

**SUPPLEMENT TO
OFFICIAL STATEMENT DATED JUNE 23, 2020**

relating to

**\$100,450,000
CITY OF HOT SPRINGS, ARKANSAS
WATERWORKS REVENUE BONDS
SERIES 2020**

This Supplement presents information supplementing the Official Statement dated June 23, 2020 (the "Official Statement") relating to the \$100,450,000 City of Hot Springs Arkansas Waterworks Revenue Bonds, Series 2020. This Supplement should be attached to and read together with the Official Statement, which is hereby incorporated by reference.

(1) Attached hereto is a copy of the Comprehensive Annual Financial Report of the City of Hot Springs, Arkansas (the "City") for the fiscal year ended December 31, 2019 (the "2019 CAFR"), which includes the audited financial statements of the City's waterworks system. The 2019 CAFR was prepared in accordance with accounting principles generally accepted in the United States and was audited in accordance with auditing standards generally accepted in the United States.

The release of the 2019 CAFR does not revise the amounts for the fiscal year ended December 31, 2019 contained in the section of the Official Statement entitled **FINANCIAL INFORMATION**.

(2) The section of the Official Statement entitled **CONTINUING DISCLOSURE AGREEMENT**, Past Compliance is hereby amended to read as follows:

"Past Compliance. During the past five years, the City has been obligated to comply with certain continuing disclosure agreements related to its 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 most 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 Comprehensive Annual Financial Report ("CAFR"). For other 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 filed the CAFR on EMMA each year. The CAFR for the fiscal year ended December 31, 2015 was timely filed on EMMA on November 28, 2016 but was not uploaded to all applicable CUSIPs (for one bond issue). The CAFR for the fiscal years ended December 31, 2016, 2017, 2018 and 2019 were timely filed on EMMA.

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 year ended December 31, 2015 were filed late by 238 days. The audited financial statements of the Commission for the fiscal years ended December 31, 2016, 2017, 2018 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 and was required to be filed on EMMA within 180 days after the end of the City's fiscal year (December 31).

For bond issues secured by revenues of the System, for the bond issues secured by revenues of the Wastewater System, and for the bond issue secured by municipal airport revenues, the City timely filed on EMMA all required supplemental financial and operating data.

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 fiscal year ended December 31, 2017. For that year, the City only included Tax collections for the latest year and the three previous years rather than the latest year and the four previous years as required. The City was not required to make a filing for the fiscal year ended December 31, 2018.

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

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

(3) The section of the Official Statement entitled **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS** is hereby amended to read as follows:

"PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The information set forth herein under **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS** is based on audited information. Information regarding the pension plans is found in Note 6 to the financial statements of the City for the fiscal year ended December 31, 2019.

Information regarding Other Post-Employment Benefits is found in Note 8 to the financial statements of the City for the fiscal year ended December 31, 2019.

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 2019, the City contributed 22.25% of covered employees' salaries to the plan for firefighters and 21.56% of covered employees' salaries to the plan for police officers. City contributions to the LOPFI plan for the year ended December 31, 2019 were \$2,310,081.

At December 31, 2019, the City reported a liability of \$25,009,113 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2018, 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, 2018, the City's proportion was 2.77146%.

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 and 38.99% of covered payroll for district judges from January 1 through December 31, 2019. City contributions to APERS for the year ended December 31, 2019 were \$2,571,142.

At December 31, 2019, the City reported a liability of \$20,654,421 for its December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019, the City's proportion was 0.86%, which was the same proportion as of June 30, 2018.

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, 2018, the date of the actuarial valuation, there were 60 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 2019 plan year were 31.41% of gross salary, based upon the December 31, 2018 actuarial report. Contributions to the Old Fire Plan by the City equaled \$1,420,368 for the year ended December 31, 2019, and the City's pension expense associated with the Old Fire Plan was \$(1,660,685) for the same period. The City's net pension liability of \$25,948,524 as of December 31, 2019, was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

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, 2018, the date of the actuarial valuation, there were 64 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 2019 plan year were 14.07% of gross salary, based upon the December 31, 2018 actuarial report. Contributions to the Old Police Plan by the City were \$849,480 for the year ended December 31, 2019, and the City's pension expense associated with the Old Police Plan was \$340,410 for the same period. The City's net pension liability of \$10,346,131 as of December 31, 2019, was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

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.

AS A RESULT OF MARKET DECLINES IN THE WAKE OF COVID-19, CONTRIBUTION REQUIREMENTS ARE EXPECTED TO INCREASE."

CITY OF HOT SPRINGS, ARKANSAS

By /s/ Pat McCabe
Mayor

Dated: June 30, 2020



HOT
SPRINGS

NATIONAL PARK
ARKANSAS

City of Hot Springs
Comprehensive Annual Financial Report
For Year Ended December 31, 2019

The front cover was designed by Karey Lookadoo and photos provided by
The City of Hot Springs Public Information Department and Bill Solleder.

CITY OF HOT SPRINGS, ARKANSAS

Comprehensive Annual Financial Report

For the Year Ended December 31, 2019

Prepared by: Finance Department

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City of Hot Springs, Arkansas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2019

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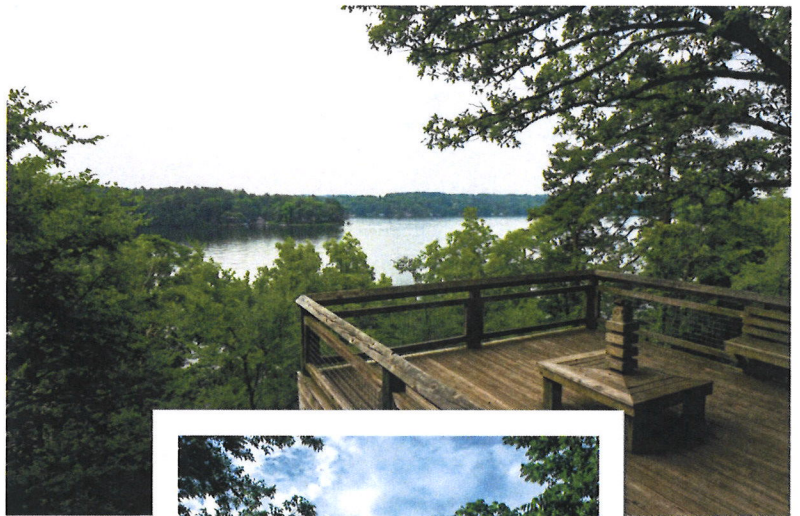
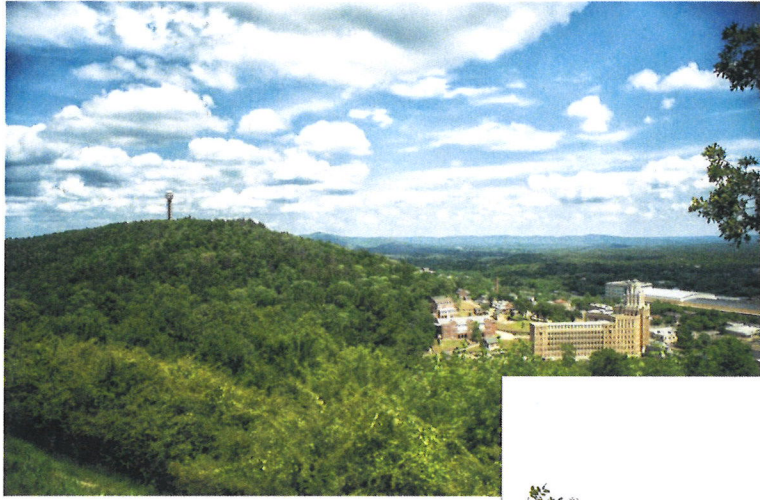
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INTRODUCTORY SECTION

WELCOME TO HOT SPRINGS



City of Hot Springs
Finance Department



Post Office Box 6300
Hot Springs National Park

June 26, 2019

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 comprehensive annual financial report for the City of Hot Springs, Arkansas, for the year ended December 31, 2019.

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

JWCK, Ltd., certified public accountants, issued an unmodified opinion on the City of Hot Springs' financial statements for the year ended December 31, 2019. 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 37.53 square miles and a population of 38,797. Hot Springs is the only City that is nearly surrounded by a national park and is the oldest federal reservation in the United States.

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

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

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

The appropriated budget is prepared by fund, department, and major classification, which is the legal level of control. The Finance Director may make transfers between individual line items in a major classification (i.e., supplies to supplies) in the same department and fund. Transfers from one major classification to another and transfers from one department to another within the same fund must be approved by the City Manager. Transfers between funds require the approval of the Board of Directors; however, the City Manager may make transfers from the General Fund into the Police Fund, Fire Fund, and Street Fund, provided the transfers are in compliance with local, state and federal regulations. Budget-to-actual reports are provided in this report for each major individual governmental fund for which an appropriate annual budget has been adopted and are presented in the required supplementary information section of this report. These funds are the General Fund, Police Fund, Fire Fund, Street Fund, Jail Maintenance Tax Fund. The Communications System Fund's budget-to-actual reports are located in the combining statement section.

Economic Conditions and Outlook

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 7 million visitors annually. In February 2018, the Architectural Digest named it one of the 25 best small towns in America. In May 2018, Priceline identified it as the #1 top emerging travel city. Positive accolades continue to come in and there is a reason for it.

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 reservation 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. Another opened in May 2019 as a nine-room boutique hotel with two public dining areas (www.nps.gov/hosp/index.htm).

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 emerging 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 2000 acres of city-owned land located in the northern section of Hot Springs which is called the Northwoods Trail System. The Northwoods is connected to an already existing trail system in the neighboring county park, Cedar Glades Park. Cedar Glades includes 10 miles of cross country mountain bike trails that were recently improved by the IMBA Trails Solutions team. In late November of 2019, the National Park System published a new regulation allowing the park superintendent to permit bicycles on a 0.65-mile trail connection within the park. This connection will increase accessibility of the trails from neighboring communities and the downtown area. The construction of the Pullman Avenue Connector Trail was completed in early 2020. The Northwoods project is ongoing, with financial support from the Walton Family Foundation, and will be a 44 plus mile system of trails when it is completed (<https://www.singletracks.com/mtb-trails/northwoods-trails-system/>).

The Hot Springs Greenway Trail opened in 1998. It originates downtown and runs south alongside Hot Springs Creek and will eventually connect to Lake Hamilton. The trail has been largely funded by state grants. Currently there are 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) 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, and Arts and the Park.

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. In 2018 and 2019 the prestigious FLW Forrest Wood Cup tournament was held in Hot Springs. The City also hosts the World's Shortest St. Patrick's Day Parade annually, which draws a large number of visitors and participants (www.shortteststpats.com).

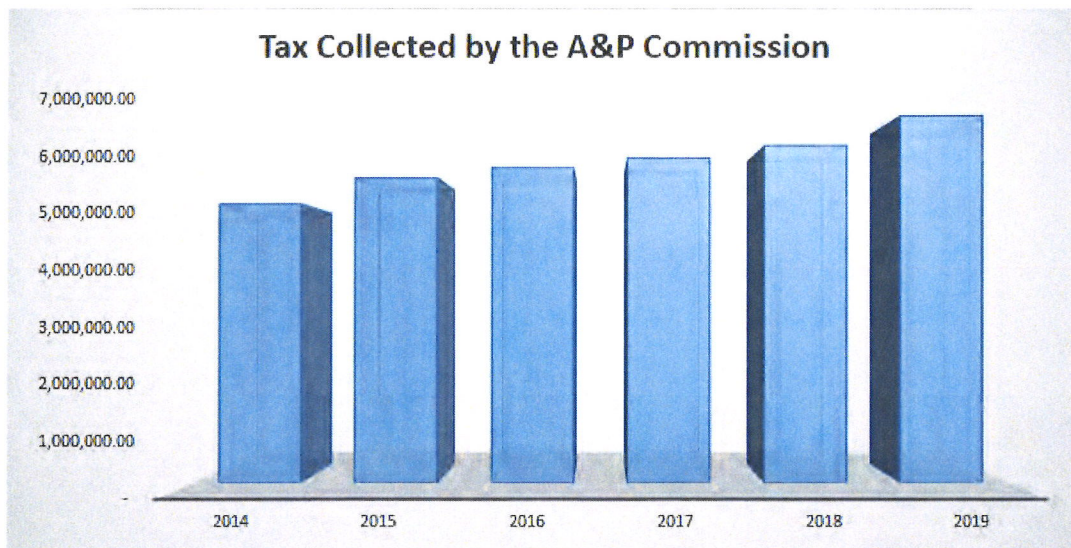
Hot Springs has an active growing night life. Over the past two years, several new premium restaurants have been added to augment the other long standing restaurants. Microbreweries have become more popular across the United States and Hot Springs is no exception, with three located downtown, as well as a wine bar. 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. In 2019, ASMSA opened a new \$4.5 million Creativity and Innovation complex. 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. In 2019, NPC announced a partnership with Southern Arkansas University to offer three bachelor's degrees on campus. The College broke ground on their first residence hall in July 2019. Phase one of the campus master plan was finalized in 2019. It was first approved by the Board in August 2017. The \$20.75 million investment includes construction of the new Student Commons facility, a new Marine Technology building, a new entrance to campus from Mountain Pine Road, renovation of the Fisher building, and expansion of the Lab Sciences building adding two new science labs. The Student Commons building and new entrance opened in August 2019, and the Marine Technology building opened in January 2020. Renovations of the Fisher building and Lab Sciences building are currently in progress (www.npc.edu).

Hot Springs is the county seat for Garland County, which has a total population of over 98,000. 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). This tax provides an excellent barometer of the economic impact of visitors on the community.



As shown on the chart, this tax has steadily increased over the past five years. The growth rates were 2.95% for 2017, 3.89% for 2018, and 8.81% for 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 188-room hotel, an event center, and an expanded casino area. The new casino area will be opened in January, 2020 and the 188-room hotel and the event center will open in late 2020 or early 2021. The construction of these facilities has provided around 2,300 construction jobs and the completed project will add about 400 permanent jobs.

As a result of the new laws passed in 2018 regarding casinos, the distribution of tax revenues from it were 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%. With the opening of the additional 28,000 square feet of gaming area, revenues will increase even more. More discussion of this can be found in the Management's Discussion and Analysis on page 12.

Another legislative change in 2019 was the passage of Act 703. This bill allows the City to pledge a portion of the net casino gaming receipts for the repayment of local bonds. This opens up a new source of funding for municipalities to back bonds and will be a valuable tool for financing capital improvements or economic development projects.

Currently 56% of the funding for the City of Hot Springs' general government activities (administration, police, fire, streets, parks) comes from a sales tax. A 1% sales tax levy is for general government activities and a 0.5% sales tax levy is restricted to police and fire activities. In 2019, the City collected approximately \$21.4 million from this combined tax. The tax increased 4.29% in 2016, .02% in 2017, 1.47% in 2018 and approximately 7.07% in 2019. A conservative 2.5% increase has been projected for 2020. Because of

tourism, the tax burden has been borne by sales tax and the City does not levy a property tax. While this is a positive for residents, it makes this major income source more volatile and sensitive to economic shifts. Tourism spending is discretionary spending. However, sometimes economic downturns mean that tourists choose to go to smaller places and not travel as much, and this can result in a positive, or neutral impact on the local economy. For the last 21 years, sales tax increased every year, except for 2009 (the end of the Great Recession) when it declined by 2.4%. It is interesting to note that sales tax increased in 2007 and 2008, the first two years of the Great Recession.

The 2018 United States Supreme Court ruling in *South Dakota V. Wayfair* paved the way for states to enforce collection of sales tax on certain online transactions. Arkansas legislators passed Act 822 which went into effect in July, 2019, and had a very positive effect on both state and local taxes. This will have a large impact on our sales tax from this point going forward, as consumers shift from storefronts to electronic shopping. More discussion of this can be found in the Management's Discussion and Analysis on page 11.

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

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 following table shows the investment over the last five years:

	2015	2016	2017	2018	2019
New businesses opened	18	25	41	21	30
Commercial properties sold in downtown	15	20	30	16	15
Value of commercial properties sold	\$8.14M	\$15.66M	\$9M	\$7M	\$12M
Downtown investment	\$23M	\$19.3M	\$23M	\$11M	\$14.5M

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

	2018		2019	
	# of Permits	Valuation	# of Permits	Valuation
New Commercial	20	\$ 52,270,458	35	\$ 139,460,035
Existing Commercial	251	\$ 26,460,072	300	\$ 15,318,442
Total		\$ 78,730,530		\$ 154,778,477

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

There are two other developments that will greatly enhance our tourism offerings. Both of these have been funded by the 3% tax that is collected by the advertising and promotion commission. The first one is the addition of a traveling exhibit hall at the Mid-America Science Museum. This is a \$1.5 million investment that will enable the museum to bring in exhibits that they had not been able to host due to physical limitations. It is scheduled to be completed in mid 2020. The other is the Majestic Park Baseball

Complex. In 2019, voters approved a bond issue of \$7.875 million to build new ball fields. These ball fields will be built on the site called Majestic Fields where the Boston Red Sox practiced in the early 1900's. The new complex will host league play for multiple age groups during the week and will play host to tournament play on the weekends, bringing in players from other regions. The complex will be state of the art, with five artificial turf fields, covered grandstands, concession stands, and bathroom facilities. These types of facilities are a proven economic boost, bringing players and their fans into the City to stay in our hotels, eat in our restaurants, and enjoy Arkansas' most popular city. The ball fields will be completed in early 2021.

Much of the impetus for the development that the City has had in the last few years came from the 2014 destruction, by fire, of the Majestic Hotel. This hotel stood downtown at the intersection of Park and Central avenues, and was one of the most famous hotels in the South from 1892 to its closure in 2006. This destruction created a movement to redevelop and preserve our famed downtown that still carries forward today. After the fire, this property was purchased by the City and the City has spent approximately \$2.3 million to clear and remediate the property in readiness for redevelopment. The final remediation efforts were completed in 2018. In 2019, the City of Hot Springs, along with partners at the University of Arkansas Fay Jones School of Architecture and Design and the Kansas State University, Technical Assistance to Brownfields, began the visioning process for the Majestic Property Redevelopment. The redevelopment planning focused on four guiding values: (1) Enhance economic opportunities, (2) Improve the local quality of life and enhance the visitor experience, (3) Celebrate the natural wonder of our thermal water, and (4) Respect the arts, culture and history of Hot Springs. After the visioning process was completed in early 2019, the City hired Design Workshop to identify the most profitable and competitive use of the property, based on the findings from the community visioning process. This process has been completed and in 2020 the City will begin to market the site based on the recommended uses. While this will have no economic impact in 2020, the future economic impact of this project is considerable and will forever change the north gateway into downtown.

Economic development outreach for the City and Garland County is accomplished through the Metro Partnership, managed by the Chamber of Commerce CEO. In 2019, there were 21 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 161 new jobs to five local companies plus around \$32 million in new investment during 2019.

Infrastructure - The City provides water, wastewater, solid waste, and stormwater services to all residents, and water and wastewater services to some non-city residents. The number of accounts is projected to grow by about 1% a year. Traditionally, population growth is an indicator of growth in utilities, but in a town where tourism is the main industry, population growth does not tell the whole story. Since water and wastewater services are weather-sensitive, comparing consumption from one year to the next is not a true indicator. In years of very hot weather, the City has experienced periods of consumption that were close to capacity. Due to this, the City began to explore an alternate water source several years ago. After several years of negotiations with the U.S. Army Corps of Engineers, the Arkansas Department of Health, and Entergy, an agreement was signed in 2017 securing Lake Ouachita as a future water source that will meet projected water demands through the year 2060. This puts the City in a very advantageous position for future growth of residents, tourism, and other industries. A comprehensive Water System Master Plan was completed in 2018 which will be a guiding factor for future development of the water system.

The Board's top 2020 priority is to continue to implement the new water supply. A lot of progress was

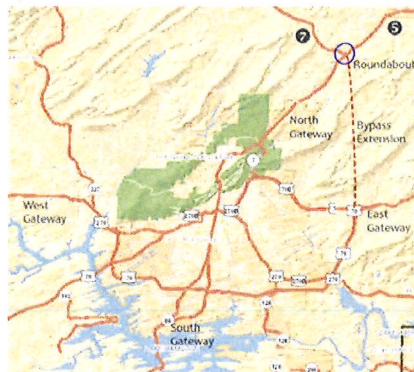
made in 2019 as we received several needed permits, obtained the land for the new water plant, obtained some of the easements for water lines, began plant design, and began obtaining the geotechnical information for the water intake site. There are four parts to this project: intake structure, raw water lines, water plant, and finished water lines. Progress will be made on all of these parts in 2020. Bonds were issued in 2018 to assist in financing the engineering as well as other parts of this project. In 2020, bonds will be issued to finance the remainder of this project. The bond issue is expected to be around \$110 million. This project is expected to be completed in 2023.

The City has invested several million dollars in its Wastewater collection system and Stormwater system over the past 10 years. 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.

In 2019, the City contracted with Scenic Hill Solar to build and operate 12.75 megawatts of solar plants to supply 100% of the City's power needs. The first plant (1.3 megawatts) is scheduled to start construction in April, 2020. The remaining plants will start construction around November 2020, pending permission from the Arkansas Public Service Commission. All of the plants should be up and running in 2021. 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.

In 2018, the Arkansas Department of Transportation (ARDOT) completed the redesign and construction of Highway 70 between Interstate 30 and Hot Springs, converting it to a much safer route and providing four lanes, with an additional turn lane in the middle. This has made it much easier to get to Hot Springs. In addition, the voters of Garland County approved a 5/8 cent tax a couple of years ago which financed a \$54.7 million bond issue which will be used to make various road and intersection improvements and complete the extension of a road known as the Martin Luther King Bypass.

ARDOT recently completed a lane widening project at the southern gateway (Highway 7S), but is expected to extend that project even further south with the paving contract being bid in August 2020. In addition, a lane widening project is planned at the West Gateway which will improve the intersection of Highways 270 and 227 and add a turn lane, sidewalks and bike lanes for approximately 2 miles west of that intersection. That project will be bid around June, 2020. At the North gateway, a project will be bid around June, 2020 to add a turn lane and bike lines from slightly north of downtown to the intersection of Highway 5 and Highway 7. All of these projects have required or will require some form of utility relocations. In addition, the City continues to annually invest around \$1 million in overlays and other street improvements. The following map shows the proposed route for the bypass extension and the various gateways that are being improved.



A key factor in economic development for all cities is the presence of high speed broadband. In 2019, Ritter Communications began installing fiber in the City to provide a 100% fiber connection to all commercial businesses. This project should be completed in 2020 and will enable the City to compete on a more level playing field when recruiting new businesses.

Planning - While the City does not do multiple year budgets, there are many planning activities that take place. In 2018, the Water Master Plan was completed. The Wastewater Master Plan and the Airport Master Plan are in progress. The 2019 budget included \$300,000 for a Comprehensive Plan and that plan will be completed in early 2020. The annual budget process each year includes a review of the fund balances or net assets of each fund in conjunction with the proposed budget and expected changes over the next few years. The Complete Streets Team plays an integral role in infrastructure planning related to Parks, Streets, and other non-utility infrastructure needs. The City also receives Community Development Block Grant funds and those are processed and prioritized with the assistance of an advisory committee. Often those needs are multi-year and require planning and prioritization. The Parks Department has an advisory committee that focuses on future plans. 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 efforts might be funded.

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, the City Attorney, the Finance Director, and the Human Resources Director. In 2015, the then City Manager unexpectedly died, leaving a vacancy in that position. Bill Burrough, the Deputy City Manager at that time, was named acting until the position was permanently filled in March, 2016. That City Manager stayed just slightly over two years, and Mr. Burrough again filled in as acting until he was named City Manager on January 1, 2019. The vacancy for the Deputy City Manager position he vacated was filled in January 2020. The City is very pleased to have a permanent senior management team in place with a combined total City of Hot Springs experience of 104 years and feel that we are positioned to meet the challenges of the coming years. In addition, eleven out of thirteen department heads have been with the City for more than five years.

COVID-19 - On March 11, 2020 the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. This pandemic has had far reaching health and economic effects on the entire world. Further discussion of this can be found in Note 9 on page 98.

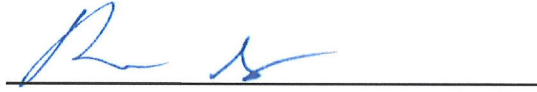
Awards and Acknowledgments

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 comprehensive annual financial report for the fiscal year ended December 31, 2018. 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, comprehensive annual financial report (CAFR), the contents of which conform to program standards. Such CAFR 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-six consecutive years (fiscal years ended December 31, 1993 through 2018). 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 comprehensive annual 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,

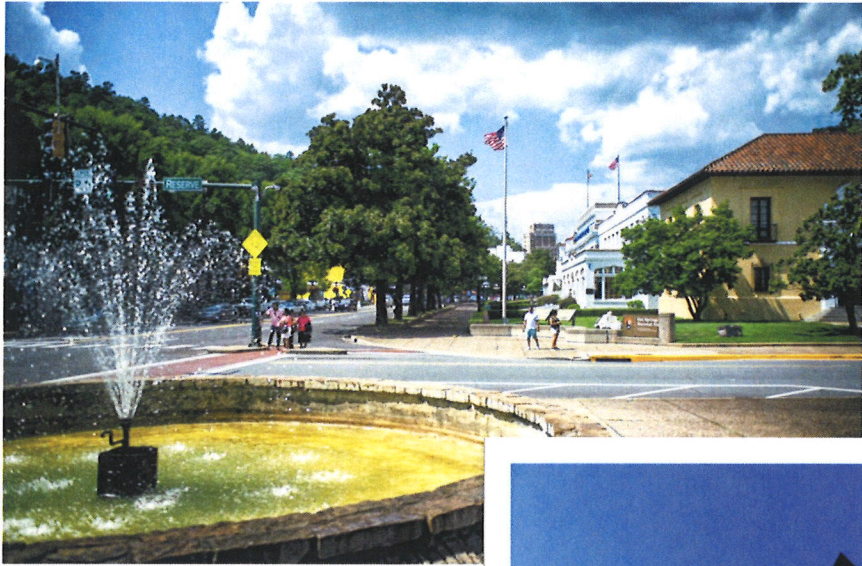
A handwritten signature in blue ink, appearing to read "Bill Burrough", written over a horizontal line.

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





Government Finance Officers Association

**Certificate of
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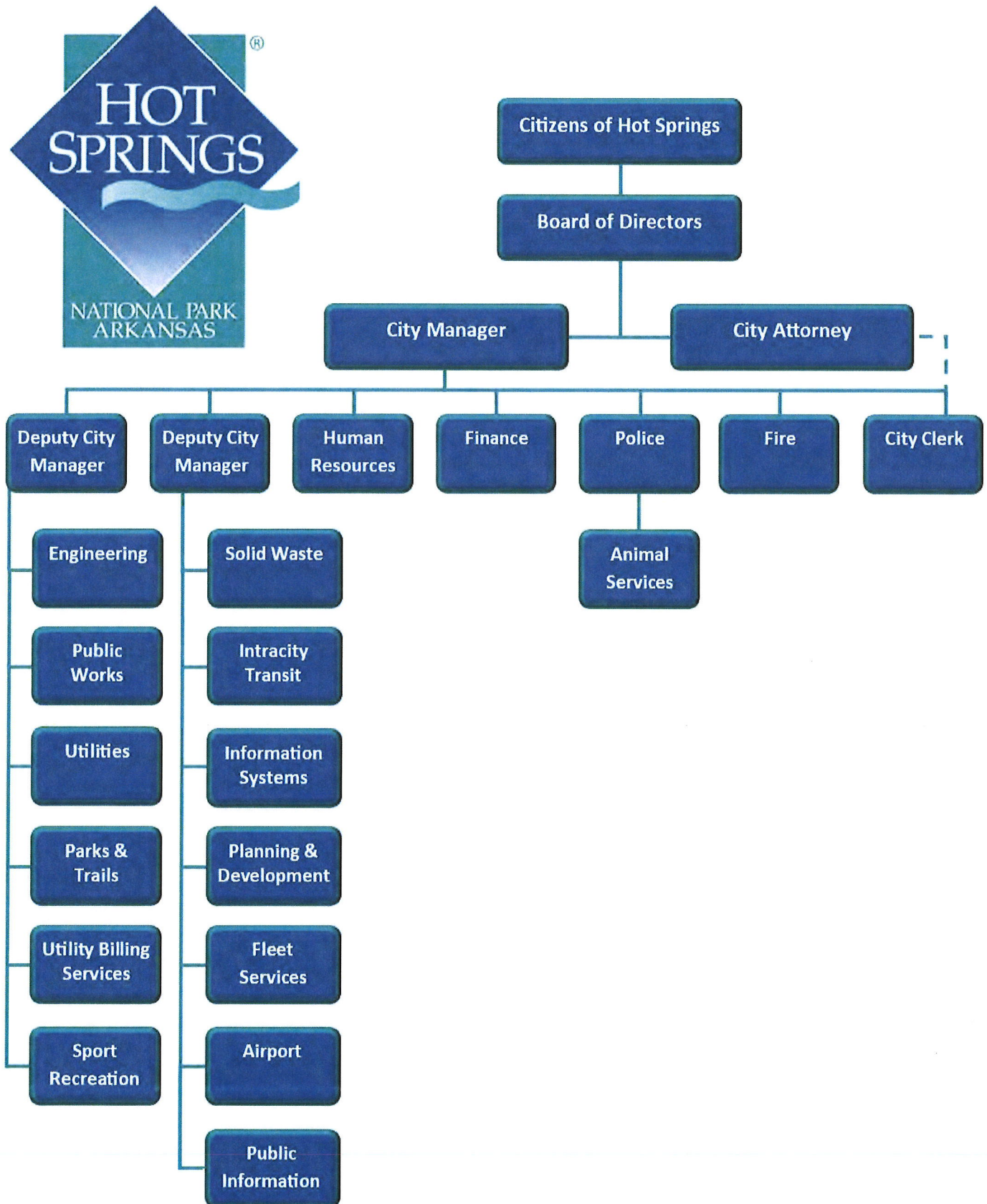
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

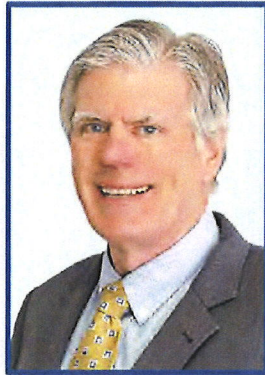
Executive Director/CEO

ORGANIZATIONAL CHART



ELECTED OFFICIALS

Board of Directors



Mayor
Pat McCabe



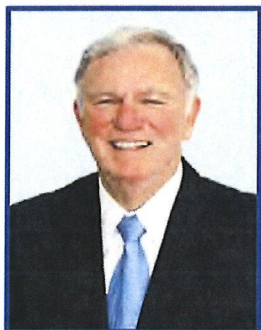
District 1
Erin Holliday



District 2
Elaine Jones



District 3
Becca Clark



District 4
Carroll Weatherford



District 5
Karen Garcia



District 6
Randy Fale

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

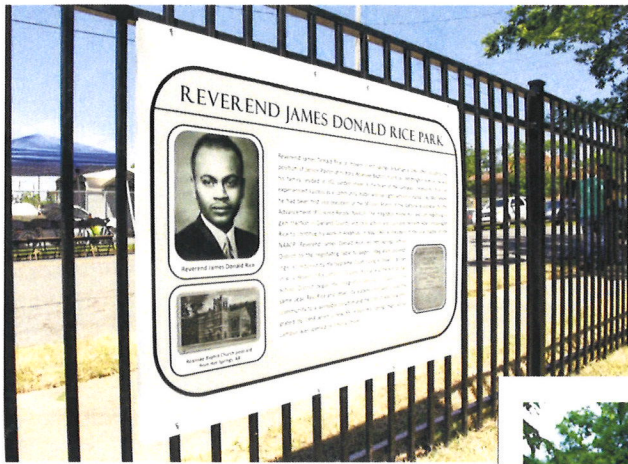
APPOINTED OFFICIALS

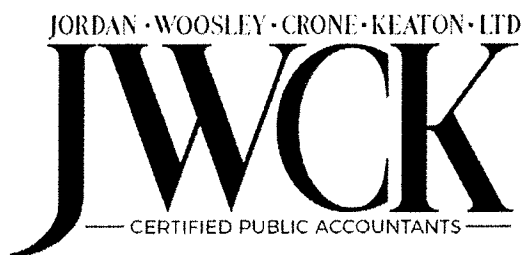
City Manager.....	Bill Burrough
City Attorney	Brian Albright
Deputy City Manager.....	Lance Spicer
Deputy City Manager.....	Vacant
City Clerk.....	Harmony Morrissey
Human Resources Director.....	Minnie Lenox
Finance Director/Treasurer.....	Dorethea Yates
Police Chief.....	Jason Stachey
Fire Chief.....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

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FINANCIAL SECTION

REVEREND RICE PARK





Partners
Gary D. Welch, CPA, CVA
Jimmy M. Pate, CPA, CBA, CRCM
Courtney W. Moore, CPA, CFE, CGMA
Christina B. Ellis, CPA

Principals
Dennis C. Fason, CPA
Phyllis A. Trent, CPA

Founding Partners
Joe L. Woosley, CPA
(1932-Present)
Harry C. Keaton, CPA
(1920-2005)
Clarence W. Jordan, CPA
(1930-2009)
Glen W. Crone, Jr., CPA
(1936-2016)

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Hot Springs, Arkansas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Hot Springs Advertising and Promotion Commission, which represent 15.5 percent, 37.7 percent, and 7.7 percent, respectively, of the assets net position, and revenues of the primary government. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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126 Hobson Ave.
Hot Springs, AR 71901

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hot Springs, Arkansas, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of budgetary comparison information, funding progress in OPEB Liability, Changes in Net Pension Liability and Related Ratios, on pages 7-19 and 101-114, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hot Springs, Arkansas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, statistical section, the Schedule of Expenditures of State Awards, and the Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 2000, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedules of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the combining and individual nonmajor fund financial statements and the Schedules of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020 on our consideration of the City of Hot Springs, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hot Springs, Arkansas internal control over financial reporting and compliance.

JWCK, Ltd

Certified Public Accountants
Hot Springs, Arkansas

June 26, 2020

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

As management of the City of Hot Springs, we offer readers of the City of Hot Springs financial statements this narrative overview and analysis of the financial activities of the City of Hot Springs for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented in conjunction with the additional information that we furnished in our letter of transmittal, which can be found on pages iii - xii of this report.

Financial Highlights

- The City's assets of \$357,247,091 and deferred outflows of \$19,577,126 exceeded its liabilities of \$230,880,320 and deferred inflows of \$1,998,391 by \$143,945,506. This is the City's net position balance. This is an increase of \$6,835,187 from the prior year amount.
- The net position of the governmental activities decreased by \$516,014.
- The net position of the business-type activities increased by \$6,319,173.
- The City's total assets include \$269,198,194 invested in capital assets.
- As of December 31, 2019, the City of Hot Springs governmental funds reported combined ending fund balances of \$22,802,132, an increase of \$9,337,403 from 2018. Approximately 26% of this amount, \$5,924,200 is available for spending at the City's discretion (unassigned fund balance).
- At the end of 2019, the unassigned fund balance for the General Fund was \$5,924,200 or 58% of total General Fund expenditures.
- A comparison of total liabilities for 2019 and 2018, as stated on the statement of net position, shows an increase of \$14,069,268. This was due to increases in net pension liability and long term debt.
- The City's component unit had a net position of \$54,295,005 as of December 31, 2019. This was a decrease from the prior year amount of \$1,243,151.

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 2019. 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 22 through 24 of this report.

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

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

Because the focus of governmental funds is more narrow than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term effect of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Hot Springs maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Police Fund, Fire Fund, Street Fund, Jail Maintenance Tax Fund, and Communication System Fund all of which are considered to be major funds. Although the Jail Maintenance Fund and the Communication System Fund do not meet the criteria for a major fund, the City chooses to present them as major funds due to their high visibility to taxpayers. Data from the other 12 governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of combining statements elsewhere in this report on pages 118 - 125.

The basic governmental fund financial statements are on pages 25 through 27 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 - 130 of this report. The basic proprietary fund financial statements are on pages 29 through 33 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 34 and 35 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 38 through 98 of this report.

Government-Wide Overall Financial Analysis

City of Hot Springs Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 29,970,385	\$ 18,405,657	\$ 58,078,512	\$ 61,374,484	\$ 88,048,897	\$ 79,780,141
Capital assets	29,737,324	28,430,734	239,460,870	231,987,774	269,198,194	260,418,508
Total Assets	<u>59,707,709</u>	<u>46,836,391</u>	<u>297,539,382</u>	<u>293,362,258</u>	<u>357,247,091</u>	<u>340,198,649</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>15,848,017</u>	<u>15,069,917</u>	<u>3,729,109</u>	<u>4,045,253</u>	<u>19,577,126</u>	<u>19,115,170</u>
LIABILITIES						
Other liabilities	4,687,681	3,513,170	5,738,189	4,153,404	10,425,870	7,666,574
Long-term liabilities	91,188,373	76,137,332	129,266,077	133,007,146	220,454,450	209,144,478
Total Liabilities	<u>95,876,054</u>	<u>79,650,502</u>	<u>135,004,266</u>	<u>137,160,550</u>	<u>230,880,320</u>	<u>216,811,052</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,147,036</u>	<u>4,239,184</u>	<u>851,355</u>	<u>1,153,264</u>	<u>1,998,391</u>	<u>5,392,448</u>
NET POSITION						
Net investment in capital assets	25,859,196	26,125,554	141,989,256	139,005,423	167,848,452	165,130,977
Restricted	2,928,302	2,436,858	10,574,138	10,673,559	13,502,440	13,110,417
Unrestricted	(50,254,862)	(50,545,790)	12,849,476	9,414,715	(37,405,386)	(41,131,075)
Total Net Position	<u>\$ (21,467,364)</u>	<u>\$ (21,983,378)</u>	<u>\$ 165,412,870</u>	<u>\$ 159,093,697</u>	<u>\$ 143,945,506</u>	<u>\$ 137,110,319</u>

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

Net position can serve over time as a useful indicator of a government's financial position. In the case of the City of Hot Springs, assets exceeded liabilities by \$143,945,506 as of December 31, 2019.

The City's net investment in capital assets as of December 31, 2019 was \$167,848,452. In addition, there was \$2,501,455 restricted for debt service, \$8,298,421 restricted for capital improvements, \$2,629,016 restricted for public safety mandates, and \$73,548 restricted for public works, community development, transportation, and park projects. This left a remaining negative unrestricted net position of \$37,405,386.

The next table shows the changes in net position at year end and revenue and expense comparisons to 2018.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 6,965,682	\$ 7,177,945	\$ 46,095,841	\$ 44,065,051	\$ 53,061,523	\$ 51,242,996
Operating Grants and Contributions	6,561,456	6,318,013	64,611	1,957,958	6,626,067	8,275,971
Capital Grants and Contributions	643,801	1,448,353	3,596,792	1,946,231	4,240,593	3,394,584
General revenues:						
Sales tax	21,389,832	19,977,450	50,539	54,846	21,440,371	20,032,296
Franchise tax	2,655,154	2,710,885			2,655,154	2,710,885
Property tax	(38,521)	201,097			(38,521)	201,097
Other taxes	956,108	806,857			956,108	806,857
Grants and contributions not restricted to specific programs	5,888,876	4,702,676			5,888,876	4,702,676
Investment income	436,098	174,528	1,397,186	769,235	1,833,284	943,763
Transfers	30,822		(30,822)		-	-
Total revenues	45,489,308	43,517,804	51,174,147	48,793,321	96,663,455	92,311,125
Expenses						
General government	3,956,742	5,533,494			3,956,742	5,533,494
Community development	1,886,664	1,726,677			1,886,664	1,726,677
Parks, trails and recreation	2,060,624	2,028,255			2,060,624	2,028,255
Public safety	29,051,896	30,312,885			29,051,896	30,312,885
Public transportation	1,651,744	1,643,718			1,651,744	1,643,718
Public works	6,239,175	5,958,118			6,239,175	5,958,118
Interest on long-term debt	126,449	57,603			126,449	57,603
Water			13,929,644	12,990,218	13,929,644	12,990,218
Wastewater			17,716,699	16,401,550	17,716,699	16,401,550
Solid waste			8,218,751	7,264,497	8,218,751	7,264,497
Airport			3,821,045	3,747,762	3,821,045	3,747,762
Stormwater			904,872	779,629	904,872	779,629
Parking			263,963	258,664	263,963	258,664
Total expenses	44,973,294	47,260,750	44,854,974	41,442,320	89,828,268	88,703,070
Change in net position	516,014	(3,742,946)	6,319,173	7,351,001	6,835,187	3,608,055
Net position - beginning of year	(21,983,378)	(18,240,432)	159,093,697	151,742,696	137,110,319	133,502,264
Net position - end of year	\$ (21,467,364)	\$ (21,983,378)	\$ 165,412,870	\$ 159,093,697	\$ 143,945,506	\$ 137,110,319

Governmental activities

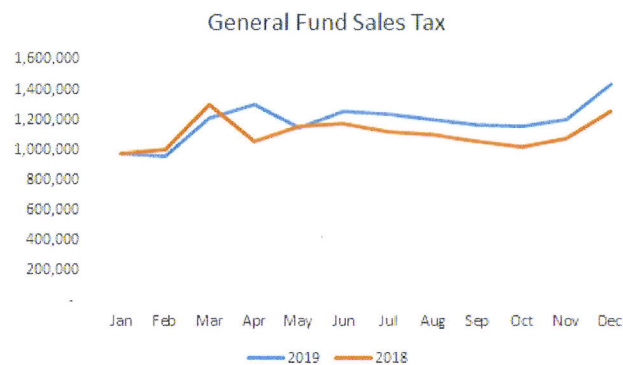
The net position of the governmental activities was a negative \$21,983,378 as of December 31, 2018. In 2019, governmental activities resulted in a increase in net position of \$516,014. The ending net position in governmental activities as of December 31, 2019 is a negative \$21,467,364. The increase in net position is mainly due to sales tax growth and additional revenue from Oaklawn Racing Casino Resort.

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

General Fund: The original budget for the General Fund reflected a reduction in fund balance of \$840,995. Reappropriations and various amendments increased the budgeted reduction to \$1,483,461. The actual results produced a positive variance of \$3,885,019.

The General Fund fund balance increased \$2,401,558 in 2019, reflecting a 41% increase in fund balance. The ending fund balance as of December 31, 2019 was \$8,241,824. This increase was due mainly to unbudgeted sales tax revenue and unbudgeted casino revenue. Since the Police Fund and the Fire Fund also get revenue from these two sources, the transfers to these funds from General Fund were less than budgeted.

Revenues – The City has a 1.875% general sales tax which is 57% of the General Fund revenue budget. In 2017 and 2018, the growth rate was .02% and 1.47%, respectively. A growth rate of 1.5% was used for the 2019 budget. Actual growth for the year was 7.07%, the highest growth rate in the past twenty years. This produced a positive variance of \$653,110. The State of Arkansas serves as a collection agency for the City's sales taxes and only provides business sector information, so it makes an extensive analysis of sales tax data challenging. A complete breakdown by sector, with a ten-year history begins on page 149. The majority of the increase in 2019 appears to be attributable to three major factors. The first factor is the change to mandatory tax collections on internet sales. Arkansas law changes went into effect in July, 2019, and the following graph clearly demonstrates the growth in 2019 that occurred after July.



The second factor is the \$100 million expansion of Oaklawn Resort and Casino and several other major construction projects which were feeding into sales taxes. Finally, the City has continued to increase its tourism and this provides a positive impact on sales taxes. The City has an Advertising and Promotion Commission (a component unit) that collects a 3% tax on prepared foods and lodging and this tax provides an excellent growth measure of tourism. Per their tax report, their collections increased 8.81% in 2019 compared to the 2018 numbers.

Franchise fees are 10% of general fund revenue, charges for services are 9%, and gaming and breakage (amounts paid to the City by Oaklawn Resort and Casino) are 7%. Franchise fees came in very close to budget. They are relatively predictable, but will change slightly from year to year based on weather, utility rate increases, and usage pattern changes (moving to cell phones and satellite TV). Charges for services represent charges to the City's utilities and various other funds to recover the cost of administration and shared services. Generally, the budget and actual will only vary slightly. Gaming and breakage came in significantly over budget.

In 2018, Arkansas voters passed a law to open up gaming to allow casino-type betting and sports betting. Part of this new law included new distribution formulas for the state and the cities and counties where the casinos operate. When the 2019 budget was passed, the City knew that it would increase our revenue substantially, but due to many unknowns, did not factor that into our 2019 budget. The changes all became effective in July 2019. Total revenue to the City from the casino for the first six months of 2019 was \$1.2 million; revenue for the last six months of 2019 was \$1.9 million.

Other sources of revenue that came in significantly over budget were fees and permits (\$198,330 over budget), mixed drink taxes (\$211,480 over budget), and investment earnings (\$312,195 over budget).

Expenditures – Total General Fund expenditures were originally budgeted at \$10,123,077. Re-appropriations and adjustments resulted in an amended budget of \$11,559,659. A significant portion of the amended budget was \$1 million for the purchase of an office building to house some of the City's administrative offices. Actual expenditures were \$10,165,962, resulting in a positive variance with the total final budget of \$1,393,697. Large variances in the expense budget for General Fund are common. Budget amendments, other than re-appropriations are not encouraged, and the budget includes many contingencies. In addition, many times projects are not completed by the end of the calendar year and are re-appropriated into the next year. This accounted for a large portion of the variance between the final and actual numbers. The remainder of the variance can be attributed to vacancies, unspent grant matches, and frugal spending by the various departments.

The largest expenditure (58%) in the General Fund budget is Transfers Out. These transfers partially fund police, fire, street, a district court, and an intracity transit system. Transfers out were budgeted at \$14,883,499 and then amended to \$15,089,383. Final transfers out were \$14,234,862, producing a positive budget variance of \$854,521. Of the amount left in General Fund after transfers, salaries and benefits are 60%, services and supplies are 26%, with the remaining 14% going to intergovernmental expense, capital, and debt service. In 2019, cost of living increases of 2% were implemented.

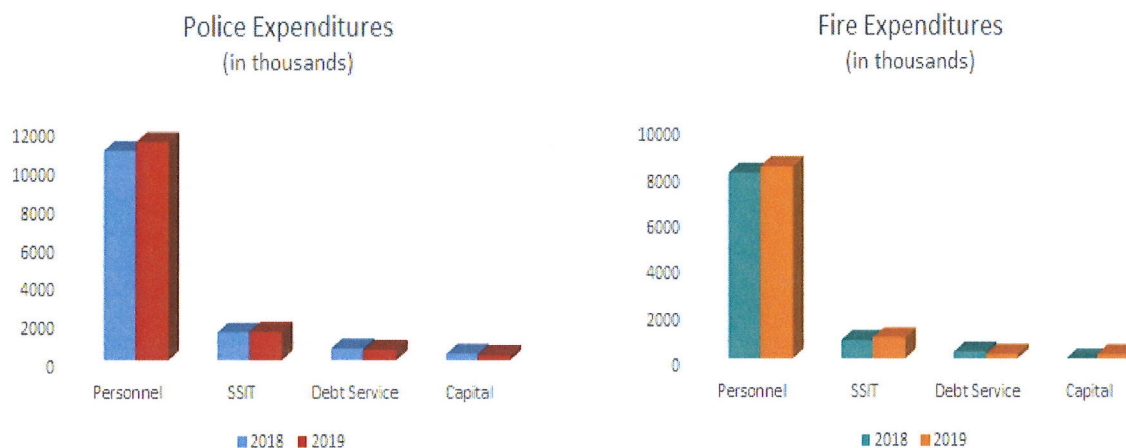
Police and Fire Funds: Both the Police and Fire Fund are funded by a one-half cent sales tax. The sales tax discussion under General Fund is also relevant for these funds. They each have some other dedicated revenues, but over 50% of their revenue comes from transfers from the General Fund. In theory these funds carry little or no fund balance. The largest expenditure for each fund is salaries and benefits which make up approximately 84% of their total expenditures. Both Police and Fire have a very high match rate for their pensions due to unfunded pension amounts. For 2019, the retirement match rate was 35.63% for police and 53.66% for fire. Personnel expenditures for Police and Fire increased due to a 2% cost of living raise and increased pension costs.

Police Fund - The fund balance for the Police Fund at December 31, 2019 was \$1,022,133, reflecting a \$349,285 increase in 2019. The majority of differences between final and actual for the Police Fund was due to increased revenues, vacant positions, and unspent capital funds which will be carried over

into 2020.

Fire Fund – The fund balance for the Fire Fund at December 31, 2019 was \$423,520, reflecting a \$258,386 increase in 2019. The majority of differences between final and actual for the Fire Fund was due to increased revenues and lower than expected expenses in services and supplies.

Increases and decreases in the Police and Fire fund balance do not impact current resources in these funds. The large increases in fund balance from 2018 to 2019 represent transfers from general fund to cover projects for 2020 which were committed to in 2019. Since they are dependent on the General Fund, changes in fund balance is not a relevant indicator of performance. A better measure is their operating revenues and expenses. The following graphs show a comparison of police and fire expenditures for 2018 and 2019.



SSIT - Services, Supplies, Intergovernmental, and Transfers

Street Fund: The major sources of revenue for the Street Fund are state turnback and transfers from the General Fund.

Personnel costs represent 32% of Street Fund expenditures. Services and supplies represents 61%, with the high dollar items being street repaving and street lighting. In 2019, 5.76 miles of street were repaved.

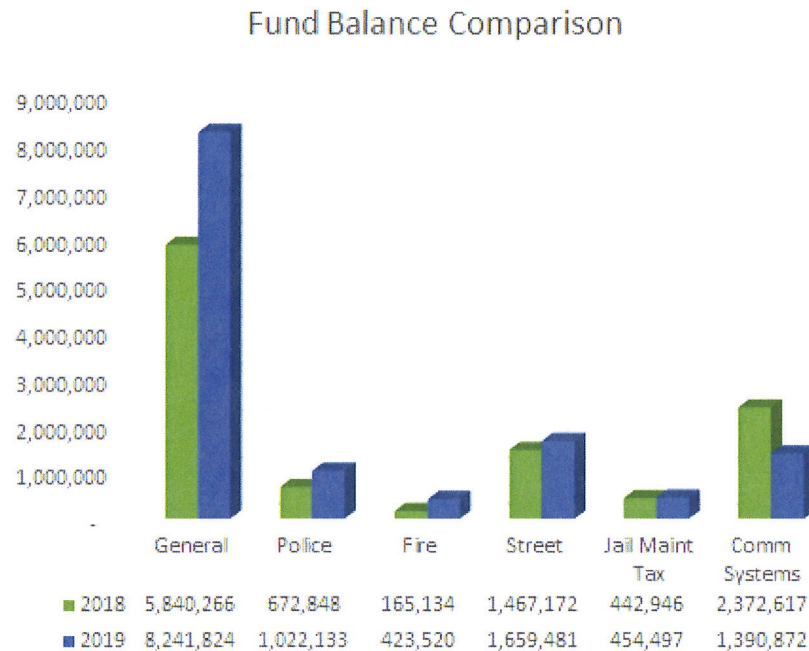
The fund balance for the Street Fund at December 31, 2019 was \$1,659,481, reflecting an increase of \$192,309 over 2018. A large decrease was budgeted in 2019 in order to spend funds carried over from prior years. The increase is due mainly to projects that were budgeted but did not get completed in 2019, and monies held for matching funds for grants applications which have not yet been approved by the grantor.

Jail Maintenance Tax Fund: This fund is used to account for the City's share of a 3/8 cent sales tax levied by the county. The revenue is paid to Garland County for the expense of housing City prisoners; almost \$3 million was paid for this service in 2019. The fund balance in this fund as of December 31, 2019 is \$454,497, reflecting an increase of \$11,551 over 2018.

Communication System Fund: In 2016, the City levied 2.6 mills of property tax to fund the cost of a new communication system and a remodel of the 911 office space. The levy was for two years. The communication system is funded by both the general government and the water, wastewater, and solid waste utilities, as it will be used by all of the City. This fund just accounts for the property tax share of the cost. In 2017 and 2018, \$1.2 million was spent and \$943,224 was spent in 2019. The

project was expected to be completed in 2019 but due to changes in the scope of the project, it is still ongoing. As of December 31, 2019, the fund balance was \$1,390,872. The project will be completed in 2020 or early 2021 and the fund will be closed at that time.

The following graph shows a comparison of 2018 and 2019 fund balances for the major governmental funds.



Business-type activities

The beginning net position for business-type activities increased by \$6,319,173 in 2019. The ending net position was \$165,412,870. Capital assets increased \$8,550,414 and long term liabilities increased \$8,779,686. The increase in capital assets was due to the spending of bond proceeds from debt that was issued in prior years. The increase in long term liabilities was mainly due to the issuance of \$20.175 million in debt in the Water Fund.

Water Fund: The net position for the Water Fund increased by \$3,247,858 and was \$72,036,641 at the end of 2019. The Water Department serves not only the citizens of Hot Springs, but also a large portion of Garland County. Over the past several years, major improvements have been made to the water treatment and distribution facilities. Based on growth estimates, one of the top priorities of the water department has been to secure a stable water supply for the future. In 2013 water rights to Lake DeGray were obtained, and in early 2017 a storage agreement for Lake Ouachita and an allocation of water rights was obtained. The water rights at Lake DeGray and Lake Ouachita will provide an adequate water supply for Hot Springs for most of the next century. The City is currently planning for a new water plant and water storage that will be completed within the next 3-5 years. The debt issuance of \$20.175 million is the first debt issuance related to the funding of the new water plant. The City expects to issue an additional \$90 to \$110 million in 2020 to complete this project. The project includes the intake structure, the raw and finished water lines, a new water tank, and the plant itself. Rate increases have been approved by the Board of Directors in anticipation of these capital investments. The City has revised its rate methodology by increasing minimum rates. This will reduce revenue volatility related to rainfall. The City monitors its water rates very closely and does a

rate review annually.

Water operating revenue increased by \$1.1 million in 2019. Water operating expenses increased \$828,000. Net position increased \$3.4 million in 2018 and \$3.2 million in 2019. These large increases reflect the ramp up in rates in anticipation of the large upcoming water project.

Wastewater Fund: The net position for the Wastewater Fund increased by \$237,665 over 2018. The ending net position was \$53,312,324. As with the Water Fund, the City also provides wastewater services to portions of Garland County. In order to comply with a consent order from the federal government, substantial improvements have been made to the system in order to reduce stormwater inflow and infiltration. Bond issuances were completed in 2009, 2013, and 2016. In 2013 a rate study was completed and rate increases were approved for each year through 2017, with a 3% per annum increase after that time. Wastewater billings are based on water usage volumes. Wastewater operating revenues increased by 1.6% in 2019, reflecting the 3% increase in rates, but a reduction in water sales. Operating expenses increased by 11% over 2018. Notable expense increases included personnel, depreciation and higher than normal replacements of pumps and equipment parts.

Solid Waste Fund: The net position for the Solid Waste Fund decreased by \$166,904 in 2019. The ending net position was \$7,432,209. A five-year financial plan is maintained with annual rate increases each year based on operational needs and a capital improvement plan to upgrade the fund's fleet and equipment. In 2019, commercial solid waste rates were increased 2%. The results of the plan are monitored to assure that the fund continues to operate in a sound financial manner. In addition, a fuel adjustment rate adder was adopted to mitigate the impact of fuel increases since fuel is such a large factor in the cost of operations for this fund. This fuel adder was not collected in 2019, as the cost of fuel was lower than the trigger rate. By following the long term financial plans that have been put into place, this fund remains stable.

The loss in 2019 was due to increased personnel expense and equipment operating costs.

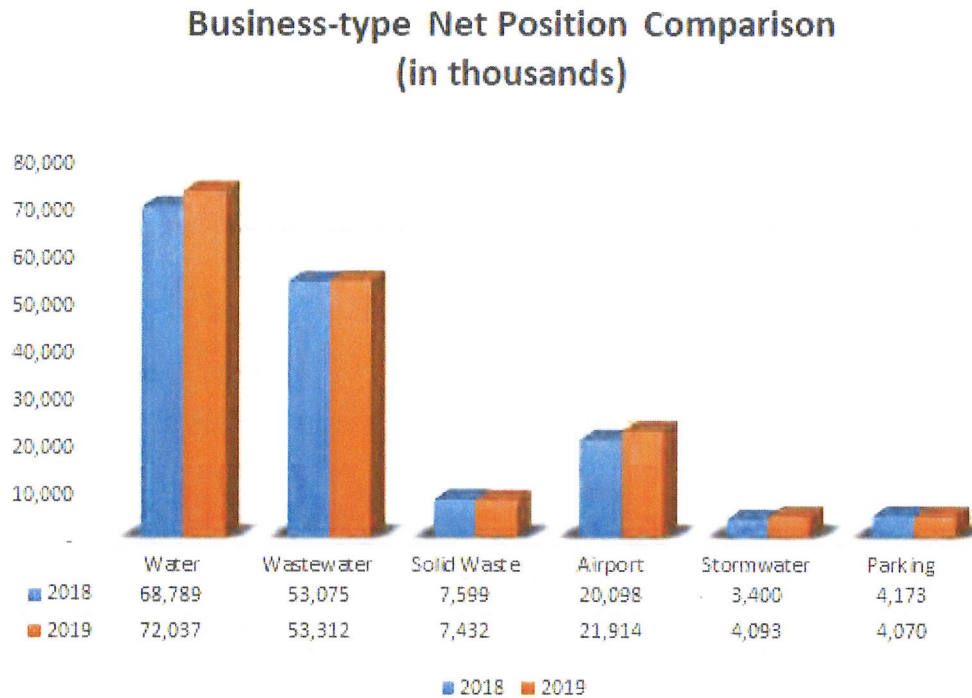
Airport Fund: The net position for the Airport Fund increased by \$1,815,537 in 2019. The ending net position is \$21,913,676. A major expense for the Airport Fund is depreciation. Much of the depreciation is on grant funded assets. The grant income is recorded in the year of receipt, but the depreciation is over the life of the asset. The Airport Fund continues to obtain federal and state grants for improvements to runways and facilities and received over \$2.7 million in 2019. The Airport is very economically viable and a major contributor to the local economy. Management is very proactive in improving the Airport image and recruiting new customers for both rentals and fuel sales.

Stormwater Fund: The net position for the Stormwater Fund increased by \$693,406 in 2019. The ending net position is \$4,092,936. This increase is primarily due to revenues increasing at a greater rate than expenditures. This fund is used to account for the operation of a stormwater utility. The identification of stormwater issues and the related federal mandates is an ongoing issue. Hot Springs is surrounded by three lakes and the control of the runoff into the lakes is extremely important to the tourism industry. Stormwater fees are very stable and this fund is in good condition; there are still many stormwater projects in the City that need to be completed which will eventually cause the fund balance increases to level out. A fee increase was approved in 2016 that will increase fees over the next few years and allow more improvements in the Stormwater infrastructure.

Parking Fund: The net position for the Parking Fund decreased by \$103,138. The ending net position was \$4,070,154. The major expense for the Parking Fund is depreciation, which drives the decrease in net position. The City has been increasing free parking areas which has reduced income in this fund. In November 2016 the board adopted a Parking, Pedestrian, and Bicycle Enhancements plan. This is

currently being used to guide the City in optimizing a parking plan for a downtown that is driven by tourism. A parking commission was formed in 2019 and new guidelines will be forthcoming in 2020.

The following graph shows a comparison of 2018 and 2019 net position for the business-type funds.



Capital Asset and Debt Administration

Capital assets. At December 31, 2019, the City's investment in capital assets for its governmental and business-type activities amounted to \$269,198,194, net of accumulated depreciation. This investment in capital assets includes land, non-depreciable assets, buildings and system improvements, machinery and equipment, park facilities and roads. The following table details the breakdown of the City's capital assets.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 7,635,957	\$ 7,632,917	\$ 13,545,845	\$ 12,703,843	\$ 21,181,802	\$ 20,336,760
Non-depreciable assets	220,207	220,207	11,552,246	10,630,700	11,772,453	10,850,907
Buildings and system	16,457,579	16,457,579	35,823,010	35,586,445	52,280,589	52,044,024
Improvements other than						
buildings	87,633,001	87,633,001	264,732,389	245,697,797	352,365,390	333,330,798
Machinery and equipment	33,746,035	33,534,968	77,378,363	76,520,103	111,124,398	110,055,071
Construction in progress	7,189,534	3,647,042	22,176,015	26,515,405	29,365,549	30,162,447
Less accumulated depreciation	(123,144,989)	(120,694,980)	(185,746,998)	(175,666,519)	(308,891,987)	(296,361,499)
Total	\$ 29,737,324	\$ 28,430,734	\$ 239,460,870	\$ 231,987,774	\$ 269,198,194	\$ 260,418,508

Additional information about the City's capital assets is on pages 55 through 58 of this report. Major completed capital asset events during the current fiscal year included the following:

- Regional Wastewater Treatment Plant headworks and ultraviolet system at a cost of \$8,984,109
- Highway 7 South utility relocation at a cost of \$1,711,496
- Water line improvements at a cost of \$825,070
- Water tank improvements located at Hollywood Street at a cost of \$693,708
- Stormwater drainage improvements at Village South, Illinois Street and Summer Street at a cost of \$203,489
- Ouachita Water Treatment Plant maintenance building at a cost of \$201,565

Long-term debt. The City's total bonded debt increased by \$2,978,388 (3%) during 2019. The following table details the breakdown of the principal due on this debt.

Government wide:	2019	2018
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019	\$ 7,875,000	\$ -
Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018	1,435,000	1,575,000
Waterworks Revenue Bonds, Series 2010A	4,073,140	4,322,937
Waterworks Revenue Bonds, Series 2010B	3,764,987	3,981,786
Waterworks Revenue Refunding and Construction Bonds, Series 2014	-	6,415,269
Waterworks Revenue Refunding and Construction Bonds, Series 2015	7,128,307	7,372,274
Waterworks Revenue Bonds, Series 2018	19,617,016	20,158,975
Waterworks Revenue Refunding Bonds, Series 2019	5,688,027	-
Wastewater Refunding Revenue Bonds, Series 2017	23,649,192	24,592,982
Wastewater Revenue Bonds, Series 2013	35,697,076	36,876,659
Wastewater Refunding and Construction Revenue Bonds, Series 2016	6,471,275	7,124,750
Total bonded indebtedness	\$ 115,399,020	\$ 112,420,632

In 2019, the City had two bond issues. The first one was the issuance of Waterworks Revenue Refunding Bonds, Series 2019, which was to refund Series 2014 issue. The second issue was Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019, which was a Special Obligation bond issue to fund a new baseball park complex.

The last rating the City received was an A1 rating from Moody's Investor Service for the Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019.

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 \$168 million. As of the end of 2019, the City had outstanding GO (special obligation) debt of \$9.31 million. The City is also allowed to issue short-term debt (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term notes of \$3.1 million are well below the statutory limit of \$42 million. Voter approval is not required for short-term financing.

Additional information on the City's long-term debt is in the Notes on pages 61 through 68 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 2020 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2020 continues to be maintaining quality service for citizens and visitors while observing prudent and sustainable spending practices.

The strategic priorities were as follows:

- Continue to implement the new water supply
- Redevelop the Majestic property
- Develop an improved compensation plan for employees, and
- Develop a street and sidewalk plan with multiple projections

Highlights of the 2020 budget include:

- Balanced budget, with total revenues and fund balance or net position equal to or greater than total expenditures
- Total City budget \$123.5 million
- Projected 2.5% increase in sales tax revenue
- Projected 9% increase in volume from Oaklawn Racing Casino Resort, and the increase due to change in reallocation formula
- A 2% cost of living increase for all employees
- Capital improvements of \$2.2 million in governmental funds and \$8.5 million in business-type activities (funded by operations)

For 2020, water rates will increase around 13%. This is the third year of increases pursuant to a rate study which incorporates the upcoming improvements to the water supply system. Wastewater rates will increase 3%. Stormwater rates will include some increases for customers with large (above 10,000 square feet) impervious surfaces.

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.

HOT SPRINGS CREEK GREENWAY TRAIL



BASIC FINANCIAL STATEMENTS

City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	\$ 6,333,104	\$ 5,956,885	\$ 12,289,989	\$ 5,441,820
Investments	10,872,841	11,874,870	22,747,711	
Interest receivable	49,385	100,152	149,537	
Accounts receivable (net of allowance for uncollectible)	4,978,968	2,341,550	7,320,518	669,684
Internal balances	(3,915,077)	3,915,077		
Accrued revenues		2,858,080	2,858,080	
Due from other governments	1,185,950	884,715	2,070,665	
Inventories	220,560	872,136	1,092,696	
Prepaid items	1,142,526	329,536	1,472,062	432,360
Restricted				
Cash and cash equivalents	994,979	2,019,619	3,014,598	3,700,574
Investments	8,096,452	26,879,311	34,975,763	2,611,019
Interest receivable	10,697	46,581	57,278	
Capital Assets				
Capital assets not being depreciated	15,045,698	47,274,106	62,319,804	6,738,467
Capital assets, net of accumulated depreciation	14,691,626	192,186,764	206,878,390	38,197,949
Total assets	<u>59,707,709</u>	<u>297,539,382</u>	<u>357,247,091</u>	<u>57,791,873</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on bond refunding		1,760,883	1,760,883	
OPEB - changes in assumptions	408,602	250,928	659,530	164,393
OPEB - difference between expected and actual experience	31,419	18,308	49,727	82,430
Pension - changes in assumptions	3,977,375	566,775	4,544,150	
Pension - difference between expected and actual experience	1,606,591	284,192	1,890,783	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	502,432	184,810	687,242	145,151
Pension - contributions subsequent to the measurement date	5,236,447	663,213	5,899,660	200,131
Pension - difference between actual and expected investment earnings	4,085,151		4,085,151	
Total deferred outflows of resources	<u>\$ 15,848,017</u>	<u>\$ 3,729,109</u>	<u>\$ 19,577,126</u>	<u>\$ 592,105</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, 2019

	Governmental Activities	Business-type Activities	Total	Component Unit
LIABILITIES				
Accounts payable	\$ 2,260,899	\$ 3,574,720	\$ 5,835,619	\$ 341,563
Due to other governments	918,170	100,055	1,018,225	
Customer deposits		898,958	898,958	
Unearned revenue	144,509	6,290	150,799	376,191
Accrued expenses	1,337,093	422,030	1,759,123	201,334
Accrued interest payable	27,010	736,136	763,146	
Noncurrent liabilities				
Due within one year				
Notes payable	1,073,872	275,059	1,348,931	
Compensated absences	222,029	109,229	331,258	
Bonds payable	305,000	4,652,566	4,957,566	
Due in more than one year				
Bonds payable	9,005,000	101,436,454	110,441,454	
Notes and leases payable	2,010,604	8,434,259	10,444,863	
Post closure liability		556,737	556,737	
OPEB liability	3,559,969	2,103,431	5,663,400	
Compensated absences	3,495,909	1,256,143	4,752,052	
Net pension liability	71,515,990	10,442,199	81,958,189	3,025,775
Total liabilities	95,876,054	135,004,266	230,880,320	3,944,863
DEFERRED INFLOWS OF RESOURCES				
OPEB - changes in assumptions	113,508	65,451	178,959	
OPEB - difference between expected and actual experience	338,785	203,855	542,640	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	286,995	85,805	372,800	174
Pension - difference between actual and expected experience	15,173	15,514	30,687	4,500
Pension - changes in assumption	392,575	401,416	793,991	116,431
Pension - difference between actual and expected investment earnings		79,314	79,314	23,005
Total deferred inflows of resources	1,147,036	851,355	1,998,391	144,110
NET POSITION				
Net investment in capital assets	25,859,196	141,989,256	167,848,452	44,936,416
Restricted for:				
Debt service	225,738	2,275,717	2,501,455	
Capital improvements		8,298,421	8,298,421	8,419,692
Community development projects	1		1	
Parks grants	4,733		4,733	
Public safety mandates	2,629,016		2,629,016	
Public transportation projects	4,301		4,301	
Public works projects	64,513		64,513	
Unrestricted	(50,254,862)	12,849,476	(37,405,386)	938,897
Total net position	\$ (21,467,364)	\$ 165,412,870	\$ 143,945,506	\$ 54,295,005

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, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
Governmental activities:									
General government	\$ 3,956,742	\$ 4,083,502	\$ 16,334	\$ -	\$ 143,094	\$ -	\$ 143,094	\$	
Community development	1,886,664	689,444	298,162	174,198	(724,860)		(724,860)		
Parks, trails and recreation	2,060,624	96,749	2,452	305,197	(1,656,226)		(1,656,226)		
Public safety	29,051,896	1,692,152	4,240,483	164,406	(22,954,855)		(22,954,855)		
Public transportation	1,651,744	141,135	1,008,633		(501,976)		(501,976)		
Public works	6,239,175	262,700	995,392		(4,981,083)		(4,981,083)		
Interest on long-term debt	126,449				(126,449)		(126,449)		
Total governmental activities	44,973,294	6,965,682	6,561,456	643,801	(30,802,355)	-	(30,802,355)		
Business-type activities:									
Water	13,929,644	16,193,069	4,100	257,975		2,525,500	2,525,500		
Wastewater	17,716,699	17,110,699		674,532		68,532	68,532		
Solid Waste	8,218,751	8,238,960				20,209	20,209		
Airport	3,821,045	2,927,943	11,928	2,664,285		1,783,111	1,783,111		
Stormwater	904,872	1,526,170	48,583			669,881	669,881		
Parking	263,963	99,000				(164,963)	(164,963)		
Total business-type activities	44,854,974	46,095,841	64,611	3,596,792	-	4,902,270	4,902,270		
Total primary government	\$ 89,828,268	\$ 53,061,523	\$ 6,626,067	\$ 4,240,593	(30,802,355)	4,902,270	(25,900,085)		
Component unit:									
Advertising and promotion	11,474,795	2,825,329						(8,649,466)	
General revenues:									
Sales taxes					21,389,832	50,539	21,440,371	6,957,421	
Franchise fees					2,655,154		2,655,154		
Property tax					(38,521)		(38,521)		
Alcoholic beverage permit and taxes					956,108		956,108		
Grants and contributions not restricted to specific programs					5,888,876		5,888,876	205,568	
Investment earnings					436,098	1,397,186	1,833,284	243,326	
Transfers					30,822	(30,822)			
Total general revenues and transfers					31,318,369	1,416,903	32,735,272	7,406,315	
Change in net position					516,014	6,319,173	6,835,187	(1,243,151)	
Net position - beginning of year					(21,983,378)	159,093,697	137,110,319	55,538,156	
Net position - end of year					\$ (21,467,364)	\$ 165,412,870	\$ 143,945,506	\$ 54,295,005	

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

City of Hot Springs, Arkansas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2019

	Special Revenue				Capital Project Fund		Other Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	Jail Maintenance Tax Fund	Communication System Fund		
ASSETS								
Cash and cash equivalents	\$ 2,184,726	\$ 218,182	\$ 64,800	\$ 507,671	\$ 239,035	\$ 965,039	\$ 1,508,148	\$ 5,687,601
Investments	4,260,394	345,942		965,358	457,897	1,545,231	8,554,110	16,128,932
Interest receivable	45,857				1,434		12,791	60,082
Accounts receivable	3,259,269	979,844	680,749	13,059			46,047	4,978,968
Due from other funds	279,915	15,227					18,783	313,925
Intergovernmental receivables	81,304			264,098	534,741		305,807	1,185,950
Prepaid items	1,142,526							1,142,526
Total assets	11,253,991	1,559,195	745,549	1,750,186	1,233,107	2,510,270	10,445,686	29,497,984
LIABILITIES								
Accounts payable	470,752	115,412	26,322	53,910		1,119,398	377,748	2,163,542
Accrued expenditures	198,356	382,186	284,744	36,795			57,697	959,778
Due to other governments	110,663				778,610		28,897	918,170
Due to other funds	2,227,594						282,259	2,509,853
Unearned revenue	4,802	39,464	10,963				89,280	144,509
Total liabilities	3,012,167	537,062	322,029	90,705	778,610	1,119,398	835,881	6,695,852
FUND BALANCES								
Nonspendable	1,142,526							1,142,526
Restricted								
Debt service							225,738	225,738
Capital projects							8,526,872	8,526,872
Community development							1	1
Parks							4,733	4,733
Public safety					454,497	1,390,872	783,647	2,629,016
Public transportation							4,301	4,301
Public works							64,513	64,513
Assigned								
For other purposes	1,175,098	1,022,133	423,520	1,659,481				4,280,232
Unassigned	5,924,200							5,924,200
Total fund balances	8,241,824	1,022,133	423,520	1,659,481	454,497	1,390,872	9,609,805	22,802,132
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,253,991	\$ 1,559,195	\$ 745,549	\$ 1,750,186	\$ 1,233,107	\$ 2,510,270	\$ 10,445,686	\$ 29,497,984

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

City of Hot Springs, Arkansas
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2019

Total fund balances - governmental funds (page 25) \$ 22,802,132

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. 29,509,957

Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (10,796)

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. 2,591,575

Long term liabilities, (notes and bonds payable, and compensated absences) are not due and payable in the current period and therefore are not reported in the funds. (15,985,254)

Net pension liabilities are not reported in the funds. (71,515,990)

Other post employment benefits liability are not reported in the funds. (3,559,969)

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)	17,619,347
Deferred OPEB outflows (GASB 75)	440,021
Deferred pension inflows (GASB 68)	(2,906,094)
Deferred OPEB inflows (GASB 75)	(452,293)

Net position of governmental activities \$ (21,467,364)

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

City of Hot Springs, Arkansas
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	Special Revenue				Capital Project Fund		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Police Fund	Fire Fund	Street Fund	Jail Maintenance Tax Fund	Communication System Fund		
REVENUES								
Taxes	\$ 15,081,368	\$ 4,277,966	\$ 2,851,978	\$	\$	\$ (38,521)	\$	\$ 22,172,791
Fees and permits	4,215,213	133,912	35,788	83,779			6,981	4,475,673
Charges for services	2,444,477						251,595	2,696,072
Intergovernmental	885,910	1,038,770	722,065	2,755,326	2,984,834		2,384,650	10,771,555
Intergovernmental - gaming and breakage	1,841,774	786,238	786,238					3,414,250
Fines and forfeitures	575,376	57,136					197,197	829,709
Investment earnings	342,195	549		28,172	11,551		53,631	436,098
Miscellaneous	183,069	55,684	35,987	5,032			32,650	312,422
Total revenues	25,569,382	6,350,255	4,432,056	2,872,309	2,996,385	(38,521)	2,926,704	45,108,570
EXPENDITURES								
Current:								
General government	3,786,625						150,568	3,937,193
Community development	1,597,443						303,248	1,900,691
Parks and recreation	1,722,228						17,843	1,740,071
Public transportation							1,553,677	1,553,677
Public safety		12,734,875	9,200,154		2,984,834		1,341,138	26,261,001
Public works	1,687,425			3,484,969			192,449	5,364,843
Debt service:								
Principal	313,622	509,542	202,046	148,056			140,000	1,313,266
Interest	20,978	23,922	4,311	8,242			68,996	126,449
Capital outlay	1,037,641	263,789	201,669	52,943		943,224	994,032	3,493,298
Total expenditures	10,165,962	13,532,128	9,608,180	3,694,210	2,984,834	943,224	4,761,951	45,690,489
Excess (deficiency) of revenues over (under) expenditures	15,403,420	(7,181,873)	(5,176,124)	(821,901)	11,551	(981,745)	(1,835,247)	(581,919)
OTHER FINANCING SOURCES (USES)								
Transfers in		7,069,532	5,394,510	740,710			2,839,137	16,043,889
Transfers out	(14,234,862)	(5,374)					(1,772,831)	(16,013,067)
Issuance of debt	1,233,000	467,000	40,000	273,500			7,875,000	9,888,500
Total other financing sources (uses)	(13,001,862)	7,531,158	5,434,510	1,014,210			8,941,306	9,919,322
Changes in fund balances	2,401,558	349,285	258,386	192,309	11,551	(981,745)	7,106,059	9,337,403
Fund balances - beginning	5,840,266	672,848	165,134	1,467,172	442,946	2,372,617	2,503,746	13,464,729
Fund balances - ending	\$ 8,241,824	\$ 1,022,133	\$ 423,520	\$ 1,659,481	\$ 454,497	\$ 1,390,872	\$ 9,609,805	\$ 22,802,132

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

City of Hot Springs, Arkansas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

Net Changes in Fund Balances - total governmental funds (page 27) \$ 9,337,403

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. 1,021,126

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position. 55,815

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 294,101

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. (8,575,235)

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. (68,912)

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. 982,924

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. (261,663)

Pension expense is reported as the amount paid in the fund, but incorporates deferred outflows and deferred inflows in the Statement of Activities. (2,269,545)

Change in the net position of governmental activities \$ 516,014

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

City of Hot Springs, Arkansas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

	Business-type Activities - Enterprise Funds							
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	Internal Service Fund
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 3,098,788	\$ 1,375,617	\$ 564,436	\$ 134,031	\$ 629,506	\$ 91,830	\$ 5,894,208	\$ 1,771,099
Investments	5,951,289	2,618,325	1,721,203	256,942	1,209,883		11,757,642	2,889,649
Interest receivable	48,818	27,754	16,897	1,158	5,525		100,152	
Accounts receivable (net of allowance for uncollectible)	904,627	903,979	377,524	77,953	66,669		2,330,752	10,798
Due from other funds	318,434	284,300	2,206,723				2,809,457	
Accrued revenues	1,094,841	1,091,343	564,077		107,819		2,858,080	
Intergovernmental receivables	68,461	123,772		668,474	24,008		884,715	
Inventories	11,010			93,327			104,337	988,359
Prepaid items	231,439	98,097					329,536	
Restricted assets:								
Cash and cash equivalents	1,244,934	774,685					2,019,619	
Investments	18,969,027	7,910,284					26,879,311	
Interest receivable	26,457	20,124					46,581	
Total current assets	31,968,125	15,228,280	5,450,860	1,231,885	2,043,410	91,830	56,014,390	5,659,905
Noncurrent Assets:								
Capital assets:								
Land	4,609,728	572,300	275,121	7,269,061	132,636	668,847	13,527,693	68,265
Nondepreciable assets	11,552,246						11,552,246	
Buildings and systems	3,557,155	14,457,850	1,375,149	10,509,606		5,441,867	35,341,627	669,183
Improvements other than buildings	91,563,747	152,431,077	986,424	17,063,577	2,198,017	154,511	264,397,353	618,990
Machinery and equipment	24,173,974	36,651,182	10,903,996	2,274,087	819,089	172,508	74,994,836	2,899,690
Construction in progress	14,083,167	1,531,788	1,427,522	4,767,814	230,806	87,867	22,128,964	71,000
Less accumulated depreciation	(52,734,512)	(97,887,611)	(8,928,727)	(20,335,565)	(1,056,593)	(2,527,309)	(183,470,317)	(3,111,293)
Total noncurrent assets	96,805,505	107,756,586	6,039,485	21,548,580	2,323,955	3,998,291	238,472,402	1,215,835
Total assets	128,773,630	122,984,866	11,490,345	22,780,465	4,367,365	4,090,121	294,486,792	6,875,740
DEFERRED OUTFLOWS OF RESOURCES								
Deferred charge on bond refunding		1,760,883					1,760,883	
OPEB - changes in assumptions	66,939	94,138	72,697	4,623	12,531		250,928	
OPEB - difference between expected and actual experience	4,195	7,384	5,418	1,119	192		18,308	
Pension - changes in assumptions	167,524	201,448	154,816	31,273	10,940	774	566,775	
Pension - difference between expected and actual experience	84,000	101,010	77,628	15,681	5,485	388	284,192	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	54,625	65,687	50,482	10,197	3,567	252	184,810	
Pension - contributions subsequent to the measurement date	196,029	235,726	181,158	36,594	12,801	905	663,213	
Total deferred outflows of resources	\$ 573,312	\$ 2,466,276	\$ 542,199	\$ 99,487	\$ 45,516	\$ 2,319	\$ 3,729,109	\$

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, 2019

	Business-type Activities - Enterprise Funds							
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total	Internal Service Fund
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 2,739,351	\$ 199,245	\$ 372,063	\$ 95,950	\$ 31,721	\$ 5,989	\$ 3,444,319	\$ 254,765
Due to other funds								602,734
Intergovernmental payables	34,437		57,824	7,148		646	100,055	
Compensated absences	21,855	27,367	27,189	9,124	1,006		86,541	32,861
Customer deposits payable	898,958						898,958	
Unearned revenue				6,290			6,290	
Accrued expenses	75,614	111,674	117,521	24,750	8,210	606	338,375	460,970
Notes payable	228,176	46,883					275,059	
Revenue bonds payable - current	1,790,716	2,861,850					4,652,566	
Accrued interest payable	519,763	216,373					736,136	
Total current liabilities	6,308,870	3,463,392	574,597	143,262	40,937	7,241	10,538,299	1,351,330
Noncurrent liabilities:								
Revenue bonds payable	38,480,761	62,955,693					101,436,454	
Other liabilities		556,737					556,737	
Notes payable	8,422,424	11,835					8,434,259	
Other postemployment benefits obligation	515,103	820,252	621,317	100,521	46,238		2,103,431	
Compensated absences	251,333	314,724	312,670	104,929	11,571		995,227	377,903
Net pension liability	3,086,445	3,711,470	2,852,315	576,163	201,555	14,251	10,442,199	
Total noncurrent liabilities	50,756,066	68,370,711	3,786,302	781,613	259,364	14,251	123,968,307	377,903
Total liabilities	57,064,936	71,834,103	4,360,899	924,875	300,301	21,492	134,506,606	1,729,233
DEFERRED INFLOWS OF RESOURCES								
OPEB - changes in assumptions	18,101	23,056	20,162	3,417	715		65,451	
OPEB - difference between expected and actual experience	55,225	74,781	60,285	5,869	7,695		203,855	
Pension - changes in proportion and differences between contribution and proportionate share of contributions	25,362	30,498	23,438	4,734	1,656	117	85,805	
Pension - difference between actual and expected liability experience	4,586	5,514	4,238	856	299	21	15,514	
Pension - changes in assumptions	118,648	142,675	109,648	22,149	7,748	548	401,416	
Pension - difference between actual and expected investment earnings	23,443	28,191	21,665	4,376	1,531	108	79,314	
Total deferred inflows of resources	245,365	304,715	239,436	41,401	19,644	794	851,355	
NET POSITION								
Net investment in capital assets	61,165,877	45,924,600	6,039,485	21,548,580	2,323,955	3,998,291	141,000,788	1,215,835
Restricted								
Debt service	634,791	1,640,926					2,275,717	
Capital projects	4,028,194	4,270,227					8,298,421	
Unrestricted (deficit)	6,207,779	1,476,571	1,392,724	365,096	1,768,981	71,863	11,283,014	3,930,672
Total net position	\$ 72,036,641	\$ 53,312,324	\$ 7,432,209	\$ 21,913,676	\$ 4,092,936	\$ 4,070,154	\$ 162,857,940	\$ 5,146,507
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							2,554,930	
Net position of the business-type activities (page 23)							\$ 165,412,870	

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, 2019

	Business-type Activities - Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking		
OPERATING REVENUES								
Charges for sales and services:								
Water sales	\$ 15,746,103	\$	\$	\$	\$	\$	\$ 15,746,103	\$
Wastewater charges		16,669,905					16,669,905	
Refuse collections and compaction			7,964,675				7,964,675	
Stormwater fees					1,486,378		1,486,378	
Merchandise sales				1,700,663			1,700,663	
Parking and rental fees				1,214,851		94,686	1,309,537	
Other service fees	355,662	420,295	132,143		35,703		943,803	830,600
Reimbursement from other funds								9,912,389
Miscellaneous other revenue	91,304	20,499	142,142	74,896	4,089	4,314	337,244	39,376
Total operating revenues	16,193,069	17,110,699	8,238,960	2,990,410	1,526,170	99,000	46,158,308	10,782,365
OPERATING EXPENSES								
Salaries and benefits	2,589,633	4,023,312	3,974,445	781,593	293,453	17,441	11,679,877	3,491,912
Services	5,547,561	4,857,275	2,394,314	648,972	396,311	92,746	13,937,179	5,167,775
Post closure expense		49,501					49,501	
Supplies	1,009,145	1,537,689	1,082,470	1,406,315	21,106	8,975	5,065,700	369,318
Depreciation	3,238,831	4,800,689	945,122	1,015,053	204,287	144,801	10,348,783	182,951
Total operating expenses	12,385,170	15,268,466	8,396,351	3,851,933	915,157	263,963	41,081,040	9,211,956
Operating income (expense)	3,807,899	1,842,233	(157,391)	(861,523)	611,013	(164,963)	5,077,268	1,570,409
NONOPERATING REVENUES (EXPENSES)								
Intergovernmental	34,460	107,968		2,629,285	48,583		2,820,296	
Investment earnings	631,435	251,409	54,634	10,584	34,452	1,825	984,339	7,262
Net increase (decrease) in fair value of investments	246,165	138,458	15,579	2,191	10,454		412,847	
Bond costs and other	(1,699,716)	(2,668,967)					(4,368,683)	
Total nonoperating revenue (expense)	(787,656)	(2,171,132)	70,213	2,642,060	93,489	1,825	(151,201)	7,262
Income before contributions and transfers	3,020,243	(328,899)	(87,178)	1,780,537	704,502	(163,138)	4,926,067	1,577,671
Capital contributions	227,615	566,564		35,000			829,179	
Transfers in						60,000	60,000	
Transfers out			(79,726)		(11,096)		(90,822)	
Change in net position	3,247,858	237,665	(166,904)	1,815,537	693,406	(103,138)	5,724,424	1,577,671
Total net position, beginning of year	68,788,783	53,074,659	7,599,113	20,098,139	3,399,530	4,173,292	157,133,516	3,568,836
Total net position - end of year	\$ 72,036,641	\$ 53,312,324	\$ 7,432,209	\$ 21,913,676	\$ 4,092,936	\$ 4,070,154	\$ 162,857,940	\$ 5,146,507
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.							594,749	
Changes in net position of business-type activities (page 24)							\$ 6,319,173	

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, 2019

	Business-type Activities - Enterprise Funds							Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 15,708,047	\$ 17,059,736	\$ 7,967,340	\$ 2,949,922	\$ 1,510,284	\$ 94,686	\$ 45,290,015	\$ 805,059
Other receipts	91,304	20,499	142,142	74,896	4,089	4,314	337,244	38,466
Receipts (payments) - other departments								9,912,389
Payments to suppliers and service providers	(4,879,152)	(6,615,242)	(3,145,497)	(2,421,670)	(388,530)	(97,451)	(17,547,542)	(5,750,863)
Customer deposits received	253,253						253,253	
Customer deposits returned	(252,180)						(252,180)	
Payments to employees	(2,310,397)	(3,571,020)	(3,676,988)	(717,134)	(242,549)	(16,677)	(10,534,765)	(3,448,659)
Net cash provided by (used for) operating activities	8,610,875	6,893,973	1,286,997	(113,986)	883,294	(15,128)	17,546,025	1,556,392
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers from other funds			63,332			60,000	123,332	105,112
Transfers to other funds	(52,556)	(52,556)	(79,726)		(11,096)		(195,934)	
Net cash provided by (used for) noncapital financing activities	(52,556)	(52,556)	(16,394)		(11,096)	60,000	(72,602)	105,112
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets	(11,598,386)	(1,053,461)	(1,035,802)	(2,846,037)	(408,933)	(87,644)	(17,030,263)	(136,750)
Capital grants	279,823	67,115		2,531,719	24,575		2,903,232	
Cash paid to other governments								
Proceeds from issuance of debt	(2,202,374)						(2,202,374)	
Principal paid on debt		(2,823,010)					(2,823,010)	
Interest paid on debt	(1,544,434)	(2,577,745)					(4,122,179)	
Payment of related debt costs	(107,624)						(107,624)	
Proceeds from sale of capital assets								
Net cash provided by (used for) capital and related financing activities	(15,172,995)	(6,387,101)	(1,035,802)	(314,318)	(384,358)	(87,644)	(23,382,218)	(136,750)
CASH FLOWS FROM INVESTING ACTIVITIES								
Sale (purchase) of investments	8,396,436	514,286	39,678	406,681	(124,352)	109,123	9,341,852	(563,211)
Investment income	751,079	244,103	50,084	11,952	32,977	1,825	1,092,020	7,262
Net cash provided by (used for) investing activities	9,147,515	758,389	89,762	418,633	(91,375)	110,948	10,433,872	(555,949)
Net change in cash and cash equivalents	2,532,839	1,212,705	324,563	(9,671)	396,465	68,176	4,525,077	968,805
Cash and cash equivalents -- Beginning of year	1,810,883	937,597	239,873	143,702	233,041	23,654	3,388,750	802,294
Cash and cash equivalents -- End of year	<u>\$ 4,343,722</u>	<u>\$ 2,150,302</u>	<u>\$ 564,436</u>	<u>\$ 134,031</u>	<u>\$ 629,506</u>	<u>\$ 91,830</u>	<u>\$ 7,913,827</u>	<u>\$ 1,771,099</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position								
Cash and cash equivalents	3,098,788	1,375,617	564,436	134,031	629,506	91,830	5,894,208	1,771,099
Restricted cash and cash equivalents	1,244,934	774,685					2,019,619	
Total Cash and cash equivalents	<u>\$ 4,343,722</u>	<u>\$ 2,150,302</u>	<u>\$ 564,436</u>	<u>\$ 134,031</u>	<u>\$ 629,506</u>	<u>\$ 91,830</u>	<u>\$ 7,913,827</u>	<u>\$ 1,771,099</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, 2019

	Business-type Activities - Enterprise Funds							Total Internal Service Funds
	Water	Wastewater	Solid Waste	Airport	Stormwater	Parking	Total Enterprise	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:								
Operating income [loss]	\$ 3,807,899	\$ 1,842,233	\$ (157,391)	\$ (861,523)	\$ 611,013	\$ (164,963)	\$ 5,077,268	\$ 1,570,409
Adjustments to reconcile operating income (loss) net cash provided by operating activities:								
Depreciation expense	3,238,831	4,800,689	945,122	1,015,053	204,287	144,801	10,348,783	182,951
(Increase) decrease in deferred outflows								
Increase (decrease) in deferred inflows								
(Increases) decreases in assets								
Accounts receivable	(149,408)	82,354	(21,755)	33,836	(1,592)		(56,565)	(23)
Accrued revenue	(244,310)	(112,818)	(107,723)		(10,205)		(475,056)	
Inventory				(33,727)			(33,727)	(30,051)
Prepaid items	(18,101)	7,070					(11,031)	
Increases (decreases) in liabilities								
Accounts payable	1,696,728	(177,847)	331,287	(332,656)	28,887	4,270	1,550,669	(183,719)
Compensated absences	20,713	13,718	(21,281)	4,105	722		17,977	29,664
Unearned revenue				572	2,423		2,995	(26,428)
Accrued expenses	7,135	4,844	3,641	511		19	16,150	13,589
Customer deposits								
Other post employment benefits	76,640	106,985	82,770	4,850	14,664		285,909	
Net pension liability	174,748	326,745	232,327	54,993	33,095	745	822,653	
Total adjustments	4,802,976	5,051,740	1,444,388	747,537	272,281	149,835	12,468,757	(14,017)
Net cash provided by operating activities	<u>\$ 8,610,875</u>	<u>\$ 6,893,973</u>	<u>\$ 1,286,997</u>	<u>\$ (113,986)</u>	<u>\$ 883,294</u>	<u>\$ (15,128)</u>	<u>\$ 17,546,025</u>	<u>\$ 1,556,392</u>
Noncash investing and financing activities:								
Increase (decrease) in fair value of investments	246,165	138,458	15,579	2,191	10,454	(49)	412,798	
Capital contributions	227,615	566,564					794,179	
Total noncash investing, capital and financing activities	<u>\$ 473,780</u>	<u>\$ 705,022</u>	<u>\$ 15,579</u>	<u>\$ 2,191</u>	<u>\$ 10,454</u>	<u>\$ (49)</u>	<u>\$ 1,206,977</u>	

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

City of Hot Springs, Arkansas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2019

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 313,642
Receivables	
Due from other funds	78,549
Due from service providers	13,353
Collected for members	78,547
Total receivables	170,449
Total assets	484,091
LIABILITIES	
Accounts payable	235,667
Due to other governments	159,080
Due to other funds	89,344
Total liabilities	484,091
NET POSITION	
Individuals, organizations, and other governments	
Total net position	\$ -

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

City of Hot Springs, Arkansas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended December 31, 2019

	Custodial Funds
	<u> </u>
ADDITIONS	
District court fines collected	\$ 4,267,481
Collections on behalf of members	180,629
Collections from customer on behalf of another party	<u>1,164,070</u>
Total additions	<u>5,612,180</u>
 DEDUCTIONS	
District Court fines distributed to other governments	4,254,189
Member distributions	193,921
Payments of customer collections	<u>1,164,070</u>
Total deductions	5,612,180
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.

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NOTES TO THE FINANCIAL STATEMENTS

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: Summary of Significant Accounting Policies

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

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation. The government-wide, proprietary fund and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Custodial funds do not have a measurement focus and are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Fiduciary Funds account for activities in the following areas:

- a. *District Court Fund* and the *Administration of Justice Funds* collect and remit fines, court costs and other monies.
- b. *Recycling Center Commodity Sales Distribution Fund* accounts for the collection and disbursement of revenue from the sale of recycled materials owned by other governmental units.
- c. *Red Oak Trust Fund* holds money collected for future utility connections in a specific geographic area.

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

- d. *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.
- e. *ORVA Annual Meeting Fund* accounts for the receipts and disbursements for an annual meeting of an independent organization.

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

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

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

Assets, Liabilities and Net Position

Deposits and Investments. The City's cash and cash equivalents are considered as cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. 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."

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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 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 include 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, 2019

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

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

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

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

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

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

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has six items that qualify as deferred inflows of resources as of December 31, 2019. The items reported in the statements are related to pension 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, 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
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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 2019 the City had no committed funds.

Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Board or by an official or body to which the City Board delegates the authority. At the end of 2019 the City had \$4,280,232 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
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December 31, 2019

Change in Accounting Principle

During 2019, the City early implemented GASB Statement No. 84, Fiduciary Activities. This statement provides new guidance on the different types of fiduciary funds and the accounting for each type. Currently, the City only has custodial funds. The requirement of this statement is applied prospectively.

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.

Subsequent Events

The City did not have any more subsequent events through June 26, 2020 which is the date of the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2019.

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NOTES TO THE FINANCIAL STATEMENTS
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December 31, 2019

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, 2019:

Statement No.	Name	Effective Date	City of Hot Springs Implementation Date (if applicable)
83	Certain Asset Retirement Obligations	Reporting periods beginning after June 15, 2019	January 1, 2020
87	Leases	Reporting periods beginning after June 15, 2021	January 1, 2022
90	Majority Equity Interests - an amendment of GASB statements No. 14 and 61	Reporting periods beginning after December 15, 2019	January 1, 2020
91	Conduit Debt Obligations	Reporting periods beginning after December 15, 2021	January 1, 2022
92	Omnibus 2020	Reporting periods beginning after June 15, 2020, except for paragraphs 6,7,8,9,10, and 12 which are effective for reporting periods beginning after June 15, 2021	January 1, 2021/ January 1, 2022 as directed by GASB
93	Replacement of Interbank Offered Rates	Reporting periods beginning after June 15, 2020, except for paragraphs 13 and 14 which are effective for reporting periods beginning after June 15, 2021 and paragraph 11b, which is effective for reporting periods ending after December 31, 2021.	January 1, 2021/ January 1, 2022 as directed by GASB

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December 31, 2019

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 \$29,509,957 are as follows:

Capital assets not being depreciated	\$ 14,971,636
Buildings	16,269,779
Less : Accumulated depreciation-buildings	(10,191,593)
Improvements other than buildings	87,349,047
Less : Accumulated depreciation-improvements other than buildings	(82,795,098)
Machinery and equipment	33,229,872
Less: Accumulated depreciation-machinery and equipment	(29,323,686)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 29,509,957</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 \$2,591,575 difference are as follows:

Net position of the internal service funds	\$ 4,299,930
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(1,102,957)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(605,398)
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,591,575</u>

Another element of that reconciliation explains that “long-term liabilities, (notes and bonds payable, and compensated absences) are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$15,985,254) difference are as follows:

Bonds payable	\$ (9,310,000)
Notes payable	(3,084,476)
Compensated absences	(3,590,778)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (15,985,254)</u>

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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 exceeded capital outlays in the current period.” The details of this \$1,021,126 difference are as follows:

Capital outlay	\$ 3,493,299
Depreciation expense	<u>(2,472,173)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,021,126</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 (\$8,575,235) are as follows:

Debt issued or incurred:	
General obligation notes	\$ (2,013,500)
Special obligation bonds	(7,875,000)
Principal repayments	
Special obligation bonds	140,000
General obligation notes	<u>1,173,265</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (8,575,235)</u>

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
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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 Maintenance Fund, Communications System Fund, Jail Expense Fines Fund and Public Transportation Fund all have legally adopted annual budgets. Annual budgets are also legally adopted for all business-type funds. Enterprise Funds include Water Fund, Wastewater Fund, Solid Waste Fund, Airport Fund, Stormwater Fund and Parking Fund. Internal Service Funds include the Fleet Service Fund, Utility Administration Fund and Employee Health Insurance Fund. On November 20, 2018, the Board of Directors approved the appropriations for the 2019 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 2019, the board made several changes in the General Fund including re-appropriation of \$865,584 for 2018 purchases not received until 2019. The net change between the original and final General Fund budget was a \$642,466 decrease in fund balance.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2019

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, 2019, the deposits and investments held by the City and discretely presented component unit were as follows:

<u>City Deposits and Investments by Type</u>		
Type		Carrying Value
Deposits:		
Demand	\$ 15,613,854	
Cash on hand	4,375	
Total Deposits		\$ 15,618,229
Investments:		
U.S. treasury & agency obligations:		
Maturing within less than 3 years	20,315,176	
Maturing within 3 to 5 years	11,332,547	31,647,723
Municipal bonds		
Maturing within less than 3 years	2,614,817	
Maturing within 3 to 5 years	3,295,356	5,910,173
Certificates of deposit:		
Maturing within less than 3 years	5,753,596	
Maturing within 3 to 5 years	1,634,576	7,388,172
Money market mutual funds		12,777,406
Total Investments		57,723,474
<u>Total Deposits and Investments</u>		<u>\$ 73,341,703</u>

Reconciliation to Statement of Net Position

Current assets:	
Cash and cash equivalents	\$ 12,289,989
Investments	22,747,711
Restricted assets:	
Cash and cash equivalents	3,014,598
Investments	34,975,763
Total -- Statement of Net Position	73,028,061
Fiduciary Funds	313,642
<u>Total Deposits and Investments</u>	<u>\$ 73,341,703</u>

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
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December 31, 2019

<u>Discretely Presented Component Unit -- Deposits by Type</u>	<u>Carrying Value</u>
Demand deposits	\$ 5,474,034
Cash on hand	36,230
Certificates of deposit	6,243,149
Total Deposits	<u>\$ 11,753,413</u>
<u>Reconciliation to Statement of Net Position</u>	
Current assets:	
Cash and cash equivalents	\$ 5,441,820
Investments	3,632,130
Restricted assets:	
Cash and cash equivalents	68,444
Investments	2,611,019
Total -- Statement of Net Position	<u>\$ 11,753,413</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 2019, the collateralization of cash and investments was accomplished on a city-wide basis. The carrying amount of the entire City's deposits was \$73,341,703, with a corresponding bank balance of \$75,658,202 (including cash on hand). Of this balance, \$31,647,723 was invested in United States government-backed securities, \$12,277,406 was invested in money market mutual funds which consisted of government backed securities, \$5,361,852 was covered by federal deposit insurance, \$5,910,173 was invested in municipal bonds, \$19,956,673 was collateralized with securities, and \$4,375 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, 2019

- 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
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December 31, 2019

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
Governmental Activities							
General Fund	\$ 45,857	\$ 2,637,493	\$ 643,038	\$ 81,304	\$ 3,407,692	\$ (21,262)	\$ 3,386,430
Police Fund		791,248	193,596		984,844	(5,000)	979,844
Fire Fund		527,499	153,250		680,749		680,749
Street Fund			13,059	264,098	277,157		277,157
Jail Maintenance Tax Fund	1,434			534,741	536,175		536,175
Nonmajor	12,791		46,047	305,807	364,645		364,645
Totals	60,082	3,956,240	1,048,990	1,185,950	6,251,262	(26,262)	6,225,000
Business-type Activities							
Stormwater Fund	5,525		105,987	24,008	135,520	(39,318)	96,202
Airport Fund	1,158		117,969	668,474	787,601	(40,016)	747,585
Solid Waste Fund	16,897		549,009		565,906	(171,485)	394,421
Water Fund	75,275		1,237,154	68,461	1,380,890	(332,527)	1,048,363
Wastewater Fund	47,878		1,383,698	123,772	1,555,348	(479,719)	1,075,629
Utility Admin Fund			10,798		10,798		10,798
Totals	\$ 146,733	\$	\$ 3,404,615	\$ 884,715	\$ 4,436,063	\$ (1,063,065)	\$ 3,372,998

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City of Hot Springs, Arkansas
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Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Construction in progress	\$ 3,647,042	\$ 3,750,014	\$ 207,522	\$ 7,189,534
Art	220,207			220,207
Land	7,632,917	3,912	872	7,635,957
Total capital assets not being depreciated	11,500,166	3,753,926	208,394	15,045,698
Capital assets being depreciated:				
Buildings	16,457,579			16,457,579
Improvements other than buildings	87,633,001			87,633,001
Machinery and equipment	33,534,968	299,113	88,046	33,746,035
Total capital assets being depreciated	137,625,548	299,113	88,046	137,836,615
Less accumulated depreciation for:				
Buildings	9,861,614	397,697		10,259,311
Improvements other than buildings	82,163,261	888,445		83,051,706
Machinery and equipment	28,670,105	1,211,796	47,929	29,833,972
Total accumulated depreciation	120,694,980	2,497,938	47,929	123,144,989
Net capital assets being depreciated	16,930,568	(2,198,825)	40,117	14,691,626
Net governmental capital assets	\$ 28,430,734	\$ 1,555,101	\$ 248,511	\$ 29,737,324
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 26,515,405	\$ 17,719,081	\$ 22,058,471	\$ 22,176,015
Water Rights	10,630,700	921,546		11,552,246
Land	12,703,843	843,258	1,256	13,545,845
Total capital assets not being depreciated	49,849,948	19,483,885	22,059,727	47,274,106
Capital assets being depreciated				
Buildings	35,586,445	236,565		35,823,010
Improvements other than buildings	245,697,797	19,034,592		264,732,389
Machinery and equipment	76,520,103	1,283,745	425,485	77,378,363
Total capital assets being depreciated	357,804,345	20,554,902	425,485	377,933,762
Less accumulated depreciation for:				
Buildings	22,417,043	765,409		23,182,452
Improvements other than buildings	102,244,496	6,155,509		108,400,005
Machinery and equipment	51,004,980	3,585,044	425,483	54,164,541
Total accumulated depreciation	175,666,519	10,505,962	425,483	185,746,998
Net capital assets being depreciated	182,137,826	10,048,940	2	192,186,764
Net business capital assets	\$ 231,987,774	\$ 29,532,825	\$ 22,059,729	\$ 239,460,870

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NOTES TO THE FINANCIAL STATEMENTS
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December 31, 2019

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

Governmental Activities

General government	\$ 103,910
Community development	15,278
Parks and recreation	352,907
Public safety	940,017
Public transportation	119,946
Public works	940,116
Capital assets held by the Fleet Service Internal Service Fund and charged to various functions based on usage	<u>25,767</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,497,941</u>

Business-type Activities

Airport	\$ 1,015,053
Parking	144,801
Solid Waste	945,122
Stormwater	204,287
Wastewater	4,800,689
Water	3,238,831
Capital assets held by the Utility Administration Internal Service Fund and charged to Wastewater and Water Funds based on usage	<u>157,183</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 10,505,966</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Construction Commitments. As of December 31, 2019, the City had the following active construction projects:

<u>Governmental Activities</u>		<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
General Fund:		\$	\$
	Public Works Improvements and Equipment	56,962	
	Property and Building Improvements at 324 Malvern	795,502	28,000
	West St. Louis Traffic Signal Project Highway 70 West	134,650	
	Mid America Museum Traveling Exhibit Hall	530,628	1,128,785
	Bridge Improvements (Michael Street and Woodlawn Street)	136,851	
	Wayfinding Signage and Hot Springs Bathhouse Row Lighting	102,035	
	Northwood Trail Transfer	1,427,112	
	Fleet Department Equipment	23,949	
	Wetland Trailhead Design, Stokes Creek Trail and Seaton Property for HS Greenway Trail	64,340	1,180
	Fire Department Improvements and Equipment	339,826	
	Allocation of P25 Communications/Radios	1,709,888	2,289,037
	Bus Shelters	46,848	
	Police Department Improvements	738,345	81,736
	Parks Improvements and Construction (David Watkins Park, Wade St. Park ,Rev Rice Park, Majestic, Sponsor Plaza and Chattanooga Park)	308,105	
	Utility Service Center Trail - Phase III (Greenway Trail System)	760,839	
	Planning Department Equipment	13,653	
Total construction commitments for Governmental activities		<u>\$ 7,189,533</u>	<u>\$ 3,528,738</u>
<u>Business-type Activities</u>		<u>Expenditures to Date</u>	<u>Remaining Commitment</u>
		\$	\$
Parking:	Exchange Street Parking Deck Elevator	87,867	61,573
Stormwater:	Drainage Improvements (Walnut Street)	155,407	
	Ozark Street Lot 29 Appraisal	400	
	Stormwater GIS Mapping	75,000	
Airport:	Expand/Rehab Terminal Apron Ph IV and Rehab Taxiway ABC	4,501,865	213,015
	Airport Entrance Improvements	265,949	
Solid Waste:	P25 Communication System/Allocation	654,304	
	Solid Waste Equipment - Front Load Dumpster and Wire Tier for Recycling Center Baler	369,713	
	New Solid Waste Office - Architecture services and Construction	403,505	
Water:	Water Improvements - Lake DeGray	94,510	
	Water Supply Project - Task 10	877,065	25,000
	Dam Improvements Engineering	1,093,867	882,003
	Switch Gear - MCC Engineering Task 15	2,150,031	61,275
	2" Road Bore - Hamilton View Cove	9,000	
	Waterline Improvements Phase I and II	655,665	981,558
	Highway 270 Widening ARDOT Job CA607 and Construction Management Highway 7 South	272,563	
	Ouachita WTP Improvements	783,038	2,959,542
	Lake Ouachita Intake Structure	916,317	1,003,924
	Design for Water Storage Tank and Cornerstone Water Storage Tank	5,499,514	393,310
	Industrial Park Water Storage Tank	388,526	
	Water Meters for Royal Project	618,462	
	Engineering Services - Highway 7 North ARDOT 61547	80,920	57,004
	Water Equipment (2019 Ford F-250 and Mini Excavator)	84,259	
	P25 Communication System - Allocation	559,430	
Wastewater:	Highway 7 South, Highway 7 North Project and Highway 270 Widening	348,910	98,922
	Compost Facility Site Improvements and Winkler Road Pump Station Backup Pump	390,246	234,359
	Regional WWTP Tertiary Filter and Conveyance System Surge Analysis	200,675	233,321
	Phosphorus Removal Project, WW Collection System and Lift Station Eval HS Creek & Mazarn	132,626	49,446
	Wastewater Equipment - P25 Communication System	422,866	
	Wastewater Equipment (2019 F-250 Crew Cab Truck and Teledyne Refrigerated Sampler)	36,465	
Utility Admin:	Engineering and Design Adams Street Storage Building	33,397	407,136
	I Plan Table	13,653	
Total construction commitments for Business-type activities		<u>\$ 22,176,015</u>	<u>\$ 7,661,388</u>

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

Capital asset activity for the discretely presented component unit for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 5,387,202	\$	\$	\$ 5,387,202
Construction in progress	217,701	945,243	365,379	797,565
Art and collectibles	553,701			553,701
Total capital assets not being depreciated	6,158,604	945,243	365,379	6,738,468
Capital assets being depreciated				
Buildings and structures	61,605,976		535	61,605,441
Improvements	7,952,290	283,700	147,991	8,235,990
Furniture, fixtures, and equipment	8,867,291	139,353	243,589	8,763,055
Total capital assets being depreciated	78,425,557	423,053	392,115	78,604,486
Accumulated depreciation	38,167,074	2,470,155	378,682	40,258,547
Net capital assets	\$ 46,417,087	\$ (1,101,859)	\$ 378,812	\$ 44,936,416

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December 31, 2019

Interfund Receivables, Payables and Transfers.

Interfund receivables and payables arise when cash transfers between funds are not settled as of the balance sheet date. The current portion of these balances is referred to as due to/due from. The long-term portion of these balances is referred to as advances to/advances from. In addition, cash transfers between funds arise when cash funding is required for one fund by another. The major reasons for transfers are the settlement of sales tax collections, general support of the public safety function mandated by voter initiative, bond documents and the local match of state and federal grants. On the face of the balance sheet the due to/due from classifications differ by the Agency Funds components. Following is the composition of interfund balances as of December 31, 2019:

Due to and Due from		
Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 272,931
	Agency Fund	6,984
Non Major Governmental	Nonmajor Governmental	834
	Agency Fund	17,949
Police Fund	Nonmajor Governmental	8,494
	Agency Fund	6,733
Water	Internal Service	318,434
Wastewater	Internal Service	284,300
Solid Waste	General	2,206,723
	Nonmajor Governmental	-
Agency Fund	Agency Fund	78,846
	General Fund	20,871
	Nonmajor Governmental	-
Total Due To / Due From		<u>\$ 3,223,099</u>

Transfers In						
Transfers Out	Fire	Police	Nonmajor Governmental	Street	Parking	Total
General	\$ 5,394,510	\$ 7,069,532	\$ 970,109	\$ 740,710	\$ 60,000	\$ 14,234,861
Police			5,374			5,374
Nonmajor Governmental			1,772,831			1,772,831
Solid Waste			79,726			79,726
Stormwater			11,096			11,096
	<u>\$ 5,394,510</u>	<u>\$ 7,069,532</u>	<u>\$ 2,839,136</u>	<u>\$ 740,710</u>	<u>\$ 60,000</u>	<u>\$ 16,103,888</u>

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City of Hot Springs, Arkansas
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(continued)
December 31, 2019

Operating Leases

Primary Government

As of December 31, 2019, 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, 2019 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	4,096,711
Improvements	3,962,120	3,751,518
Machinery and equipment	2,960,671	2,927,680
Total Leased Facilities	<u>\$ 13,836,832</u>	<u>\$ 10,775,909</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, 2019, 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	7,075,790
Total Leased Facilities	<u>\$ 10,716,594</u>	<u>\$ 7,075,790</u>

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2019 were as follows:

		Balance			Balance	Amount due
		December 31, 2018	Increases	Decreases	December 31, 2019	in One Year
Governmental Activities						
Bonds payable						
	Special obligation bonds	\$ 1,575,000	\$ 7,875,000	\$ 140,000	\$ 9,310,000	\$ 305,000
	Bonds payable, net	1,575,000	-	140,000	9,310,000	305,000
Notes payable		2,244,241	2,013,500	1,173,265	3,084,476	1,073,872
Net pension liability		65,579,244	5,936,746		71,515,990	
Compensated absences		3,643,588	308,339	233,989	3,717,938	222,029
OPEB liability		3,095,259	464,710		3,559,969	
	Total governmental activities long-term liabilities	\$ 76,137,332	\$ 8,723,295	\$ 1,547,254	\$ 91,188,373	\$ 1,600,901
Business-type Activities						
Bonds payable						
	Revenue bonds	\$ 108,454,722	\$ 5,370,000	\$ 10,186,595	\$ 103,638,127	\$ 4,518,718
	Add issuance premiums	2,413,637	184,606	125,657	2,472,586	134,881
	Less issuance discounts	22,726		1,033	21,693	1,033
	Bonds payable, net	110,845,633	5,554,606	10,311,219	106,089,020	4,652,566
Notes payable		104,880		46,162	58,718	46,883
Note payable - Mid Arkansas Water Alliance		8,873,210		222,610	8,650,600	228,176
Post closure compost facility costs		507,236	49,501		556,737	
Net pension liability		9,535,497	906,702		10,442,199	
Compensated absences		1,323,169	123,991	81,788	1,365,372	109,229
OPEB liability		1,817,522	285,909		2,103,431	
	Total business-type activities long-term liabilities	\$ 133,007,147	\$ 6,920,709	\$ 10,661,779	\$ 129,266,077	\$ 5,036,854

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2019

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, 2019, \$127,160 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, 2019, \$283,604 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	\$ 9,310,000
Notes payable	1.52%-2.759%	2024	\$ 6,876,181	\$ 3,084,476
Enterprise Funds				
Revenue bonds	0%-4%	2040	\$ 120,055,900	\$ 106,089,020
Notes payable	1.55% - 2.5%	2046	\$ 9,763,032	\$ 8,709,318

Governmental Activities

Special Obligation Bonds

Hotel and Restaurant Gross Receipts Tax Bonds, Series 2018

On December 31, 2018 the City issued special obligation bonds with a face value of \$1,575,000. The purpose of the bonds was to finance all or a portion of improvements to Mid-America Museum. The bonds are not general obligations of the City, but are special obligations payable solely from collections of the 3% tax levied by the City on the gross receipts or gross proceeds from motels, hotels, restaurants, cafeterias and other similar establishments in the City. The bonds were privately placed with an interest rate of 3.4% on \$1,530,000, and 3.5% on \$45,000. Principal payments are due annually on May 1. Interest payments are due semiannually on May 1 and November 1. For 2019, the principal payment will be \$140,000 and the interest payment will be \$47,342. These are paid from unappropriated funds.

Hotel and Restaurant Gross Receipts Tax Bonds, Series 2019

On November 12, 2019, the City issued 30-year special obligation bonds with a face value of \$7,875,000. The purpose of the bonds was to finance all or a portion of the costs of acquiring, constructing, furnishing, and equipping a new baseball complex, including new fields, concession area, and restrooms. The bonds are not general obligations of the City, but are special obligations payable solely from collections of the 3% tax levied by the City on the gross receipts or gross

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

proceeds from motels, hotels, restaurants, cafeterias and other similar establishments in the City. The interest rates range from 1.977% to 3.691%. Principal payments are due annually on November 1, and interest payments are due semiannually on May 1 and November 1.

Notes Payable (Direct Borrowings)

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

2015 Note Payable – The \$1,963,021 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 (1.52%) are paid monthly.

2016 Note Payable – The \$1,271,800 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 (1.55%) are paid monthly.

2017 Note Payable – 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 (1.7%) are paid monthly.

2018 Note Payable – 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 Note Payable – The \$1,013,500 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 (2.75%) are paid monthly.

2019A Note Payable – The \$1,000,000 promissory note was issued to finance the cost of acquiring an office building which will house several City administrative departments. Principal and interest payments (1.89%) are paid monthly.

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.

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2019

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, 2019:

Governmental Activities				
	Special Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2020	\$ 305,000	\$ 278,967	\$ 1,073,833	\$ 51,808
2021	315,000	300,529	754,373	37,255
2022	320,000	292,068	561,841	22,412
2023	335,000	283,398	440,341	10,463
2024	345,000	274,148	254,038	2,138
2025-2029	1,670,000	1,214,444		
2030-2034	1,140,000	999,320		
2035-2039	1,350,000	796,476		
2040-2044	1,605,000	534,578		
2045-2049	1,925,000	218,692		
	<u>\$ 9,310,000</u>	<u>\$ 5,192,620</u>	<u>\$ 3,084,426</u>	<u>\$ 124,076</u>

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

Business-type Activities

Revenue bonds

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

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

Waterworks Revenue Refunding and Construction Bonds Series 2014 - These 25-year bonds were issued on April 22, 2014 with a face value of \$8,325,000 for the purpose of current refunding Waterworks Revenue Refunding Bonds Series 2003 and funding a portion of the Lake DeGray preliminary design project, and improvements to the Ouachita Water Treatment Plant. The interest rates range from 2% to 4.05%. Principal payments are due annually on October 1, and interest payments are due semiannually on April 1 and October 1.

In October, 2019, the 2014 Series was paid off with a current refunding. Waterworks Revenue Refunding Bonds Series 2019 were issued to accomplish this. The principal outstanding on Series 2014 was \$5.79 million and the final maturity was in 2039. Series 2019 was issued in the amount of \$5.37 million with the same final maturity. The difference in cash flows was \$737,646, with a economic gain of \$650,661.

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

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

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

December 31, 2019

Waterworks Revenue Refunding Bonds, Series 2019 - These 20-year bonds were issued on October 8, 2019 with a face value of \$5,370,000 for the purpose of refunding Waterworks Revenue Refunding and Construction Bonds Series 2014. The interest rate is 3%. Principal payments are due annually on October 1, and interest payments are due semiannually on April 1 and October 1.

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

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

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

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

Notes Payable (Direct Borrowings)

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

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

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
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December 31, 2019

The City's 2016 Wastewater note payable from direct borrowings related to business-type activities contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. All outstanding notes from direct borrowing and direct payments contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the City is unable to make payment. There are no assets pledged as collateral and no unused lines of credit.

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
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December 31, 2019

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, 2019:

	Business-type Activities			
	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2020	\$ 4,652,565	\$ 3,832,254	\$ 275,059	\$ 216,843
2021	4,485,024	3,689,990	245,715	210,591
2022	4,632,827	3,548,063	239,727	204,714
2023	4,755,982	3,424,948	245,720	198,720
2024	4,919,499	3,269,249	251,863	192,577
2025-2029	26,505,267	13,647,039	1,356,973	865,232
2030-2034	27,388,835	8,852,492	1,535,290	686,913
2035-2039	23,757,221	3,489,926	1,737,040	485,163
2040-2044	4,991,800	446,613	1,965,302	256,901
2045-2049			856,629	32,256
	<u>\$ 106,089,020</u>	<u>\$ 44,200,574</u>	<u>\$ 8,709,318</u>	<u>\$ 3,349,910</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, 2019:

Governmental Type Activities

Unspent bond proceeds	\$ 8,801,439
Current principal and interest payments	32,060
Debt service reserve funds	215,156
Total restricted funds	<u>\$ 9,048,655</u>

Business-type Activities

Unspent bond proceeds	\$ 17,843,876
Current principal and interest payments	855,026
Debt service reserve funds	1,420,691
Renewal and replacement fund	8,298,421
Total restricted funds	<u>\$ 28,418,014</u>

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HOT SPRINGS POLICE OPEN HOUSE



City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2019

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, 2019, the City had unpaid claims totaling \$351,618. These unpaid claims are based on actual claims paid in the new fiscal year (2020) by the third-party administrator. The City and the third- party administrator estimate amounts for outstanding claims. The fund has no deferred policy acquisition cost and therefore, does not report, record or amortize such costs.

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

Year	Beginning Liability	Changes in Estimates	Claims and Adjustments	Claim Payments	Ending Liability
2010	\$ 292,288	\$ (292,288)	\$ 1,911,914	\$ 1,560,389	\$ 351,525
2011	351,525	(351,525)	1,630,907	1,312,050	318,857
2012	318,857	(318,857)	1,583,037	1,264,180	318,857
2013	318,857	(318,857)	1,875,183	1,658,179	217,004
2014	217,004	(217,004)	2,498,340	2,147,119	351,221
2015	351,221	(351,221)	3,800,782	3,362,772	438,010
2016	438,010	(438,010)	3,064,276	2,740,309	323,967
2017	323,967	(323,967)	2,251,997	1,894,015	357,982
2018	357,982	(357,982)	1,968,972	1,412,454	556,518
2019	556,518	(556,518)	1,983,027	1,631,409	351,618

The City's health insurance self-insurance fund recognized a gain of \$1,575,724 for the fiscal year ended December 31, 2019. On February 20, 2018, the City's Board of Directors passed a resolution establishing a \$1,000,000 reserve in the employee wellness fund. The City planned to increase premiums charged to each fund by 3% annually through 2020, however due to the welfare of the fund, the City did not increase health premiums for 2019. At the end of 2019, the fund had a net position of \$4 million.

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City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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, 2019, and for the prior three fiscal years there were no settlements that exceeded insurance coverage.

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

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

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

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

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

December 31, 2019

NOTE 6: Defined Benefit Pension Plans

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

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

City of Hot Springs Firemen's Pension and Relief Fund

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

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

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

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

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

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

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

December 31, 2019

The employees covered by the Firemen's Plan at December 31, 2018, 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	-
	<hr/> 60

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 2019 plan year were 31.41% of gross salary, and totaled \$1,420,368.

Net Pension Liability

The City's net pension liability of \$25,948,524 as of December 31, 2019 was measured as of December 31, 2018, 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, 2018 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-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

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.

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City of Hot Springs, Arkansas
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(continued)
December 31, 2019

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, 2018, 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	28.00%	0.90%	0.25%
Domestic Equity	42.00%	5.30%	2.23%
Foreign Equity	20.00%	7.00%	1.40%
Alternative Investments	10.00%	6.20%	0.62%
Cash	0.00%	0.00%	0.00%
Total	100.00%		4.50%
Expected Inflation			2.50%
Total Return			7.00%

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 3.71% (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 3.71%.

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

December 31, 2019

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 27,048,793	\$ (461,134)	\$ 27,509,927
Charges for the year:			
Service cost			
Interest	857,169		857,169
Differences between expected and actual experience	226,506		226,506
Changes of assumptions	(1,147,175)		(1,147,175)
Contributions - employer		1,497,903	(1,497,903)
Net investment income			
Benefit payments, including refunds of employee contributions	(2,304,875)	(2,304,875)	
Administrative expense			
Net changes	(2,368,375)	(806,972)	(1,561,403)
Balance, end of year	\$ 24,680,418	\$ (1,268,106)	\$ 25,948,524

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City for the Firemen's Plan, calculated using the single discount rate of 3.71%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease 2.71%	Current Discount Rate 3.71%	1% Increase 4.71%
City's net pension liability	\$ 28,985,723	\$ 25,948,524	\$ 23,447,739

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

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2019

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

For the year ended December 31, 2019, the City recognized negative pension expense of \$1,660,685. At December 31, 2019, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings on pension plan investments	\$ 2,783	\$ 375
City's contribution made subsequent to the measurement date of the net pension liability	1,420,368	
Total	<u>\$ 1,423,151</u>	<u>\$ 375</u>

At December 31, 2019, the City reported \$1,420,368 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2021	\$ 2,595
2022	(187)
2023	-
2024	
Thereafter	
Total	<u>\$ 2,408</u>

Payable to the Pension Plan

At December 31, 2019, the City reported had no outstanding required contributions to the Firemen's Plan required for the year ended December 31, 2019.

See independent auditor's report.

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

December 31, 2019

City of Hot Springs Policemen's Pension and Relief Fund

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

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

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

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

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, 2018, the date of the actuarial valuation, are:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive or current employees entitled to but not yet receiving benefits	0
	<hr/> 64

See independent auditor's report.

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

December 31, 2019

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 2019 plan year were 14.07% of gross salary, and totaled \$849,480.

Net Pension Liability

The City's net pension liability of \$10,346,131 as of December 31, 2019 was measured as of December 31, 2018, 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, 2018 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-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

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, 2019

For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
Fixed Income	28.00%	0.90%	0.25%
Domestic Equity	42.00%	5.30%	2.23%
Foreign Equity	20.00%	7.00%	1.40%
Alternative Investments	10.00%	6.20%	0.62%
Cash	0.00%	0.00%	0.00%
Total	100.00%		4.50%
Expected Inflation			2.50%
Total Return			7.00%

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 3.71% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"); and the resulting Single Discount Rate is 7.00%.

See independent auditor's report.

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

December 31, 2019

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, beginning of year	\$ 23,994,965	\$ 15,036,352	\$ 8,958,613
Charges for the year:			
Service cost			
Interest	1,612,811		1,612,811
Differences between expected and actual experience	303,192		303,192
Changes of assumptions			
Contributions - employer		970,994	(970,994)
Net investment income		(414,996)	414,996
Benefit payments, including refunds of employee contributions	(1,909,627)	(1,909,627)	
Administrative expense		(27,513)	27,513
Net changes	6,376	(1,381,142)	1,387,518
Balance, end of year	\$ 24,001,341	\$ 13,655,210	\$ 10,346,131

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	\$ 13,043,339	\$ 10,346,131	\$ 8,112,906

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, 2019

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

For the year ended December 31, 2019, the City recognized pension expense of \$340,410. At December 31, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,470,740	\$ 510,232
City's contribution made subsequent to the measurement date of the net pension liability	849,480	
Total	<u>\$ 2,320,220</u>	<u>\$ 510,232</u>

At December 31, 2019, the City reported \$849,480, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2020	\$ 390,462
2021	166,631
2022	116,669
2023	286,746
2024	
Thereafter	
Total	<u>\$ 960,508</u>

Payable to the Pension Plan

At December 31, 2019, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2019.

See independent auditor's report.

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

December 31, 2019

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%

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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

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

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

Contributions. Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% for municipal employees and 38.99% for district judges of compensation from January 1 to December 31, 2019. Contributions to APERS from the City were \$2,571,142 for the year ended December 31, 2019.

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

At December 31, 2019, the City reported a liability of \$20,654,421 for its proportionate share of the APERS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2019, the City's proportion was 0.86%, which was the same as June 30, 2018.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

For the year ended December 31, 2019, the City recognized APERS pension expense of \$1,698,645. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 562,125	\$ 30,687
Changes of assumptions	1,121,064	793,991
Net difference between projected and actual earning on pension plan investments		156,881
Changes in proportion and differences between City contributions and proportionate share of contributions	427,466	169,727
City contributions subsequent to the measurement date	1,319,731	
Total	<u>\$ 3,430,386</u>	<u>\$ 1,151,286</u>

At December 31, 2019 the City reported \$1,319,731 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2020	\$ 1,170,243
2021	(453,906)
2022	(39,862)
2023	282,894
2024	
Thereafter	
Total	<u>\$ 959,369</u>

See independent auditor's report.

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

December 31, 2019

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	30 years (8.6 years for District Judges New Plan/Paid Off Old Plan and 17 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7.15%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.1431

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in APERS's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37.00%	6.20%
International Equity	24.00%	6.33%
Real Assets	16.00%	3.32%
Absolute Return	5.00%	3.56%
Domestic Fixed	18.00%	1.54%
Total	100.00%	
Total Real Rate of Return		4.80%
Plus: Price Inflation - Actuary Assumption		2.50%
Net Expected Return		7.30%

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

Discount rate. The discount rate used to measure the total pension liability was 7.15% for the year ended June 30, 2019. 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	Current	1% Increase
	6.15%	Discount Rate	8.15%
		7.15%	
City's proportionate share of the net pension liability	\$ 33,103,883	\$ 20,654,421	\$ 10,383,047

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, 2019, the City did not have an outstanding amount of contributions due to the pension plan for the year ended December 31, 2019.

Arkansas Local Police and Fire Retirement System (LOPFI)

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

See independent auditor's report.

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

December 31, 2019

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

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

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

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

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

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

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

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

December 31, 2019

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

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

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

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

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

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

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

December 31, 2019

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 2019 plan year for police and fire were 21.56% and 22.25%, respectively, of annual covered payroll, based upon the December 31, 2017 actuarial report. Contributions to the pension plan from the City were \$2,310,081 for the year ended December 31, 2019.

See independent auditor's report.

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

December 31, 2019

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

At December 31, 2019, the City reported a liability of \$25,009,113 for its proportionate share of the LOPFI net pension liability. The net pension liability was measured as of December 31, 2018, 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, 2018, the City's proportion was 2.77%.

For the year ended December 31, 2019, the City recognized LOPFI pension expense of \$2,838,692. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,328,658	\$
Changes of assumptions	3,423,086	
Net difference between projected and actual investment earnings on pension plan investments	4,822,979	1,623,177
Changes in proportion and differences between City contributions and proportionate share of contributions	259,776	203,073
City's contribution made subsequent to the measurement date	2,310,081	
Total	<u>\$ 12,144,580</u>	<u>\$ 1,826,250</u>

As of December 31, 2019, \$2,310,081 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net Deferred Outflows of Resources
2020	\$ 3,357,362
2021	2,381,686
2022	1,261,071
2023	1,008,130
2024	
Thereafter	
Total	<u>\$ 8,008,249</u>

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
 (continued)
 December 31, 2019

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	7.00%, as adopted by the board

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Allocation-Weighted Long-Term Expected Real Rate of Return
Fixed Income	28.00%	0.90%	0.25%
Domestic Equity	42.00%	5.30%	2.23%
Foreign Equity	20.00%	7.00%	1.40%
Alternative Investments	10.00%	6.20%	0.62%
Cash		0.00%	0.00%
Total	100.00%		4.50%
Expected Inflation			2.50%
Total Return			7.00%

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

See independent auditor's report.

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

December 31, 2019

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

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

	1% Decrease	Current	1% Increase
	6%	Discount Rate	8%
		7%	
City's proportionate share of the net pension liability	36,910,295	25,009,113	15,419,060

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, 2019, the City had no outstanding required contributions to the pension plan required for the year ended December 31, 2019.

See independent auditor's report.

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

December 31, 2019

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

	Firemen's Pension and Relief Fund	Policemen's Pension and Relief Fund	Arkansas Public Employees Retirement System	Local Police and Fire Retirement System	Total
Net pension liability	\$ (25,948,524)	\$ (10,346,131)	\$ (20,654,421)	\$ (25,009,113)	\$ (81,958,189)
Fiduciary net position	(1,268,106)	13,655,210			12,387,104
Deferred outflows					
Difference between projected and actual earnings on pension plan investments	2,783	1,470,740		4,822,979	6,296,502
Changes of assumptions			1,121,064	3,423,086	4,544,150
Difference between expected and actual experience			562,125	1,328,658	1,890,783
Changes in proportionate share of contributions			427,466	259,776	687,242
Contributions subsequent to measurement date	1,420,368	849,480	1,319,731	2,310,081	5,899,660
Total deferred outflows	1,423,151	2,320,220	3,430,386	12,144,580	19,318,337
Deferred inflows					
Difference between expected and actual experience			(30,687)		(30,687)
Changes of assumptions			(793,991)		(793,991)
Changes in proportionate share of contributions			(169,727)	(203,073)	(372,800)
Difference between projected and actual earnings on pensions plan investments	(375)	(510,232)	(156,881)	(1,623,117)	(2,290,605)
Total deferred inflows	(375)	(510,232)	(1,151,286)	(1,826,190)	(3,488,083)
Pension expenses/expenditures	\$ 1,331,881	\$ 2,037,459	\$ 682,014	\$ 2,116,847	\$ 6,168,201

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

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 \$705,240. Yearly costs were accrued at the amortized payment of \$49,501. 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, 2019, \$556,737 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 2019, the City paid \$119,734 for OPEB as the benefits came due.

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

December 31, 2019

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

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

Total OPEB Liability. The City's total OPEB liability of \$5,663,400 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Payroll Growth	3.25% plus merit/productivity increases, which are based on the Arkansas Public Employees Retirement System actuarial valuations as of June 30, 2018
Discount Rate	3.26% as of December 31, 2019 and 4.11% as of January 1, 2019
Healthcare Trend Rates	8.0% for 2020 decreasing by 0.50% annually to an ultimate rate of 4.5%. The initial trend was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information.
Retirees' Share of Benefit-Related Costs	The retirees pay the full active employee blended premium for both employee and spousal coverage

Mortality rates have been updated from the SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017 as follows.

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

See independent auditor's report.

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

December 31, 2019

Changes in Total OPEB Liability

Balance at Beginning of Year	\$ 4,912,780
Changes for the Year	
Service cost	335,464
Interest	213,267
Changes in benefit terms	
Changes in assumptions	728,016
Differences between expected and actual experience	(406,393)
Benefit payments	(119,734)
Net change in total OPEB liability	<u>750,620</u>
Balance at End of Year	<u>\$ 5,663,400</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.11% at January 1, 2019 to 3.26% at December 31, 2019.

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 (2.26%) or 1% higher (4.26%) than the current discount rate (3.26%):

	1% Decrease 2.26%	Current Discount Rate 3.36%	1% Increase 4.36%
Total OPEB Liability	\$ 6,171,826	\$ 5,663,400	\$ 5,191,356

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

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

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

	1% Decrease 7.00%	Healthcare Cost Trend Rate 8.00%	1% Increase 9.00%
Total OPEB Liability	\$ 4,980,139	\$ 5,663,400	\$ 6,447,068

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$542,382. At December 31, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ 49,727
Changes in assumptions	659,530
Total	<u>\$ 709,257</u>

At December 31, 2019, the City reported deferred inflows of resources related to OPEB from the following sources:

Differences between expected and actual experience	\$ (542,640)
Changes in assumptions	(178,959)
Total	<u>\$ (721,599)</u>

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

Fiscal Year Ending December 31,	Amount
2019	\$ (6,349)
2020	(6,349)
2021	(6,349)
2022	(6,349)
2023	(6,349)
Thereafter	19,405
Total	<u>\$ (12,340)</u>

See independent auditor's report.

City of Hot Springs, Arkansas
NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2019

NOTE 9: Subsequent Events

On March 11, 2020 the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Arkansas Governor Asa Hutchinson (the "Governor") has declared a state of emergency due to the outbreak of COVID-19, which has spread to the State and to many of its counties. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies. Significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact are expected. The United States Congress has passed relief and stimulus legislation which is intended to address the financial impact of the pandemic on the United States economy and financial markets. It is too early to predict if the legislation will have its intended effect.

In an attempt to slow the spread of COVID-19 in the State, the Governor has taken numerous and wide-spread actions designed to mandate or encourage "social distancing." Developments with respect to COVID-19 and the State's responses to COVID-19 (including governmental mandates) continue to occur at a rapid pace, including on a daily basis, and the swift spread of the outbreak may continue to increase in severity for an unknown period of time.

The impact of COVID-19 on the City is just now beginning to be realized and the full impact is not yet known. Tourism is a major part of the City's economy and the City expects fewer tourists to visit the City in 2020. Potential impacts to the City as a result of COVID-19 include a loss of sales and use tax collections (estimated loss of \$3,000,000 in 2020), State turnback funds (estimated loss of \$330,000 in 2020), alcohol taxes (estimated loss of \$289,000 in 2020) and casino revenues (estimated loss of \$1,500,000 in 2020). Cost cutting measures have already begun. For both general City operations and for utilities, capital purchases are being delayed if possible, vacant positions are not being filled if possible and all expenditures are being closely reviewed by City officials.

The City also expects a reduction in water and wastewater sales as less tourists are expected to visit the City. The overall impact on the finances of these funds is not completely known at this time.

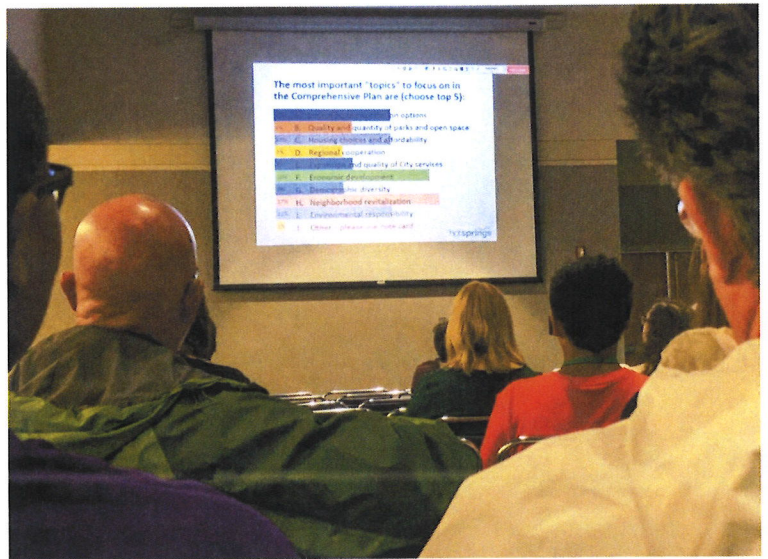
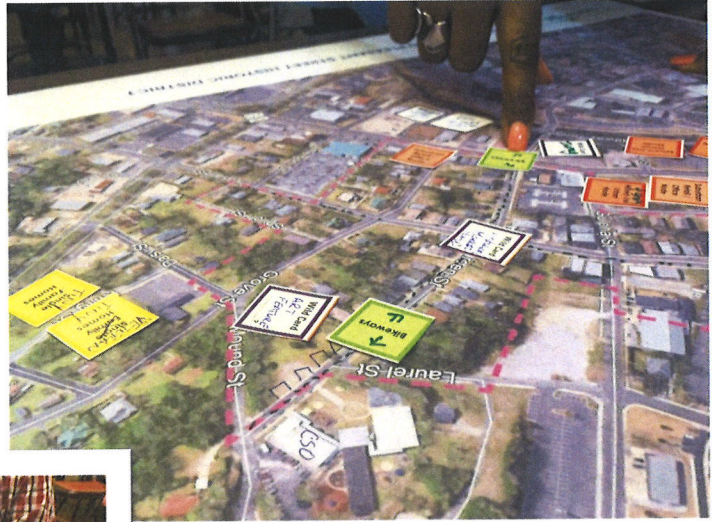
As a result of COVID-19, the City has received some aid from the CARES Act, passed by the United States Congress. This aid has mainly benefited Community Development Block Grant funds, Intracity Transit, and the Airport.

In June 2020 the Waterworks Revenue Bonds Series 2020 was issued in the amount of \$100,630,000 to provide funding for a new water supply. In the same month, the Wastewater Revenue Bonds Series 2020 was also issued in the amount of \$56,660,000. Of this amount, \$38,045,000 was to refund Series 2013, and \$18,615,000 was to fund wastewater system improvements.

See independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

ENVISION HOT SPRINGS



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, 2019

	Budgeted			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Sales	\$ 13,606,778	\$ 13,606,778	\$ 14,259,888	\$ 653,110
Business licenses	750,000	750,000	738,600	(11,400)
Mixed drink and other	610,000	610,000	821,480	211,480
Fees and permits:				
Code inspection	479,900	479,900	678,239	198,339
Alcoholic beverage	135,000	135,000	134,628	(372)
Franchise	2,675,000	2,675,000	2,655,154	(19,846)
Other	100,800	100,800	95,341	(5,459)
Intergovernmental:				
State turnback	602,439	602,439	599,630	(2,809)
County aid	286,280	286,280	286,280	
Charge for services	2,363,884	2,363,884	2,357,728	(6,156)
Gaming and breakage	1,407,250	1,407,250	1,841,774	434,524
Fines and forfeitures	657,500	657,500	575,376	(82,124)
Investment earnings	30,000	30,000	342,195	312,195
Miscellaneous	117,000	117,000	183,069	66,069
Total revenues	23,821,831	23,821,831	25,569,382	1,747,551
EXPENDITURES				
General government:				
Board of Directors	118,450	114,450	52,593	61,857
City Manager	443,891	454,213	373,810	80,403
City Attorney	427,123	451,816	450,728	1,088
Human Resources	396,214	400,951	361,714	39,237
Finance	1,177,969	1,210,492	1,119,721	90,771
City Clerk	177,156	207,564	203,544	4,020
Public Information	179,918	192,646	183,977	8,669
Information Systems	765,062	785,744	743,042	42,702
Special General Fund Appropriations	706,270	1,709,550	1,434,687	274,863
Total general government	4,392,053	5,527,426	4,923,816	603,610
Community Development:				
Planning and Development	1,829,937	1,849,124	1,662,640	186,484
Total Community Development	1,829,937	1,849,124	1,662,640	186,484
Parks and Recreation:				
Parks and Trails	1,620,187	1,707,074	1,576,686	130,388
Sport Recreation	352,415	353,977	259,439	94,538
Total Parks and Recreation	1,972,602	2,061,051	1,836,125	224,926
Public Works:				
Public Works Administration	972,585	1,100,391	877,972	222,419
Engineering	208,799	218,232	190,374	27,858
Traffic	747,101	803,435	675,035	128,400
Total Public Works	1,928,485	2,122,058	1,743,381	378,677
Total expenditures	10,123,077	11,559,659	10,165,962	1,393,697
Excess (deficiency) of revenues over expenditures	13,698,754	12,262,172	15,403,420	3,141,248
OTHER FINANCING SOURCES (USES)				
Transfers out	(14,883,499)	(15,089,383)	(14,234,862)	854,521
Transfers in	110,750	110,750		(110,750)
Issuance of debt	233,000	1,233,000	1,233,000	
Total other financing sources and uses	(14,539,749)	(13,745,633)	(13,001,862)	743,771
Net change in fund balances	(840,995)	(1,483,461)	2,401,558	3,885,019
Fund balances - beginning	5,840,266	5,840,266	5,840,266	
Fund balances - ending	\$ 4,999,271	\$ 4,356,805	\$ 8,241,824	\$ 3,885,019

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

City of Hot Springs, Arkansas
POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2019

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,082,033	\$ 4,082,033	\$ 4,277,966	\$ 195,933
Fees and permits	145,000	145,000	133,912	(11,088)
Intergovernmental	1,118,993	1,118,993	1,038,770	(80,223)
Gaming	566,125	566,125	786,238	220,113
Fines and forfeitures	60,000	60,000	57,136	(2,864)
Investment earnings	100	100	549	449
Miscellaneous	31,000	31,000	55,684	24,684
Total revenues	6,003,251	6,003,251	6,350,255	347,004
EXPENDITURES				
Public safety:				
Personnel	11,298,532	11,405,123	11,272,058	133,065
Services	774,709	822,255	781,520	40,735
Supplies	645,592	667,192	651,297	15,895
Intergovernmental exp	30,000	30,000	30,000	
Principal	506,290	506,290	509,542	(3,252)
Interest	31,430	31,430	23,922	7,508
Capital outlay	467,000	488,607	263,789	224,818
Reserves		275,000		275,000
Total expenditures	13,753,553	14,225,897	13,532,128	693,769
Excess (deficiency) of revenues over (under) expenditures	(7,750,302)	(8,222,646)	(7,181,873)	1,040,773
OTHER FINANCING SOURCES (USES)				
Transfers in	7,311,302	7,311,302	7,069,532	(241,770)
Transfers out	(28,000)	(28,000)	(5,374)	22,626
Issuance of debt	467,000	467,000	467,000	
Total other financing sources (uses)	7,750,302	7,750,302	7,531,158	(219,144)
Net change in fund balances		(472,344)	349,285	821,629
Fund balance - beginning	672,848	672,848	672,848	
Fund balance - ending	\$ 672,848	\$ 200,504	\$ 1,022,133	\$ 821,629

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

City of Hot Springs, Arkansas				
FIRE FUND				
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES				
BUDGET (GAAP BASIS) AND ACTUAL				
For the Year Ended December 31, 2019				
	Budgeted			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,721,356	\$ 2,721,356	\$ 2,851,978	\$ 130,622
Fees and permits	13,800	13,800	35,788	21,988
Intergovernmental	665,000	665,000	722,065	57,065
Gaming	566,125	566,125	786,238	220,113
Miscellaneous	28,800	28,800	35,987	7,187
Total revenues	3,995,081	3,995,081	4,432,056	436,975
EXPENDITURES				
Public safety:				
Personnel	8,153,777	8,276,866	8,276,859	7
Services	516,637	516,637	510,085	6,552
Supplies	436,235	467,326	413,210	54,116
Principal	201,775	201,775	202,046	(271)
Interest	4,950	4,950	4,311	639
Capital outlay	215,000	215,000	201,669	13,331
Total expenditures	9,528,374	9,682,554	9,608,180	74,374
Excess (deficiency) of revenues over (under) expenditures	(5,533,293)	(5,687,473)	(5,176,124)	511,349
OTHER FINANCING SOURCES (USES)				
Transfers in	5,493,292	5,493,292	5,394,510	(98,782)
Issuance of debt	40,000	40,000	40,000	
Total other financing sources (uses)	5,533,292	5,533,292	5,434,510	(98,782)
Net change in fund balances	(1)	(154,181)	258,386	412,567
Fund balance - beginning	165,134	165,134	165,134	
Fund balance - ending	\$ 165,133	\$ 10,953	\$ 423,520	\$ 412,567

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

City of Hot Springs, Arkansas
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2019

	Budgeted			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Fees and permits	\$ 25,000	\$ 25,000	\$ 83,779	\$ 58,779
Intergovernmental	2,639,339	2,639,339	2,755,326	115,987
Investment earnings	2,000	2,000	28,172	26,172
Miscellaneous	500	500	5,032	4,532
Total revenues	<u>2,666,839</u>	<u>2,666,839</u>	<u>2,872,309</u>	<u>205,470</u>
EXPENDITURES				
Personnel	1,177,727	1,193,131	1,180,739	12,392
Services	1,898,703	2,244,129	1,927,246	316,883
Supplies	368,250	388,864	336,984	51,880
Intergovernmental exp		40,000	40,000	
Principal	193,550	193,550	148,056	45,494
Interest	14,400	14,400	8,242	6,158
Capital outlay	367,500	344,257	52,943	291,314
Reserves	100,000	100,000		100,000
Total expenditures	<u>4,120,130</u>	<u>4,518,331</u>	<u>3,694,210</u>	<u>824,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,453,291)</u>	<u>(1,851,492)</u>	<u>(821,901)</u>	<u>1,029,591</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,026,976	1,026,976	740,710	(286,266)
Transfers out	(56,397)	(418,452)		418,452
Issuance of debt	273,500	273,500	273,500	
Total other financing sources (uses)	<u>1,244,079</u>	<u>882,024</u>	<u>1,014,210</u>	<u>132,186</u>
Net change in fund balances	<u>(209,212)</u>	<u>(969,468)</u>	<u>192,309</u>	<u>1,161,777</u>
Fund balance - beginning	1,467,172	1,467,172	1,467,172	
Fund balance - ending	<u>\$ 1,257,960</u>	<u>\$ 497,704</u>	<u>\$ 1,659,481</u>	<u>\$ 1,161,777</u>

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

City of Hot Springs, Arkansas
JAIL MAINTENANCE TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2019

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,800,000	\$ 2,800,000	\$	\$ (2,800,000)
Intergovernmental		185,000	2,984,834	2,799,834
Investment earnings	4,000	4,000	11,551	7,551
Total revenues	2,804,000	2,989,000	2,996,385	7,385
EXPENDITURES				
Intergovernmental exp	2,800,000	2,985,000	2,984,834	166
Total expenditures	2,800,000	2,985,000	2,984,834	166
Net change in fund balances	4,000	4,000	11,551	7,551
Fund balance - beginning	442,946	442,946	442,946	
Fund balance - ending	\$ 446,946	\$ 446,946	\$ 454,497	\$ 7,551

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

City of Hot Springs, Arkansas
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2019

Total OPEB Liability	2017	2018	2019
Service cost	\$ 306,471	\$ 370,071	\$ 335,464
Interest	165,934	187,234	213,267
Changes of benefit terms			
Differences between expected and actual experience	79,562	(238,611)	728,016
Changes in assumptions or other inputs	36,028	(249,396)	(406,393)
Benefit payments	(86,058)	(90,882)	(119,734)
Net change in total OPEB liability	501,937	(21,584)	750,620
Total OPEB liability - beginning	4,432,427	4,934,364	4,912,780
Total OPEB liability - ending	\$ 4,934,364	\$ 4,912,780	\$ 5,663,400
 Covered payroll	 \$ 24,145,025	 \$ 24,929,738	 \$ 25,796,450
Total OPEB liability as a percentage of covered payroll	20.44%	19.71%	21.95%

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, 2019

Total Pension Liability	2015	2016	2017	2018	2019
Interest on the Total Pension Liability	\$ 1,390,952	\$ 992,623	\$ 935,891	\$ 946,832	\$ 857,169
Differences between expected and actual experience of the Total Pension Liability	588,473	(707,752)	519,475	602,770	226,506
Changes of assumptions	10,059,689	(30,399)	(597,312)	1,288,459	(1,147,175)
Benefit payments, including refunds of employee contributions	(1,637,407)	(1,605,501)	(2,228,135)	(1,675,473)	(2,304,875)
Net change in total pension liability	10,401,707	(1,351,029)	(1,370,081)	1,162,588	(2,368,375)
Total pension liability - beginning	18,205,608	28,607,315	27,256,286	25,886,205	27,048,793
Total pension liability - ending	\$ 28,607,315	\$ 27,256,286	\$ 25,886,205	\$ 27,048,793	\$ 24,680,418
Plan fiduciary net position					
Contributions - employer	\$ 1,516,004	\$ 1,524,974	\$ 1,569,144	\$ 1,501,418	\$ 1,497,903
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)
Administrative expense	(820)	(1,381)	(692)	-	-
Net change in plan fiduciary net position	(87,728)	(81,163)	(657,298)	(174,055)	(806,972)
Plan fiduciary net position - beginning	539,110	451,382	370,219	(287,079)	(461,134)
Plan fiduciary net position - ending	\$ 451,382	\$ 370,219	\$ (287,079)	\$ (461,134)	\$ (1,268,106)
City's net pension liability - ending	\$ 28,155,933	\$ 26,886,067	\$ 26,173,284	\$ 27,509,927	\$ 25,948,524
Plan fiduciary net position as a percentage of the total pension liability	1.58%	1.36%	0.00%	0.00%	0.00%
Covered payroll	\$ 4,440,214	\$ 140,754	\$ 124,808	\$ 72,984	\$ -
City's net pension liability as a percentage of covered payroll	634.11%	19101.46%	20970.84%	37693.09%	N/A

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.

City of Hot Springs, Arkansas
FIREMEN'S PENSION AND RELIEF FUND
SCHEDULE OF CITY'S CONTRIBUTIONS
For the Year Ended December 31, 2019

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 1,288,616	\$ 1,288,616		\$ 140,754	916%
2016	1,326,940	1,326,940		124,808	934%
2017	1,308,890	1,308,890		72,984	1793%
2018	1,317,744	1,317,744		38,072	3461%
2019	1,420,368	1,420,368		-	N/A

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	18 years beginning January 1, 2020
Asset Valuation Method	5-year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.75%
Salary Increases	3.75%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	RP-200 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year. The assumed investment rate of return decreased from 8% to 7.75%, the wage inflation assumption was decreased from 4% to 3.75% and the price inflation assumption was decreased from 3% to 2.75%

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

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, 2019

Total Pension Liability	2015	2016	2017	2018	2019
Interest	\$ 1,772,747	\$ 1,774,217	\$ 1,625,453	\$ 1,629,624	\$ 1,612,811
Differences between expected and actual experience	(13,618)	(1,596,791)	269,092	730,678	303,192
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)
Net change in Total Pension Liability	30,133	(1,170,584)	74,952	2,036,633	6,376
Total Pension Liability - beginning	23,023,831	23,053,964	21,883,380	21,958,332	23,994,965
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>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,129,350	\$ 1,108,489	\$ 1,036,800	\$ 1,023,337	\$ 970,994
Net investment income	1,007,240	26,018	804,014	1,901,756	(414,996)
Benefit payments, including refunds of employee contributions	(1,728,996)	(1,752,514)	(1,819,593)	(1,861,841)	(1,909,627)
Administrative expense	(23,934)	(32,964)	(25,891)	(24,381)	(27,513)
Net change in Plan Fiduciary Net Position	383,660	(650,971)	(4,670)	1,038,871	(1,381,142)
Plan Fiduciary Net Position - beginning	14,269,462	14,653,122	14,002,151	13,997,481	15,036,352
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>
Net Pension Liability	<u>\$ 8,400,842</u>	<u>\$ 7,881,229</u>	<u>\$ 7,960,851</u>	<u>\$ 8,958,613</u>	<u>\$ 10,346,131</u>
Plan fiduciary net position as a percentage of the total pension liability	63.56%	63.99%	63.75%	62.66%	56.89%
Covered payroll					
Net Pension Liability as a percentage of covered payroll	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, 2019

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

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	18 years beginning January 1, 2020
Asset Valuation Method	5-year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.75%
Salary Increases	3.75%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	RP-200 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year. The assumed investment rate of return decreased from 8% to 7.75%, the wage inflation assumption was decreased from 4% to 3.75% and the price inflation assumption was decreased from 3% to 2.75%

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

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, 2019

Plan Fiscal Year Ended June 30,	2015	2016	2017	2018	2019
City's proportion of the net pension liability	0.8260%	0.8225%	0.8483%	0.8606%	0.8561%
City's proportionate share of the net pension liability	\$ 15,212,662	\$ 19,354,819	\$ 21,921,830	\$ 18,985,041	\$ 20,654,421
City's covered payroll	\$ 14,418,972	\$ 14,731,736	\$ 15,697,587	\$ 15,947,473	\$ 16,704,491
City's proportionate share of the net pension liability as a percentage of its covered payroll	106%	131%	140%	119%	124%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	75.50%	75.65%	79.50%	78.55%

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, 2019

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 2,111,439	\$ 2,111,439		\$ 14,431,565	14.63%
2016	2,136,229	2,136,229		14,732,286	14.50%
2017	2,288,094	2,288,094		15,609,194	14.66%
2018	2,446,603	2,446,603		16,150,803	15.15%
2019	2,588,420	2,588,420		16,704,491	15.50%

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, 2019

	2015	2016	2017	2018	2019
City's proportion of the net pension liability	2.6711%	2.7012%	2.7602%	2.7669%	2.7964%
City's proportionate share of the net pension liability	\$ 9,669,807	\$ 14,175,008	\$ 15,747,937	\$ 19,661,160	\$ 25,009,113
City's covered payroll	9,400,062	9,391,613	9,670,823	9,976,679	10,568,742
City's proportionate share of the net pension liability as a percentage of its covered payroll	103%	151%	163%	197%	237%
Plan fiduciary net position as a percentage of the total pension liability	79.14%	72.92%	72.46%	71.48%	66.09%

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, 2019

Year Ended December 31	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 1,703,055	\$ 1,703,055		\$ 9,391,613	18.13%
2016	1,848,108	1,848,108		9,670,823	19.11%
2017	1,995,344	1,995,344		9,976,679	20.00%
2018	2,164,038	2,164,038		10,412,565	20.78%
2019	2,310,081	2,310,081		10,568,653	21.86%

Notes to Schedule:

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

COMBINING AND INDIVIDUAL FUND STATEMENTS

KIMERY PARK TENNIS FACILITY



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

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

Special revenue funds include:

- a. District Court Fund is used to account for revenues and expenditures associated with operating, automation and probation activities of the Garland County District Court. The court is a joint operation of the City and the County.
- b. Recycling Center Fund is used to account for activities associated with collecting and selling recyclable materials for Hot Springs and certain surrounding communities.
- c. Miscellaneous Gift Fund is used to account for small local grants that benefit the community.
- d. Public Transportation Fund is used to account for federal grants, capital acquisitions, and other revenues used to operate the City's bus system.
- e. Community Development Block Grant (CDBG) is used to account for HUD grants used to help improve the quality of life in local neighborhoods.
- f. 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.
- g. 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.
- h. 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.
- i. Jail Expense Fines Fund is used to account for collected fines which are restricted in use for the support of jail related activities.
- j. Historic Preservation Grants Fund is used to account for a state grant to support historic preservation training in the City.

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

- a. Debt Service Fund is used to account for the debt associated with traveling exhibit hall at Mid America Museum and debt associated with the new Majestic Park Baseball Complex.
- b. Capital Projects Fund is used to account for the construction associated with the Mid America Museum for a building expansion to add a new exhibit area and related equipment and furnishings and for the construction of the new Majestic Park Baseball Complex.

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

City of Hot Springs, Arkansas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019

	Special Revenue Funds			
	District Court	Recycling Center	Miscellaneous Gift Fund	Public Transportation
ASSETS				
Cash and cash equivalents	\$ 294,933	\$ -	\$ 6,907	\$ 8,448
Investments	425,598	-	-	-
Interest receivable	2,094	-	-	-
Accounts receivable	45,796	-	-	-
Due from other funds	12,682	-	-	-
Intergovernmental receivables	116	-	-	69,258
Total assets	<u>781,219</u>	<u>-</u>	<u>6,907</u>	<u>77,706</u>
LIABILITIES				
Accounts payable	3,201	-	5,000	9,072
Accrued expenditures	29,975	-	-	27,722
Due to other governments	17,164	-	-	-
Due to other funds	56,439	-	-	31,009
Unearned revenue	-	-	1,907	5,602
Total liabilities	<u>106,779</u>	<u>-</u>	<u>6,907</u>	<u>73,405</u>
FUND BALANCES				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community development	-	-	-	-
Parks	-	-	-	-
Public safety	674,440	-	-	-
Public transportation	-	-	-	4,301
Public works	-	-	-	-
Total Fund Balances	<u>674,440</u>	<u>-</u>	<u>-</u>	<u>4,301</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 781,219</u>	<u>\$ -</u>	<u>\$ 6,907</u>	<u>\$ 77,706</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, 2019

	Special Revenue Funds			
	CDBG Grant	Public Works Projects	Parks & Trails	Public Safety
ASSETS				
Cash and cash equivalents	\$ -	\$ 64,513	\$ 47,647	\$ 111,049
Investments	-	-	-	-
Interest receivable	-	-	-	-
Accounts receivable	-	-	251	-
Due from other funds	-	-	-	-
Intergovernmental receivables	182,288	26,076	19,575	8,494
Total assets	182,288	90,589	67,473	119,543
LIABILITIES				
Accounts payable	35,904	1,339	8,828	7,662
Accrued expenditures	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	146,380	24,737	15,200	8,494
Unearned revenue	3	-	38,712	280
Total liabilities	182,287	26,076	62,740	16,436
FUND BALANCES				
Restricted:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Community development	1	-	-	-
Parks	-	-	4,733	-
Public safety	-	-	-	103,107
Public transportation	-	-	-	-
Public works	-	64,513	-	-
Total Fund Balances	1	64,513	4,733	103,107
TOTAL LIABILITIES AND FUND BALANCES	\$ 182,288	\$ 90,589	\$ 67,473	\$ 119,543

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, 2019

	Special Revenue Funds		Debt Service Fund	Capital Projects
	Jail Expense Fines	Historic Preservation	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 11,732	\$ -	\$ 42,776	\$ 920,143
Investments	-	-	247,216	7,881,296
Interest receivable	-	-	177	10,520
Accounts receivable	-	-	-	-
Due from other funds	6,101	-	-	-
Intergovernmental receivables	-	-	-	-
Total assets	17,833	-	290,169	8,811,959
LIABILITIES				
Accounts payable	-	-	21,655	285,087
Accrued expenditures	-	-	-	-
Due to other governments	11,733	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	42,776	-
Total liabilities	11,733	-	64,431	285,087
FUND BALANCES				
Restricted:				
Debt service	-	-	225,738	-
Capital projects	-	-	-	8,526,872
Community development	-	-	-	-
Parks	-	-	-	-
Public safety	6,100	-	-	-
Public transportation	-	-	-	-
Public works	-	-	-	-
Total Fund Balances	6,100	-	225,738	8,526,872
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,833	\$ -	\$ 290,169	\$ 8,811,959

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, 2019

	Total Nonmajor Governmental Funds
ASSETS	
Cash and cash equivalents	\$ 1,508,148
Investments	8,554,110
Interest receivable	12,791
Accounts receivable	46,047
Due from other funds	18,783
Intergovernmental receivables	305,807
Total assets	<u>10,445,686</u>
LIABILITIES	
Accounts payable	377,748
Accrued expenditures	57,697
Due to other governments	28,897
Due to other funds	282,259
Unearned revenue	89,280
Total liabilities	<u>835,881</u>
FUND BALANCES	
Restricted:	
Debt service	225,738
Capital projects	8,526,872
Community development	1
Parks	4,733
Public safety	783,647
Public transportation	4,301
Public works	64,513
Total Fund Balances	<u>9,609,805</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 10,445,686</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
For the Year Ended December 31, 2019

	Special Revenue Funds			
	District Court	Recycling Center	Miscellaneous Gift Fund	Public Transportation
REVENUES				
Fees and permits	\$	\$	\$	\$
Charges for services		108,454		127,750
Intergovernmental	468,769			1,008,633
Fines and forfeitures	116,549			
Investment earnings	11,074			
Miscellaneous	10,810		6,003	13,385
Total revenues	607,202	108,454	6,003	1,149,768
EXPENDITURES				
Current:				
General government				
Community development				
Parks and recreation				
Public transportation				1,553,677
Public safety	1,185,142		6,003	
Public works		192,449		
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay				
Total expenditures	1,185,142	192,449	6,003	1,553,677
Excess (deficiency) of revenues over expenditures	(577,940)	(83,995)		(403,909)
OTHER FINANCING SOURCES				
Transfers in	599,170	79,726		405,835
Transfers out	(34,895)			
Issuance of debt				
Total other financing sources (uses)	564,275	79,726		405,835
Net Change in Fund Balance	(13,665)	(4,269)		1,926
Fund Balance, Beginning of Year	688,105	4,269		2,375
Fund Balance, End of Year	\$ 674,440	\$	\$	\$ 4,301

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, 2019

	Special Revenue Funds			
	CDBG Grant	Public Works Projects	Parks & Trails	Public Safety
REVENUES				
Fees and permits	\$ 6,981	\$	\$	\$
Charges for services			15,391	
Intergovernmental	470,775	72,306	11,096	267,690
Fines and forfeitures				
Investment earnings				
Miscellaneous			2,452	
Total revenues	<u>477,756</u>	<u>72,306</u>	<u>28,939</u>	<u>267,690</u>
EXPENDITURES				
Current:				
General government				
Community development	303,248			
Parks and recreation			17,843	
Public transportation				
Public safety				74,092
Public works				
Debt service:				
Principal				
Interest				
Capital expenditures:				
Capital outlay	174,507	72,306	22,192	194,398
Total expenditures	<u>477,755</u>	<u>72,306</u>	<u>40,035</u>	<u>268,490</u>
Excess (deficiency) of revenues over expenditures	<u>1</u>		<u>(11,096)</u>	<u>(800)</u>
OTHER FINANCING SOURCES				
Transfers in			11,096	23,106
Transfers out				(17,732)
Issuance of debt				
Total other financing sources (uses)			<u>11,096</u>	<u>5,374</u>
Net Change in Fund Balance	<u>1</u>			<u>4,574</u>
Fund Balance, Beginning of Year		<u>64,513</u>	<u>4,733</u>	<u>98,533</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ 64,513</u>	<u>\$ 4,733</u>	<u>\$ 103,107</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, 2019

	Special Revenue Funds		Debt Service Fund	Capital Projects
	Jail Expense Fines	Historic Preservation Grant	Debt Service	Capital Projects
REVENUES				
Fees and permits	\$	\$	\$	\$
Charges for services				
Intergovernmental		1,585	83,796	
Fines and forfeitures	80,648			
Investment earnings			959	41,598
Miscellaneous				
Total revenues	80,648	1,585	84,755	41,598
EXPENDITURES				
Current:				
General government		1,585		148,983
Community development				
Parks and recreation				
Public transportation				
Public safety	75,901			
Public works				
Debt service:				
Principal			140,000	
Interest			68,996	
Capital expenditures:				
Capital outlay				530,629
Total expenditures	75,901	1,585	208,996	679,612
Excess (deficiency) of revenues over expenditures	4,747		(124,241)	(638,014)
OTHER FINANCING SOURCES				
Transfers in			215,159	1,505,045
Transfers out			(1,505,045)	(215,159)
Issuance of debt				7,875,000
Total other financing sources (uses)			(1,289,886)	9,164,886
Net Change in Fund Balance	4,747		(1,414,127)	8,526,872
Fund Balance, Beginning of Year	1,353		1,639,865	
Fund Balance, End of Year	\$ 6,100	\$	\$ 225,738	\$ 8,526,872

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, 2019

	Total Nonmajor Governmental Funds
REVENUES	
Fees and permits	\$ 6,981
Charges for services	251,595
Intergovernmental	2,384,650
Fines and forfeitures	197,197
Investment earnings	53,631
Miscellaneous	32,650
Total revenues	<u>2,926,704</u>
EXPENDITURES	
Current:	
General government	150,568
Community development	303,248
Parks and recreation	17,843
Public transportation	1,553,677
Public safety	1,341,138
Public works	192,449
Debt service:	
Principal	140,000
Interest	68,996
Capital expenditures:	
Capital outlay	994,032
Total expenditures	<u>4,761,951</u>
Excess (deficiency) of revenues over expenditures	<u>(1,835,247)</u>
OTHER FINANCING SOURCES	
Transfers in	2,839,137
Transfers out	(1,772,831)
Issuance of debt	7,875,000
Total other financing sources (uses)	<u>8,941,306</u>
Net Change in Fund Balance	7,106,059
Fund Balance, Beginning of Year	<u>2,503,746</u>
Fund Balance, End of Year	<u><u>\$ 9,609,805</u></u>

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

BUSINESS EXPO



City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2019

	Fleet Service	Utility Administration	Employee Wellness Fund	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 30,008	\$ 62,677	\$ 1,678,414	\$ 1,771,099
Investments		117,228	2,772,421	2,889,649
Accounts receivable		10,798		10,798
Inventories	220,560	767,799		988,359
Total current assets	250,568	958,502	4,450,835	5,659,905
Noncurrent Assets:				
Capital assets:				
Land	50,113	18,152		68,265
Buildings and systems	187,800	481,383		669,183
Improvements other than buildings	283,954	335,036		618,990
Machinery and equipment	516,163	2,383,527		2,899,690
Construction in progress	23,949	47,051		71,000
Less accumulated depreciation	(834,612)	(2,276,681)		(3,111,293)
Total noncurrent assets (net of accumulated depreciation)	227,367	988,468		1,215,835
Total assets	477,935	1,946,970	4,450,835	6,875,740
LIABILITIES				
Current liabilities:				
Accounts payable	75,692	130,400	48,673	254,765
Due to other funds		602,734		602,734
Compensated absences	10,173	22,688		32,861
Accrued expenses	27,315	83,655	350,000	460,970
Total current liabilities	113,180	839,477	398,673	1,351,330
Noncurrent liabilities:				
Compensated absences	116,987	260,916		377,903
Total noncurrent liabilities	116,987	260,916		377,903
Total liabilities	230,167	1,100,393	398,673	1,729,233
NET POSITION				
Net investment in capital assets	227,367	988,468		1,215,835
Unrestricted (deficit)	20,401	(141,891)	4,052,162	3,930,672
Total net position	\$ 247,768	\$ 846,577	\$ 4,052,162	\$ 5,146,507

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, 2019

	Fleet Service	Utility Administration	Employee Wellness Fund	Total
OPERATING REVENUES				
Other service fees	\$ 28,428	\$ 279,281	\$ 522,891	\$ 830,600
Reimbursement from other funds	986,504	3,872,155	5,053,730	9,912,389
Miscellaneous other revenue	910	30,752	7,714	39,376
Total operating revenues	<u>1,015,842</u>	<u>4,182,188</u>	<u>5,584,335</u>	<u>10,782,365</u>
OPERATING EXPENSES				
Salaries and benefits	869,731	2,622,181		3,491,912
Services	79,370	1,072,548	4,015,857	5,167,775
Supplies	28,378	340,924	16	369,318
Depreciation	25,767	157,184		182,951
Total operating expenses	<u>1,003,246</u>	<u>4,192,837</u>	<u>4,015,873</u>	<u>9,211,956</u>
Operating income (loss)	<u>12,596</u>	<u>(10,649)</u>	<u>1,568,462</u>	<u>1,570,409</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings			7,262	7,262
Total nonoperating revenue (expense)			<u>7,262</u>	<u>7,262</u>
Change in net position	12,596	(10,649)	1,575,724	1,577,671
Net position - beginning	<u>235,172</u>	<u>857,226</u>	<u>2,476,438</u>	<u>3,568,836</u>
Net position - ending	<u>\$ 247,768</u>	<u>\$ 846,577</u>	<u>\$ 4,052,162</u>	<u>\$ 5,146,507</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, 2019

	<u>Fleet</u>	<u>Utility Admin</u>	<u>Employee Wellness Fund</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATION ACTIVITIES				
Receipts from customers and users	\$ 2,910	\$ 279,258	\$ 522,891	\$ 805,059
Other receipts		30,752	7,714	38,466
Receipts (payments) - other departments	986,504	3,872,155	5,053,730	9,912,389
Payments to suppliers and service providers	(93,484)	(1,407,806)	(4,249,573)	(5,750,863)
Payments to employees	(862,705)	(2,585,954)		(3,448,659)
Net cash provided by (used for) operating activities	<u>33,225</u>	<u>188,405</u>	<u>1,334,762</u>	<u>1,556,392</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in (out) from other funds				
Receipts (repayments) of advances given				
Receipts (repayments) of due to (from) other funds		105,112		105,112
Net cash provided by (used for) non financing activities		105,112		105,112
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(17,129)	(119,621)		(136,750)
Capital grants				
Proceeds from sale of capital assets				
Net cash provided by (used for) capital and related financing activities	<u>(17,129)</u>	<u>(119,621)</u>		<u>(136,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments		(117,228)	(445,983)	(563,211)
Investment income			7,262	7,262
Net cash provided by (used for) investing activities		<u>(117,228)</u>	<u>(438,721)</u>	<u>(555,949)</u>
Net change in cash and cash equivalents	16,096	56,668	896,041	968,805
Cash and cash equivalents -- January 1	13,912	6,009	782,373	802,294
Cash and Cash equivalents -- December 31	<u>\$ 30,008</u>	<u>\$ 62,677</u>	<u>\$ 1,678,414</u>	<u>\$ 1,771,099</u>

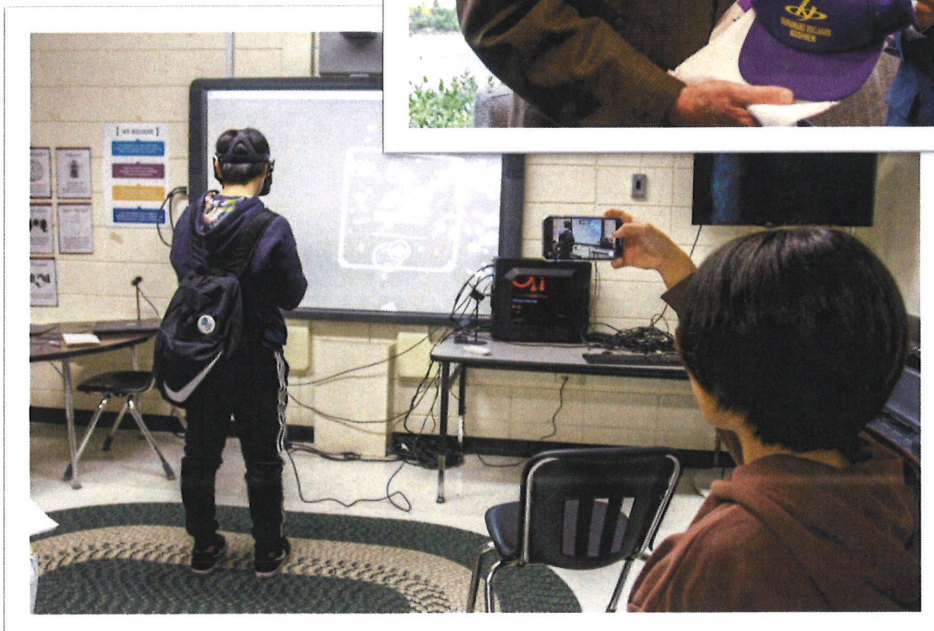
The notes to financial statements are an integral part of this statement.

City of Hot Springs, Arkansas
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	<u>Fleet</u>	<u>Utility Admin</u>	<u>Employee Wellness Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income [loss]	\$ 12,596	\$ (10,649)	\$ 1,568,462	\$ 1,570,409
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	25,767	157,184		182,951
(Increases) decreases in assets				
Accounts receivable		(23)		(23)
Inventory	(23,843)	(6,208)		(30,051)
Increases (decreases) in liabilities				
Accounts payable	38,107	11,874	(233,700)	(183,719)
Compensated absences	5,438	24,226		29,664
Unearned revenue	(26,428)			(26,428)
Accrued expenses	1,588	12,001		13,589
Total adjustments	20,629	199,054	(233,700)	(14,017)
Net cash provided by operating activities	<u>\$ 33,225</u>	<u>\$ 188,405</u>	<u>\$ 1,334,762</u>	<u>\$ 1,556,392</u>

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

SISTER CITY JAPANESE STUDENTS VISIT



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, 2019

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Sales	\$ 13,606,778	\$ 13,606,778	\$ 14,259,888	\$ 653,110
Business licenses	750,000	750,000	738,600	(11,400)
Mixed drink and other	610,000	610,000	821,480	211,480
Code inspection	479,900	479,900	678,239	198,339
Alcoholic beverage	135,000	135,000	134,628	(372)
Franchise	2,675,000	2,675,000	2,655,154	(19,846)
Other	100,800	100,800	95,341	(5,459)
State turnback	602,439	602,439	599,630	(2,809)
County aid	286,280	286,280	286,280	
Charge for services	2,363,884	2,363,884	2,357,728	(6,156)
Gaming and breakage	1,407,250	1,407,250	1,841,774	434,524
Fines and forfeitures	657,500	657,500	575,376	(82,124)
Investment earnings	30,000	30,000	342,195	312,195
Miscellaneous	117,000	117,000	183,069	66,069
Total revenues	23,821,831	23,821,831	25,569,382	1,747,551
EXPENDITURES				
General Government				
Board of Directors				
Personnel Costs	700	700	700	
Services	55,250	51,250	27,244	24,006
Supplies	8,500	42,500	24,649	17,851
Reserves	20,000	20,000		20,000
Capital Assets	34,000			
Total Board of Directors	118,450	114,450	52,593	61,857
City Manager				
Personnel Costs	405,041	411,363	345,660	65,703
Services	24,600	27,460	22,763	4,697
Supplies	4,250	5,390	5,387	3
Reserves	10,000	10,000		10,000
Total City Manager	443,891	454,213	373,810	80,403
City Attorney				
Personnel Costs	366,397	391,090	391,074	16
Services	39,071	34,573	33,757	816
Supplies	21,655	26,153	25,897	256
Total City Attorney	427,123	451,816	450,728	1,088
Human Resources				
Personnel Costs	313,396	318,133	301,881	16,252
Services	58,843	58,843	48,840	10,003
Supplies	23,975	23,975	10,993	12,982
Total Human Resources	396,214	400,951	361,714	39,237
Finance				
Personnel Costs	885,073	897,096	885,772	11,324
Services	269,796	290,296	215,481	74,815
Supplies	23,100	23,100	18,468	4,632
Total Finance	1,177,969	1,210,492	1,119,721	90,771
City Clerk				
Personnel Costs	126,085	156,493	156,490	3
Services	47,384	47,384	45,283	2,101
Supplies	3,687	3,687	1,771	1,916
Total City Clerk	177,156	207,564	203,544	4,020
Public Information				
Personnel Costs	146,953	159,681	159,674	7
Services	27,345	25,345	19,050	6,295
Supplies	5,620	7,620	5,253	2,367
Total Public Information	179,918	192,646	183,977	8,669
Information Systems				
Personnel Costs	586,105	594,287	582,923	11,364
Services	144,607	145,107	118,256	26,851
Supplies	34,350	33,050	28,760	4,290
Capital Assets		13,300	13,103	197
Total Information Systems	765,062	785,744	743,042	42,702

*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, 2019

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
Special Appropriations				
Personnel Costs	(50,000)	(50,000)		(50,000)
Services	224,300	259,300	236,981	22,319
Intergovernmental	76,900	76,900	73,618	3,282
Reserves	135,750	135,750		135,750
Capital Assets	35,000	1,000,000	789,488	210,512
Transfers Out	(47,000)	(47,000)		(47,000)
Debt Service	331,320	334,600	334,600	
Total Special Appropriations	706,270	1,709,550	1,434,687	274,863
Total General Government	4,392,053	5,527,426	4,923,816	603,610
Community Development				
Planning Development				
Personnel Costs	1,198,387	1,217,574	1,217,569	5
Services	547,400	533,707	347,579	186,128
Supplies	29,150	32,300	32,295	5
Capital Assets	55,000	65,543	65,197	346
Total Planning and Development	1,829,937	1,849,124	1,662,640	186,484
Total Community Development	1,829,937	1,849,124	1,662,640	186,484
Parks and Recreation				
Parks and Trails				
Personnel Costs	964,798	976,598	927,207	49,391
Services	322,509	355,081	309,014	46,067
Supplies	227,880	226,570	226,568	2
Capital Assets	105,000	148,825	113,897	34,928
Total Parks and Trails	1,620,187	1,707,074	1,576,686	130,388
Sport Recreation				
Personnel Costs	124,624	126,186	111,393	14,793
Services	110,696	129,256	112,187	17,069
Supplies	38,095	38,095	35,859	2,236
Capital Assets	79,000	60,440		60,440
Total Sport Recreation	352,415	353,977	259,439	94,538
Total Parks and Recreation	1,972,602	2,061,051	1,836,125	224,926
Public Works				
Public Works Administration				
Personnel Costs	465,658	472,231	455,766	16,465
Services	342,447	377,080	286,275	90,805
Supplies	106,480	195,114	79,975	115,139
Capital Assets	58,000	55,966	55,956	10
Total Public Works Admin	972,585	1,100,391	877,972	222,419
Engineering				
Personnel Costs	167,849	172,492	170,321	2,171
Services	27,700	32,490	14,503	17,987
Supplies	13,250	13,250	5,550	7,700
Total Engineering	208,799	218,232	190,374	27,858
Traffic				
Personnel Costs	409,851	419,083	419,078	5
Services	146,650	152,650	138,664	13,986
Supplies	114,600	139,412	117,293	22,119
Capital Assets	76,000	92,290		92,290
Total Traffic	747,101	803,435	675,035	128,400
Total Public Works	1,928,485	2,122,058	1,743,381	378,677
Total expenditures	10,123,077	11,559,659	10,165,962	1,393,697
Excess (deficiency) of revenues over expenditures	13,698,754	12,262,172	15,403,420	3,141,248
OTHER FINANCING SOURCES (USES)				
Transfers out	(14,883,499)	(15,089,383)	(14,234,862)	854,521
Transfers in	110,750	110,750		(110,750)
Issuance of debt	233,000	1,233,000	1,233,000	
Total other financing sources and (uses)	(14,539,749)	(13,745,633)	(13,001,862)	743,771
Net change in fund balances	(840,995)	(1,483,461)	2,401,558	3,885,019
Fund balances - beginning	5,840,266	5,840,266	5,840,266	
Fund balances - ending	\$ 4,999,271	\$ 4,356,805	\$ 8,241,824	\$ 3,885,019

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, 2019

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 500,151	\$ 534,850	\$ 468,769	\$ (66,081)
Fines and forfeitures	91,800	91,800	116,549	24,749
Investment earnings	2,500	2,500	11,074	8,574
Miscellaneous	8,000	8,000	10,810	2,810
Total revenues	602,451	637,150	607,202	(29,948)
EXPENDITURES				
Public safety	1,175,543	1,293,304	1,185,142	108,162
Excess (deficiency) of revenues over (under) expenditures	(573,092)	(656,154)	(577,940)	78,214
OTHER FINANCING SOURCES (USES)				
Transfers in	599,427	632,057	599,170	(32,887)
Transfers out	(37,100)	(35,729)	(34,895)	834
Net change in fund balance	(10,765)	(59,826)	(13,665)	46,161
Fund balances - beginning	688,105	688,105	688,105	-
Fund balances - ending	\$ 677,340	\$ 628,279	\$ 674,440	\$ 46,161

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, 2019

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 129,000	\$ 129,000	\$ 127,750	\$ (1,250)
Intergovernmental	980,361	988,761	1,008,633	19,872
Miscellaneous	9,700	13,426	13,385	(41)
Total revenues	<u>1,119,061</u>	<u>1,131,187</u>	<u>1,149,768</u>	<u>18,581</u>
EXPENDITURES				
Public transportation	<u>1,533,663</u>	<u>1,553,702</u>	<u>1,553,677</u>	<u>25</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(414,602)</u>	<u>(422,515)</u>	<u>(403,909)</u>	<u>18,606</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>414,602</u>	<u>414,602</u>	<u>405,835</u>	<u>(8,767)</u>
Net change in fund balance	-	(7,913)	1,926	9,839
Fund balances - beginning	2,179	2,179	2,375	196
Fund balances - ending	<u>\$ 2,179</u>	<u>\$ (5,734)</u>	<u>\$ 4,301</u>	<u>\$ 10,035</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, 2019

	Budgeted			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fines and forfeitures	\$ 90,000	\$ 90,000	\$ 80,648	\$ (9,352)
Total revenues	90,000	90,000	80,648	(9,352)
EXPENDITURES				
Public safety	90,000	90,000	75,901	14,099
Net change in fund balance	-	-	4,747	4,747
Fund balances - beginning	(5,929)	(5,929)	1,353	7,282
Fund balances - ending	<u>\$ (5,929)</u>	<u>\$ (5,929)</u>	<u>\$ 6,100</u>	<u>\$ 12,029</u>

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

City of Hot Springs, Arkansas
COMMUNICATION SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended December 31, 2019

	Budgeted		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$	\$	\$ (38,521)	\$ (38,521)
Total revenues			(38,521)	(38,521)
EXPENDITURES				
Capital outlay		3,514,664	943,224	2,571,440
Total expenditures		3,514,664	943,224	2,571,440
Net change in fund balance		(3,514,664)	(981,745)	2,532,919
Fund balance - beginning	2,372,617	2,372,617	2,372,617	
Fund balance - ending	\$ 2,372,617	\$ (1,142,047)	\$ 1,390,872	\$ 2,532,919

Note: This was budgeted incorrectly, but accounted for correctly.

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

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STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends	129
These Statements contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	135
These schedules contain information to help readers assess the City's most significant local revenue source -- sales tax.	
Debt Capacity	141
These schedules present information to help readers assess the affordability of the City's most current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	149
These schedules offer demographic and economic indications to help readers understand the environment within which the City's financial activities take place.	
Operating Information	153
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' Comprehensive Annual Financial Reports for the relevant year.

HSFD AIRCRAFT FIRE TRAINING



FINANCIAL TRENDS

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 79,770	\$ 75,216	\$ 71,821	\$ 25,160	\$ 25,044	\$ 24,549	\$ 24,845	\$ 24,314	\$ 26,126	\$ 25,859
Restricted	1,826	1,589	1,821	2,720	1,891	206	955	3,000	2,437	2,928
Unrestricted	787	2,480	1,891	2,399	1,642	(45,925)	(45,279)	(45,554)	(50,546)	(50,255)
Total Governmental activities net position	<u>\$ 82,383</u>	<u>\$ 79,285</u>	<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>
Business-type activities										
Invested in capital assets, net of related debt	\$ 106,565	\$ 109,203	\$ 120,345	\$ 86,547	\$ 135,707	\$ 138,755	\$ 134,519	\$ 137,703	\$ 139,005	\$ 141,989
Restricted	25,485	27,342	11,538	50,677	7,716	3,658	10,221	10,077	10,674	10,574
Unrestricted	8,325	7,270	16,007	11,947	8,978	6,359	6,066	3,962	9,415	12,849
Total Business-type activities net position	<u>\$ 140,375</u>	<u>\$ 143,815</u>	<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>
Primary government										
Invested in capital assets, net of related debt	\$ 186,335	\$ 184,419	\$ 192,166	\$ 111,707	\$ 160,751	\$ 163,304	\$ 159,364	\$ 162,017	\$ 165,131	\$ 167,848
Restricted	27,311	28,931	13,359	53,397	9,607	3,864	11,176	13,077	13,111	13,502
Unrestricted	9,112	9,750	17,898	14,346	10,620	(39,566)	(39,213)	(41,592)	(41,131)	(37,406)
Total Primary government net position	<u>\$ 222,758</u>	<u>\$ 223,100</u>	<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>

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

		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015**</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Expenses -	Governmental activities										
	General government	\$ 5,900	\$ 5,287	\$ 5,495	\$ 3,205	\$ 4,164	\$ 6,971	\$ 4,737	\$ 4,966	\$ 5,533	\$ 3,957
	Community development	1,652	1,477	1,579	1,419	1,329	2,598	1,354	1,610	1,727	1,887
	Parks and recreation	1,604	1,613	1,440	1,658	1,722	2,034	1,854	2,112	2,028	2,061
	Public safety	18,198	18,465	19,581	20,325	22,909	31,177	23,065	25,806	30,313	29,052
	Public transportation	1,770	1,843	1,862	1,833	1,684	1,974	1,394	1,586	1,644	1,652
	Public works	5,464	6,743	6,298	6,892	6,318	6,806	5,421	6,123	5,958	6,239
	Interest and long term debt	46	40	48	63	77	62	82	70	58	126
	Total Governmental activities expenses	<u>34,634</u>	<u>35,468</u>	<u>36,303</u>	<u>35,395</u>	<u>38,203</u>	<u>51,622</u>	<u>37,907</u>	<u>42,273</u>	<u>47,261</u>	<u>44,974</u>
	Business-type activities										
	Water	8,881	12,276	9,843	9,911	10,189	11,654	11,610	12,046	12,990	13,930
	Wastewater	11,781	11,732	11,857	13,134	14,947	15,096	15,513	15,387	16,402	17,717
	Solid Waste	5,937	6,194	6,138	6,282	6,376	6,535	7,088	7,379	7,264	8,219
	Airport	3,696	4,082	4,821	4,020	3,969	3,363	3,189	3,477	3,748	3,821
	Stormwater	262	376	367	497	558	640	680	712	780	905
	Parking	269	264	264	266	238	234	228	249	259	264
	Total Business-type activities expenses	<u>30,826</u>	<u>34,924</u>	<u>33,290</u>	<u>34,110</u>	<u>36,277</u>	<u>37,522</u>	<u>38,308</u>	<u>39,250</u>	<u>41,443</u>	<u>44,856</u>
	Total Primary government expenses	<u>\$ 65,460</u>	<u>\$ 70,392</u>	<u>\$ 69,593</u>	<u>\$ 69,505</u>	<u>\$ 74,480</u>	<u>\$ 89,144</u>	<u>\$ 76,215</u>	<u>\$ 81,523</u>	<u>\$ 88,704</u>	<u>\$ 89,830</u>
Program Revenues	Governmental activities										
	Charges for services**										
	General Government	\$ 2,215	\$ 2,635	\$ 2,505	\$ 2,037	\$ 337	\$ 1,770	\$ 2,968	\$ 3,300	\$ 4,098	\$ 4,084
	Community Development	382	363	367	356	331	412	258	326	549	689
	Parks and Recreation	85	118	105	93	121	88	70	59	107	97
	Public Safety	1,734	1,227	1,618	1,543	1,371	1,137	612	1,473	1,718	1,692
	Public Transportation	167	186	182	154	161	161	149	157	147	141
	Public Works	755	780	854	930	240	80	289	372	558	263
	Operating grants/contributions	1,551	1,405	1,716	1,199	4,235	4,270	3,645	3,708	6,318	6,561
	Capital grants/contributions	1,271	1,161	554	1,452	613	1,050	330	1,514	1,448	644
	Total Governmental activities program revenues	<u>8,160</u>	<u>7,875</u>	<u>7,901</u>	<u>7,764</u>	<u>7,409</u>	<u>8,968</u>	<u>8,321</u>	<u>10,909</u>	<u>14,943</u>	<u>14,171</u>
Business Type Activities	Charges for services	<u>33,007</u>	<u>34,935</u>	<u>35,961</u>	<u>35,535</u>	<u>38,552</u>	<u>38,258</u>	<u>39,203</u>	<u>40,377</u>	<u>44,065</u>	<u>46,096</u>
	Operating grants/contributions								5	1,958	65
	Capital grants/contributions	1,041	2,940	912	16	223	1,934	658	214	1,946	3,597
	Total Business-type activities program revenues	<u>34,048</u>	<u>37,875</u>	<u>36,873</u>	<u>35,551</u>	<u>38,775</u>	<u>40,192</u>	<u>39,861</u>	<u>40,596</u>	<u>47,969</u>	<u>49,758</u>
	Total Primary government program revenues	<u>\$ 42,208</u>	<u>\$ 45,750</u>	<u>\$ 44,774</u>	<u>\$ 43,315</u>	<u>\$ 46,184</u>	<u>\$ 49,160</u>	<u>\$ 48,182</u>	<u>\$ 51,505</u>	<u>\$ 62,913</u>	<u>\$ 63,929</u>
	Net (Expense) Revenue										
	Governmental activities	<u>\$(26,474)</u>	<u>\$(27,593)</u>	<u>\$(28,402)</u>	<u>\$(27,631)</u>	<u>\$(30,794)</u>	<u>\$(42,654)</u>	<u>\$(29,586)</u>	<u>\$(31,364)</u>	<u>\$(32,317)</u>	<u>\$(30,803)</u>
	Business-type activities	<u>3,222</u>	<u>2,951</u>	<u>3,583</u>	<u>1,441</u>	<u>2,498</u>	<u>2,670</u>	<u>1,553</u>	<u>1,346</u>	<u>6,526</u>	<u>4,902</u>
	Total Primary government net expense	<u>\$(23,252)</u>	<u>\$(24,642)</u>	<u>\$(24,819)</u>	<u>\$(26,190)</u>	<u>\$(28,296)</u>	<u>\$(39,984)</u>	<u>\$(28,033)</u>	<u>\$(30,018)</u>	<u>\$(25,792)</u>	<u>\$(25,901)</u>
General Revenues and Other Changes in Net Position											
Governmental	Taxes										
Activities	Sales taxes	\$ 17,159	\$ 17,366	\$ 17,405	\$ 19,569	\$ 20,219	\$ 21,262	\$ 22,137	\$ 22,165	\$ 19,977	\$ 21,390
	Franchise fees	2,857	2,751	2,579	2,677	2,679	2,519	2,631	2,705	2,711	2,655
	Other taxes and revenues	4250*	4,329	4,611	4,996	6,112	6,312	6,479	9,311	5,711	6,806
	Investment earnings	99	67	55	38	82	51	30	92	175	436
	Transfers		(18)		(44,860)	0	0	0	0	0	31
	Total Governmental activities	<u>24,365</u>	<u>24,495</u>	<u>24,650</u>	<u>(17,580)</u>	<u>29,092</u>	<u>30,144</u>	<u>31,277</u>	<u>34,273</u>	<u>28,574</u>	<u>31,318</u>
	Business-type activities										
	Sales tax	49	57	32	24	25	66	34	32	55	51
	Investment earnings	609	414	459	246	707	666	447	563	769	1,397
	Transfers		18	-	(25)	-					(31)
	Total Business-type activities	<u>658</u>	<u>489</u>	<u>491</u>	<u>245</u>	<u>732</u>	<u>732</u>	<u>481</u>	<u>595</u>	<u>824</u>	<u>1,417</u>
	Total Primary government	<u>\$ 25,023</u>	<u>\$ 24,984</u>	<u>\$ 25,141</u>	<u>\$(17,335)</u>	<u>\$ 29,824</u>	<u>\$ 30,876</u>	<u>\$ 31,758</u>	<u>\$ 34,868</u>	<u>\$ 29,399</u>	<u>\$ 32,735</u>
Change in Net Position	Governmental activities	<u>\$ (2,109)</u>	<u>\$ (3,097)</u>	<u>\$ (3,752)</u>	<u>\$(45,211)</u>	<u>\$ (1,702)</u>	<u>\$(12,510)</u>	<u>\$ 1,691</u>	<u>\$ 2,909</u>	<u>\$ (3,743)</u>	<u>\$ 515</u>
	Business-type activities	<u>3,879</u>	<u>3,440</u>	<u>4,075</u>	<u>1,686</u>	<u>3,230</u>	<u>3,402</u>	<u>2,034</u>	<u>1,941</u>	<u>7,350</u>	<u>6,319</u>
	Total Primary government	<u>\$ 1,770</u>	<u>\$ 343</u>	<u>\$ 323</u>	<u>\$(43,525)</u>	<u>\$ 1,528</u>	<u>\$ (9,108)</u>	<u>\$ 3,725</u>	<u>\$ 4,850</u>	<u>\$ 3,607</u>	<u>\$ 6,834</u>

* This number includes state turnbacks other revenue.

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

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

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund										
Nonspendable				\$ 296	\$ 328	\$ 387	\$ 455	\$ 482	\$ 1,132	\$ 1,143
Committed					421	194				
Assigned							511	1,752	485	1,175
Unassigned				5,528	5,065	4,527	3,757	3,441	4,223	5,924
Pre 2013										
Reserved	49	370	371							
Unreserved	5,167	5,447	5,143							
Total General Fund	<u>\$ 5,216</u>	<u>\$ 5,817</u>	<u>\$ 5,514</u>	<u>\$ 5,824</u>	<u>\$ 5,814</u>	<u>\$ 5,108</u>	<u>\$ 4,723</u>	<u>\$ 5,675</u>	<u>\$ 5,840</u>	<u>\$ 8,242</u>
All Other Governmental Funds										
Nonspendable				\$ 23	\$ 1					
Restricted				2,378	1,891	2,106	1,384	3,000	5,252	11,455
Committed										
Assigned					547	433	1,643	1,590	2,372	3,105
Unassigned					105					
Pre 2013										
Reserved		426								
Prepays										
Public Safety	827	619	723							
Public Works	82	290	289							
Unreserved, reported in:										
Special revenue funds	273		557							
Capital project funds	715	48	48							
Debt service funds		206	206							
Total all other governmental funds	<u>\$ 1,897</u>	<u>\$ 1,589</u>	<u>\$ 1,823</u>	<u>\$ 2,401</u>	<u>\$ 2,544</u>	<u>\$ 2,539</u>	<u>\$ 3,027</u>	<u>\$ 4,590</u>	<u>\$ 7,624</u>	<u>\$ 14,560</u>
Total governmental funds	<u>\$ 7,113</u>	<u>\$ 7,406</u>	<u>\$ 7,337</u>	<u>\$ 8,225</u>	<u>\$ 8,358</u>	<u>\$ 7,647</u>	<u>\$ 7,750</u>	<u>\$ 10,265</u>	<u>\$ 13,464</u>	<u>\$ 22,802</u>

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

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

	Fiscal Year									
Revenues	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Taxes	\$ 21,316	\$ 21,451	\$ 21,394	\$ 23,643	\$ 24,308	\$ 21,833	\$ 23,457	\$ 24,454	\$ 25,192	\$ 22,173
Licenses, fees and permits	942	901	842	818	812	4,088	3,314	4,136	4,318	4,476
Charges for services	2,071	2,150	2,490	1,006	1,531	1,763	2,465	2,402	2,572	2,696
Intergovernmental	7,549	7,076	7,287	7,804	8,259	7,175	6,848	8,689	7,988	10,772
Intergovernmental - Gaming and breakage	690	919	1,215	1,353	1,528	1,939	2,081	2,263	2,397	3,414
Fines and penalties	1,291	1,309	1,196	993	1,074	867	1,096	985	947	830
Investment earnings	112	79	54	3	81	51	30	92	175	436
Other Revenue	427	416	432	330	401	542	405	517	422	312
Total Revenues	34,398	34,301	34,910	35,950	37,994	38,258	39,696	43,538	44,009	45,109
Expenditures										
General government	4,789	5,118	5,342	4,310	4,445	4,715	4,910	4,811	3,831	3,937
Community development	1,639	1,474	1,576	1,407	1,319	1,760	1,401	1,543	1,650	1,901
Parks and recreation	1,347	1,280	1,331	1,400	1,470	1,537	1,557	1,681	1,623	1,740
Public transportation	1,313	1,420	1,471	1,442	1,419	1,378	1,308	1,397	1,484	1,554
Public safety	17,599	17,866	18,922	19,543	21,969	22,345	22,591	23,729	25,423	26,261
Public works	4,179	5,521	5,167	5,855	5,286	4,793	4,208	4,861	4,668	5,365
Debt service										
Principal	277	276	368	631	965	1,335	1,672	1,656	1,619	1,313
Interest and other charges	11	40	48	63	75	83	82	70	57	126
Capital outlay	1,899	1,532	1,731	2,522	2,226	2,983	3,133	2,153	2,427	3,493
Total Expenditures	33,053	34,527	35,956	37,173	39,174	40,929	40,862	41,901	42,782	45,690
Excess of revenues over (under) expenditures	1,345	(226)	(1,046)	(1,223)	(1,180)	(2,671)	(1,166)	1,637	1,227	(582)
Other Financing Sources (Uses)										
Issuance of debt		538	977	1,944	1,370	1,963	1,272	878	2,097	9,889
Transfer in	11,202	12,065	12,706	12,281	12,660	13,201	13,255	13,287	14,540	16,044
Transfer out	(11,202)	(12,083)	(12,706)	(12,114)	(12,717)	(13,204)	(13,259)	(13,287)	(14,663)	(16,013)
Total Financing sources (uses)	0	520	977	2,111	1,313	1,960	1,268	878	1,973	9,919
Net change in fund balance	\$ 1,345	\$ 294	\$ (69)	\$ 888	\$ 133	\$ (711)	\$ 102	\$ 2,515	\$ 3,200	\$ 9,337
Debt service as a percentage of noncapital expenditures	0.9%	1.0%	1.2%	1.9%	2.9%	3.9%	4.9%	4.5%	4.3%	3.5%

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018*	2019
Function/Program										
Governmental activities:										
General government	\$ 2,235	\$ 2,635	\$ 2,505	\$ 2,037	\$ 338	\$ 1,770	\$ 3,244	\$ 3,350	\$ 4,127	\$ 4,100
Community development	926	646	742	356	331	412	550	685	917	1,162
Parks and recreation	165	272	122	93	120	88	177	233	1,806	404
Public safety	2,262	1,794	2,448	1,543	1,371	1,137	2,838	3,527	5,559	6,097
Public transportation	1,752	1,039	1,043	154	161	161	1,160	1,075	1,150	1,150
Public works	820	1,489	1,040	930	240	81	353	2,040	1,385	1,258
Subtotal Governmental activities	<u>\$ 8,160</u>	<u>\$ 7,875</u>	<u>\$ 7,900</u>	<u>\$ 5,113</u>	<u>\$ 2,561</u>	<u>\$ 3,649</u>	<u>\$ 8,322</u>	<u>\$ 10,910</u>	<u>\$ 14,944</u>	<u>\$ 14,171</u>
Business-type activities										
Water	11,092	11,523	11,944	11,333	12,668	12,157	12,334	12,654	15,965	16,455
Wastewater	11,718	12,330	12,787	13,315	14,688	15,719	15,780	16,521	17,897	17,785
Solid Waste	6,073	6,464	6,564	6,782	7,180	7,116	7,862	7,588	7,735	8,239
Airport	4,333	6,739	4,769	3,296	3,219	2,493	2,938	2,611	4,791	5,604
Stormwater	679	682	670	680	701	690	858	1,126	1,352	1,575
Parking	153	137	139	129	96	83	88	96	229	99
Subtotal Business-type activities	<u>\$ 34,048</u>	<u>\$ 37,875</u>	<u>\$ 36,873</u>	<u>\$ 35,535</u>	<u>\$ 38,552</u>	<u>\$ 38,258</u>	<u>\$ 39,860</u>	<u>\$ 40,596</u>	<u>\$ 47,969</u>	<u>\$ 49,757</u>
Total Primary government	<u>\$ 42,208</u>	<u>\$ 45,750</u>	<u>\$ 44,773</u>	<u>\$ 40,648</u>	<u>\$ 41,113</u>	<u>\$ 41,907</u>	<u>\$ 48,182</u>	<u>\$ 51,506</u>	<u>\$ 62,913</u>	<u>\$ 63,928</u>

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

REVENUE CAPACITY

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

Fiscal Year	Sales and Use Tax	Property Tax	Alcohol Taxes and Permits	Franchise Fees	Occupation Tax	Breakage/ Gaming *	Total
2010	\$ 17,130		\$ 563	\$ 2,857	\$ 707	\$ 690	\$ 21,947
2011	17,344		544	2,821	702	919	22,330
2012	17,405		559	2,578	719	1,216	22,477
2013	19,569		597	2,677	708	1,353	24,904
2014	20,219		621	2,679	718	1,528	25,765
2015	21,262		688	2,519	732	1,939	27,140
2016	22,137		712	2,631	743	2,081	28,304
2017	22,165	3,348	745	2,705	735	2,263	31,961
2018**	19,977	201	807	2,711	736	2,397	26,829
2019	21,390	(39)	956	2,656	739	3,414	29,116
Change							
2010-2019	24.9%	N/A	69.8%	-7.0%	4.5%	394.8%	32.7%

* 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 2019				Fiscal Year 2018			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(3,439)	(52)	-0.23%	19	(5,013)	(75)	-0.37%	19
21	Mining	(18)	-	0.00%	18	(580)	(9)	-0.04%	18
22	Utilities	20,989	315	1.43%	10	867	13	0.06%	16
23	Construction	11,425	171	0.78%	12	10,284	154	0.76%	12
31-33	Manufacturing	33,991	509	2.32%	7	32,951	495	2.45%	7
42	Wholesale Trade	95,454	1,432	6.51%	3	81,003	1,215	6.02%	3
44-45	Retail Trade	841,706	12,626	57.36%	1	764,163	11,463	56.83%	1
48-49	Transportation and Warehousing	1,212	18	0.08%	15	11,145	167	0.83%	11
51	Information	41,387	621	2.82%	5	52,304	785	3.89%	5
52	Finance and Insurance	1,892	28	0.13%	14	1,605	24	0.12%	14
53	Real Estate and Rental and Leasing	33,088	496	2.26%	8	28,384	426	2.11%	8
54	Professional, Scientific and Technical Services	4,405	66	0.30%	13	2,903	44	0.22%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	22,691	340	1.55%	9	21,451	322	1.60%	9
61	Educational Services	781	12	0.05%	17	(79)	(1)	-0.01%	17
62	Health Care and Social Assistance	1,131	17	0.08%	16	970	15	0.07%	15
71	Arts, Entertainment and Recreation	18,944	284	1.29%	11	20,744	311	1.54%	10
72	Accommodation and Food Services	228,840	3,433	15.60%	2	212,349	3,185	15.79%	2
81	Other Services (except Public Administration)	38,570	579	2.63%	6	34,287	514	2.55%	6
92	Public Administration			0.00%				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>	

NAICS Economic Sector	Description	Fiscal Year 2017				Fiscal Year 2016			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(2,844)	(43)	-0.21%	19	(4,032)	(60)	-0.30%	19
21	Mining	13		-%	17	99	1	0.01%	17
22	Utilities	3,724	56	0.28%	11	9,659	145	0.73%	11
23	Construction	8,989	135	0.68%	12	8,137	122	0.62%	12
31-33	Manufacturing	33,492	502	2.52%	7	32,069	481	2.42%	7
42	Wholesale Trade	78,939	1,184	5.93%	3	77,924	1,169	5.89%	3
44-45	Retail Trade	771,291	11,569	57.94%	1	775,551	11,633	58.64%	1
48-49	Transportation and Warehousing	9,677	146	0.73%	13	7,626	114	0.58%	13
51	Information	49,906	749	3.75%	5	40,913	614	3.09%	5
52	Finance and Insurance	1,112	17	0.08%	15	1,319	20	0.10%	15
53	Real Estate and Rental and Leasing	29,557	443	2.22%	8	26,196	393	1.98%	8
54	Professional, Scientific and Technical Services	3,063	46	0.23%	14	2,439	37	0.18%	14
56	Admin, Support, Waste Mgmt and Remediation Svcs	20,352	305	1.53%	9	19,654	295	1.49%	9
61	Educational Services	(1,734)	(26)	-0.13%	18	(1,349)	(20)	-0.10%	18
62	Health Care and Social Assistance	711	11	0.05%	16	1,073	16	0.08%	16
71	Arts, Entertainment and Recreation	17,185	258	1.29%	10	15,778	237	1.19%	10
72	Accommodation and Food Services	204,375	3,066	15.35%	2	212,225	3,183	16.05%	2
81	Other Services (except Public Administration)	32,524	488	2.44%	6	32,988	495	2.49%	6
92	Public Administration	692	10	0.05%				0.00%	
	Uncategorized *	70,173	1,053	5.27%	4	64,257	960	4.86%	4
	Totals	<u>\$ 1,331,197</u>	<u>\$ 19,969</u>	<u>100.00%</u>		<u>\$ 1,322,526</u>	<u>\$ 19,835</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 Sector	Description	Fiscal Year 2015				Fiscal Year 2014			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	(998)	(15)	-0.08%	18	(1,235)	(19)	-0.10%	18
21	Mining	32		0.00%	17	205	3	0.02%	17
22	Utilities	40,911	614	3.25%	5	55,043	826	4.61%	4
23	Construction	9,597	144	0.76%	13	2,739	41	0.23%	14
31-33	Manufacturing	32,054	481	2.55%	7	32,037	481	2.69%	6
42	Wholesale Trade	85,205	1,278	6.77%	3	86,554	1,298	7.25%	3
44-45	Retail Trade	715,557	10,733	56.87%	1	685,130	10,277	57.43%	1
48-49	Transportation and Warehousing	10,775	162	0.86%	12	10,763	161	0.90%	12
51	Information	50,085	751	3.98%	4	42,220	633	3.54%	5
52	Finance and Insurance	762	11	0.06%	16	1,602	24	0.13%	15
53	Real Estate and Rental and Leasing	20,677	310	1.64%	9	20,566	308	1.72%	8
54	Professional, Scientific and Technical Services	3,268	49	0.26%	14	2,698	40	0.23%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	19,125	287	1.52%	10	17,662	265	1.48%	9
61	Educational Services	(3,183)	(48)	-0.25%	19	(1,813)	(27)	-0.15%	19
62	Health Care and Social Assistance	828	12	0.07%	15	635	10	0.05%	16
71	Arts, Entertainment and Recreation	14,589	219	1.16%	11	15,725	236	1.32%	10
72	Accommodation and Food Services	193,393	2,901	15.37%	2	178,345	2,675	14.95%	2
81	Other Services (except Public Administration)	31,707	476	2.52%	8	29,842	448	2.50%	7
92	Public Administration	33,807	507	2.69%	6	14,344	215	1.20%	11
	Totals	\$ 1,258,191	\$ 18,872	100.00%		\$ 1,193,067	\$ 17,896	100.10%	

NAICS Economic Sector	Description	Fiscal Year 2013				Fiscal Year 2012			
		Taxable	Tax	Percentage of		Taxable	Tax	Percentage of	
		Sales	Collected	Sales Tax	Rank	Sales	Collected	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	14,933	224	1.25%	10
	Totals	\$ 1,209,798	\$ 18,147	100.00%		\$ 1,190,000	\$ 17,850	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		Fiscal Year 2011				Fiscal Year 2010			
				Percentage of				Percentage of	
Economic		Taxable	Tax	Total City		Taxable	Tax	Total City	
Sector	Description	Sales	Collected	Sales Tax	Rank	Sales	Collected	Sales Tax	Rank
11	Agriculture, Forestry, Fishing and Hunting	376	6	0.03%	17	451	7	0.04%	16
21	Mining			0.00%		247	4	0.02%	17
22	Utilities	58,066	871	4.96%	4	59,881	898	5.17%	4
23	Construction	7,022	105	0.60%	13	6,875	103	0.59%	12
31-33	Manufacturing	26,761	401	2.29%	6	35,039	526	3.03%	6
42	Wholesale Trade	84,903	1,274	7.26%	3	85,237	1,279	7.36%	3
44-45	Retail Trade	679,230	10,188	58.05%	1	677,152	10,157	58.48%	1
48-49	Transportation and Warehousing	8,445	127	0.72%	12	9,055	136	0.78%	11
51	Information	44,444	667	3.80%	5	40,802	612	3.52%	5
52	Finance and Insurance	982	15	0.08%	15	1,059	16	0.09%	15
53	Real Estate and Rental and Leasing	22,591	339	1.93%	8	19,429	291	1.68%	8
54	Professional, Scientific and Technical Services	2,003	30	0.17%	14	2,018	30	0.17%	13
56	Admin, Support, Waste Mgmt and Remediation Svcs	15,394	231	1.32%	9	14,821	222	1.28%	9
61	Educational Services	(52)	(1)	0.00%	18	(619)	(9)	-0.05%	18
62	Health Care and Social Assistance	917	14	0.08%	16	1,165	17	0.10%	14
71	Arts, Entertainment and Recreation	9,829	147	0.84%	11	10,604	159	0.92%	10
72	Accommodation and Food Services	170,994	2,565	14.61%	2	170,184	2,553	14.70%	2
81	Other Services (except Public Administration)	25,106	377	2.15%	7	24,473	367	2.11%	7
92	Public Administration	13,035	196	1.11%	10			0.00%	
Totals		\$ 1,170,046	\$ 17,552	100.00%		\$ 1,157,873	\$ 17,368	100.00%	

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

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

SALES TAX RATE

Fiscal Year	City Direct Rate	General Fund	Fire and Police
2010	1.5	1.0	0.5
2011	1.5	1.0	0.5
2012	1.5	1.0	0.5
2013	1.5	1.0	0.5
2014	1.5	1.0	0.5
2015	1.5	1.0	0.5
2016	1.5	1.0	0.5
2017	1.5	1.0	0.5
2018	1.5	1.0	0.5
2019	1.5	1.0	0.5

SALES TAX RECEIVED

Fiscal Year	Total	General Fund	Fire and Police
2010	17,130,376	11,420,251	5,710,125
2011	17,344,423	11,562,923	5,781,500
2012	17,405,382	11,603,588	5,801,794
2013	17,847,283	11,898,189	5,949,094
2014	17,896,612	11,931,075	5,965,537
2015	18,872,829	12,581,886	6,290,943
2016	19,683,356	13,122,237	6,561,119
2017	19,688,002	13,125,334	6,562,668
2018	19,977,450	13,318,300	6,659,150
2019	21,389,832	14,259,888	7,129,944

DEBT CAPACITY

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
	Net Special Obligation Bonds	Notes Payable	Water Bonds	Wastewater Bonds	Airport Bonds	Notes Payable	Capital Leases			
2010	\$ 1,080	\$ 291	\$ 17,248	\$ 43,507	\$ 870	\$ 508	\$ 532	\$ 64,036	5.40%	\$ 1,820
2011	975	589	17,272	41,913	675	445	97	61,966	5.38%	1,761
2012	865	1,308	14,272	39,574	620	363		57,002	5.06%	1,600
2013	750	2,737	13,697	77,431	560	285		95,460	8.26%	2,691
2014	635	3,257	18,186	75,255	495	202		98,030	7.13%	2,747
2015	513	4,005	25,480	74,034	425	115		104,572	8.09%	2,931
2016	389	3,730	24,417	72,503	349	195		101,583	7.43%	2,755
2017	264	3,077	23,268	71,301	269	9,241		107,420	7.55%	2,914
2018	1,575	2,244	42,251	68,594	-	8,978		123,642	8.77%	3,260
2019	9,310	3,084	40,271	65,818	-	8,709		127,192	8.55%	3,422

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

Hotel and Restaurant Gross Receipt Tax Bonds

Fiscal Year	Special Obligation Bonds	Less Debt Service	Net Special Obligation Bonds	Net Bond as a Percentage of Sales Tax	Per Capita
2010	\$ 1,080	\$ 202	\$ 878	18.73%	\$ 24.95
2011	975	205	770	15.89%	21.88
2012	865	206	659	13.04%	18.73
2013	750	205	545	10.51%	15.36
2014	635	204	431	8.13%	12.08
2015	513	207	306	5.29%	8.58
2016	389	206	183	3.06%	4.96
2017	264	198	66	1.07%	1.79
2018	1,575	16	1,559	24.36%	41.10
2019	9,310	247	9,063	130.12%	243.83

Notes: Details regarding this bond issue can be found on page 62 in the notes to the financial statements. The bonds are special obligations payable solely from collections of the 3% tax levied by the city on the gross receipts or gross proceeds from motels, hotels, restaurants, cafes, and similar establishments in the city. This sales tax is recorded on the books of the component unit. The sales tax as percentage of net bond above includes only that 3% tax.

City of Hot Springs, Arkansas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(amounts expressed in thousands)

Taxing Jurisdiction	Total Outstanding Debt	Estimated Percent Applicable*	Direct and Estimated Overlapping Debt
<u>Direct</u>			
City of Hot Springs	\$ 12,394	100.00%	\$ 12,394
<u>Overlapping</u>			
Garland County	35,560	41.93%	14,910
National Park Community College	20,955	41.93%	8,786
Lake Hamilton School District	62,685	2.70%	1,692
Hot Springs School District	72,475	98.61%	71,468
Lakeside School District	71,520	33.30%	23,816
Fountain Lake School District	12,135	2.13%	258
Cutter Morning Star School District	17,085	38.05%	6,501
Mountain Pine School District	<u>6,035</u>	4.52%	273
Total overlapping	<u>298,450</u>		<u>127,705</u>
Total direct and estimated overlapping bonded debt	<u>\$ 310,844</u>		<u>\$ 140,099</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt limit	\$ 154,417	\$ 159,865	\$ 156,505	\$ 162,545	\$ 166,789	\$ 169,599	\$ 173,304	\$ 191,487	\$ 191,487	\$ 210,016
Total net debt applicable to limit	291	589	1,308	2,737	3,257	4,005	3,730	3,341	3,819	12,394
Legal debt margin	\$ 154,126	\$ 159,276	\$ 155,197	\$ 159,808	\$ 163,532	\$ 165,594	\$ 169,574	\$ 188,146	\$ 187,668	\$ 197,622

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value	\$ 840,063
Debt limit:	
General obligation debt limitation (1)	168,013
Short-term financing debt limitation (2)	<u>42,003</u>
Total Debt Limitation	<u>210,016</u>
Debt applicable to limit:	
General obligation bonds	9,310
Short-term notes	<u>3,084</u>
Total net debt applicable to limit	<u>12,394</u>
Legal net margin	<u>\$ 197,622</u>

Note:

Computation of the City's legal debt margin is set forth in Amendments 78 and 62 to the Constitution of the State of Arkansas.

- (1) General obligation debt is not to exceed 20% of assessed value.
- (2) Short-term financing debt is not to exceed 5% of assessed value.

City of Hot Springs, Arkansas
PLEDGED - REVENUE COVERAGE
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Water Revenue Bonds				Debt Service		
Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Principal	Interest	Coverage
2010	11,128	6,531	4,597	950	339	3.57
2011 (3)	11,067	9,623	1,444	980	492	0.98
2012	11,704	6,626	5,078	3,000	489	1.46
2013	11,407	6,932	4,475	575	371	4.73
2014	10,843	7,130	3,713	542	195	5.04
2015	12,119	8,074	4,045	876	472	3.00
2016	12,156	7,881	4,275	1,057	649	2.51
2017	12,645	8,197	4,448	1,143	681	2.44
2018	15,071	8,189	6,882	1,360	1,051	2.85
2019	16,193	9,146	7,047	1,482	1,300	2.53

Wastewater Revenue Bonds				Debt Service		
Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Principal	Interest	Coverage
2010	11,652	6,777	4,875	1,535	1,741	1.49
2011	12,052	7,092	4,960	1,593	1,682	1.51
2012	12,643	7,336	5,307	2,339	1,621	1.34
2013	13,166	7,419	5,747	2,418	1,544	1.45
2014	14,219	8,173	6,046	2,176	3,303	1.10
2015	15,715	8,533	7,182	2,231	3,248	1.31
2016	15,764	8,597	7,167	2,201	3,116	1.35
2017	16,521	8,832	7,689	2,460	2,950	1.42
2018	16,844	9,195	7,649	2,595	2,742	1.43
2019	17,111	10,468	6,643	2,823	2,668	1.21

(1) Gross revenues include operating revenues.

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

(3) Direct operating expenses include a large amount that was previously capitalized. It was incurred in 2009, 2010, and 2011.

Source: City Records.

City of Hot Springs, Arkansas
PLEDGE - REVENUE COVERAGE
LAST TEN FISCAL YEARS
(continued)
(amounts expressed in thousands)

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	3,318	2,691	627	180	72	2.49
2011	3,845	3,161	684	195	58	2.70
2012	3,890	3,639	251	55	44	2.54
2013	3,325	2,976	349	60	40	3.49
2014	3,239	2,896	343	65	37	3.36
2015	2,559	2,270	289	70	32	2.83
2016	2,378	2,089	289	75	28	2.81
2017	2,433	2,362	71	80	23	0.69
2018 (3)	3,021	2,664	357	270	4	1.30
2019	-	-	-	-	-	-

(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.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Year	Population	Personal Income (in thousands)	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2010	35,193	1,186,532	33,715	42.4	6,901	8.1%
2011	35,193	1,249,246	35,497	42.4	7,005	8.3%
2012	35,587	1,370,313	38,506	44.6	7,164	7.2%
2013	35,478	1,241,482	34,993	43.5	7,143	7.5%
2014	35,680	1,242,520	34,824	43.5	7,239	6.7%
2015	35,673	1,292,005	36,218	42.0	7,264	6.2%
2016	36,867	1,367,397	37,090	43.1	7,379	4.4%
2017	36,867	1,422,292	38,579	42.0	7,294	4.5%
2018	37,931	1,451,202	38,259	42.0	8,206	3.7%
2019	38,797	1,552,035	40,004	41.8	7,491	3.5%

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>

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

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

Year	2014			2013			2012			2011			2010		
Total Employment Numbers	37,691			35,478			37,500			38,700			38,746		
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	6.10%	1	2,300	6.48%	1	2,300	6.13%	1	2,300	5.94%	1	2,300	5.94%
Oaklawn Park	2	1,300	3.45%	2	1,300	3.66%	2	1,233	3.29%	2	1,233	3.19%	2	1,210	3.12%
Wal-Mart Stores	3	1,026	2.72%	3	801	2.26%	4	737	1.97%	3	777	2.01%	3	1,102	2.84%
National Park Medical Center	4	664	1.76%	4	664	1.87%	3	900	2.40%	4	748	1.93%	4	649	1.68%
City of Hot Springs	5	615	1.63%	5	615	1.73%	6	610	1.63%	5	618	1.60%	5	623	1.61%
Hot Springs School District	6	588	1.56%	6	588	1.66%	7	600	1.60%	6	603	1.56%	6	610	1.57%
National Park Community College			0.00%			0.00%	8	465	1.24%	8	452	1.17%	7	607	1.57%
StarTek (Formerly ACCENT) Marketing Services	7	477	1.27%	7	477	1.34%	5	700	1.87%	7	600	1.55%	8	500	1.29%
Berry Plastics (Formerly Rexam)	9	380	1.01%	9	380	1.07%	9	450	1.20%	10	426	1.10%	9	490	1.26%
Rexam & Containers	10	350	0.93%			0.00%			0.00%			0.00%			0.00%
Xerox Document Imaging Svcs	8	450	1.19%	8	450	1.27%	10	450	1.20%	9	450	1.16%	10	450	1.16%
Arlington			0.00%			0.00%			0.00%			0.00%			0.00%
Weyerhaeuser Company			0.00%			0.00%			0.00%			0.00%			0.00%
Garland County			0.00%			0.00%			0.00%			0.00%			0.00%
Triumph Fabricating (Formerly Chem Fab Corp)	10	376	1.06%	10	376	1.06%			0.00%			0.00%			0.00%

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

OUACHITA WATER TREATMENT PLANT



OPERATING INFORMATION

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

		Full Time Equivalent Employees									
Function/Program		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	City attorney	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	2.3
	City manager	2	2	2	2	2	2	2.3	2.3	2.3	3.5
	Human resources	4	4	4	4	4.5	4.5	4.5	4.5	4.5	4.5
	Finance	27.5	28	27	13	13	13	13	13.33	14.33	14
	City clerk	3	3	3	2.6	2.6	2.6	2.5	2.5	1.5	1.5
	Public information	2	2	2	2	2	2	2	2	2	2
	Information systems	8	9	9	8	8	10	9	9	9	9
	Property maintenance	2	2.5	2.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3
	Planning and zoning	20	19	19	18	18	18	17	19	19	19
	Parks & Trails	18	18	18	17	17	17	17	18	19	19
Public works	Sport recreation	5	2	2	2	2	2.5	2	1	1	1
	Admin	4	3.5	3.5	2.25	2.25	2.25	2	2	2	2
	Engineering	2.5	2.25	2.85	2.45	2.45	2.45	2.5	3.45	2.45	2.7
	Urban forestry	4	3.75	4	3	3	3	3	4	4	4
	Traffic services	7.5	7.5	7.5	7.5	7.5	7.5	7.3	7.34	7.34	7.67
	Animal services*	8	9	9	9	9	9.5	9			
Special revenue											
Police	Uniform	102	105	105	105	106	111.2	111.2	111.2	111.2	111.17
	Communication	12	12	13	13	13	13	13	6	6	6
	Clerical	17	17	16.1	16.8	14.8	9	9	16	16	16
	Animal Services *								9.5	9.5	9.5
Fire	Uniform	78	78	78	77	77	77	77	77	77	77
	Communication	2	2	2	2	2	2	2	2	2	2
	Clerical	2.5	2.5	2.4	1.4	1.4	1	1	1	1	1
Street and drainage		27	25	25	25	25	25	25	24	24	24
Court		13	15	16	16	16	16.5	18	19.5	19.5	17
Intracity transit		15	14	14	14	14	16	14	16	16	16
Enterprise funds	Water	39	39	38	40	40	40	40	40	40	41
	Wastewater	58	58.25	58	63	63	63	64	67	70	70
	Solid Waste	68	68	68	68.25	68.25	68.25	68.4	70.4	70.4	70.4
	Recycling center	3	3	3	3	3	3	3	3	3	3
	Stormwater	3	3	3	3	3	3	3	4	4	3.1
	Airport	11	11	11	11.1	11.1	11.1	12.1	12.1	12.1	12.1
	Parking	1	1	1	1	0.5	0.5	0	0.50	0.5	0.5
Internal service	Fleet	16	16	16	16	16	16	16	16	16	16
	Utility administration	31.5	31.25	29.65	40.85	41.35	41.35	40.3	42.08	42.08	41.08
CDBG Planning		2	1	1	0	0	0	0	0	0	0
Metropolitan Planning Organization (MPO)		1	1	1	0	0	0	0	0	0	0
Total		623	622	620	615	614.5	619	615.9	631.5	634.5	631.3

NOTES:

In 2010, 3 Police positions were suspended. They were approved for 105 positions but budgeted only 102.

In 2013, 14 positions in Utility Billing and Customer Service were moved from Finance to Utility Administration as a new department called Municipal Customer Operations.

*In 2017, the Animal Services Department began reporting to the Police department and the revenues and expenses for that function were moved to the Police fund.

This information is provided by the Human Resources Department of the City of Hot Springs.

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

Function/Program		Fiscal Year									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Community development:											
	New construction building permits issued	77	54	66	64	62	84	61	63	18	71
Parks:	Number of parks	18	18	18	18	18	18	18	20	20	20
	Acreage	201	201	201	201	215	215	215	218	218	218
Trails:	Number of miles (A)										
	Paved Trails								4.50	5.00	5.00
	Natural Surface								3.35	3.35	3.35
Public works:											
Engineering:	Floodplain reviews	103	43	57	74	66	81	62	63	67	59
	Work item requests (B)	64	101	131	156	607	827	2,157	1,715	2,462	2,543
Traffic:	Pavement markings (linear feet) on contract	243,469	252,572	245,273	174,290	240,722	235,359	178,341	153,000	335,353	158,477
	Signs installed/repared	2,012	1,170	967	946	926	515/283	182/173	413/190	348/280	183/215
Police:											
	Parking violations	3,007	2,951	2,502	1,546	1,684	1,167	1,823	1,866	1,759	772
	Traffic violations	15,813	13,816	10,406	7,879	9,611	16,329	7,039	7,267	5,591	5,064
	Physical Arrests	5,498	5,311	5,688	4,768	5,047	8,420	4,174	4,597	6,780	7,208
Animal services:	Animals in	2,759	2,588	2,302	2,132	2,030	2,448	1,999	1,962	1,802	1,852
	Animals adopted	509	455	527	565	542	646	487	537	551	580
	Animals reclaimed	262	239	235	199	256	272	243	265	195	198
Fire:											
	Calls answered	1,837	1,711	1,821	1,587	1,770	1,889	2,085	2,294	2,317	2,473
	Hydrants	1,800	1,825	1,825	1,883	1,925	2,006	2,099	2,114	2,136	2,180
Street/Engineering	Paving cuts	508	489	561	479	544	385	406	459	513	527
Intracity Transit:	Riders including transfers	200,099	206,593	198,603	185,117	164,355	175,908	144,606	177,749	163,416	168,628
Water:											
	Consumers (C)	33,606	36,036	81,211	81,924	89,632	90,603	91,169	91,769	92,196	90,487
	Average daily consumption	8,953,877	8,837,404	8,996,064	8,132,001	7,479,043	8,062,351	7,983,988	7,778,211	7,789,205	7,277,608
Wastewater:											
	Consumers (C)	25,255	25,408	61,969	61,969	67,394	67,915	68,292	68,830	69,308	68,636
	Miles of lines	665	686	677	681	690	696	705	708	710	710
Solid Waste:											
	Consumers	14,066	14,054	14,007	14,087	14,104	14,028	14,042	14,533	14,628	18,109
	Tons of recycled material	3,509	3,736	4,006	4,362	3,807	3,700	2,231	2,539	3,932	4,122
	Tons of residential and commercial garbage collected	39,279	39,091	38,682	38,581	49,089	41,897	42,386	42,151	43,401	43,490
Airport:	Aviation fuel and oil sales	\$ 2,087,177	\$ 2,494,056	\$ 2,662,518	\$ 2,056,235	\$ 1,888,476	\$ 1,426,666	\$ 1,219,175	\$ 1,303,852	\$ 1,724,002	\$ 1,700,376
Parking:	Parking meter revenue	\$ 148,316	\$ 131,762	\$ 131,791	\$ 122,751	\$ 96,060	\$ 81,630	\$ 87,195	\$ 95,975	\$ 95,622	\$ 94,518

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

(A) Trails added for 2017 CAFR.

(B) The use of a new system that combines work orders led to an apparent decrease in 2017.

(C) Prior to 2012 the numbers were reported based on number of water meters/bills; however, the Health Department uses a multiplier of 2.6 per household so starting in 2012 our numbers are adjusted accordingly.

(2) This information is provided by various departments of the City of Hot Springs.

City of Hot Springs, Arkansas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program		Fiscal Year									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Parks	Number of parks	18	18	18	18	18	18	18	20	20	20
	Playgrounds (A)	16	16	16	16	18	18	18	20	20	20
	Boat ramps (B)	4	4	4	4	4	4	4	5	5	5
Public works	Traffic signals	63	67	69	70	71	71	72	72	72	68
Police	Stations (C)	3	3	3	3	3	3	2	2	2	2
	Patrol units	111	122	127	128	126	134	134	132	132	131
	Animal services dog units	4	4	4	4	4	4	4	4	4	4
Fire	Stations	5	5	5	5	5	5	5	5	5	5
	Fire trucks	8	8	8	8	8	8	8	8	8	8
Street/Engineering	Miles of streets (D)	298	298	298	298	299	299	303	303	314	307
	Number of street lights (E)	5,556	5,552	5,556	5,186	5,198	5,227	5,246	5,258	5,277	5,298
Intracity Transit	Buses	8	8	8	8	8	8	6	6	6	5
	Vans/mini buses	6	6	4	5	5	4	6	5	5	4
Water	Water mains (miles)	865	868	874	877	884	896	904	910	914	919
	Storage capacity										
	(gallons in thousands)	15,600	15,600	19,061	19,061	15,600	15,600	15,600	15,600	15,600	15,600
Wastewater	Miles of lines	665	686	677	681	690	696	705	708	710	710
	Treatment capacity										
	(gallons per day)	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Solid Waste	Collection vehicles	25	25	25	25	25	25	25	25	25	25
	Transfer vehicles/trailers	20	21	21	21	21	21	21	21	21	21
	Equipment --										
	backhoe, loaders, bobcats	9	9	9	9	9	9	9	9	9	10
	Recycling vehicles/trailers	8	8	8	8	8	8	8	8	8	8
Airport	Square feet of hangar rentals (G)	216,825	216,825	225,895	225,895	225,895	225,895	238,335	238,335	238,335	238,335
Parking	Parking meters	572	572	571	572	300	300	300	300	300	300

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.

(2) This information is provided by various departments of the City of Hot Springs.

SINGLE AUDIT AND COMPLIANCE SECTION

ANNUAL TOM DANIEL CHILI COOKOFF



City of Hot Springs, Arkansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Bonds Payable 1/1/2019	Accrued Revenue Balances 1/1/2019	Cash Receipts	Principal Repayments/ Expenditures	Accrued Revenues/ Balances 12/31/2019	Passed Through To Subrecipients	Bonds Payable 12/31/2019
Awarding Agency - U. S. Department of Transportation								
Direct Program:								
Airport Improvement Program Cluster								
20.106	Airport Improvement Program (631) 3.05.0031.24.2016		7,085	40,144	38,844	5,785		
20.106	Airport Improvement Program (631) 3.05.0031.25.2017		217,187	672,593	626,331	170,925		
20.106	Airport Improvement Program (631) 3.05.0031.26.2018		243,030	1,794,812	1,795,053	243,271		
20.106	Airport Improvement Program (631) 3.05.0031.27.2019		-	24,171	37,575	13,404		
	Total Airport Improvement Program Cluster		467,302	2,531,720	2,497,803	433,385		
Highway Planning and Construction Cluster								
Pass-Through From:								
Arkansas Department of Transportation								
20.205	Highway 7 South Widening/Highway 290-Quachita River Bridge Utility Relocation (640 & 645) ArDOT Job #060432		286,423	342,838	56,415	-		
20.205	FAP TAPC Federal Highway Administration (314) ArDOT Job #61484		463,307	448,107	-	15,200		
20.205	Highway 7 North from the Gorge to Highway 5/7 Junction (640 & 645) ArDOT Job #061547		51,250	-	81,831	133,081		
20.205	Highway 7 South of Albright Road-Safety Improvements (645) ArDOT Job #061309		-	-	-	-		
20.205	Lakeside-Malvern Traffic Light (230) ArDOT Job #61574		-	250	250	-		
	Total Highway Planning and Construction Cluster		800,980	791,195	138,496	148,281		
State and Community Highway Safety Cluster								
Pass-Through From:								
Arkansas State Police Highway Safety Office								
20.600	Selective Traffic Enforcement (372) OP-2019-02-02-14, SE-2019-01-01-14, MSX-2019-06-06-14, DD-2019-02-02-14		8,311	31,219	22,908	-		
20.600	Selective Traffic Enforcement (372) OP-2020-02-02-13, SE-2020-01-01-13, MSX-2020-06-06-13, DD-2020-02-02-13		-	-	5,374	5,374		
	Total Selective Traffic Enforcement		8,311	31,219	28,282	5,374		
Pass-Through From:								
Arkansas State Police Highway Safety Office								
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) MSCS-2019-13-13-02		3,600	13,865	10,261	(4)		
20.601	Alcohol & Impaired Driving Countermeasures Program/Court (225) MSCS-2020-13-13-02		-	-	120	120		
	Total Alcohol and Impaired Driving Countermeasures Program		3,600	13,865	10,381	116		
	Total State and Community Highway Safety Cluster		11,911	45,084	38,663	5,490		
Direct Program:								
Federal Transit and Formula Grants Cluster								
20.507	Intracity Transit System Section 1B (382) AR-90-X153 2017		45,378	92,963	47,585	-		
20.507	Intracity Transit System Section 1B (382) AR-90-X158 2018		65,863	666,206	600,343	-		
20.507	Intracity Transit System Section 1B (382) AR-90-X168 2019		-	115,718	184,976	69,258		
20.507	Intracity Transit System Section 1B (382) AR-90-X163 2019 Malvern Ave		-	-	-	-		
20.507	Intracity Transit System Section 1B (382) AR-90-2020		-	-	-	-		
	Total Federal Transit and Formula Grants Cluster		111,241	874,887	832,904	69,258		
	Total U. S. Department of Transportation		1,391,434	4,242,886	3,507,866	656,414		
Awarding Agency - U.S. Department of Interior								
Pass-Through From:								
Department of Arkansas Heritage								
15.904	Historic Preservation Fund Grants-In-Aid (346) 18-CLG-07		6,578	8,163	1,585	-		
	Total U. S. Department of Interior		6,578	8,163	1,585	-		
Awarding Agency - Federal Emergency Management Agency								
Direct Program:								
97.044	Assistance to Fire Fighters Grant-AFG (347) EMW-2017-FO-05524		-	159,592	159,592	-		
97.044	Assistance to Fire Fighters Grant-AFG (347) 2018-F7-C111-P4310000-4101-D		-	-	-	-		
	Total Federal Emergency Management Agency		-	159,592	159,592	-		
Awarding Agency - Drug Enforcement Administration								
Direct Program:								
16.922	Equitable Sharing Program (231)		-	2,250	2,250	-		
	Total Drug Enforcement Administration		-	2,250	2,250	-		
Awarding Agency - Department of the Interior National Park Service								
Pass-Through From:								
Federal Lands Access Program								
15.916	Outdoor Recreation, Acquisition, Development and Planning-Eastern FLAP Project (236) Wayfinding Signage 61577		-	46,230	72,306	26,076		
	Total Department of the Interior National Park Service		-	46,230	72,306	26,076		

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, 2019

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Bonds Payable 1/1/2019	Accrued Revenue Balances 1/1/2019	Cash Receipts	Principal Repayments/ Expenditures	Accrued Revenues/ Balances 12/31/2019	Passed Through To Subrecipients	Bonds Payable 12/31/2019
Awarding Agency - U.S. Department of Justice								
Direct Programs:								
16.607	Bullet Proof Vest Partnership (371)		3,054	15,179	15,245	3,120		
<i>Edward Byrne Memorial Justice Assistance Program Cluster</i>								
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2017-DJ-BX-0310		-	-	-	-		
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2018-DJ-BX-0763		-	17,844	17,564	(280)		
16.738	Edward Byrne Memorial Justice Assistance JAG (376) 2019-DJ-BX-0446		-	-	-	-		
	<i>Total Edward Byrne Memorial Justice Assistance Program Cluster</i>		-	17,844	17,564	(280)		
Total U. S. Department of Justice			3,054	33,022	32,809	2,840		
Awarding Agency - U.S. Department of Housing and Urban Development								
Direct Program:								
<i>Community Development Block Grants/Entitlement Grants Cluster</i>								
14.218	Community Development Block Grants/Entitlement Grants (390) FY2014 B-14-MC-05-0014		-	21,691	22,821	1,130		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2015 B-15-MC-05-0014		-	-	529	529		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2016 B-16-MC-05-0014		-	8,357	15,357	7,000		
14.218	Community Development Block Grants/Entitlement Grants (390) FY2017 B-17-MC-05-0014		20,283	55,502	126,730	91,512	382	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2018 B-18-MC-05-0014		3,307	193,283	243,070	53,094	75,896	
14.218	Community Development Block Grants/Entitlement Grants (390) FY2019 B-19-MC-05-0014		-	33,245	62,268	29,023	3,740	
	<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>		23,590	312,077	470,775	182,288	80,018	
Total U.S. Department of Housing and Urban Development			23,590	312,077	470,775	1,182,288	80,018	
Awarding Agency - U.S. Department of Homeland Security								
Pass-Through From:								
West Central Arkansas Planning and Development District								
97.029	FEMA FMA Grant (318) FMA-PJ-06-AR-2017-001 (EMT-2018-FM-E003 (0))		-	24,575	48,583	24,008		
Total U. S. Department of Homeland Security			-	24,575	48,583	24,008		
Awarding Agency - U.S. Environmental Protection Agency								
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	4,322,936			249,796			4,073,140
	<i>Total Capitalization Grants for Drinking Water State Revolving Funds Cluster</i>	4,322,936	-	-	249,796	-	-	4,073,140
Total U.S. Environmental Protection Agency		4,322,936	-	-	249,796	-	-	4,073,140
Total Federal Awards		\$ 4,322,936	\$ 1,424,656	\$ 4,828,794	\$ 4,545,562	\$ 891,628	\$ 80,018	\$ 4,073,140

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, 2019

State Grantor/Program Title	Bonds	Accrued		Principal	Accrued			
	Payable	Revenue	Cash	Repayments/	Revenues/			
	1/1/2019	Balances	Receipts	Expenditures	Balances			
12/31/2019								
Awarding Agency - Arkansas General Assembly								
Parks Grants (331) GIF David F Watkins Park WCAPDD #15-1-013 Outdoors Rec #A-10765-19-GA		(42)	6,679	11,096	4,375			
Awarding Agency - Arkansas Department of Parks & Tourism								
Parks Grants (313) Northwoods Urban Forest Park			-	-				
Awarding Agency - Arkansas Aeronautics Department								
Airport Improvement Program (631) 3.05.0031.24.2016		7,928	-	2,046	9,974			
Airport Improvement Program (631) 3.05.0031.25.2017		82,886	-	32,972	115,858			
Airport Improvement Program (631) 3.05.0031.26.2018		12,792	-	94,486	107,278			
Airport Improvement Program (631) 3.05.0031.27.2019		-	-	1,979	1,979			
Awarding Agency - Arkansas Department of Transportation								
Selective Traffic Enforcement (372) Child Safety Seats/State Hwy Safety Program-2019		-	2,000	2,000	-			
Highway 270 West Widening (640 & 645) ArDOT Job #CA0607/Connecting Arkansas Program		59,069	-	83	59,152			
Awarding Agency - Arkansas Forestry Commission								
Arkansas Forests and Drinking Water Partnership (640) #E19-11		-	4,100	4,100	-			
Total State Awards	\$	162,634	\$	12,780	\$	148,761	\$	298,615

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

City of Hot Springs, Arkansas
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2019

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.

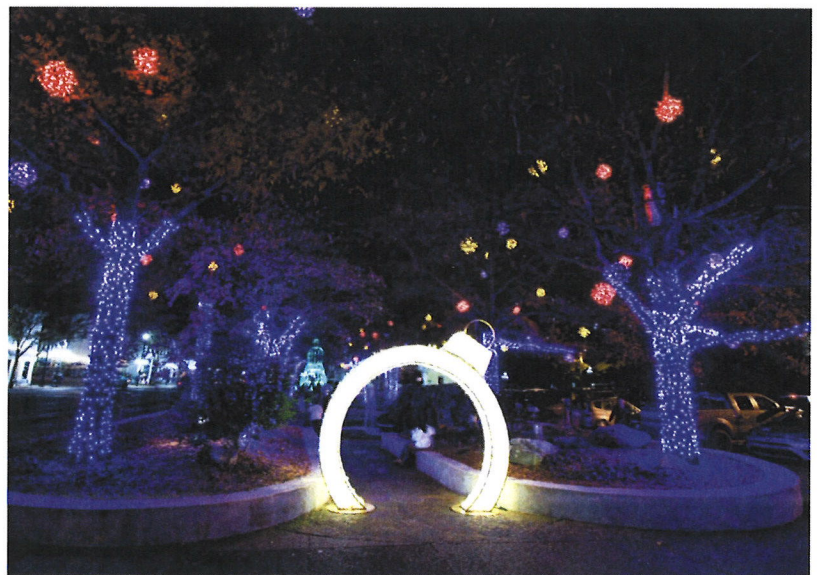
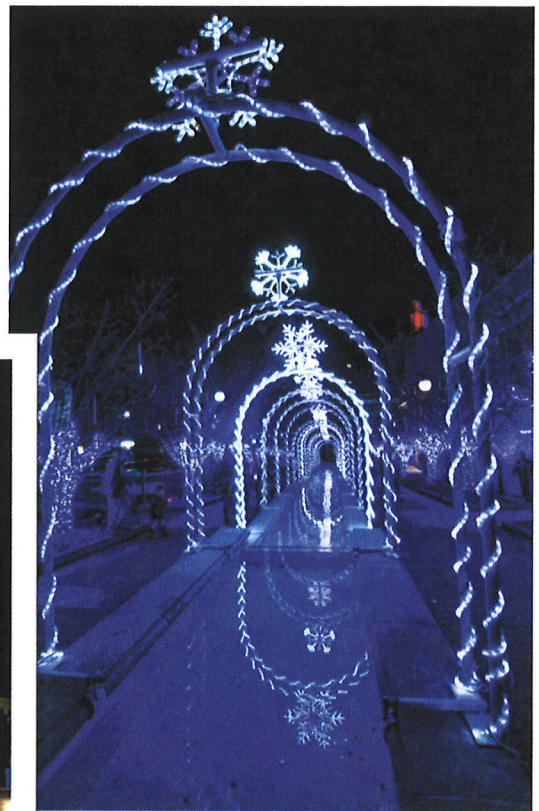
Preparations of Schedules of Federal and State Awards. The schedules have been prepared using the basis of accounting described in the preceding paragraph.

Note 2: Federal Awards – During the year ended December 31, 2019, 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.

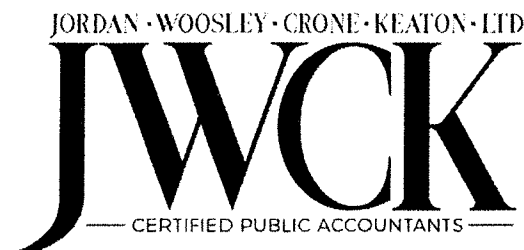
The grant funds are administered and controlled through the respective departments of the City. The City accounts for the funds in accordance with governmental, generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The balances remaining in grant funds as of December 31, 2019, represent funds expended for authorized grant purposes and not yet received (accrued revenue).

Note 3: State Awards – During the year ended December 31, 2019, in addition to federal financial assistance, the State financial assistance programs are accounted for under the same accounting principles as described above.

DOWNTOWN CHRISTMAS LIGHTS



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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2019, 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 June 26, 2020. Our report includes a reference to other auditors who audited the financial statements of the discretely present component unit, as described in our report on the city of Hot Springs, Arkansas' financial statements. The financial statements of the discretely presented component unit, were not audited in accordance with government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hot Springs, Arkansas' internal control over financial reporting (internal control) to determine the 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*

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deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hot Springs, Arkansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

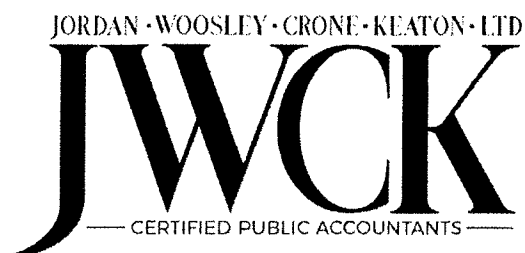
Purpose of this Report⁵

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JWCK, Ltd

Certified Public Accountants
Hot Springs, Arkansas

June 26, 2020



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hot Springs, Arkansas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Hot Springs, Arkansas' major federal programs for the year ended December 31, 2019. The City of Hot Springs, Arkansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hot Springs, Arkansas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hot Springs, Arkansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hot Springs, Arkansas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hot Springs, Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the City of Hot Springs, Arkansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hot Springs, Arkansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hot Springs, Arkansas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

JWCK, Ltd

Certified Public Accountants
Hot Springs, Arkansas

June 26, 2020

City of Hot Springs, Arkansas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

A. Summary of Auditor's Results

1. The independent auditor's report expresses an unmodified opinion on whether the basic financial statements of the City of Hot Springs, Arkansas were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditors report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Hot Springs, Arkansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditors report on compliance for each major program and on internal control over compliance required by 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>	
U. S. Dept. of Transportation	20.507	Federal Transit Formula Grants Cluster
U.S. Dept. of Transportation	20.106	Airport Improvement Program

8. The threshold used for distinguishing Type A and B programs was \$750,000.
9. The City of Hot Springs, Arkansas was determined not to be a low-risk auditee.

B. Findings - Financial Statement Audit: None

C. Federal Awards Findings and Questioned Costs: None

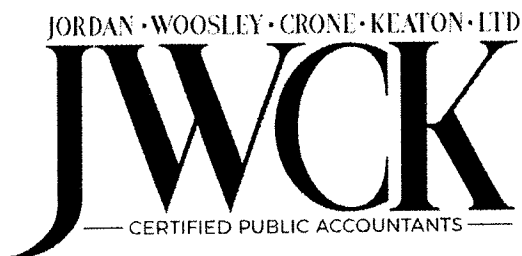
City of Hot Springs, Arkansas
SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
For the Year Ended December 31, 2018

Audit Finding Number: 2018-1

CFDA Number and Name: 20.205 U.S. Dept. of Transportation Highway Planning and Construction

Status: Corrected

The City has instituted a policy that prior to commencement of a project, a joint planning session will be held to assure that there is an accounting plan for the project, and the revenue and expenditures are correctly mapped.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CERTAIN STATE ACTS

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

We have examined management's assertions that the City of Hot Springs, Arkansas, complied with the requirements of Arkansas Code Annotation § 14-58-101 and the following Arkansas statutes during the year ended December 31, 2019:

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, 2019.

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

JWCK, Ltd

Certified Public Accountants
June 26, 2020

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