>

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



# NOTES TO THE FINANCIAL STATEMENTS

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# *SANDERSON DAM BRIDGE & ZIPLINE*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

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

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

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

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

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

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

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

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

Wastewater Fund is used to account for activities associated with collecting, treating and

*See independent auditor's report.*

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

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**December 31, 2021**

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.

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

*See independent auditor's report.*



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

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**December 31, 2021**

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

**Assets, Liabilities and Net Position**

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

Receivables and Payables. Activity among funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i. e., the current portion of interfund loans) or "advances to/from other funds" (i. e., the noncurrent portion of interfund loans). All other outstanding balances among funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

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

*See independent auditor's report.*

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

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**December 31, 2021**

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similar assets are recorded at acquisition value.

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

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

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

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

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

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

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

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

*See independent auditor's report.*



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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has five items that qualify as deferred inflows of resources as of December 31, 2021. The items reported in the statements are related to pension, bond refunding and other postemployment benefits; and could include changes in assumptions, difference between expected and actual experience, changes in proportion and differences between contribution and proportionate share of contributions, and difference between actual and expected investment earnings. Deferred inflows for both pension and other postemployment benefits are amortized over future periods.

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

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

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

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

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**December 31, 2021**

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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 2021 the City had \$4,754,000 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 2021 the City had \$3,599,730 in assigned amounts.

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

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

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

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**December 31, 2021**

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**Use of Estimates**

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

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

**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, 2021:

Statement No.	Name	Effective Date	City of Hot Springs Implementation Date (if applicable)
87	Leases	Reporting periods beginning after June 30, 2021	January 1, 2022
91	Conduit Debt Obligations	Reporting periods beginning after December 15, 2021	January 1, 2022
92	Omnibus 2020	Reporting periods beginning after June 15, 2020, with exceptions	January 1, 2021/ January 1, 2022 as directed by GASB
93	Replacement of Interbank Offered Rates	Reporting periods beginning after June 15, 2020, with exceptions	January 1, 2021/ January 1, 2022 as directed by GASB
97	Subscription-based Information Technology Arrangements	Reporting periods beginning after June 15, 2022	January 1, 2023
99	Omnibus 2022	Reporting periods beginning April 2022, with exceptions	April 1, 2022
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

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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**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 \$31,588,618 are as follows:

Capital assets not being depreciated	\$ 12,247,332
Buildings	17,019,889
Less : Accumulated depreciation-buildings	(11,004,355)
Improvements other than buildings	90,547,905
Less : Accumulated depreciation-improvements other than buildings	(84,260,525)
Machinery and equipment	35,990,754
Less: Accumulated depreciation-machinery and equipment	(28,952,382)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 31,588,618</u></u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet services and employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position”. The details of this \$4,375,326 difference are as follows:

Net position of the internal service funds	\$ 7,202,630
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(2,246,924)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(580,380)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 4,375,326</u></u>

Another element of that reconciliation explains that “long-term liabilities, (notes and bonds payable, and compensated absences) are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$16,558,309) difference are as follows:

Bonds payable	\$ (8,690,000)
Notes payable	(4,429,583)
Compensated absences	(3,438,726)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (16,558,309)</u></u>

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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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 \$7,054,023 difference are as follows:

Capital outlay	\$ 9,162,651
Depreciation expense	<u>(2,108,628)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 7,054,023</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 (\$1,017,819) are as follows:

Debt issued or incurred:	
General obligation notes	\$ (2,945,950)
Special obligation bonds	-
Principal repayments	
Special obligation bonds	315,000
General obligation notes	<u>1,613,131</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,017,819)</u>

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
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December 31, 2021

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**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 December 1, 2020 the Board of Directors approved the appropriations for the 2021 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 2021, the board made several changes in the General Fund including re-appropriation of \$501,153 for 2020 purchases not received until 2021. Reflected on the final General Fund budget was a \$814,319 decrease in fund balance.

City of Hot Springs, Arkansas  
**NOTES TO THE FINANCIAL STATEMENTS**  
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 December 31, 2021

**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, 2021, 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	\$ 30,266,046	
Cash on hand	4,525	
Total Deposits		\$ 30,270,571
Investments:		
U.S. treasury & agency obligations:		
Maturing within less than 3 years	44,594,375	
Maturing within 3 to 5 years	72,827,559	117,421,934
General obligation bonds		
Maturing within less than 3 years	21,722,981	
Maturing within 3 to 5 years	11,761,294	33,484,275
Certificates of deposit:		
Maturing within less than 3 years	1,986,158	
Maturing within 3 to 5 years	-	1,986,158
Total Investments		152,892,367
<b><u>Total Deposits and Investments</u></b>		<b><u>\$ 183,162,938</u></b>

**Reconciliation to Statement of Net Position**

Current assets:	
Cash and cash equivalents	\$ 10,877,553
Investments	35,823,786
Restricted assets:	
Cash and cash equivalents	18,964,397
Investments	117,068,581
Total -- Statement of Net Position	182,734,317
Fiduciary Funds	428,621
<b><u>Total Deposits and Investments</u></b>	<b><u>\$ 183,162,938</u></b>

*See independent auditor's report.*



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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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<u>Discretely Presented Component Unit -- Deposits by Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 15,252,312
Cash on hand	42,610
Total Deposits	<u>\$ 15,294,922</u>
 <u>Reconciliation to Statement of Net Position</u>	
Current assets:	
Cash and cash equivalents	\$ 15,216,041
Cash and cash equivalents	78,881
Total -- Statement of Net Position	<u>\$ 15,294,922</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 2021, the collateralization of cash and investments was accomplished on a city-wide basis. The carrying amount of the entire City's deposits was \$183,162,938, with a corresponding bank balance of \$185,170,431 (including cash on hand). Of this balance, \$117,421,136 was invested in United States government-backed securities, \$2,486,158 was covered by federal deposit insurance, \$33,484,276 was invested in municipal bonds, \$31,774,336 was collateralized with securities, and \$4,525 was held in cash. None of the amounts collateralized with securities and money market mutual funds were subject to custodial credit risk.

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

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

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

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

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

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

**Receivables**

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

	Receivables						
	Interest	Taxes	Accounts	Intergovernmental	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
<b>Governmental Activities</b>							
General Fund	\$ 71,328	\$ 3,091,963	\$ 1,103,837	\$ 79,518	\$ 4,346,646	\$ (50,855)	\$ 4,295,791
Police Fund		927,589	131,271		1,058,860	(5,000)	1,053,860
Fire Fund		618,393			618,393		618,393
Street Fund	8,590		227,328	168,185	404,103		404,103
ARPA Fund	1,164				1,164		1,164
Employee Wellness Fund					-		-
Nonmajor	2,788		54,674	1,829,633	1,887,095		1,887,095
Totals	83,870	4,637,945	1,517,110	2,077,336	8,316,261	(55,855)	8,260,406
<b>Business-type Activities</b>							
Stormwater Fund	7,718		101,121	171	109,010	(35,657)	73,353
Airport Fund	9,723		119,375	1,706,662	1,835,760	(23,831)	1,811,929
Solid Waste Fund	7,011		536,590		543,601	(148,288)	395,313
Water Fund	131,009		1,413,611	895,269	2,439,889	(331,101)	2,108,788
Wastewater Fund	25,380		1,340,447	454,139	1,819,966	(459,453)	1,360,513
Utility Admin Fund			8		8		8
Totals	\$ 180,841	\$	\$ 3,511,152	\$ 3,056,241	\$ 6,748,234	\$ (998,330)	\$ 5,749,904

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

**Capital Assets**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 6,122,064	\$ 9,487,823	\$ 12,843,310	\$ 2,766,577
Art	231,654	31,597		263,251
Land	9,261,842	5,775		9,267,617
<b>Total capital assets not being depreciated</b>	<b>15,615,560</b>	<b>9,525,195</b>	<b>12,843,310</b>	<b>12,297,445</b>
Capital assets being depreciated:				
Buildings	17,111,467	103,722	7,500	\$ 17,207,689
Improvements other than buildings	89,320,012	1,562,212	50,365	\$ 90,831,859
Machinery and equipment	35,576,563	3,369,848	2,436,202	36,510,209
<b>Total capital assets being depreciated</b>	<b>142,008,042</b>	<b>5,035,782</b>	<b>2,494,067</b>	<b>144,549,757</b>
Less accumulated depreciation for:				
Buildings	10,662,462	426,326	7,500	\$ 11,081,288
Improvements other than buildings	83,821,362	760,172	42,785	84,538,749
Machinery and equipment	30,726,025	927,051	2,202,341	29,450,735
<b>Total accumulated depreciation</b>	<b>125,209,849</b>	<b>2,113,549</b>	<b>2,252,626</b>	<b>125,070,772</b>
<b>Net capital assets being depreciated</b>	<b>16,798,193</b>	<b>2,922,233</b>	<b>241,441</b>	<b>19,478,985</b>
<b>Net governmental capital assets</b>	<b>\$ 32,413,753</b>	<b>\$ 12,447,428</b>	<b>\$ 13,084,751</b>	<b>\$ 31,776,430</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	\$ 19,688,501	\$ 29,167,502	\$ 14,132,357	\$ 34,723,646
Water Rights	11,552,246			11,552,246
Land	13,897,731	101,264	-	13,998,995
<b>Total capital assets not being depreciated</b>	<b>45,138,478</b>	<b>29,268,766</b>	<b>14,132,357</b>	<b>60,274,887</b>
Capital assets being depreciated				
Buildings	44,832,568	237,270		45,069,838
Improvements other than buildings	273,537,860	10,621,433		284,159,293
Machinery and equipment	81,513,050	3,417,780	1,260,554	83,670,276
<b>Total capital assets being depreciated</b>	<b>399,883,478</b>	<b>14,276,483</b>	<b>1,260,554</b>	<b>412,899,407</b>
Less accumulated depreciation for:				
Buildings	23,917,012	940,098		24,857,110
Improvements other than buildings	115,274,081	7,233,420		122,507,501
Machinery and equipment	57,231,141	3,446,661	939,749	59,738,053
<b>Total accumulated depreciation</b>	<b>196,422,234</b>	<b>11,620,179</b>	<b>939,749</b>	<b>207,102,664</b>
<b>Net capital assets being depreciated</b>	<b>203,461,244</b>	<b>2,656,304</b>	<b>320,805</b>	<b>205,796,743</b>
<b>Net business capital assets</b>	<b>\$ 248,599,722</b>	<b>\$ 31,925,070</b>	<b>\$ 14,453,162</b>	<b>\$ 266,071,630</b>

*See independent auditor's report.*

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

**Governmental Activities**

General government	\$ 79,182
Community development	44,805
Parks and recreation	364,400
Public safety	762,403
Public transportation	48,871
Public works	808,968
Capital assets held by the Fleet Service Internal Service Fund and charged to various functions based on usage	20,051
<b><u>Total Depreciation Expense - Governmental Activities</u></b>	<b><u>\$ 2,128,680</u></b>

**Business-type Activities**

Airport	\$ 1,205,322
Parking	148,849
Solid Waste	833,043
Stormwater	241,550
Wastewater	5,061,622
Water	4,011,390
Capital assets held by the Utility Administration Internal Service Fund and charged to Wastewater and Water Funds based on usage	143,756
<b><u>Total Depreciation Expense - Business-type Activities</u></b>	<b><u>\$ 11,645,532</u></b>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

Construction Commitments. As of December 31, 2021, the City had the following active construction projects:

<b><u>Governmental Activities</u></b>		<b><u>Expenditures to Date</u></b>	<b><u>Remaining Commitment</u></b>
<b>General Fund:</b>	Malvern Gateway Project	\$ 363,077	\$ 114,931
	Hot Springs Parks (Stokes Trail and Wayfinding Signage)	38,610	11,250
	Aerial Truck	2,067,535	
	2 Elevators for ASMSA	183,405	183,405
	Police Training Center	47,596	
	Wetlands Trailhead Design and AARP Mural Platform	46,354	
	Bridge Replacement Fees - Woodlawn and Honeycutt	20,000	
Total construction commitments for Governmental activities		<u>\$ 2,766,577</u>	<u>\$ 309,586</u>
<b><u>Business-type Activities</u></b>		<b><u>Expenditures to Date</u></b>	<b><u>Remaining Commitment</u></b>
<b>Stormwater:</b>	Drainage Improvements	\$ 163,108	\$ 146,106
	Stormwater Building	7,425	22,275
	Land Appraisals and Filings	11,762	
<b>Airport:</b>	Rehabilitation Runway 5-23	2,445,640	309,912
	10 Bay Hangar Complex	691,177	1,600
	Rehabilitation Runway 13/31	42,891	24,080
	New Campus for Traffic Services Division	25,275	7,225
<b>Solid Waste:</b>	Replace Compactors #3 and #4 at Solid Waste Transfer Station	14,783	340,404
<b>Water:</b>	2021 and 2022 Waterline Improvements	642,633	511,209
	Water Master Plan	887,332	
	15 MGD Water Treatment Plant	3,048,267	541,912
	Ouachita Intake Structure	2,559,979	18,597,200
	Ouachita Raw and Finished Waterlines	15,336,327	18,666,217
	Easements	9,635	
	Ouachita Water Treatment Plant Pump Station	21,078	17,500
	Ouachita Water Treatment Plant Backwash Lagoon	65,836	136,164
	Water Storage Tank Mixing System Projects	652,426	443,785
	Virtual Demand Metered Area Project	225,888	24,112
	Thornton Ferry and Main Street Water Improvements	63,093	165
<b>Wastewater:</b>	Davidson Drive Wastewater Treatment Plant Improvements	714,220	906,603
	Davidson Drive Wastewater Treatment Plant Tertiary Filter Project	5,928,877	2,909
	Fairwood to Regional Wastewater Treatment Plant System Analysis	346,771	161,517
	Wastewater Hydraulic Model Update & Gulpha Station	510,024	49,776
	Sewer Improvements - Grand Avenue, Main Street, Thornton Ferry, and Gulpha	298,316	508,063
	Lift Station to Shady Grove Road		
<b>Utility Adm:</b>	Generator for Building at 324 Malvern Avenue	10,883	146,425
Total construction commitments for Business-type activities		<u>\$ 34,723,646</u>	<u>\$ 41,565,159</u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

Capital asset activity for the discretely presented component unit for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 5,409,784	\$	\$	\$ 5,409,784
Construction in progress	1,494,053	1,961,883	2,770,803	685,133
Art and collectibles	553,701			553,701
<b>Total capital assets not being depreciated</b>	<b>7,457,538</b>	<b>1,961,883</b>	<b>2,770,803</b>	<b>6,648,618</b>
Capital assets being depreciated				
Buildings and structures	61,710,240	5,866,576		67,576,816
Improvements	9,620,742	4,053,652		13,674,394
Furniture, fixtures, and equipment	8,864,311	432,194		9,296,505
<b>Total capital assets being depreciated</b>	<b>80,195,293</b>	<b>10,352,422</b>	<b>-</b>	<b>90,547,715</b>
<b>Accumulated depreciation</b>	<b>42,613,167</b>	<b>2,413,131</b>		<b>45,026,298</b>
<b>Net capital assets</b>	<b>\$ 45,039,664</b>	<b>\$ 9,901,174</b>	<b>\$ 2,770,803</b>	<b>\$ 52,170,035</b>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

**Interfund Receivables, Payables and Transfers.**

Interfund receivables and payables arise when cash transfers between funds are not settled as of the balance sheet date. The current portion of these balances is referred to as due to/due from. The long-term portion of these balances is referred to as advances to/advances from. In addition, cash transfers between funds arise when cash funding is required for one fund by another. The major reasons for transfers are the settlement of sales tax collections, general support of the public safety function mandated by voter initiative, bond documents and the local match of state and federal grants. On the face of the balance sheet the due to/due from classifications differ by the Custodial Funds components. Following is the composition of interfund balances as of December 31, 2021:

Due to and Due from		
Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 1,082,129
	Agency Fund	49,044
Non Major Governmental	Nonmajor Governmental	-
	Agency Fund	15,815
Police Fund	Nonmajor Governmental	154,955
	Agency Fund	7,962
Water	Internal Service	526,720
Wastewater	Internal Service	492,586
Solid Waste	General	-
	Nonmajor Governmental	2,250,467
Agency Fund	Agency Fund	68,828
	General Fund	-
	Nonmajor Governmental	-
Total Due To / Due From		<u>\$ 4,648,506</u>

Transfers In							
Transfers Out	Fire	Police	Nonmajor Governmental	Street	Communication System	Parking	Total
General	\$ 5,933,000	\$ 7,675,000	\$ 1,350,771	\$ 715,000	\$ -	\$ 35,800	\$ 15,709,571
Police			8,005				8,005
Fire							
Street			6,515				6,515
Nonmajor Governmental			154,136				154,136
Stormwater			3,224				3,224
	<u>\$ 5,933,000</u>	<u>\$ 7,675,000</u>	<u>\$ 1,522,651</u>	<u>\$ 715,000</u>	<u>\$ -</u>	<u>\$ 35,800</u>	<u>\$ 15,881,451</u>

*See independent auditor's report.*



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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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**Operating Leases**

Primary Government

As of December 31, 2021, the following lease arrangements had been executed by the City for leases of specific, capital and noncapital assets. The leases are accounted for as operating leases and are described as follows:

Capital Assets

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

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

The leased ASMSA facilities cost on the December 31, 2021 statement of net position was capitalized as governmental activities as follows:

	Cost	Accumulated Depreciation
Land and land improvements	\$ 955,286	\$ -
Buildings and structures	5,958,755	4,391,759
Improvements	3,962,120	3,767,875
Machinery and equipment	3,069,906	2,939,767
Total Leased Facilities	<u>\$ 13,946,067</u>	<u>\$ 11,099,401</u>

Hot Springs Municipal Airport leases portions of the capital facilities to individuals and businesses. The leases consist primarily of buildings, grounds, hangars and storage facilities. All leases are operating leases with various terms and are cancelable. The cost of property on lease or held for leasing and the amount of accumulated depreciation, as of December 31, 2021, is reported on the statement of net position in the business-type column as follows:

	Cost	Accumulated Depreciation
Land and land improvements	\$ 14,972	\$ -
Buildings and structures	10,701,622	7,582,831
Total Leased Facilities	<u>\$ 10,716,594</u>	<u>\$ 7,582,831</u>

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

**Long-term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2021 were as follows:

		Balance			Balance	Amount due
		December 31, 2020	Increases	Decreases	December 31, 2021	in One Year
<b>Governmental Activities</b>						
Bonds payable						
	Special obligation bonds	\$ 9,005,000	\$ -	\$ 315,000	\$ 8,690,000	\$ 320,000
	Bonds payable, net	9,005,000	-	315,000	8,690,000	320,000
Notes payable		3,096,762	2,945,950	1,613,129	4,429,583	1,418,089
Net pension liability		69,334,999	-	9,982,168	59,352,831	
Compensated absences		3,672,182	430,413	548,370	3,554,225	241,829
OPEB liability		3,918,089	-	614,008	3,304,081	
	Total governmental activities					
	long-term liabilities	\$ 89,027,032	\$ 3,376,363	\$ 13,072,675	\$ 79,330,720	\$ 1,979,918
<b>Business-type Activities</b>						
Bonds payable						
	Revenue bonds	\$ 222,299,408	\$ 10,030,000	\$ 14,381,022	\$ 217,948,386	\$ 4,365,164
	Add issuance premiums	11,788,912		547,831	11,241,081	421,246
	Less issuance discounts	1,734,590		77,791	1,656,799	57,131
	Bonds payable, net	232,353,730	10,030,000	14,851,062	227,532,668	4,729,279
Notes payable		11,835		11,835		
Note payable - Mid Arkansas Water Alliance		8,422,423		233,880	8,188,543	239,727
Post closure compost facility costs		609,440	77,852		687,292	
Net pension liability		13,324,035		9,731,783	3,592,252	
Compensated absences		1,350,099	80,421	104,650	1,325,870	131,260
OPEB liability		2,322,923		376,329	1,946,594	
	Total business-type activities					
	long-term liabilities	\$ 258,394,485	\$ 10,188,273	\$ 25,309,539	\$ 243,273,219	\$ 5,100,266

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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, 2021, \$115,499 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, 2021, \$280,960 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	\$ 8,690,000
Notes payable	1.13%-2.759%	2026	\$ 6,716,710	\$ 4,429,583
Enterprise Funds				
Revenue bonds	0%-4%	2050	\$ 231,120,000	\$ 227,532,668
Notes payable	2.5%	2046	\$ 9,534,832	\$ 8,188,543

**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.

*See independent auditor's report.*

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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*Notes Payable (Direct Borrowings)*

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

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

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

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

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

**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.

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, 2021

**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, 2021:

<b>Governmental Activities</b>				
	Special Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2022	320,000	292,068	1,418,089	61,692
2023	335,000	283,398	1,299,894	38,928
2024	345,000	274,148	1,116,924	19,749
2025	350,000	264,433	594,676	6,720
2026	360,000	254,261		
2027-2031	1,395,000	1,116,326		
2032-2036	1,215,000	925,703		
2037-2041	1,450,000	697,573		
2042-2046	1,720,000	415,522		
2047-2051	1,200,000	89,691		
	<u>\$ 8,690,000</u>	<u>\$ 4,613,123</u>	<u>\$ 4,429,583</u>	<u>\$ 127,089</u>

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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Business-type Activities

*Revenue bonds*

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

**Waterworks Revenue Improvement Bonds Series 2010B** - These bonds have a face value of \$4,966,876 and were issued for the purpose of acquiring and constructing an automated meter infrastructure (AMI) system. The interest rate is 2.25% and a servicing fee of 1% annually is also assessed. Principal and interest payments are due semiannually on April 15 and October 15. Principal payments began in April 2014. The funding was obtained through a program provided by the State of Arkansas Department of Environmental Quality. This issue was paid off in 2021 with a refunding.

**Waterworks Revenue Bonds Series 2015** - These 25-year bonds were issued on November 24, 2015 with face value of \$8,035,000 for the purpose of financing betterments to the Ouachita Water Treatment Plant and the Lakeside Water Treatment Plant and the acquisition, installation, and equipping of additional water storage tanks. The interest rates range from 2% to 3.9%. Principal payments are due annually on October 1, and interest payments are due semiannually on April 1 and October 1. This issue was paid off in 2021 with a refunding.

**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.

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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**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.

**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.

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.

*See independent auditor's report.*

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

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**December 31, 2021**

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*Notes Payable (Direct Borrowings)*

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



**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

**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, 2021:

	<b>Business-type Activities</b>			
	<b>Revenue Bonds</b>		<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	4,729,279	6,756,896	239,727	204,714
2023	6,984,609	6,686,508	245,720	198,720
2024	7,370,045	6,517,903	251,863	192,577
2025	7,575,591	6,334,968	258,160	186,281
2026	7,756,249	6,143,871	264,614	179,827
2027-2031	39,654,750	27,462,378	1,425,670	796,534
2032-2036	42,456,788	21,171,394	1,613,015	609,189
2037-2041	40,030,508	14,057,534	1,824,978	397,225
2042-2046	38,452,213	7,421,023	2,064,796	157,408
2047-2051	32,522,636	2,185,150	-	-
	<u>\$ 227,532,668</u>	<u>\$ 104,737,625</u>	<u>\$ 8,188,543</u>	<u>\$ 2,922,475</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, 2021:

**Governmental Type Activities**

Unspent bond proceeds	\$ 190,588
Current principal and interest payments	104,334
Debt service reserve funds	215,798
Total restricted funds	<u>\$ 510,720</u>

**Business-type Activities**

Unspent bond proceeds	\$ 110,394,338
Current principal and interest payments	2,362,989
Debt service reserve funds	-
Renewal and replacement fund	9,288,308
Total restricted funds	<u>\$ 122,045,635</u>

*See independent auditor's report.*

# *HENRY GLOVER PARKLET DEDICATION*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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**NOTE 5: Other Information Including Risk Management**

**Risk Management**

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

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

Employee Wellness Fund is a self-insured plan to provide health insurance coverage to City employees and their dependents. The fund is accounted for as an internal service fund. Revenues are recognized over the period of risk. Expenses are recognized as they are incurred using the full-accrual basis of accounting. Please see additional information on this fund on pages 127 - 130.

As of December 31, 2021, the City had unpaid claims totaling \$326,947. These unpaid claims are based on actual claims paid in the new fiscal year 2022 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
2012	318,857	(318,857)	1,583,037	\$ 1,264,180	318,857
2013	318,857	(318,857)	1,875,183	\$ 1,658,179	217,004
2014	217,004	(217,004)	2,498,340	\$ 2,147,119	351,221
2015	351,221	(351,221)	3,800,782	\$ 3,362,772	438,010
2016	438,010	(438,010)	3,064,276	\$ 2,740,309	323,967
2017	323,967	(323,967)	2,251,997	\$ 1,894,015	357,982
2018	357,982	(357,982)	1,968,972	\$ 1,412,454	556,518
2019	556,518	(556,518)	1,983,027	\$ 1,631,409	351,618
2020	351,618	(351,618)	2,289,939	\$ 1,911,911	378,028
2021	378,028	(378,028)	2,546,256	\$ 2,219,309	326,947

The City's health insurance self-insurance fund recognized a gain of \$1,503,245 for the fiscal year ended December 31, 2021. Due to the net position of the fund, the City did not increase health premiums for 2021. At the end of 2021, the fund had a net position of \$6.9 million.

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

Municipal League Defense Program - This insurance program provides coverage for legal defense, expenses and damages in suits against City officials and employees and civil-rights suits against the municipal government. The program is a participant in a funded trust with pooled risk involving approximately 421 cities in Arkansas. The coverage of each case is at the sole discretion of the program's administrator. The maximum coverage of any one loss cannot exceed 25% of the program's fund reserve; therefore, the City could be at risk if any suit against the City exceeds 25% of the program's reserve. For the year ended December 31, 2020, and for the prior three fiscal years there were no settlements that exceeded insurance coverage.

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

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

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

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

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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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**NOTE 6: Defined Benefit Pension Plans**

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

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

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

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

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

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

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

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

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

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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The employees covered by the Firemen's Plan at December 31, 2020, the date of the actuarial valuation, are:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive or current employees entitled to but not yet receiving benefits	<u>-</u>
	57

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 2021 plan year were 32.4% of gross salary, and totaled \$1,498,284.

**Net Pension Liability**

The City's net pension liability of \$29,202,960 as of December 31, 2021 was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

City of Hot Springs, Arkansas  
 NOTES TO THE FINANCIAL STATEMENTS  
 (continued)  
 December 31, 2021

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, 2020, these best estimates are summarized in the following table:

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.00% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"); and the resulting Single Discount Rate is 2.00%.

City of Hot Springs, Arkansas  
**NOTES TO THE FINANCIAL STATEMENTS**  
(continued)  
December 31, 2021

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 26,597,711	\$ (1,299,633)	\$ 27,897,344
Charges for the year:			
Service cost			
Interest	707,516		707,516
Differences between expected and actual experience	72,272		72,272
Changes of assumptions	2,261,469		2,261,469
Contributions - employer		1,735,641	(1,735,641)
Net investment income			
Benefit payments, including refunds of employee contributions	(1,739,741)	(1,739,741)	
Administrative expense			
Net changes	1,301,516	(4,100)	1,305,616
Balance, end of year	\$ 27,899,227	\$ (1,303,733)	\$ 29,202,960

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City for the Firemen's Plan, calculated using the single discount rate of 2.00%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	Current		
	1% Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
City's net pension liability	\$ 32,791,442	\$ 29,202,960	\$ 26,222,273

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

See independent auditor's report.



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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

For the year ended December 31, 2021, the City recognized pension expense of \$1,277,997. At December 31, 2021, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual earnings on pension plan investments		
City's contribution made subsequent to the measurement date of the net pension liability	1,498,284	
Total	<u>\$ 1,498,284</u>	<u>\$ -</u>

At December 31, 2021, the City reported \$1,498,284 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, 2022. No other amounts are reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021.

**Payable to the Pension Plan**

At December 31, 2021, the City had no outstanding required contributions to the Firemen's Plan required for the year ended December 31, 2021.

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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**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, 2020, the date of the actuarial valuation, are:

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

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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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 2021 plan year were 13.38% of gross salary, and totaled \$839,424.

**Net Pension Liability**

The City's net pension liability of \$7,120,313 as of December 31, 2021 was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.00% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"); and the resulting Single Discount Rate is 2.00%.

City of Hot Springs, Arkansas  
**NOTES TO THE FINANCIAL STATEMENTS**  
 (continued)  
 December 31, 2021

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 23,009,335	\$ 15,198,412	\$ 7,810,923
Charges for the year:			
Service cost			
Interest	1,545,100		1,545,100
Differences between expected and actual experience	642,837		642,837
Changes of assumptions			
Contributions - employer		977,149	(977,149)
Net investment income		1,925,208	(1,925,208)
Benefit payments, including refunds of employee contributions	(1,872,951)	(1,872,951)	
Administrative expense		(23,810)	23,810
Net changes	314,986	1,005,596	(690,610)
Balance, end of year	\$ 23,324,321	\$ 16,204,008	\$ 7,120,313

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's net pension liability	\$ 9,656,935	\$ 7,120,313	\$ 5,011,362

*Pension plan fiduciary net position.*

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

*See independent auditor's report.*

City of Hot Springs, Arkansas  
**NOTES TO THE FINANCIAL STATEMENTS**  
 (continued)  
 December 31, 2021

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

For the year ended December 31, 2021, the City recognized negative pension expense of (\$117,503). At December 31, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 573,491	\$ 1,807,348
City's contribution made subsequent to the measurement date of the net pension liability	839,424	
Total	<u>\$ 1,412,915</u>	<u>\$ 1,807,348</u>

At December 31, 2021, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
2021	\$ (369,521)
2022	(199,444)
2023	(486,190)
2024	(178,702)
2025	
Thereafter	
Total	<u>\$ (1,233,857)</u>

**Payable to the Pension Plan**

At December 31, 2021, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2021.

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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

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

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

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

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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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, 2021. Contributions to APERS from the City were \$2,790,155 for the year ended December 31, 2021.

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

At December 31, 2021, the City reported a liability of \$6,842,900 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2021, the City's proportion was 0.89%.



**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

For the year ended December 31, 2021, the City recognized APERS pension expense reduction of \$3,174,319. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 156,611	\$ 438,862
Changes of assumptions		47,934
Net difference between projected and actual earning on pension plan investments		12,011,614
Changes in proportion and differences between City contributions and proportionate share of contributions	509,419	144,387
City contributions subsequent to the measurement date	1,535,781	
Total	<u>\$ 2,201,811</u>	<u>\$ 12,642,797</u>

At December 31, 2021 the City reported \$1,535,781 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
2022	\$ (2,836,790)
2023	(2,501,722)
2024	(2,993,094)
2025	(3,645,161)
2026	
Thereafter	
Total	<u>\$ (11,976,767)</u>

*See independent auditor's report.*

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

**December 31, 2021**

**Actuarial assumptions.** The total pension liability in the June 30, 2021 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	26 years (7.6 years for District Judges New Plan/Paid Off Old Plan and 16 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	3.9676

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, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	37.00%	6.22%
International Equity	24.00%	6.69%
Real Assets	16.00%	4.81%
Absolute Return	5.00%	3.05%
Domestic Fixed	18.00%	0.57%
<b>Total</b>	<b>100.00%</b>	
<b>Total Real Rate of Return</b>		<b>4.93%</b>
Plus: Price Inflation - Actuary Assumption		2.50%
<b>Net Expected Return</b>		<b>7.43%</b>

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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Discount rate. The discount rate used to measure the total pension liability was 7.15% for the year ended June 30, 2021. The single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
City's proportionate share of the net pension liability	\$ 20,469,810	\$ 6,842,900	\$ (4,410,964)

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, 2021, the City did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2021.

#### **Arkansas Local Police and Fire Retirement System (LOPFI)**

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

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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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.

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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*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).

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

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**December 31, 2021**

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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 2021 plan year for police and fire were 23.56% and 24.25%, respectively, of annual covered payroll, based upon the December 31, 2020 actuarial report. Contributions to the pension plan from the City were \$2,658,477 for the year ended December 31, 2021.

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

**December 31, 2021**

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

At December 31, 2021, the City reported a liability of \$19,778,911 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2020, the City's proportion was 2.87%.

For the year ended December 31, 2021, the City recognized LOPFI pension expense of \$1,360,717. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,233,078	\$
Changes of assumptions	551,348	
Net difference between projected and actual investment earnings on pension plan investments		5,076,580
Changes in proportion and differences between City contributions and proportionate share of contributions	654,920	74,767
City's contribution made subsequent to the measurement date	2,658,477	
Total	<u>\$ 6,097,823</u>	<u>\$ 5,151,347</u>

As of December 31, 2021, \$2,658,477 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
2022	\$ 379,072
2023	110,966
2024	(1,457,867)
2025	(744,172)
2026	
Thereafter	
Total	<u>\$ (1,712,001)</u>

*See independent auditor's report.*

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

**December 31, 2021**

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

Wage inflation	3.25%
Price inflation	2.50%
Salary increases	Based on merit and seniority
Investment rate of return	7.50%, as adopted by the board

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Allocation-Weighted Long-Term Expected Real Rate of Return</b>
Fixed Income	25.00%	0.90%	0.22%
Domestic Equity	42.00%	5.10%	2.15%
Foreign Equity	18.00%	7.10%	1.27%
Alternative Investments	15.00%	7.40%	1.11%
<b>Total</b>	<b>100.00%</b>		<b>4.76%</b>
Expected Inflation			2.25%
<b>Total Return</b>			<b>7.01%</b>

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

*See independent auditor's report.*



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**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

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

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
City's proportionate share of the net pension liability	33,767,356	19,778,911	8,496,612

*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, 2021, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2021.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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	Subtotal	Pension Plan Changes and Net Out of Deferrals	Total
<b>Net pension liability</b>	\$ (29,202,960)	\$ (7,120,313)	\$ (6,842,900)	\$ (19,778,911)	\$ (62,945,084)	\$	\$ (62,945,084)
<b>Fiduciary net position</b>	(1,303,733)	16,204,000			14,900,275		14,900,275
<b>Deferred outflows</b>							
Difference between projected and actual earnings on pension plan investments		573,491			573,491	(573,491)	-
Changes of assumptions				551,348	551,348	(22,771)	528,577
Difference between expected and actual experience			156,611	2,233,078	2,389,689	(290,692)	2,098,997
Changes in proportionate share of contributions			509,419	654,920	1,164,339	(219,154)	945,185
Contributions subsequent to measurement date	1,498,284	839,424	1,535,781	2,658,477	6,531,966		6,531,966
Total deferred outflows	1,498,284	1,412,915	2,201,811	6,097,823	11,210,833		10,104,725
<b>Deferred inflows</b>							
Difference between expected and actual experience			(438,862)		(438,862)	290,692	(148,170)
Changes of assumptions			(47,934)		(47,934)	22,771	(25,163)
Changes in proportionate share of contributions			(144,387)	(74,767)	(219,154)	219,154	-
Difference between projected and actual earnings on pensions plan investments		(1,807,348)	(12,011,614)	(5,076,580)	(18,895,542)	573,491	(18,322,051)
Total deferred inflows	-	(1,807,348)	(12,642,797)	(5,151,347)	(19,601,492)		(18,495,384)
<b>Current year net balance</b>	\$ (27,704,676)	\$ (7,514,746)	\$ (17,283,886)	\$ (18,832,435)	\$ (71,335,743)	\$	\$ (71,335,743)
<b>Prior year net balance</b>	(26,426,679)	(7,632,249)	(20,458,205)	(17,471,718)	(71,988,851)		(71,988,851)
<b>Pension expenses/exenditures</b>	\$ 1,277,997	\$ (117,503)	\$ (3,174,319)	\$ 1,360,717	\$ (653,108)	\$	\$ (653,108)

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

*See independent auditor's report.*

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City of Hot Springs, Arkansas  
NOTES TO THE FINANCIAL STATEMENTS  
(continued)  
December 31, 2021

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**NOTE 7: Closure and Post Closure Care Costs**

State and federal laws and regulations require the City to place a final cover on its wastewater compost facility site in the event it stops accepting waste to convert to compost material and to perform certain maintenance and monitoring functions onsite to reinstate the property to its previous condition. The reinstatement mandates that the land will be environmentally and ecologically usable pursuant to the requirements of Section 22.810 and Chapter 14 of Regulation 22 of the Pollution Control and Ecology Commission, and GASB 18. The City intends to keep the composting facility in operation indefinitely. It is the primary means of sludge disposal for the wastewater treatment plant. Though the life of the site is not determinable, management decided to amortize the estimated closure costs over 22 years starting in 2006. Total estimated post closure costs for the site are \$765,145. Yearly costs were accrued at the amortized payment of \$77,852. The amortization will be analyzed yearly based on economic growth factors and adjusted accordingly. It was determined that costs should not be retroactively charged due to the immaterial impact that would be caused on the financial statements. As of December 31, 2021, \$687,292 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 2021, the City paid \$172,360 for OPEB as the benefits came due.

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

Employees Covered by Benefit Terms. At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	610
	616

Total OPEB Liability. The City's total OPEB liability of \$5,250,675 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25% 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	2.25% as of December 31, 2021 and 2.12% as of January 1, 2021
Healthcare Trend Rates	8.0% for 2022 decreasing by 0.50% annually to an ultimate rate of 4.5%. The initial trend was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information.
Retirees' Share of Benefit-Related Costs	The retirees pay the full active employee blended premium for both employee and spousal coverage

Mortality tables have been updated as follows:

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

*See independant auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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- 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

*See independant auditor's report.*

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

**December 31, 2021**

**Changes in Total OPEB Liability**

Balance at Beginning of Year	\$ 6,241,012
Changes for the Year	
Service cost	480,172
Interest	140,672
Changes in benefit terms	
Changes in assumptions	(164,245)
Differences between expected and actual experience	(1,274,576)
Benefit payments	(172,360)
Net change in total OPEB liability	<u>(990,337)</u>
Balance at End of Year	<u>\$ 5,250,675</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.12% at January 1, 2021 to 2.25% at December 31, 2021.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.25%) or 1% higher (3.25%) than the current discount rate (2.25%):

	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total OPEB Liability	\$ 5,718,649	\$ 5,250,675	\$ 4,812,915

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

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

	1% Decrease 7.00%	Healthcare Cost Trend Rate 8.00%	1% Increase 9.00%
Total OPEB Liability	\$ 4,587,655	\$ 5,250,675	\$ 6,046,453

*See independent auditor's report.*

**City of Hot Springs, Arkansas**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(continued)**  
**December 31, 2021**

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$447,819. At December 31, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ 29,837
Changes in assumptions	<u>897,449</u>
Total	<u>\$ 927,286</u>

At December 31, 2021, the City reported deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$(1,843,826)
Changes in assumptions	<u>(263,021)</u>
Total	<u>\$(2,106,847)</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
2022	\$ (173,026)
2023	(173,026)
2024	(173,028)
2025	(187,474)
2026	(126,475)
Thereafter	<u>(346,532)</u>
	<u>\$ (1,179,561)</u>

*See independent auditor's report.*

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

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**December 31, 2021**

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**NOTE 9: Subsequent Events**

In 2022 the taxpayers approved the extension of a 5/8% county sales tax to support roads and similar infrastructure. The City will get approximately 36% of that tax and will be able to use it for their qualified infrastructure. This tax will be assessed for five years and will provide additional money of around \$5 million annually to the City, starting in September, 2022. The 2022 funds will be prorated.

The City received the second tranche of ARPA funds in June, 2022 in the amount of \$5,685,399.

In June, 2022 the Board of Directors authorized the issuance of \$45 million in wastewater bonds to continue improvements to the wastewater system.



# REQUIRED SUPPLEMENTARY INFORMATION

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# *WHOSOEVERS AT VALLEY STREET SKATE PARK*

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**City of Hot Springs, Arkansas**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2021**

	Budgeted			
	Original	Final	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes:				
Sales	\$ 15,071,541	\$ 15,071,541	\$ 17,148,325	\$ 2,076,784
Mixed drink and other	825,000	825,000	920,071	95,071
Fees and permits:				
Code inspection	479,900	479,900	701,787	221,887
Business licenses	750,000	750,000	854,090	104,090
Alcoholic beverage	135,000	135,000	151,866	16,866
Franchise	2,610,000	2,610,000	2,678,294	68,294
Other	99,600	99,600	89,725	(9,875)
Intergovernmental:				
State turnback	615,000	615,000	617,490	2,490
County aid	299,280	299,280	299,280	
Charge for services	2,723,468	2,723,468	2,734,403	10,935
Gaming and breakage	4,952,000	4,952,000	3,946,583	(1,005,417)
Fines and forfeitures	586,750	586,750	643,165	56,415
Investment earnings	50,000	50,000	(76,331)	(126,331)
Miscellaneous	291,700	291,700	439,128	147,428
Total revenues	29,489,239	29,489,239	31,147,876	1,658,637
<b>EXPENDITURES</b>				
General government:				
Board of Directors	115,550	115,550	39,779	75,771
City Manager	497,572	508,115	467,717	40,398
City Attorney	435,677	453,483	439,243	14,240
Human Resources	423,233	423,233	392,145	31,088
Finance	1,132,362	1,154,532	1,136,183	18,349
City Clerk	232,165	232,165	228,078	4,087
Public Information	197,107	197,107	191,749	5,358
Information Systems	809,985	809,985	802,501	7,484
Special General Fund Appropriations	4,387,346	4,778,620	1,582,085	3,196,535
Total general government	8,230,997	8,672,790	5,279,480	3,393,310
Community Development:				
Planning and Development	1,538,482	1,710,333	1,444,612	265,721
Total Community Development	1,538,482	1,710,333	1,444,612	265,721
Parks and Recreation:				
Parks and Trails	1,650,120	1,809,999	1,639,104	170,895
Sport Recreation	361,017	361,017	282,873	78,144
Total Parks and Recreation	2,011,137	2,171,016	1,921,977	249,039
Public Works:				
Public Works Administration	1,257,335	1,707,783	1,266,524	441,259
Engineering	287,845	293,730	197,510	96,220
Traffic	744,351	766,351	698,573	67,778
Total Public Works	2,289,531	2,767,864	2,162,607	605,257
Total expenditures	14,070,147	15,322,003	10,808,676	4,513,327
Excess (deficiency) of revenues over expenditures	15,419,092	14,167,236	20,339,200	6,171,964
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(14,946,422)	(15,312,755)	(14,504,572)	808,183
Transfers in	60,750	60,750		(60,750)
Issuance of debt	270,450	270,450	270,450	
Total other financing sources and uses	(14,615,222)	(14,981,555)	(14,234,122)	747,433
Net change in fund balances	803,870	(814,319)	6,105,078	6,919,397
Fund balances - beginning	12,310,582	12,310,582	12,310,582	
Fund balances - ending	\$ 13,114,452	\$ 11,496,263	\$ 18,415,660	\$ 6,919,397

**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, 2021**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 4,521,462	\$ 4,521,462	\$ 5,144,498	\$ 623,036
Fees and permits	117,000	117,000	132,952	15,952
Intergovernmental	1,533,128	1,533,128	1,343,610	(189,518)
Fines and forfeitures	60,000	60,000	60,529	529
Investment earnings	100	100	195	95
Miscellaneous	36,000	57,000	251,961	194,961
Total revenues	<u>6,267,690</u>	<u>6,288,690</u>	<u>6,933,745</u>	<u>645,055</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel	12,194,913	12,152,432	11,889,297	263,135
Services	957,714	1,152,966	1,125,403	27,563
Supplies	847,213	966,697	861,062	105,635
Intergovernmental exp	30,000	30,000	30,000	
Principal	448,073	448,073	447,893	180
Interest	21,974	21,974	16,409	5,565
Capital outlay	380,500	501,183	384,306	116,877
Total expenditures	<u>14,880,387</u>	<u>15,273,325</u>	<u>14,754,370</u>	<u>518,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,612,697)</u>	<u>(8,984,635)</u>	<u>(7,820,625)</u>	<u>1,164,010</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,264,197	8,356,584	7,675,000	(681,584)
Transfers out	(32,000)	(32,000)	(27,274)	4,726
Issuance of debt	380,500	380,500	370,500	(10,000)
Total other financing sources (uses)	<u>8,612,697</u>	<u>8,705,084</u>	<u>8,018,226</u>	<u>(686,858)</u>
Net change in fund balances		(279,551)	197,601	477,152
Fund balance - beginning	614,387	614,387	614,387	
Fund balance - ending	<u>\$ 614,387</u>	<u>\$ 334,836</u>	<u>\$ 811,988</u>	<u>\$ 477,152</u>

**City of Hot Springs, Arkansas**

**FIRE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**BUDGET (GAAP BASIS) AND ACTUAL**

**For the Year Ended December 31, 2021**

	<u>Budgeted</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,014,308	\$ 3,014,308	\$ 3,429,665	\$ 415,357
Fees and permits	20,400	20,400	15,038	(5,362)
Intergovernmental	760,000	760,000	871,442	111,442
Miscellaneous	27,800	27,800	54,640	26,840
Total revenues	<u>3,822,508</u>	<u>3,822,508</u>	<u>4,370,785</u>	<u>548,277</u>
<b>EXPENDITURES</b>				
Public safety:				
Personnel	8,621,370	8,797,188	8,797,187	1
Services	738,087	716,342	603,818	112,524
Supplies	464,655	439,701	387,470	52,231
Principal	487,255	487,255	485,749	1,506
Interest	16,060	7,822	9,328	(1,506)
Capital outlay	2,248,000	2,212,527	2,087,833	124,694
Total expenditures	<u>12,575,427</u>	<u>12,660,835</u>	<u>12,371,385</u>	<u>289,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,752,919)</u>	<u>(8,838,327)</u>	<u>(8,000,600)</u>	<u>837,727</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,504,919	6,504,919	5,933,000	(571,919)
Issuance of debt	2,248,000	2,248,000	2,248,000	
Total other financing sources (uses)	<u>8,752,919</u>	<u>8,752,919</u>	<u>8,181,000</u>	<u>(571,919)</u>
Net change in fund balances		(85,408)	180,400	265,808
Fund balance - beginning	336,954	336,954	336,954	
Fund balance - ending	<u>\$ 336,954</u>	<u>\$ 251,546</u>	<u>\$ 517,354</u>	<u>\$ 265,808</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, 2021**

	<b>Budgeted</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>				
Fees and permits	\$ 50,000	\$ 50,000	\$ 69,150	\$ 19,150
Intergovernmental	4,611,000	4,611,000	3,727,777	(883,223)
Investment earnings	2,000	2,000	(13,502)	(15,502)
Miscellaneous	500	500	2,779	2,279
Total revenues	4,663,500	4,663,500	3,786,204	(877,296)
<b>EXPENDITURES</b>				
Personnel	1,252,661	1,234,409	1,174,460	59,949
Services	2,811,950	3,184,388	1,637,669	1,546,719
Supplies	335,750	378,046	377,965	81
Principal	119,632	119,632	119,599	33
Interest	6,828	6,828	5,766	1,062
Capital outlay	286,000	317,754	23,764	293,990
Reserves	823,000	823,000		823,000
Total expenditures	5,635,821	6,064,057	3,339,223	2,724,834
Excess (deficiency) of revenues over (under) expenditures	(972,321)	(1,400,557)	446,981	1,847,538
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	793,321	793,321	715,000	(78,321)
Transfers out		(348,833)	(27,930)	320,903
Issuance of debt	57,000	57,000	57,000	
Total other financing sources (uses)	850,321	501,488	744,070	242,582
Net change in fund balances	(122,000)	(899,069)	1,191,051	2,090,120
Fund balance - beginning	2,349,180	2,349,180	2,349,180	
Fund balance - ending	\$ 2,227,180	\$ 1,450,111	\$ 3,540,231	\$ 2,090,120

**City of Hot Springs, Arkansas**  
**OTHER POSTEMPLOYMENT BENEFITS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For the Year Ended December 31, 2021**

<b>Total OPEB Liability</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Service cost	\$ 306,471	\$ 370,071	\$ 335,464	\$ 408,243	\$ 480,172
Interest	165,934	187,234	213,267	195,804	140,672
Changes of benefit terms					
Differences between expected and actual experience	79,562	(238,611)	728,016	571,909	(164,245)
Changes in assumptions or other inputs	36,028	(249,396)	(406,393)	(466,506)	(1,274,576)
Benefit payments	(86,058)	(90,882)	(119,734)	(131,838)	(172,360)
<b>Net change in total OPEB liability</b>	<b>501,937</b>	<b>(21,584)</b>	<b>750,620</b>	<b>577,612</b>	<b>(990,337)</b>
<b>Total OPEB liability - beginning</b>	<b>4,432,427</b>	<b>4,934,364</b>	<b>4,912,780</b>	<b>5,663,400</b>	<b>6,241,012</b>
<b>Total OPEB liability - ending</b>	<b>\$ 4,934,364</b>	<b>\$ 4,912,780</b>	<b>\$ 5,663,400</b>	<b>\$ 6,241,012</b>	<b>\$ 5,250,675</b>
 <b>Covered payroll</b>	 \$ 24,145,025	 \$ 24,929,738	 \$ 25,796,450	 \$ 26,634,835	 \$ 26,906,957
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>20.44%</b>	<b>19.71%</b>	<b>21.95%</b>	<b>23.43%</b>	<b>19.50%</b>

**Notes to Schedule:**

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

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

**City of Hot Springs, Arkansas**  
**FIREMEN'S PENSION AND RELIEF FUND**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**For the Year Ended December 31, 2021**

<b>Total Pension Liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Interest on the Total Pension Liability	\$ 1,390,952	\$ 992,623	\$ 935,891	\$ 946,832	\$ 857,169	\$ 883,599	\$ 707,516
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
Changes of assumptions	10,059,689	(30,399)	(597,312)	1,288,459	(1,147,175)	2,614,637	2,261,469
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)
<b>Net change in total pension liability</b>	<b>10,401,707</b>	<b>(1,351,029)</b>	<b>(1,370,081)</b>	<b>1,162,588</b>	<b>(2,368,375)</b>	<b>1,917,293</b>	<b>1,301,516</b>
<b>Total pension liability - beginning</b>	<b>18,205,608</b>	<b>28,607,315</b>	<b>27,256,286</b>	<b>25,886,205</b>	<b>27,048,793</b>	<b>24,680,418</b>	<b>26,597,711</b>
<b>Total pension liability - ending</b>	<b>\$ 28,607,315</b>	<b>\$ 27,256,286</b>	<b>\$ 25,886,205</b>	<b>\$ 27,048,793</b>	<b>\$ 24,680,418</b>	<b>\$ 26,597,711</b>	<b>\$ 27,899,227</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 1,516,004	\$ 1,524,974	\$ 1,569,144	\$ 1,501,418	\$ 1,497,903	\$ 1,695,957	\$ 1,735,641
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)
Administrative expense	(820)	(1,381)	(692)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>(87,728)</b>	<b>(81,163)</b>	<b>(657,298)</b>	<b>(174,055)</b>	<b>(806,972)</b>	<b>(31,527)</b>	<b>(4,100)</b>
<b>Plan fiduciary net position - beginning</b>	<b>539,110</b>	<b>451,382</b>	<b>370,219</b>	<b>(287,079)</b>	<b>(461,134)</b>	<b>(1,268,106)</b>	<b>(1,299,633)</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 451,382</b>	<b>\$ 370,219</b>	<b>\$ (287,079)</b>	<b>\$ (461,134)</b>	<b>\$ (1,268,106)</b>	<b>\$ (1,299,633)</b>	<b>\$ (1,303,733)</b>
<b>City's net pension liability - ending</b>	<b>\$ 28,155,933</b>	<b>\$ 26,886,067</b>	<b>\$ 26,173,284</b>	<b>\$ 27,509,927</b>	<b>\$ 25,948,524</b>	<b>\$ 27,897,344</b>	<b>\$ 29,202,960</b>
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%
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

**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, 2021**

<b>Year Ended December 31</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2015	\$ 1,288,616	\$ 1,288,616		\$ 140,754	916%
2016	1,326,940	1,326,940		124,808	1063%
2017	1,308,890	1,308,890		72,984	1793%
2018	1,317,744	1,317,744		38,072	3461%
2019	1,420,368	1,420,368		-	N/A
2020	1,470,852	1,470,852		-	N/A
2021	1,498,284	1,498,284		-	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:** 12/31/2018  
**Notes** Actuarially determined contribution rates are calculated as of December 31st of each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

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

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

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

**City of Hot Springs, Arkansas**  
**POLICEMEN'S PENSION AND RELIEF FUND**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**For the Year Ended December 31, 2021**

<b>Total Pension Liability</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Interest	\$ 1,772,747	\$ 1,774,217	\$ 1,625,453	\$ 1,629,624	\$ 1,612,811	\$ 1,614,036	\$ 1,545,100
Differences between expected and actual experience	(13,618)	(1,596,791)	269,092	730,678	303,192	(718,675)	642,837
Changes of assumptions		404,504		1,538,172	-	-	-
Benefit payments, including refunds of employee contributions	(1,728,996)	(1,752,514)	(1,819,593)	(1,861,841)	(1,909,627)	(1,887,367)	(1,872,951)
Net change in Total Pension Liability	30,133	(1,170,584)	74,952	2,036,633	6,376	(992,006)	314,986
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
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>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 1,129,350	\$ 1,108,489	\$ 1,036,800	\$ 1,023,337	\$ 970,994	\$ 991,034	\$ 977,149
Net investment income	1,007,240	26,018	804,014	1,901,756	(414,996)	2,461,180	1,925,208
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)
Administrative expense	(23,934)	(32,964)	(25,891)	(24,381)	(27,513)	(21,645)	(23,810)
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
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
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>
<b>Net Pension Liability</b>	<u>\$ 8,400,842</u>	<u>\$ 7,881,229</u>	<u>\$ 7,960,851</u>	<u>\$ 8,958,613</u>	<u>\$ 10,346,131</u>	<u>\$ 7,810,923</u>	<u>\$ 7,120,313</u>
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%
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

**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, 2021**

<b>Year Ended December 31</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2015	\$ 962,259	\$ 962,259			N/A
2016	926,799	926,799			N/A
2017	887,483	887,483			N/A
2018	823,764	823,764			N/A
2019	849,480	849,480			N/A
2020	838,584	838,584			N/A
2021	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, 2018

**Notes**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information:**

**Notes**

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

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

**City of Hot Springs, Arkansas**  
**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**For the Year Ended December 31, 2021**

<b>Plan Fiscal Year Ended June 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
City's proportion of the net pension liability	0.8260%	0.8225%	0.8483%	0.8606%	0.8561%	0.8923%	0.8900%
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
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
City's proportionate share of the net pension liability as a percentage of its covered payroll	106%	131%	140%	119%	124%	148%	38%
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%

**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, 2021

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

**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, 2021**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
City's proportion of the net pension liability	2.6711%	2.7012%	2.7602%	2.7669%	2.7964%	2.7700%	2.8770%
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
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
City's proportionate share of the net pension liability as a percentage of its covered payroll	103%	151%	163%	197%	237%	202%	178%
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%

\*\*\* 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, 2021

<b>Year Ended December 31</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2015	\$ 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%

**Notes to Schedule:**

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

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# COMBINING AND INDIVIDUAL FUND STATEMENTS

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# ***SPECIAL OLYMPICS TORCH RUN***

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

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

**Special revenue funds include:**

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

**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, 2021**

	Special Revenue Funds			
	District Court	Miscellaneous Gift Fund	Public Transportation	CDBG Grant
<b>ASSETS</b>				
Cash and cash equivalents	\$ 148,749	\$ 4,645	\$ 13,884	\$ -
Investments	550,596	-	-	-
Interest receivable	1,035	-	-	-
Accounts receivable	54,183	-	-	-
Due from other funds	9,713	-	-	-
Intergovernmental receivables	-	-	463,406	215,745
Total assets	<u>764,276</u>	<u>4,645</u>	<u>477,290</u>	<u>215,745</u>
<b>LIABILITIES</b>				
Accounts payable	12,806	-	25,692	53,110
Accrued expenditures	12,831	-	14,935	-
Due to other governments	2,505	-	-	-
Due to other funds	6,812	-	324,720	159,590
Unearned revenue	-	4,645	24,835	3,045
Total liabilities	<u>34,954</u>	<u>4,645</u>	<u>390,182</u>	<u>215,745</u>
<b>FUND BALANCES</b>				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	-	-	-
Public safety	729,322	-	-	-
Public transportation	-	-	87,108	-
Public works	-	-	-	-
Total Fund Balances	<u>729,322</u>	<u>-</u>	<u>87,108</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 764,276</u>	<u>\$ 4,645</u>	<u>\$ 477,290</u>	<u>\$ 215,745</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, 2021**

	<b>Special Revenue Funds</b>			
	<b>Public Works Projects</b>	<b>Parks &amp; Trails</b>	<b>Public Safety</b>	<b>Jail Expense Fines</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 63,513	\$ 3,300	\$ 312,122	\$ 16,822
Investments	-	-	588,980	-
Interest receivable	-	-	1,753	-
Accounts receivable	-	491	-	-
Due from other funds	-	-	-	6,102
Intergovernmental receivables	194,988	-	848,089	-
Total assets	<u>258,501</u>	<u>3,791</u>	<u>1,750,944</u>	<u>22,924</u>
<b>LIABILITIES</b>				
Accounts payable	46,131	-	27,005	22,475
Accrued expenditures	-	-	-	-
Due to other governments	-	-	906,807	-
Due to other funds	129,828	-	260,512	-
Unearned revenue	19,029	-	-	-
Total liabilities	<u>194,988</u>	<u>-</u>	<u>1,194,324</u>	<u>22,475</u>
<b>FUND BALANCES</b>				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks	-	3,791	-	-
Public safety	-	-	556,620	449
Public transportation	-	-	-	-
Public works	63,513	-	-	-
Total Fund Balances	<u>63,513</u>	<u>3,791</u>	<u>556,620</u>	<u>449</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 258,501</u>	<u>\$ 3,791</u>	<u>\$ 1,750,944</u>	<u>\$ 22,924</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, 2021**

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 493,523	\$ 523,852	\$ 1,580,410
Investments	209,279	1,258,154	2,607,009
Interest receivable	-	-	2,788
Accounts receivable	-	-	54,674
Due from other funds	-	-	15,815
Intergovernmental receivables	-	-	1,722,228
Total assets	<u>702,802</u>	<u>1,782,006</u>	<u>5,982,924</u>
<b>LIABILITIES</b>			
Accounts payable	-	33,121	220,340
Accrued expenditures	48,678	-	76,444
Due to other governments	-	-	909,312
Due to other funds	-	-	881,462
Unearned revenue	388,391	-	439,945
Total liabilities	<u>437,069</u>	<u>33,121</u>	<u>2,527,503</u>
<b>FUND BALANCES</b>			
Restricted:			
Debt service	265,733	-	265,733
Capital projects	-	1,748,885	1,748,885
Parks	-	-	3,791
Public safety	-	-	1,286,391
Public transportation	-	-	87,108
Public works	-	-	63,513
Total Fund Balances	<u>265,733</u>	<u>1,748,885</u>	<u>3,455,421</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 702,802</u>	<u>\$ 1,782,006</u>	<u>\$ 5,982,924</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, 2021**

	<b>Special Revenue Funds</b>			
	<b>District Court</b>	<b>Miscellaneous Gift Fund</b>	<b>Public Transportation</b>	<b>CDBG Grant</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Charges for services			84,454	
Intergovernmental	376,466		1,542,958	540,985
Fines and forfeitures	137,589			
Investment earnings	(666)			
Miscellaneous	6,768	21,970	19,436	
Total revenues	<u>520,157</u>	<u>21,970</u>	<u>1,646,848</u>	<u>540,985</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Community development				408,623
Parks and recreation				
Public transportation			1,621,807	
Public safety	1,064,645	18,355		
Public works				
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay		3,615	302,949	132,362
Total expenditures	<u>1,064,645</u>	<u>21,970</u>	<u>1,924,756</u>	<u>540,985</u>
Excess (deficiency) of revenues over expenditures	<u>(544,488)</u>		<u>(277,908)</u>	
<b>OTHER FINANCING SOURCES</b>				
Transfers in	585,574		281,942	
Transfers out	(28,393)			
Total other financing sources (uses)	<u>557,181</u>		<u>281,942</u>	
<b>Net Change in Fund Balance</b>	<u>12,693</u>		<u>4,034</u>	
<b>Fund Balance, Beginning of Year</b>	<u>716,629</u>		<u>83,074</u>	
<b>Fund Balance, End of Year</b>	<u>\$ 729,322</u>	<u>\$</u>	<u>\$ 87,108</u>	<u>\$</u>

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

**City of Hot Springs, Arkansas**

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

**For the Year Ended December 31, 2021**

	Special Revenue Funds			
	Public Works Projects	Parks & Trails	Public Safety	Jail Expense Fines
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Charges for services		13,517		
Intergovernmental	483,028	190,211	3,976,510	
Fines and forfeitures				76,256
Investment earnings			(2,832)	
Miscellaneous		2,791		
Total revenues	<u>483,028</u>	<u>206,519</u>	<u>3,973,678</u>	<u>76,256</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Community development				
Parks and recreation		13,112		
Public transportation				
Public safety			4,021,683	80,000
Public works	170,528			
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay	341,430	191,008		
Total expenditures	<u>511,958</u>	<u>204,120</u>	<u>4,021,683</u>	<u>80,000</u>
Excess (deficiency) of revenues over expenditures	<u>(28,930)</u>	<u>2,399</u>	<u>(48,005)</u>	<u>(3,744)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	27,930	32	27,274	
Transfers out				
Total other financing sources (uses)	<u>27,930</u>	<u>32</u>	<u>27,274</u>	
<b>Net Change in Fund Balance</b>	<u>(1,000)</u>	<u>2,431</u>	<u>(20,731)</u>	<u>(3,744)</u>
<b>Fund Balance, Beginning of Year</b>	<u>64,513</u>	<u>1,360</u>	<u>577,351</u>	<u>4,193</u>
<b>Fund Balance, End of Year</b>	<u>\$ 63,513</u>	<u>\$ 3,791</u>	<u>\$ 556,620</u>	<u>\$ 449</u>

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



**City of Hot Springs, Arkansas**

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

**For the Year Ended December 31, 2021**

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$	\$ 894	\$ 894
Charges for services			97,971
Intergovernmental	615,527		7,725,685
Fines and forfeitures			213,845
Investment earnings	(4,744)	4,959	(3,283)
Miscellaneous			50,965
Total revenues	<u>610,783</u>	<u>5,853</u>	<u>8,086,077</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,613		1,613
Community development			408,623
Parks and recreation			13,112
Public transportation			1,621,807
Public safety		6,469	5,191,152
Public works			170,528
Debt service:			
Principal	315,000		315,000
Interest	299,118		299,118
Capital expenditures:			
Capital outlay		5,204,251	6,175,615
Total expenditures	<u>615,731</u>	<u>5,210,720</u>	<u>14,196,568</u>
Excess (deficiency) of revenues over expenditures	<u>(4,948)</u>	<u>(5,204,867)</u>	<u>(6,110,491)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	428,019		1,350,771
Transfers out	<u>(428,019)</u>		<u>(456,412)</u>
Total other financing sources (uses)			<u>894,359</u>
<b>Net Change in Fund Balance</b>	<b>(4,948)</b>	<b>(5,204,867)</b>	<b>(5,216,132)</b>
<b>Fund Balance, Beginning of Year</b>	<u>270,681</u>	<u>6,953,752</u>	<u>8,671,553</u>
<b>Fund Balance, End of Year</b>	<u>\$ 265,733</u>	<u>\$ 1,748,885</u>	<u>\$ 3,455,421</u>

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

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# INTERNAL SERVICE FUNDS

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# ***SOLAR PLANT RIBBON CUTTING***

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**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**December 31, 2021**

	<b>Fleet Service</b>	<b>Utility Administration</b>	<b>Employee Wellness Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 11,453	\$ 32,045	\$ 1,819,495	\$ 1,862,993
Investments		117,050	5,504,695	5,621,745
Accounts receivable		8		8
Inventories	281,765	929,569		1,211,334
Total current assets	293,218	1,078,672	7,324,190	8,696,080
Noncurrent Assets:				
Capital assets:				
Land	50,113	18,152		68,265
Buildings and systems	187,800	928,325		1,116,125
Improvements other than buildings	283,954	367,446		651,400
Machinery and equipment	519,455	2,456,165		2,975,620
Construction in progress		10,884		10,884
Less accumulated depreciation	(853,509)	(2,520,545)		(3,374,054)
Total noncurrent assets (net of accumulated depreciation)	187,813	1,260,427		1,448,240
Total assets	481,031	2,339,099	7,324,190	10,144,320
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	98,524	140,228	74,293	313,045
Due to other funds		1,019,306		1,019,306
Compensated absences	11,434	27,815		39,249
Accrued expenses	14,275	50,149	300,000	364,424
Total current liabilities	124,233	1,237,498	374,293	1,736,024
Noncurrent liabilities:				
Compensated absences	104,065	253,145		357,210
Total noncurrent liabilities	104,065	253,145		357,210
Total liabilities	228,298	1,490,643	374,293	2,093,234
<b>NET POSITION</b>				
Net investment in capital assets	187,813	1,260,427		1,448,240
Unrestricted (deficit)	64,920	(411,971)	6,949,897	6,602,846
Total net position	\$ 252,733	\$ 848,456	\$ 6,949,897	\$ 8,051,086

*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, 2021**

	<b>Fleet Service</b>	<b>Utility Administration</b>	<b>Employee Wellness Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Other service fees	\$ 100	\$ 412,480	\$ 593,729	\$ 1,006,309
Reimbursement from other funds	1,053,125	4,209,231	4,746,827	10,009,183
Miscellaneous other revenue	3,736	15,064	316,926	335,726
Total operating revenues	<u>1,056,961</u>	<u>4,636,775</u>	<u>5,657,482</u>	<u>11,351,218</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	902,281	2,854,531		3,756,812
Services	79,429	1,222,750	4,145,698	5,447,877
Supplies	50,238	430,994	9,165	490,397
Depreciation	20,051	143,756		163,807
Total operating expenses	<u>1,051,999</u>	<u>4,652,031</u>	<u>4,154,863</u>	<u>9,858,893</u>
Operating income (loss)	<u>4,962</u>	<u>(15,256)</u>	<u>1,502,619</u>	<u>1,492,325</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings			626	626
Total nonoperating revenue (expense)			<u>626</u>	<u>626</u>
Change in net position	4,962	(15,256)	1,503,245	1,492,951
Net position - beginning	<u>247,771</u>	<u>863,712</u>	<u>5,446,652</u>	<u>6,558,135</u>
Net position - ending	<u>\$ 252,733</u>	<u>\$ 848,456</u>	<u>\$ 6,949,897</u>	<u>\$ 8,051,086</u>

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

**City of Hot Springs, Arkansas**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**

	<b>Fleet</b>	<b>Utility Admin</b>	<b>Employee Wellness Fund</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATION ACTIVITIES</b>				
Receipts from customers and users	\$	\$ 462,622	\$ 620,361	\$ 1,082,983
Other receipts	18,111	15,064	316,926	350,101
Receipts (payments) - other departments	1,053,125	4,209,231	4,746,827	10,009,183
Payments to suppliers and service providers	(175,986)	(1,769,989)	(4,252,341)	(6,198,316)
Payments to employees	(905,762)	(2,835,619)		(3,741,381)
Net cash provided by (used for) operating activities	(10,512)	81,309	1,431,773	1,502,570
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in (out) from other funds				
Receipts (repayments) of advances given				
Receipts (repayments) of due to (from) other funds		72,000		72,000
Net cash provided by (used for) non financing activities		72,000		72,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets		(16,575)		(16,575)
Capital grants				
Proceeds from sale of capital assets				
Net cash provided by (used for) capital and related financing activities		(16,575)		(16,575)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sale (purchase) of investments		(117,050)	(1,529,773)	(1,646,823)
Investment income			626	626
Net cash provided by (used for) investing activities		(117,050)	(1,529,147)	(1,646,197)
Net change in cash and cash equivalents	(10,512)	19,684	(97,374)	(88,202)
Cash and cash equivalents -- January 1	21,965	12,361	1,916,869	1,951,195
Cash and Cash equivalents -- December 31	<u>\$ 11,453</u>	<u>\$ 32,045</u>	<u>\$ 1,819,495</u>	<u>\$ 1,862,993</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, 2021**

	<u>Fleet</u>	<u>Utility Admin</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income [loss]	\$ 4,962	\$ (15,256)	\$ 1,502,619	\$ 1,492,325
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	20,051	143,756		163,807
(Increases) decreases in assets				
Accounts receivable		10,767	26,632	37,399
Accrued revenue	14,275			14,275
Inventory	(50,847)	(48,187)		(99,034)
Increases (decreases) in liabilities				
Accounts payable	15,645	(28,079)	(97,478)	(109,912)
Compensated absences	(3,481)	12,314		8,833
Unearned revenue		50,149		50,149
Accrued expenses	(11,117)	(44,155)		(55,272)
Total adjustments	<u>(15,474)</u>	<u>96,565</u>	<u>(70,846)</u>	<u>10,245</u>
Net cash provided by operating activities	<u>\$ (10,512)</u>	<u>\$ 81,309</u>	<u>\$ 1,431,773</u>	<u>\$ 1,502,570</u>

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



**City of Hot Springs, Arkansas**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**BUDGET (GAAP BASIS) AND ACTUAL**

**For the Year Ended December 31, 2021**

	Budgeted			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Sales	\$ 15,071,541	\$ 15,071,541	\$ 17,148,325	\$ 2,076,784
Mixed drink and other	825,000	825,000	920,071	95,071
Code inspection	479,900	479,900	701,787	221,887
Business licenses	750,000	750,000	854,090	104,090
Alcoholic beverage	135,000	135,000	151,866	16,866
Franchise	2,610,000	2,610,000	2,678,294	68,294
Other	99,600	99,600	89,725	(9,875)
State turnback	615,000	615,000	617,490	2,490
County aid	299,280	299,280	299,280	
Charge for services	2,723,468	2,723,468	2,734,403	10,935
Gaming and breakage	4,952,000	4,952,000	3,946,583	(1,005,417)
Fines and forfeitures	586,750	586,750	643,165	56,415
Investment earnings	50,000	50,000	(76,331)	(126,331)
Miscellaneous	291,700	291,700	439,128	147,428
Total revenues	29,489,239	29,489,239	31,147,876	1,658,637
EXPENDITURES				
General Government				
Board of Directors				
Personnel Costs	750	750	620	130
Services	52,300	52,300	3,939	48,361
Supplies	42,500	28,505	21,225	7,280
Reserves	20,000	20,000		20,000
Capital Assets		13,995	13,995	
Total Board of Directors	115,550	115,550	39,779	75,771
City Manager				
Personnel Costs	440,622	461,165	444,383	16,782
Services	38,300	38,300	18,850	19,450
Supplies	8,650	8,650	4,484	4,166
Reserves	10,000			
Total City Manager	497,572	508,115	467,717	40,398
City Attorney				
Personnel Costs	392,057	416,283	416,283	
Services	25,585	19,165	12,727	6,438
Supplies	18,035	18,035	10,233	7,802
Total City Attorney	435,677	453,483	439,243	14,240
Human Resources				
Personnel Costs	340,267	340,267	329,172	11,095
Services	53,051	53,051	40,694	12,357
Supplies	29,915	29,915	22,279	7,636
Total Human Resources	423,233	423,233	392,145	31,088
Finance				
Personnel Costs	960,837	960,837	952,276	8,561
Services	148,325	160,570	153,287	7,283
Supplies	23,200	33,125	30,620	2,505
Total Finance	1,132,362	1,154,532	1,136,183	18,349
City Clerk				
Personnel Costs	170,882	174,129	174,129	
Services	55,896	52,649	51,568	1,081
Supplies	5,387	5,387	2,381	3,006
Total City Clerk	232,165	232,165	228,078	4,087
Public Information				
Personnel Costs	159,540	163,990	163,989	1
Services	27,730	19,390	18,421	969
Supplies	9,837	13,727	9,339	4,388
Total Public Information	197,107	197,107	191,749	5,358
Information Systems				
Personnel Costs	624,828	628,588	628,585	3
Services	153,107	149,347	145,537	3,810
Supplies	32,050	32,050	28,379	3,671
Total Information Systems	809,985	809,985	802,501	7,484

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, 2021**

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
Special Appropriations				
Personnel Costs	(50,000)	(50,000)	(65,398)	15,398
Services	247,300	298,009	236,484	61,525
Intergovernmental	78,878	78,878	76,414	2,464
Reserves	160,750	84,115		84,115
Capital Assets		401,175	36,470	364,705
Transfers Out	3,361,600	3,361,600	693,274	2,668,326
Debt Service	588,818	604,843	604,841	2
Total Special Appropriations	4,387,346	4,778,620	1,582,085	3,196,535
Total General Government	8,230,997	8,672,790	5,279,480	3,393,310
Community Development				
Planning Development				
Personnel Costs	1,263,562	1,279,762	1,209,050	70,712
Services	227,270	374,401	203,613	170,788
Supplies	26,650	31,950	31,949	1
Capital Assets	21,000	24,220		24,220
Total Planning and Development	1,538,482	1,710,333	1,444,612	265,721
Total Community Development	1,538,482	1,710,333	1,444,612	265,721
Parks and Recreation				
Parks and Trails				
Personnel Costs	986,619	986,619	946,805	39,814
Services	339,995	421,635	395,805	25,830
Supplies	228,056	229,802	229,801	1
Capital Assets	95,450	171,943	66,693	105,250
Total Parks and Trails	1,650,120	1,809,999	1,639,104	170,895
Sport Recreation				
Personnel Costs	137,866	137,866	129,583	8,283
Services	127,266	127,266	121,827	5,439
Supplies	50,885	50,885	31,463	19,422
Capital Assets	45,000	45,000		45,000
Total Sport Recreation	361,017	361,017	282,873	78,144
Total Parks and Recreation	2,011,137	2,171,016	1,921,977	249,039
Public Works				
Public Works Administration				
Personnel Costs	512,355	512,355	417,477	94,878
Services	464,450	504,546	406,886	97,660
Supplies	99,530	99,530	75,370	24,160
Capital Assets	181,000	591,352	366,791	224,561
Total Public Works Admin	1,257,335	1,707,783	1,266,524	441,259
Engineering				
Personnel Costs	212,945	212,945	169,233	43,712
Services	28,250	37,123	19,616	17,507
Supplies	11,650	8,662	8,661	1
Capital Assets	35,000	35,000		35,000
Total Engineering	287,845	293,730	197,510	96,220
Traffic				
Personnel Costs	448,216	448,216	428,494	19,722
Services	170,035	177,035	141,753	35,282
Supplies	106,100	97,445	84,672	12,773
Capital Assets	20,000	43,655	43,654	1
Total Traffic	744,351	766,351	698,573	67,778
Total Public Works	2,289,531	2,767,864	2,162,607	605,257
Total expenditures	14,070,147	15,322,003	10,808,676	4,513,327
Excess (deficiency) of revenues over expenditures	15,419,092	14,167,236	20,339,200	6,171,964
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(14,946,422)	(15,312,755)	(14,504,572)	808,183
Transfers in	60,750	60,750		(60,750)
Issuance of debt	270,450	270,450	270,450	
Total other financing sources and (uses)	(14,615,222)	(14,981,555)	(14,234,122)	747,433
Net change in fund balances	803,870	(814,319)	6,105,078	6,919,397
Fund balances - beginning	12,310,582	12,310,582	12,310,582	
Fund balances - ending	\$ 13,114,452	\$ 11,496,263	\$ 18,415,660	\$ 6,919,397

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, 2021**

	<b>Budgeted</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 362,943	\$ 465,082	\$ 376,466	\$ (88,616)
Fines and forfeitures	111,800	111,800	137,589	25,789
Investment earnings	1,500	1,500	(666)	(2,166)
Miscellaneous	8,000	8,000	6,768	(1,232)
Total revenues	<u>484,243</u>	<u>586,382</u>	<u>520,157</u>	<u>(66,225)</u>
<b>EXPENDITURES</b>				
Public safety	<u>1,133,811</u>	<u>1,384,577</u>	<u>1,064,645</u>	<u>319,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(649,568)</u>	<u>(798,195)</u>	<u>(544,488)</u>	<u>253,707</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	546,816	635,793	585,574	(50,219)
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(28,393)</u>	<u>11,607</u>
Net change in fund balance	(142,752)	(202,402)	12,693	215,095
Fund balances - beginning	716,629	716,629	716,629	-
Fund balances - ending	<u>\$ 573,877</u>	<u>\$ 514,227</u>	<u>\$ 729,322</u>	<u>\$ 215,095</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, 2021**

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 112,000	\$ 112,000	\$ 84,454	\$ (27,546)
Intergovernmental	1,462,128	1,462,128	1,542,958	80,830
Miscellaneous	9,700	9,700	19,436	9,736
Total revenues	<u>1,583,828</u>	<u>1,583,828</u>	<u>1,646,848</u>	<u>63,020</u>
<b>EXPENDITURES</b>				
Public transportation	1,648,597	1,648,597	1,621,807	26,790
Capital outlay	408,000	772,704	302,949	469,755
Total expenditures	<u>2,056,597</u>	<u>2,421,301</u>	<u>1,924,756</u>	<u>496,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(472,769)</u>	<u>(837,473)</u>	<u>(277,908)</u>	<u>559,565</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>472,769</u>	<u>472,769</u>	<u>281,942</u>	<u>(190,827)</u>
Net change in fund balance	-	(364,704)	4,034	368,738
Fund balances - beginning	83,074	83,074	83,074	-
Fund balances - ending	<u>\$ 83,074</u>	<u>\$ (281,630)</u>	<u>\$ 87,108</u>	<u>\$ 368,738</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, 2021**

	<b>Budgeted</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 80,000	\$ 80,000	\$ 76,256	\$ (3,744)
Total revenues	80,000	80,000	76,256	(3,744)
<b>EXPENDITURES</b>				
Public safety	80,000	80,000	80,000	-
Net change in fund balance	-	-	(3,744)	(3,744)
Fund balances - beginning	4,193	4,193	4,193	-
Fund balances - ending	<u>\$ 4,193</u>	<u>\$ 4,193</u>	<u>\$ 449</u>	<u>\$ (3,744)</u>

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



# STATISTICAL SECTION

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

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b>	137
These Statements contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	145
These schedules contain information to help readers assess the City's most significant local revenue source -- sales tax.	
<b>Debt Capacity</b>	151
These schedules present information to help readers assess the affordability of the City's most current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	159
These schedules offer demographic and economic indications to help readers understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	163
These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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





# FINANCIAL TRENDS

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# *DANCE SCULPTURE DEDICATION AT ADAIR PARK*

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 71,821	\$ 25,160	\$ 25,044	\$ 24,549	\$ 24,845	\$ 24,314	\$ 26,126	\$ 25,859	\$ 25,664	\$ 18,847
Restricted	1,821	2,720	1,891	206	955	3,000	2,437	2,928	8,551	8,209
Unrestricted	1,891	2,399	1,642	(45,925)	(45,279)	(45,554)	(50,546)	(50,255)	(55,152)	(47,331)
Total Governmental activities net position	<u>\$ 75,533</u>	<u>\$ 30,279</u>	<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>\$ (20,274)</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 120,345	\$ 86,547	\$ 135,707	\$ 138,755	\$ 134,519	\$ 137,703	\$ 139,005	\$ 141,989	\$ 143,919	\$ 144,023
Restricted	11,538	50,677	7,716	3,658	10,221	10,077	10,674	10,574	12,070	11,651
Unrestricted	16,007	11,947	8,978	6,359	6,066	3,962	9,415	12,849	16,145	23,534
Total Business-type activities net position	<u>\$ 147,890</u>	<u>\$ 149,171</u>	<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>\$ 172,133</u>	<u>\$ 179,208</u>
Primary government										
Invested in capital assets, net of related debt	\$ 192,166	\$ 111,707	\$ 160,751	\$ 163,304	\$ 159,364	\$ 162,017	\$ 165,131	\$ 167,848	\$ 169,583	\$ 162,870
Restricted	13,359	53,397	9,607	3,864	11,176	13,077	13,111	13,502	20,623	19,861
Unrestricted	17,898	14,346	10,620	(39,566)	(39,213)	(41,592)	(41,131)	(37,406)	(39,009)	(23,797)
Total Primary government net position	<u>\$ 223,423</u>	<u>\$ 179,450</u>	<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>

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

		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Expenses -</b>	Governmental activities										
	General government	\$ 5,495	\$ 3,205	\$ 4,164	\$ 6,971	\$ 4,737	\$ 4,966	\$ 5,533	\$ 3,957	\$ 4,290	\$ 2,496
	Community development	1,579	1,419	1,329	2,598	1,354	1,610	1,727	1,887	1,786	1,787
	Parks and recreation	1,440	1,658	1,722	2,034	1,854	2,112	2,028	2,061	2,149	9,632
	Public safety	19,581	20,325	22,909	31,177	23,065	25,806	30,313	29,052	31,782	32,722
	Public transportation	1,862	1,833	1,684	1,974	1,394	1,586	1,644	1,652	1,729	1,590
	Public works	6,298	6,892	6,318	6,806	5,421	6,123	5,958	6,239	6,040	5,998
	Interest and long term debt	48	63	77	62	82	70	58	126	376	376
	Total Governmental activities expenses	<u>36,303</u>	<u>35,395</u>	<u>38,203</u>	<u>51,622</u>	<u>37,907</u>	<u>42,273</u>	<u>47,261</u>	<u>44,974</u>	<u>48,152</u>	<u>54,600</u>
	Business-type activities										
	Water	9,843	9,911	10,189	11,654	11,610	12,046	12,990	13,930	15,814	17,057
	Wastewater	11,857	13,134	14,947	15,096	15,513	15,387	16,402	17,717	19,252	17,628
	Solid Waste	6,138	6,282	6,376	6,535	7,088	7,379	7,264	8,219	8,586	7,680
	Airport	4,821	4,020	3,969	3,363	3,189	3,477	3,748	3,821	3,599	3,919
	Stormwater	367	497	558	640	680	712	780	905	891	858
	Parking	264	266	238	234	228	249	259	264	266	283
	Total Business-type activities expenses	<u>33,290</u>	<u>34,110</u>	<u>36,277</u>	<u>37,522</u>	<u>38,308</u>	<u>39,250</u>	<u>41,443</u>	<u>44,856</u>	<u>48,409</u>	<u>47,425</u>
	Total Primary government expenses	<u>\$ 69,593</u>	<u>\$ 69,505</u>	<u>\$ 74,480</u>	<u>\$ 89,144</u>	<u>\$ 76,215</u>	<u>\$ 81,523</u>	<u>\$ 88,704</u>	<u>\$ 89,830</u>	<u>\$ 96,561</u>	<u>\$ 102,026</u>
<b>Program Revenues</b>	Governmental activities										
	Charges for services*										
	General Government	\$ 2,505	\$ 2,037	\$ 337	\$ 1,770	\$ 2,968	\$ 3,300	\$ 4,098	\$ 4,084	\$ 4,843	\$ 4,994
	Community Development	367	356	331	412	258	326	549	689	587	705
	Parks and Recreation	105	93	121	88	70	59	107	97	59	96
	Public Safety	1,618	1,543	1,371	1,137	612	1,473	1,718	1,692	2,230	2,138
	Public Transportation	182	154	161	161	149	157	147	141	112	104
	Public Works	854	930	240	80	289	372	558	263	135	150
	Operating grants/contributions	1,716	1,199	4,235	4,270	3,645	3,708	6,318	6,561	10,072	10,600
	Capital grants/contributions	554	1,452	613	1,050	330	1,514	1,448	644	424	621
	Total Governmental activities program revenues	<u>7,901</u>	<u>7,764</u>	<u>7,409</u>	<u>8,968</u>	<u>8,321</u>	<u>10,909</u>	<u>14,943</u>	<u>14,171</u>	<u>18,463</u>	<u>19,408</u>
	Business Type Activities										
	Charges for services	35,961	35,535	38,552	38,258	39,203	40,377	44,065	46,096	47,375	51,238
	Operating grants/contributions						5	1,958	65	2,036	1,306
	Capital grants/contributions	912	16	223	1,934	658	214	1,946	3,597	4,747	2,717
	Total Business-type activities program revenues	<u>36,873</u>	<u>35,551</u>	<u>38,775</u>	<u>40,192</u>	<u>39,861</u>	<u>40,596</u>	<u>47,969</u>	<u>49,758</u>	<u>54,159</u>	<u>55,261</u>
	Total Primary government program revenues	<u>\$ 44,774</u>	<u>\$ 43,315</u>	<u>\$ 46,184</u>	<u>\$ 49,160</u>	<u>\$ 48,182</u>	<u>\$ 51,505</u>	<u>\$ 62,912</u>	<u>\$ 63,929</u>	<u>\$ 72,621</u>	<u>\$ 74,669</u>
<b>Net (Expense) Revenue</b>											
Governmental activities											
Business-type activities											
Total Primary government net expense											
<b>General Revenues and Other Changes in Net Position</b>											
<b>Change in Net Position</b>	Governmental Activities										
	Taxes										
	Sales taxes	\$ 17,405	\$ 19,569	\$ 20,219	\$ 21,262	\$ 22,137	\$ 22,165	\$ 19,977	\$ 21,390	\$ 22,441	\$ 25,722
	Franchise fees	2,579	2,677	2,679	2,519	2,631	2,705	2,711	2,655	2,810	2,678
	Other taxes and revenues	4,611	4,996	6,112	6,312	6,479	9,311	5,711	6,806	6,188	7,631
	Investment earnings	55	38	82	51	30	92	175	436	321	(141)
	Transfers		(44,860)	0	0	0	0	0	31	(1,542)	(36)
	Total Governmental activities	<u>24,650</u>	<u>(17,580)</u>	<u>29,092</u>	<u>30,144</u>	<u>31,277</u>	<u>34,273</u>	<u>28,574</u>	<u>31,318</u>	<u>30,219</u>	<u>35,856</u>
	Business-type activities										
	Sales tax	32	24	25	66	34	32	55	51	42	40
	Investment earnings	459	246	707	666	447	563	769	1,397	920	(837)
	Transfers	-	(25)	-					(31)	9	36
	Total Business-type activities	<u>491</u>	<u>245</u>	<u>732</u>	<u>732</u>	<u>481</u>	<u>595</u>	<u>824</u>	<u>1,417</u>	<u>971</u>	<u>(762)</u>
	Total Primary government	<u>\$ 25,141</u>	<u>\$ (17,335)</u>	<u>\$ 29,824</u>	<u>\$ 30,876</u>	<u>\$ 31,758</u>	<u>\$ 34,868</u>	<u>\$ 29,398</u>	<u>\$ 32,735</u>	<u>\$ 31,190</u>	<u>\$ 35,094</u>
<b>Change in Net Position</b>	Governmental activities	\$ (3,752)	\$ (45,211)	\$ (1,702)	\$ (12,510)	\$ 1,691	\$ 2,909	\$ (3,744)	\$ 515	\$ 529	\$ 663
	Business-type activities	4,075	1,686	3,230	3,402	2,034	1,941	7,350	6,319	6,721	7,074
	Total Primary government	<u>\$ 323</u>	<u>\$ (43,525)</u>	<u>\$ 1,528</u>	<u>\$ (9,108)</u>	<u>\$ 3,725</u>	<u>\$ 4,850</u>	<u>\$ 3,606</u>	<u>\$ 6,834</u>	<u>\$ 7,250</u>	<u>\$ 7,737</u>

\* This number includes state turnback as other revenue.

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

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

	<b>Fiscal Year</b>									
	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>
General Fund										
Nonspendable		\$ 296	\$ 328	\$ 387	\$ 455	\$ 482	\$ 1,132	\$ 1,143	\$ 641	\$ 785
Committed			421	194						2,993
Assigned					511	1,752	485	-	2,093	491
Unassigned		5,528	5,065	4,527	3,757	3,441	4,223	5,924	9,576	14,147
Pre 2013										
Reserved	371									
Unreserved	<u>5,143</u>									
Total General Fund	<u>\$ 5,514</u>	<u>\$ 5,824</u>	<u>\$ 5,814</u>	<u>\$ 5,108</u>	<u>\$ 4,723</u>	<u>\$ 5,675</u>	<u>\$ 5,840</u>	<u>\$ 7,067</u>	<u>\$ 12,311</u>	<u>\$ 18,416</u>
All Other Governmental Funds										
Nonspendable		\$ 23	\$ 1							
Restricted		2,378	1,891	2,106	1,384	3,000	5,252	11,451	8,672	3,455
Committed										1,761
Assigned			547	433	1,643	1,590	2,372	-	3,301	3,109
Unassigned			105							
Pre 2013										
Reserved										
Prepays										
Public Safety	723									
Public Works	289									
Unreserved, reported in:										
Special revenue funds	557									
Capital project funds	48									
Debt service funds	<u>206</u>									
Total all other governmental funds	<u>\$ 1,823</u>	<u>\$ 2,401</u>	<u>\$ 2,544</u>	<u>\$ 2,539</u>	<u>\$ 3,027</u>	<u>\$ 4,590</u>	<u>\$ 7,624</u>	<u>\$ 11,451</u>	<u>\$ 11,972</u>	<u>\$ 8,325</u>
Total governmental funds	<u><u>\$ 7,337</u></u>	<u><u>\$ 8,225</u></u>	<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>

Note: Fund balance presentation has been changed pursuant to the adoption of GASB 54.

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

	<b>Fiscal Year</b>									
<b>Revenues</b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>
Taxes	\$ 21,394	\$ 23,643	\$ 24,308	\$ 21,833	\$ 23,457	\$ 24,454	\$ 25,192	\$ 22,173	\$ 23,060	\$ 26,643
Licenses, fees and permits	842	818	812	4,088	3,314	4,136	4,318	4,476	4,505	4,608
Charges for services	2,490	1,006	1,531	1,763	2,465	2,402	2,572	2,696	2,562	2,917
Intergovernmental	7,287	7,804	8,259	7,175	6,848	8,689	7,988	10,772	15,359	15,823
Intergovernmental - Gaming and breakage	1,215	1,353	1,528	1,939	2,081	2,263	2,397	3,414	2,979	3,947
Fines and penalties	1,196	993	1,074	867	1,096	985	947	830	909	918
Investment earnings	54	3	81	51	30	92	175	436	321	(141)
Other Revenue	432	330	401	542	405	517	422	312	604	739
<b>Total Revenues</b>	<b>34,910</b>	<b>35,950</b>	<b>37,994</b>	<b>38,258</b>	<b>39,696</b>	<b>43,538</b>	<b>44,009</b>	<b>45,109</b>	<b>50,301</b>	<b>55,454</b>
<b>Expenditures</b>										
General government	5,342	4,310	4,445	4,715	4,910	4,811	3,831	3,937	3,971	4,200
Community development	1,576	1,407	1,319	1,760	1,401	1,543	1,650	1,901	1,718	1,935
Parks and recreation	1,331	1,400	1,470	1,537	1,557	1,681	1,623	1,740	1,791	1,902
Public transportation	1,471	1,442	1,419	1,378	1,308	1,397	1,484	1,554	1,600	1,665
Public safety	18,922	19,543	21,969	22,345	22,591	23,729	25,423	26,261	27,431	29,199
Public works	5,167	5,855	5,286	4,793	4,208	4,861	4,668	5,365	5,207	5,185
Public utilities										354
Debt service										
Principal	368	631	965	1,335	1,672	1,656	1,619	1,313	1,650	1,928
Interest and other charges	48	63	75	83	82	70	57	126	376	376
Capital outlay	1,731	2,522	2,226	2,983	3,133	2,153	2,427	3,493	6,416	9,163
<b>Total Expenditures</b>	<b>35,956</b>	<b>37,173</b>	<b>39,174</b>	<b>40,929</b>	<b>40,862</b>	<b>41,901</b>	<b>42,782</b>	<b>45,690</b>	<b>50,161</b>	<b>55,906</b>
Excess of revenues over (under) expenditures	(1,046)	(1,223)	(1,180)	(2,671)	(1,166)	1,637	1,227	(582)	140	(452)
<b>Other Financing Sources (Uses)</b>										
Issuance of debt	977	1,944	1,370	1,963	1,272	878	2,097	9,889	1,358	2,946
Transfer in	12,706	12,281	12,660	13,201	13,255	13,287	14,540	16,044	14,014	15,674
Transfer out	(12,706)	(12,114)	(12,717)	(13,204)	(13,259)	(13,287)	(14,663)	(16,013)	(14,031)	(15,709)
<b>Total Financing sources (uses)</b>	<b>977</b>	<b>2,111</b>	<b>1,313</b>	<b>1,960</b>	<b>1,268</b>	<b>878</b>	<b>1,973</b>	<b>9,919</b>	<b>1,341</b>	<b>2,910</b>
<b>Net change in fund balance</b>	<b>\$ (69)</b>	<b>\$ 888</b>	<b>\$ 133</b>	<b>\$ (711)</b>	<b>\$ 102</b>	<b>\$ 2,515</b>	<b>\$ 3,200</b>	<b>\$ 9,337</b>	<b>\$ 1,481</b>	<b>\$ 2,458</b>
Debt service as a percentage of noncapital expenditures	0.9%	1.5%	2.1%	2.9%	3.6%	3.4%	3.1%	2.5%	3.6%	3.8%



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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018*	2019	2020	2021
<b>Function/Program</b>										
Governmental activities:										
General government	\$ 2,505	\$ 2,037	\$ 338	\$ 1,770	\$ 3,244	\$ 3,350	\$ 4,127	\$ 4,100	\$ 4,862	\$ 5,351
Community development	742	356	331	412	550	685	917	1,162	1,065	1,329
Parks and recreation	122	93	120	88	177	233	1,806	404	331	417
Public safety	2,448	1,543	1,371	1,137	2,838	3,527	5,559	6,097	8,568	7,927
Public transportation	1,043	154	161	161	1,160	1,075	1,150	1,150	1,671	1,690
Public works	1,040	930	240	81	353	2,040	1,385	1,258	1,965	2,694
Subtotal Governmental activities	<u>\$ 7,900</u>	<u>\$ 5,113</u>	<u>\$ 2,561</u>	<u>\$ 3,649</u>	<u>\$ 8,322</u>	<u>\$ 10,910</u>	<u>\$ 14,944</u>	<u>\$ 14,171</u>	<u>\$ 18,463</u>	<u>\$ 19,408</u>
Business-type activities										
Water	11,944	11,333	12,668	12,157	12,334	12,654	15,965	16,455	20,029	19,588
Wastewater	12,787	13,315	14,688	15,719	15,780	16,521	17,897	17,785	19,548	19,004
Solid Waste	6,564	6,782	7,180	7,116	7,862	7,588	7,735	8,239	7,874	8,755
Airport	4,769	3,296	3,219	2,493	2,938	2,611	4,791	5,604	4,980	6,144
Stormwater	670	680	701	690	858	1,126	1,352	1,575	1,656	1,673
Parking	139	129	96	83	88	96	229	99	72	96
Subtotal Business-type activities	<u>\$ 36,873</u>	<u>\$ 35,535</u>	<u>\$ 38,552</u>	<u>\$ 38,258</u>	<u>\$ 39,860</u>	<u>\$ 40,596</u>	<u>\$ 47,969</u>	<u>\$ 49,757</u>	<u>\$ 54,158</u>	<u>\$ 55,261</u>
Total Primary government	<u>\$ 44,773</u>	<u>\$ 40,648</u>	<u>\$ 41,113</u>	<u>\$ 41,907</u>	<u>\$ 48,182</u>	<u>\$ 51,506</u>	<u>\$ 62,913</u>	<u>\$ 63,928</u>	<u>\$ 72,620</u>	<u>\$ 74,669</u>

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

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# REVENUE CAPACITY

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

<b>Fiscal Year</b>	<b>Sales and Use Tax</b>	<b>Property Tax</b>	<b>Alcohol Taxes and Permits</b>	<b>Franchise Fees</b>	<b>Business License Fees</b>	<b>Breakage/ Gaming *</b>	<b>Total</b>
2012	17,405		559	2,578	719	1,216	22,477
2013	19,569		597	2,677	708	1,353	24,904
2014	20,219		621	2,679	718	1,528	25,765
2015	21,262		688	2,519	732	1,939	27,140
2016	22,137		712	2,631	743	2,081	28,304
2017	22,165	3,348	745	2,705	735	2,263	31,961
2018**	19,977	201	807	2,711	736	2,397	26,829
2019	21,390	(39)	956	2,656	739	3,414	29,116
2020	22,441		725	2,810	749	2,978	29,703
2021	25,723		1,072	2,678	854	3,947	34,274
Change							
2012-2021	47.8%	N/A	91.8%	3.9%	18.8%	224.6%	52.5%

\* 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 2021				Fiscal Year 2020			
		Taxable Sales	Tax Collected	Percentage of Total City		Taxable Sales	Tax Collected	Percentage of Total City	
				Sales Tax	Rank			Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(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	-	-	0.00%	21				
99	Government (except Schools, Hospitals, and USPS)	19	-	0.00%	19				
	Uncategorized *	85,826	1,287	4.86%	4	80,125	1,202	5.20%	4
	Totals	<u>\$ 1,767,564</u>	<u>\$ 26,513</u>	<u>100.00%</u>		<u>\$ 1,541,620</u>	<u>\$ 23,127</u>	<u>100.00%</u>	

NAICS Economic Sector	Description	Fiscal Year 2019				Fiscal Year 2018			
		Taxable Sales	Tax Collected	Percentage of Total City		Taxable Sales	Tax Collected	Percentage of Total City	
				Sales Tax	Rank			Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(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	<u>\$ 1,467,293</u>	<u>\$ 22,009</u>	<u>100.00%</u>		<u>\$ 1,344,597</u>	<u>\$ 20,171</u>	<u>100.00%</u>	

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

NAICS Economic		Fiscal Year 2017				Fiscal Year 2016			
		Taxable		Percentage of		Taxable		Percentage of	
				Total City	Rank			Total City	Rank
Sector	Description	Sales	Tax Collected	Sales Tax	Rank	Sales	Tax 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	0.61%	12
31-33	Manufacturing	33,492	502	2.52%	7	32,069	481	2.41%	7
42	Wholesale Trade	78,939	1,184	5.93%	3	77,924	1,169	5.85%	3
44-45	Retail Trade	771,291	11,569	57.94%	1	775,551	11,633	58.26%	1
48-49	Transportation and Warehousing	9,677	146	0.73%	13	7,626	114	0.57%	13
51	Information	49,906	749	3.75%	5	40,913	614	3.07%	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	1.97%	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	1.48%	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	15.94%	2
81	Other Services (except Public Administration)	32,524	488	2.44%	6	32,988	495	2.48%	6
92	Public Administration	692	10	0.05%		-	-	0.00%	
	Uncategorized*	70,173	1,053	5.27%	4	64,257	960	4.83%	4
	Totals	\$ 1,331,197	\$ 19,969	100.00%		\$ 1,322,526	\$ 19,835	94.74%	

NAICS Economic		Fiscal Year 2015				Fiscal Year 2014			
		Taxable		Percentage of		Taxable		Percentage of	
				Total City	Rank			Total City	Rank
Sector	Description	Sales	Tax Collected	Sales Tax	Rank	Sales	Tax 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	\$ 1,258,191	\$ 18,872	100.00%		\$ 1,193,062	\$ 17,895	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 2013				Fiscal Year 2012			
		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	333	5	0.03%	16	400	6	0.03%	18
21	Mining			0.00%	18	800	12	0.07%	17
22	Utilities	56,733	851	4.69%	4	55,933	839	4.70%	4
23	Construction	10,000	150	0.83%	12	8,533	128	0.72%	13
31-33	Manufacturing	31,800	477	2.63%	7	32,867	493	2.76%	6
42	Wholesale Trade	89,800	1,347	7.42%	3	88,200	1,323	7.41%	3
44-45	Retail Trade	691,733	10,376	57.18%	1	687,667	10,315	57.79%	1
48-49	Transportation and Warehousing	11,200	168	0.93%	11	10,000	150	0.84%	12
51	Information	39,533	593	3.27%	6	42,733	641	3.59%	5
52	Finance and Insurance	1,467	22	0.12%	15	1,200	18	0.10%	15
53	Real Estate and Rental and Leasing	20,066	301	1.66%	8	18,667	280	1.57%	8
54	Professional, Scientific and Technical Services	2,067	31	0.17%	13	1,800	27	0.15%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	16,533	248	1.37%	9	16,133	242	1.36%	9
61	Educational Services	(400)	(6)	-0.03%	19	(933)	(14)	-0.08%	19
62	Health Care and Social Assistance	1,533	23	0.13%	14	1,333	20	0.11%	16
71	Arts, Entertainment and Recreation	13,667	205	1.13%	10	14,400	216	1.21%	11
72	Accommodation and Food Services	173,333	2,600	14.33%	2	168,800	2,532	14.18%	2
81	Other Services (except Public Administration)	50,400	756	4.17%	5	26,533	398	2.23%	7
92	Public Administration			0.00%	17	14,934	224	1.25%	10
Totals		<u>1,209,799</u>	<u>\$ 18,147</u>	<u>100.00%</u>		<u>\$ 1,190,000</u>	<u>\$ 17,850</u>	<u>100.00%</u>	

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

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

**SALES TAX RATE**

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>General Fund</b>	<b>Fire and Police</b>
2012	1.5	1.0	0.5
2013	1.5	1.0	0.5
2014	1.5	1.0	0.5
2015	1.5	1.0	0.5
2016	1.5	1.0	0.5
2017	1.5	1.0	0.5
2018	1.5	1.0	0.5
2019	1.5	1.0	0.5
2020	1.5	1.0	0.5
2021	1.5	1.0	0.5

**SALES TAX RECEIVED**

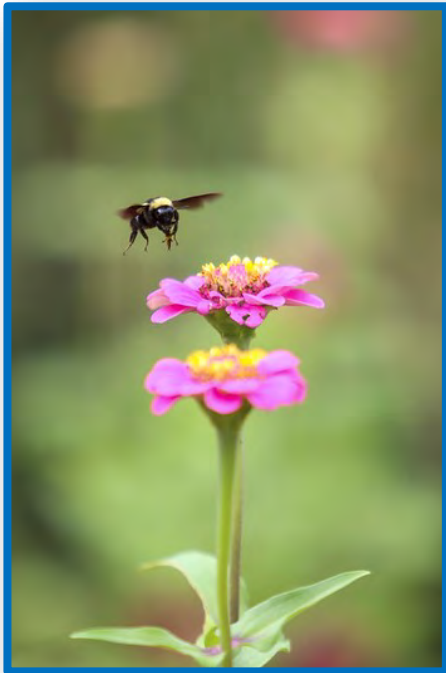
<b>Fiscal Year</b>	<b>Total</b>	<b>General Fund</b>	<b>Fire and Police</b>
2012	17,405,382	11,603,588	5,801,794
2013	17,847,283	11,898,189	5,949,094
2014	17,896,612	11,931,075	5,965,537
2015	18,872,829	12,581,886	6,290,943
2016	19,683,356	13,122,237	6,561,119
2017	19,688,002	13,125,334	6,562,668
2018	19,977,450	13,318,300	6,659,150
2019	21,389,832	14,259,888	7,129,944
2020	22,440,961	14,960,641	7,480,320
2021	25,722,488	17,148,325	8,574,163

# DEBT CAPACITY

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# *POLLINATOR GARDEN BENCH DEDICATION*

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

Fiscal Year	Governmental Activities		Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	Special Obligation Bonds	Notes Payable	Water Bonds	Wastewater Bonds	Airport Bonds	Notes Payable	Capital Leases			
2012	865	1,308	14,272	39,574	620	363		57,002	5.06%	1,600
2013	750	2,737	13,697	77,431	560	285		95,460	8.26%	2,691
2014	635	3,257	18,186	75,255	495	202		98,030	7.13%	2,747
2015	513	4,005	25,480	74,034	425	115		104,572	8.09%	2,931
2016	389	3,730	24,417	72,503	349	195		101,583	7.43%	2,755
2017	264	3,077	23,268	71,301	269	9,241		107,420	7.55%	2,914
2018	1,575	2,244	42,251	68,594	-	8,978		123,642	8.77%	3,260
2019	9,310	3,084	40,271	65,818	-	8,709		127,192	8.55%	3,422
2020	9,005	3,097	148,056	84,297	-	8,434		252,889	15.97%	6,466
2021	8,690	4,429	146,194	81,339	-	8,188		248,840	14.79%	6,560

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

**Hotel and Restaurant Gross Receipt Tax Bonds**

<b>Fiscal Year</b>	<b>Special Obligation Bonds</b>	<b>Less Debt Service</b>	<b>Net Special Obligation Bonds</b>	<b>Net Bond as a Percentage of Sales Tax</b>	<b>Per Capita</b>
2012	865	206	659	13.04%	18.73
2013	750	205	545	10.51%	15.36
2014	635	204	431	8.13%	12.08
2015	513	207	306	5.29%	8.58
2016	389	206	183	3.06%	4.96
2017	264	198	66	1.07%	1.79
2018	1,575	16	1,559	24.36%	41.10
2019	9,310	247	9,063	130.12%	243.83
2020	9,005	321	8,684	140.47%	222.03
2021	8,690	320	8,370	102.16%	220.67

**Notes:** Details regarding this bond issue can be found on page 61 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)

<b>Taxing Jurisdiction</b>	<b>Total Outstanding Debt</b>	<b>Estimated Percent Applicable*</b>	<b>Direct and Estimated Overlapping Debt</b>
<u>Direct</u>			
City of Hot Springs	\$ 13,119	100.00%	\$ 13,119
<u>Overlapping</u>			
Garland County	8,215	40.70%	3,344
National Park Community College	28,945	40.70%	11,781
Lake Hamilton School District	65,280	2.57%	1,678
Hot Springs School District	68,690	98.51%	67,667
Lakeside School District	76,875	33.21%	25,530
Fountain Lake School District	11,835	1.99%	236
Cutter Morning Star School District	17,090	36.13%	6,175
Mountain Pine School District	<u>6,220</u>	4.61%	<u>287</u>
Total overlapping	<u>283,150</u>		<u>116,698</u>
Total direct and estimated overlapping bonded debt	<u>\$ 296,269</u>		<u>\$ 129,817</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt limit	\$ 156,505	\$ 162,545	\$ 166,789	\$ 169,599	\$ 173,304	\$ 191,487	\$ 191,487	\$ 210,016	\$ 215,915	\$ 221,593
Total net debt applicable to limit	1,308	2,737	3,257	4,005	3,730	3,341	3,819	12,394	12,102	13,119
Legal debt margin	\$ 155,197	\$ 159,808	\$ 163,532	\$ 165,594	\$ 169,574	\$ 188,146	\$ 187,668	\$ 197,622	\$ 203,813	\$ 208,474

**Legal Debt Margin Calculation for Fiscal Year 2022**

Assessed value	\$ 886,371
Debt limit:	
General obligation debt limitation (1)	177,274
Short-term financing debt limitation (2)	44,319
Total Debt Limitation	<u>221,593</u>
Debt applicable to limit:	
General obligation bonds	8,690
Short-term notes	4,429
Total net debt applicable to limit	<u>13,119</u>
Legal net margin	<u>\$ 208,474</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)

<b>Water Revenue Bonds</b>				<b>Debt Service</b>		
<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2012	11,704	6,626	5,078	3,000	489	1.46
2013	11,407	6,932	4,475	575	371	4.73
2014	10,843	7,130	3,713	542	195	5.04
2015	12,119	8,074	4,045	876	472	3.00
2016	12,156	7,881	4,275	1,057	649	2.51
2017	12,645	8,197	4,448	1,143	681	2.44
2018	15,071	8,189	6,882	1,360	1,051	2.85
2019	16,193	9,146	7,047	1,482	1,300	2.53
2020 (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

<b>Wastewater Revenue Bonds</b>				<b>Debt Service</b>		
<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2012	12,643	7,336	5,307	2,339	1,621	1.34
2013	13,166	7,419	5,747	2,418	1,544	1.45
2014	14,219	8,173	6,046	2,176	3,303	1.10
2015	15,715	8,533	7,182	2,231	3,248	1.31
2016	15,764	8,597	7,167	2,201	3,116	1.35
2017	16,521	8,832	7,689	2,460	2,950	1.42
2018	16,844	9,195	7,649	2,595	2,742	1.43
2019	17,111	10,468	6,643	2,823	2,668	1.21
2020	17,763	11,338	6,425	2,071	2,451	1.42
2021	18,677	10,030	8,647	2,915	2,422	1.62

(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)**

<b>Airport Revenue Bonds</b>				<b>Debt Service</b>		<b>Coverage</b>
<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Direct Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	
2012	3,890	3,639	251	55	44	2.54
2013	3,325	2,976	349	60	40	3.49
2014	3,239	2,896	343	65	37	3.36
2015	2,559	2,270	289	70	32	2.83
2016	2,378	2,089	289	75	28	2.81
2017	2,433	2,362	71	80	23	0.69
2018 (3)	3,021	2,664	357	270	4	1.30
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-

(1) Gross revenues include operating revenues.

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

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

Source: City Records.

# DEMOGRAPHIC AND ECONOMIC INFORMATION

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

<b>Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2012	35,587	1,370,313	38,506	44.6	7,164	7.2%
2013	35,478	1,241,482	34,993	43.5	7,143	7.5%
2014	35,680	1,242,520	34,824	43.5	7,239	6.7%
2015	35,673	1,292,005	36,218	42.0	7,264	6.2%
2016	36,867	1,367,397	37,090	43.1	7,379	4.4%
2017	36,867	1,422,292	38,579	42.0	7,294	4.5%
2018	37,931	1,451,202	38,259	42.0	8,206	3.7%
2019	38,797	1,552,035	40,004	41.8	7,491	3.5%
2020	39,111	1,606,250	41,069	41.9	6,498	5.2%
2021	37,930	1,682,499	44,358	42.0	7,193	4.6%

**Sources:**

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

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

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

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

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

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

**2012 & 2014 Population** is an estimate from the U.S. Census Bureau.

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

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

**2019 Population** from the US Census Bureau

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

**2020 Population** estimate from World Population Review

**2021 Population** from the 2020 US Census Bureau



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

Year	2021			2020			2019			2018			2017		
Total Employment Numbers	36,330			35,480			39,809			39,146			38,805		
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	1,400	3.85%	1	1,700	4.79%	1	1,700	4.27%	1	1,600	4.09%	1	1,600	4.12%
Oaklawn Park	2	945	2.60%	2	1,275	3.59%	2	1,275	3.20%	2	1,400	3.58%	2	1,400	3.61%
Wal-Mart Stores	4	795	2.19%	4	810	2.28%	4	810	2.03%	4	765	1.95%	4	810	2.09%
National Park Medical Center	3	820	2.26%	3	900	2.54%	3	900	2.26%	3	900	2.30%	3	850	2.19%
City of Hot Springs	5	615	1.69%	5	632	1.78%	5	632	1.59%	5	628	1.60%	5	631	1.63%
Hot Springs School District	6	450	1.24%	6	467	1.32%	6	467	1.17%	7	465	1.19%	6	507	1.31%
National Park Community College	6	450	1.24%	8	400	1.13%	8	400	1.00%	8	400	1.02%		342	0.88%
StarTek (Formerly ACCENT) Marketing Services	8	400	1.10%	8	400	1.13%	8	400	1.00%			0.00%	9	400	1.03%
Berry Plastics (Formerly Rexam)		271	0.75%		300	0.85%		300	0.75%	9	360	0.92%	7	470	1.21%
Garland County	7	438	1.21%	7	431	1.21%	7	431	1.08%	6	516	1.32%	8	432	1.11%
Xerox Document Imaging Svcs			0.00%			0.00%	-	-	0.00%			0.00%			0.00%
Kroger's Stores	9	345	0.95%	10	345	0.97%	10	345	0.87%			0.00%		305	0.79%
Radius Aerospace (formerly Triumph Fabrications)	10	300	0.83%	9	385	1.09%	9	385	0.97%	10	350	0.89%	10	364	0.94%

Year	2016			2015			2014			2013			2012		
Total Employment Numbers	38,443			35,742			37,691			35,478			37,500		
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	2,300	5.98%	1	1,700	4.79%	1	2,300	6.10%	1	2,300	6.48%	1	2,300	6.13%
Oaklawn Park	2	1,300	3.38%	2	1,368	3.86%	2	1,300	3.45%	2	1,300	3.66%	2	1,233	3.29%
Wal-Mart Stores	3	1,026	2.67%	3	1,026	2.89%	3	1,026	2.72%	3	801	2.26%	4	737	1.97%
National Park Medical Center	4	664	1.73%	4	653	1.84%	4	664	1.76%	4	664	1.87%	3	900	2.40%
City of Hot Springs	5	615	1.60%	5	591	1.67%	5	615	1.63%	5	615	1.73%	6	610	1.63%
Hot Springs School District	6	588	1.53%	6	560	1.58%	6	588	1.56%	6	588	1.66%	7	600	1.60%
National Park Community College		332	0.86%			0.00%			0.00%			0.00%	8	465	1.24%
StarTek (Formerly ACCENT) Marketing Services	7	477	1.24%	7	480	1.35%	7	477	1.27%	7	477	1.34%	5	700	1.87%
Berry Plastics (Formerly Rexam)	9	380	0.99%			0.00%	9	380	1.01%	9	380	1.07%	9	450	1.20%
Rexam & Containers		0	0.00%	9	390	1.10%	10	350	0.93%			0.00%			0.00%
Xerox Document Imaging Svcs	8	450	1.17%	8	426	1.20%	8	450	1.19%	8	450	1.27%	10	450	1.20%
Arlington				10	380	1.07%			0.00%			0.00%			0.00%
Kroger's Stores		341	0.89%			0.00%			0.00%			0.00%			0.00%
Garland County		350	0.91%			0.00%			0.00%			0.00%			0.00%
Triumph Fabricating (Formerly Chem Fab Corp)	10	376	0.98%	10	376	1.06%	10	376	1.00%	10	376	1.06%			0.00%

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

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# OPERATING INFORMATION

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# ***NPC BASEBALL AND HSFD***

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

		Full Time Equivalent Employees									
Function/Program		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	City attorney	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.3	4	4
	City manager	2	2	2	2	2.3	2.3	2.3	3.5	4	4
	Human resources	4	4	4.5	4.5	4.5	4.5	4.5	4.5	5	5
	Finance	27	13	13	13	13	13.33	14.33	14	14	14
	City clerk	3	2.6	2.6	2.6	2.5	2.5	1.5	1.5	2	2
	Public information	2	2	2	2	2	2	2	2	2	2
	Information systems	9	8	8	10	9	9	9	9	10	11
	Property maintenance	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2	2
	Planning and zoning	19	18	18	18	17	19	19	19	19	23
	Parks & Trails	18	17	17	17	17	18	19	19	19	18
	Sport recreation	2	2	2	2.5	2	1	1	1	1	1.5
	Admin	3.5	2.25	2.25	2.25	2	2	2	2	3	3
	Engineering	2.85	2.45	2.45	2.45	2.5	3.45	2.45	2.7	9	10
	Urban forestry	4	3	3	3	3	4	4	4	4	4
	Traffic services	7.5	7.5	7.5	7.5	7.3	7.34	7.34	7.67	8.5	8
	Animal services*	9	9	9	9.5	9		-			
Special revenue											
Police	Uniform	105	105	106	111.2	111.2	111.2	111.2	111.17	108	110
	Communication	13	13	13	13	13	6	6	6	15	17
	Clerical	16.1	16.8	14.8	9	9	16	16	16	15	17
	Animal Services *						9.5	9.5	9.5	8.5	8.5
Fire	Uniform	78	77	77	77	77	77	77	77	75	78
	Communication	2	2	2	2	2	2	2	2	2	-
	Clerical	2.4	1.4	1.4	1	1	1	1	1	1	-
Street and drainage		25	25	25	25	25	24	24	24	24	24
Court		16	16	16	16.5	18	19.5	19.5	17	17	16
Intracity transit		14	14	14	16	14	16	16	16	16	16
Enterprise funds	Water	38	40	40	40	40	40	40	41	38	38
	Wastewater	58	63	63	63	64	67	70	70	67	67
	Solid Waste	68	68.25	68.25	68.25	68.4	70.4	70.4	70.4	69	69
	Recycling center	3	3	3	3	3	3	3	3	3	3
	Stormwater	3	3	3	3	3	4	4	3.1	3	3
	Airport	11	11.1	11.1	11.1	12.1	12.1	12.1	12.1	12	12
	Parking	1	1	0.5	0.5	0	0.50	0.5	0.5	-	0.5
Internal service	Fleet	16	16	16	16	16	16	16	16	16	16
	Utility administration	29.65	40.85	41.35	41.35	40.3	42.08	42.08	41.08	38	40
CDBG Planning		1	0	0	0	0	0	0	0	-	-
Metropolitan Planning Organization (MPO)		1	0	0	0	0	0	0	0	-	-
Total		620	615	614.5	619	615.9	631.5	634.5	631.3	634	646.5

\*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			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Community development:												
	New construction building permits issued (C)		66	64	62	84	61	63	18	71	-	-
	New construction residential building permits issued										79	74
	New construction commercial building permits issued										19	26
Parks:												
	Number of parks		18	18	18	18	18	20	20	20	20	21
	Acreage		201	201	215	215	215	218	218	218	218	219
Trails:												
	Number of miles (A)											
	Paved Trails							4.50	5.00	5.00	5.00	5.00
	Natural Surface							3.35	3.35	3.35	3.35	3.35
Public works:												
	Engineering:	Floodplain reviews	57	74	66	81	62	63	67	59	92	72
		Work item requests (B)	131	156	607	827	2,157	1,715	2,462	2,543	2,161	1,971
	Traffic:	Pavement markings (linear feet) on contract	245,273	174,290	240,722	235,359	178,341	153,000	335,353	158,477	181,771	181,771
		Signs installed/repaired	967	946	926	515/283	182/173	413/190	348/280	183/215	276/111	165/119
Police:												
	Parking violations		2,502	1,546	1,684	1,167	1,823	1,866	1,759	772	653	994
	Traffic violations		10,406	7,879	9,611	16,329	7,039	7,267	5,591	5,064	2,875	5,135
	Physical Arrests		5,688	4,768	5,047	8,420	4,174	4,597	6,780	7,208	4,444	4,213
	Animal services:	Animals in	2,302	2,132	2,030	2,448	1,999	1,962	1,802	1,852	1,777	1,947
		Animals adopted	527	565	542	646	487	537	551	580	657	668
		Animals reclaimed	235	199	256	272	243	265	195	198	275	202
Fire:												
	Calls answered		1,821	1,587	1,770	1,889	2,085	2,294	2,317	2,473	2,546	2,812
	Hydrants		1,825	1,883	1,925	2,006	2,099	2,114	2,136	2,180	2,546	2,212
Street/Engineering												
	Paving cuts		561	479	544	385	406	459	513	527	253	255
Intracity Transit:												
	Riders including transfers		198,603	185,117	164,355	175,908	144,606	177,749	163,416	168,628	120,256	105,762
Water:												
	Consumers		81,211	81,924	89,632	90,603	91,169	91,769	92,196	90,487	90,636	91,316
	Average daily consumption		8,996,064	8,132,001	7,479,043	8,062,351	7,983,988	7,778,211	7,789,205	7,277,608	7,516,705	7,793,912
Wastewater:												
	Consumers		61,969	61,969	67,394	67,915	68,292	68,830	69,308	68,636	69,057	69,595
	Miles of lines		677	681	690	696	705	708	710	710	710	712
Solid Waste:												
	Consumers		14,007	14,087	14,104	14,028	14,042	14,533	14,628	18,109	13,056	15,240
	Tons of recycled material		4,006	4,362	3,807	3,700	2,231	2,539	3,932	4,122	4,462	4,541
	Tons of residential and commercial garbage collected		38,682	38,581	49,089	41,897	42,386	42,151	43,401	43,490	43,295	49,992
Airport:												
	Aviation fuel and oil sales		\$ 2,662,518	\$ 2,056,235	\$ 1,888,476	\$ 1,426,666	\$ 1,219,175	\$ 1,303,852	\$ 1,724,002	\$ 1,700,376	\$ 1,201,474	\$ 1,530,492
Parking:												
	Parking meter revenue		\$ 131,791	\$ 122,751	\$ 96,060	\$ 81,630	\$ 87,195	\$ 95,975	\$ 95,622	\$ 94,518	\$ 70,846	\$ 102,949

**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		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Parks	Number of parks	18	18	18	18	18	20	20	20	20	21
	Playgrounds (A)	16	16	18	18	18	20	20	20	20	20
	Boat ramps (B)	4	4	4	4	4	5	5	5	5	5
Public works	Traffic signals	69	70	71	71	72	72	72	68	72	73
Police	Stations (C)	3	3	3	3	2	2	2	2	2	
	Patrol units	127	128	126	134	134	132	132	131	132	141
	Animal services dog units	4	4	4	4	4	4	4	4	4	4
Fire	Stations	5	5	5	5	5	5	5	5	5	5
	Fire trucks	8	8	8	8	8	8	8	8	8	7
	Trucks										4
	Boats										2
Street/Engineering	Miles of streets (D)	298	298	299	299	303	303	314	307	304	304
	Number of street lights (E)	5,556	5,186	5,198	5,227	5,246	5,258	5,277	5,298	5,308	5,308
Intracity Transit	Buses	8	8	8	8	6	6	6	5	5	6
	Vans/mini buses	4	5	5	4	6	5	5	4	4	5
Water	Water mains (miles)	874	877	884	896	904	910	914	919	925	930
	Storage capacity (gallons in thousands)	19,061	19,061	15,600	15,600	15,600	15,600	15,600	15,600	18,600	18,600
Wastewater	Miles of lines	677	681	690	696	705	708	710	710	710	712
	Treatment capacity (gallons per day)	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Solid Waste	Collection vehicles	25	25	25	25	25	25	25	25	25	26
	Transfer vehicles/trailers	21	21	21	21	21	21	21	21	21	19
	Equipment -- backhoe, loaders, bobcats	9	9	9	9	9	9	9	10	10	11
	Recycling vehicles/trailers	8	8	8	8	8	8	8	8	8	6
	Square feet of hangar rentals	225,895	225,895	225,895	225,895	238,335	238,335	238,335	238,335	238,335	238,335
Parking	Parking meters	571	572	300	300	300	300	300	300	297	297

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

(A) Certain Parks have multiple playgrounds

(B) This number was reportedly incorrectly as five for years 2005-2009 and now has been corrected back to four through 2016

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

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

(E) In 2013, 370 bills that were formally on the Entergy Consolidated Bill were moved to separately billed meters when they converted to LED lights.

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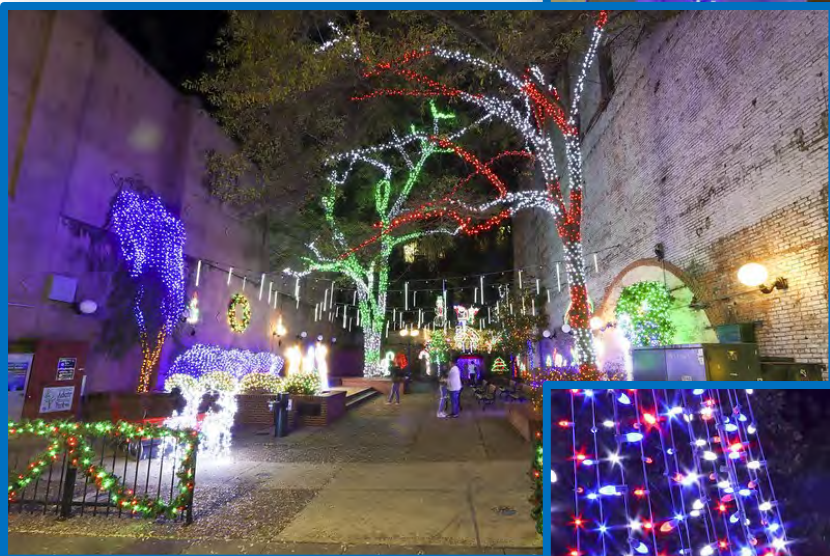
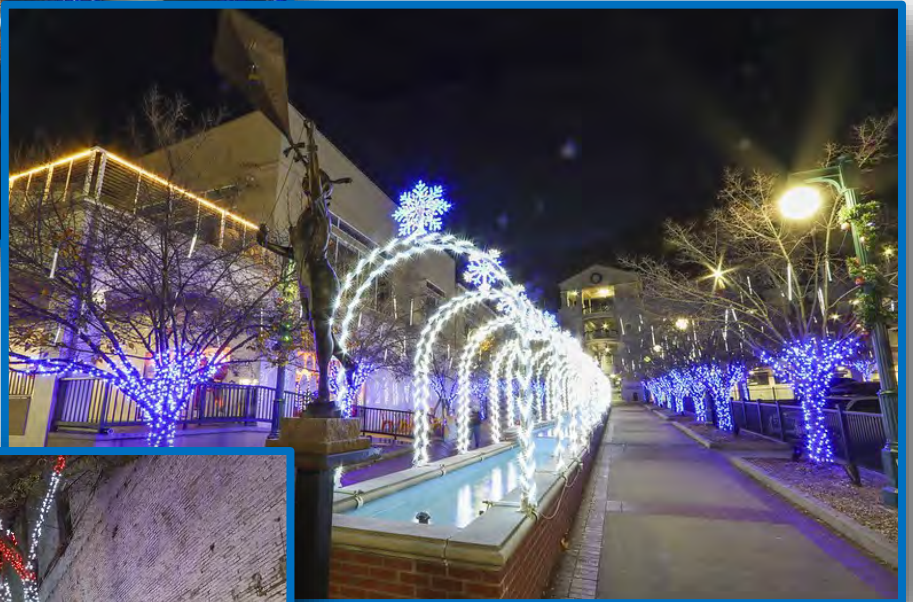


# SINGLE AUDIT AND COMPLIANCE SECTION

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# *DOWNTOWN HOLIDAY LIGHTS*

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**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2021**

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Bonds Payable 1/1/2021	Accrued Revenue Balances 1/1/2021	Cash Receipts	Principal Repayments/ Expenditures	Accrued Revenues/ Balances 12/31/2021	Passed Through To Subrecipients	Bonds Payable 12/31/2021
<b>Awarding Agency - U. S. Department of Transportation</b>								
Direct Program:								
<i>Airport Improvement Program</i>								
20.106	Airport Improvement Program (631) 3.05.0031.24.2016		13,523	13,523	-	-		
20.106	Airport Improvement Program (631) 3.05.0031.25.2017		(2)	-	2	-		
20.106	Airport Improvement Program (631) 3.05.0031.26.2018		(5)	-	5	-		
20.106	Airport Improvement Program (631) 3.05.0031.27.2019		172,549	75,720	(96,829)	-		
20.106	Airport Improvement Program (631) 3.05.0031.28.2020		-	449,885	896,994	447,109		
20.106	Airport Improvement Program (631) 3.05.0031.29.2020 CARES		631,694	1,565,081	933,387	-		
20.106	Airport Improvement Program (631) 3.05.0031.30.2020		-	480,234	1,396,387	916,153		
20.106	Airport Improvement Program (631) 3.05.0031.31.2021		-	-	23,000	23,000		
20.106	Airport Improvement Program (631) 3.05.0031.32.2021		-	28,220	28,220	-		
20.106	Airport Improvement Program (631) 3.05.0031.33.2021		-	-	59,000	59,000		
	<i>Total Airport Improvement Program</i>		817,759	2,612,663	3,240,166	1,445,262		
<i>Highway Planning and Construction Cluster</i>								
Pass-Through From:								
Arkansas Department of Transportation								
20.205	FAP TAPC Federal Highway Administration (314) ArDOT Job #61484		-	-	-	-		
20.205	Highway 7 North from the Gorge to Highway 5/7 Junction (640 & 645) ArDOT Job #061547		1,603,993	1,663,771	59,778	-		
20.205	Highway 7 South of Albright Road-Safety Improvements (645) ArDOT Job #061309		74,912	-	-	74,912		
20.205	Lakeside-Malvern Traffic Light (230) ArDOT Job #061574		-	-	-	-		
20.205	Hot Springs School Pedestrian Connectors (SRTS-15) (S) (315) ArDot Job #061479		-	107,172	107,172	-		
20.205	Hollywood Ave. Multi-Use Trail (TAP-15)(S) (315) ArDOT Job #061483		78,475	78,475	86,125	86,125		
20.205	Hot Springs Pedestrian Connectors (SRTS(TAP-16) (S) (315) ArDOT Job #061534		-	20,545	49,884	29,339		
	<i>Total Highway Planning and Construction Cluster</i>		1,757,380	1,869,963	302,959	190,376		
<i>State and Community Highway Safety Cluster</i>								
Pass-Through From:								
Arkansas State Police Highway Safety Office								
20.600	Selective Traffic Enforcement (372) OP-2021-02-02-13, SE-2021-01-01-13, M5X-2021-06-06-13, DD-2021-02-02-13		3,894	22,642	18,748	-		
20.600	Selective Traffic Enforcement (372) OP-2022-02-02-13, SE-2022-01-01-13, M5X-2022-06-06-13, DD-2022-02-02-13		-	-	8,526	8,526		
	<i>Total Selective Traffic Enforcement</i>		3,894	22,642	27,274	8,526		
Pass-Through From:								
Arkansas State Police Highway Safety Office								
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) M5CS-2021-13-13-02		-	20,518	18,014	(2,504)		
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) M5CS-2022-13-13-02		-	-	-	-		
	<i>Total Alcohol and Impaired Driving Countermeasures Program</i>		-	20,518	18,014	(2,504)		
	<i>Total State and Community Highway Safety Cluster</i>		3,894	43,160	45,288	6,022		
Direct Program:								
<i>Federal Transit and Formula Grants Cluster</i>								
20.507	Intracity Transit System Section 1B (382) AR-90-X180 2015		-	-	205,038	205,038		
20.507	Intracity Transit System Section 1B (382) AR-90-X158 2018		-	7,630	7,630	-		
20.507	Intracity Transit System Section 1B (382) AR-90-X168 2019		-	384,569	458,179	73,610		
20.507	Intracity Transit System Section 1B (382) AR-90-X163 2019 Malvern Avenue		-	151,511	230,715	79,204		
20.507	Intracity Transit System Section 1B (382) AR-90-X176 2020 CARES		188,410	622,263	470,826	36,973		
20.507	Intracity Transit System Section 1B (382) AR-90-X184 2020		-	76,484	224,269	147,785		
	<i>Total Federal Transit and Formula Grants Cluster</i>		188,410	1,242,457	1,596,657	542,610		
	<b>Total U. S. Department of Transportation</b>		<b>2,767,443</b>	<b>5,768,243</b>	<b>5,185,070</b>	<b>2,184,270</b>		
<b>Awarding Agency - Department of the Interior National Park Service</b>								
Pass-Through From:								
Federal Lands Access Program								
15.916	Outdoor Recreation, Acquisition, Development and Planning-Eastern FLAP Project (236) Wayfinding Signage 61577		9,016	9,016	320	320		
	<b>Total Department of the Interior National Park Service</b>		<b>9,016</b>	<b>9,016</b>	<b>320</b>	<b>320</b>		

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

**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(continued)**  
**For the Year Ended December 31, 2021**

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Bonds Payable 1/1/2021	Revenue Balances 1/1/2021	Cash Receipts	Principal Repayments/ Expenditures	Revenues/ Balances 12/31/2021	Passed Through To Subrecipients	Bonds Payable 12/31/2021
<b>Awarding Agency - U.S. Department of Justice</b>								
Direct Programs:								
16.607	Bullet Proof Vest Partnership (371)		11,801	-	11,099	22,900		
16.034	Coronavirus Emergency Supplemental Funding Program (374) 2020-VD-BX-0657		-	41,674	59,772	18,098		
<i>Edward Byrne Memorial Justice Assistance Program</i>								
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2020-DJ-BX-0620		-	-	63,757	63,757		
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 15PBJA-21-GG-01146-JAGX		-	-	-	-		
	<i>Total Edward Byrne Memorial Justice Assistance Program</i>		-	-	63,757	63,757		
Pass-Through From:								
Arkansas Department of Finance and Administration								
16.609	Project Safe Neighborhoods (374) 2018-GP-BX-0013 & 2018-GP-BX-0072		-	15,953	15,953	-		
16.754/16.8								
38	COAP-Comprehensive Opioid Abuse Program (378) FY2018 & FY2019		-	5,635	120,776	115,141		
16.609	Project Safe Neighborhoods (374) 2019-GP-BX-007		-	-	-	-		
	<b>Total U. S. Department of Justice</b>		<b>11,801</b>	<b>63,262</b>	<b>271,357</b>	<b>219,896</b>		
<b>Awarding Agency - U.S. Department of Housing and Urban Development</b>								
Direct Program:								
<i>Community Development Block Grants/Entitlement Grants Cluster</i>								
14.218	Community Development Block Grants/Entitlement Grants (390) FY2016 B-16-MC-05-0014		-	21,733	29,954	8,221		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2017 B-17-MC-05-0014		-	1,208	23,298	22,090	-	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2018 B-18-MC-05-0014		1,003	41,213	63,186	22,976	-	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2019 B-19-MC-05-0014		99,448	123,640	49,294	25,102	-	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MC-05-0014		13,849	233,528	287,983	68,304	60,000	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-20-MC-05-0014	CARES	62,176	77,976	65,510	49,710	150,295	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2020 B-21-MC-05-0014		-	3,238	22,579	19,341	-	
	<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>		176,476	502,536	541,804	215,744	210,295	
	<b>Total U.S. Department of Housing and Urban Development</b>		<b>176,476</b>	<b>502,536</b>	<b>541,804</b>	<b>215,744</b>	<b>210,295</b>	
<b>Awarding Agency - Department of Treasury</b>								
Direct Program:								
21.027	Coronavirus State and Local Fiscal Recovery Funds (333) (ARPA) SLT-2077		-	5,685,399	1,129,418	(4,555,981)	94,627	
	<b>Total Department of Treasury</b>		-	<b>5,685,399</b>	<b>1,129,418</b>	<b>(4,555,981)</b>	<b>94,627</b>	
<b>Awarding Agency - U.S. Department of Homeland Security</b>								
Direct Program:								
Pass-Through From:								
West Central Arkansas Planning and Development District								
97.029	Flood Mitigation Assistance Grant (318) FMA-PJ-06-AR-2017-001 (EMT-2018-FM-E003 (0))		12,954	12,954	172	172		
	<b>Total U. S. Department of Homeland Security</b>		<b>12,954</b>	<b>12,954</b>	<b>172</b>	<b>172</b>		
<b>Awarding Agency - U.S. Environmental Protection Agency</b>								
Pass-Through From:								
Arkansas Natural Resources Commission								
<i>Capitalization Grants for Drinking Water State Revolving Funds Cluster</i>								
66.468	Capitalization Grants for Drinking Water State Revolving Funds-Fixed Based Metering System	3,818,324	-	-	265,164	-	-	3,553,160
	<i>Total Capitalization Grants for Drinking Water State Revolving Funds Cluster</i>	3,818,324	-	-	265,164	-	-	3,553,160
	<b>Total U.S. Environmental Protection Agency</b>	<b>3,818,324</b>	-	-	<b>265,164</b>	-	-	<b>3,553,160</b>
	<b>Total Federal Awards</b>	<b>\$ 3,818,324</b>	<b>\$ 2,977,690</b>	<b>\$ 12,041,410</b>	<b>\$ 7,393,305</b>	<b>\$ (1,935,579)</b>	<b>\$ 304,922</b>	<b>\$ 3,553,160</b>

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

**City of Hot Springs, Arkansas**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended December 31, 2021**

State Grantor/Program Title	Bonds Payable 1/1/2021	Accrued Revenue Balances 1/1/2021	Cash Receipts	Principal Repayments/ Expenditures	Accrued Revenues/ Balances 12/31/2021
<b>Awarding Agency - Arkansas General Assembly</b>					
Parks Grants (331) GIF David F Watkins Park WCAPDD #15-1-013 Outdoors Rec #A-10765-19-GA		4,286	27,349	23,063	-
Parks Grants (316) GIF Majestic Park Project# A-10806-21-GA		-	123,188	123,188	-
<b>Awarding Agency - Arkansas Aeronautics Department</b>					
Airport Improvement Program (631) 3.05.0031.24.2016		11,401	-	-	11,401
Airport Improvement Program (631) 3.05.0031.25.2017		13	13	-	-
Airport Improvement Program (631) 3.05.0031.26.2018		11	11	-	-
Airport Improvement Program (631) 3.05.0031.27.2019		13,272	11,425	(1,847)	-
Airport Improvement Program (631) 3934-21		-	-	250,000	250,000
<b>Awarding Agency - Arkansas Department of Transportation</b>					
Selective Traffic Enforcement (372) Child Safety Seats/State Hwy Safety Program-2019		-	-	-	-
Highway 270 West Widening (640 & 645) ArDOT Job #CA0607/Connecting Arkansas Program		1,122,981	55,678	207,192	1,274,495
Covid-19 Relief Package Public Transit Trust Fund (383)		-	-	-	-
<b>Awarding Agency - Arkansas Department of Human Services</b>					
Emergency Workers Payment Program (222)		-	-	-	-
<b>Total State Awards</b>		<b>\$ 1,151,964</b>	<b>\$ 217,664</b>	<b>\$ 601,596</b>	<b>\$ 1,535,896</b>

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

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**City of Hot Springs, Arkansas**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended December 31, 2021**

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**Note 1: Summary of Significant Accounting Policies –**

Basis of Accounting. The City's assistance program funds are accounted for on the accrual (enterprise funds) and modified-accrual (special revenue funds) basis of accounting. Program receipts are recorded when earned and authorized under the program requirements, and expenditures are recorded as authorized program costs are incurred. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Preparations of Schedules of Federal and State Awards. The schedules have been prepared using the basis of accounting described in the preceding paragraph.

**Note 2: Federal Awards** – During the year ended December 31, 2021, the City was the recipient of various federal grant funds. These funds were received either directly from the federal agency or indirectly through a State of Arkansas pass-through agency.

The grant funds are administered and controlled through the respective departments of the City. The City accounts for the funds in accordance with governmental, generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The balances remaining in grant funds as of December 31, 2021, represent funds expended for authorized grant purposes and not yet received (accrued revenue).

**Note 3: State Awards** – During the year ended December 31, 2021, in addition to federal financial assistance, the State financial assistance programs are accounted for under the same accounting principles as described above.





Alexander Thompson Arnold PLLC

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Hot Springs, Arkansas' basic financial statements, and have issued our report thereon dated July 29, 2022. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the City of Hot Springs Arkansas' financial statements.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Hot Springs, Arkansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hot Springs, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hot Springs, Arkansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. 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 of Hot Springs, Arkansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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

*Alexander Thompson Arnold, PLLC*

Alexander Thompson Arnold, PLLC

Hot Springs, Arkansas

July 29, 2022





**Alexander Thompson Arnold PLLC**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Major, Board of Directors, and City Manager  
City of 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, Arkansas' 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 of Hot Springs, Arkansas' major federal programs for the year ended December 31, 2021. The City of Hot Springs, Arkansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Hot Springs, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

**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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 of Hot Springs, Arkansas 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 of Hot Springs, Arkansas' 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 of Hot Springs, Arkansas' 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 of Hot Springs, Arkansas' 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 generally accepted auditing standards, 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 of Hot Springs, Arkansas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 of Hot Springs, Arkansas' 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 of Hot Springs, Arkansas' 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 of Hot Springs, Arkansas' 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 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.

*Alexander Thompson Arnold, PLLC*

Alexander Thompson Arnold, PLLC

Hot Springs, Arkansas

July 29, 2022

**City of Hot Springs, Arkansas**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2021**

A. Summary of Auditor's Results

1. The independent auditor's report expresses an unmodified opinion on whether the basic financial statements of the City of Hot Springs, Arkansas were prepared in accordance with GAAP.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Hot Springs, Arkansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditor's report on compliance for each major federal program and report on internal control over compliance in accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major, federal award programs for the City of Hot Springs, Arkansas, expresses an unmodified opinion on all major programs.
6. There are no audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.
7. The programs tested as major programs were:

	<u>CFDA</u>	
United States Dept. of the Treasury	21.027	American Rescue Plan Act
U.S. Dept. of Transportation	20.507	Federal Transit and Formula Grants Cluster

8. The threshold used for distinguishing Type A and B programs was \$750,000.
9. The City of Hot Springs, Arkansas was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit: None

C. Federal Awards Findings and Questioned Costs: None

City of Hot Springs, Arkansas  
SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2020

None





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH CERTAIN STATE ACTS**

Major, Board of Directors, and City Manager  
City of Hot Springs, Arkansas

We have examined management's assertions that the City of Hot Springs, Arkansas, complied with the requirements of Arkansas Code Annotation § 14-58-101 and the following Arkansas statutes during the year ended December 31, 2021:

1. Arkansas Municipal Accounting Law, § 14-59-101 et seq.,
2. Arkansas District Courts Accounting Law, § 16-10-210 et seq.,
3. Improvement contracts, §§ 22-9-202 – 22-9-204,
4. Budgets, purchases and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.,
5. Investment of public funds, § 19-1-501 et seq., and
6. Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Hot Springs, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2021.

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

*Alexander Thompson Arnold, PLLC*

Alexander Thompson Arnold, PLLC

Hot Springs Arkansas  
July 29, 2022

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## **EXHIBIT 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](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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