

Annual Comprehensive Financial **REPORT** 2023

For the Fiscal Year ended December 31, 2023





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Annual Comprehensive Financial Report Year Ended December 31, 2023

**Prepared by the
City of Fort Smith, Arkansas
Finance Department**

City Board of Directors
George B. McGill, Mayor

Jarred Rego
Andre' Good
Lavon Morton
George Catsavis
Christina Catsavis
Kevin Settle
Neal Martin

City Administrator
Carl Geffken





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Introductory Section





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July 22, 2024

To the Honorable Mayor, Members of the Board of Directors, and Citizens of the City of Fort Smith, Arkansas:

Arkansas law allows cities to choose to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The City has exercised this option. Accordingly, we hereby issue the Annual Comprehensive Financial Report of the City of Fort Smith for the fiscal year ended December 31, 2023.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Forvis Mazars, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2023, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Forvis Mazars concluded, based upon the audit, that there was a reasonable basis for rendering unmodified ("clean") opinions on the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information that collectively comprise the City's basic financial statements as of and for the fiscal year ended December 31, 2023. The independent auditor's report is presented as the first component of the financial section of this report.

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The independent audit of the City's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports have been issued separately.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report in the financial section of this document.

Profile of the City

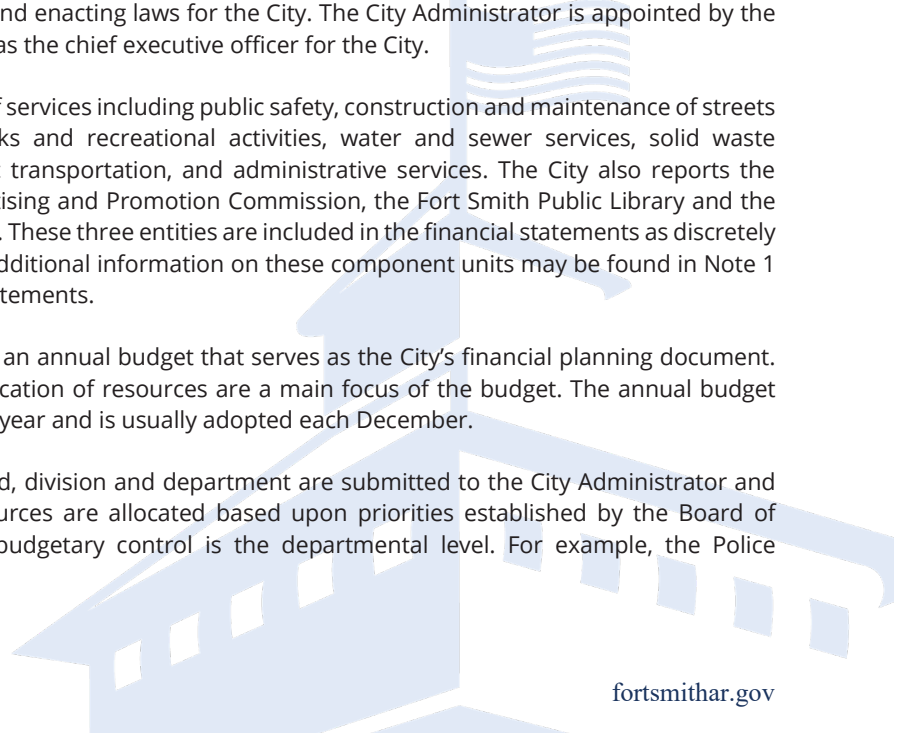
Fort Smith is located in western Arkansas on the border of Oklahoma and is the third largest city in the state. The City was incorporated in 1842 and is the county seat for Sebastian County. Fort Smith is 159 miles west of Little Rock and 145 miles southeast of Tulsa, Oklahoma. The City serves as the central focus for a six-county economic and trade region in the west central area of Arkansas and the east central area of Oklahoma. The City encompasses 68 square miles and has a population of approximately 90,000. The City is empowered by state statutes to levy real and personal property taxes within its limits and extend the corporate limit by annexation, which occurs periodically when deemed appropriate by the Board of Directors. State statutes also allow the City to levy local sales and use taxes.

Since 1967, the City has operated as a City Administrator form of government. The Mayor and the Board of Directors are elected to staggered, four-year terms. The Mayor and three directors are elected at large and the remaining four directors are elected in representative wards of the City. The Board of Directors is charged with setting policy and enacting laws for the City. The City Administrator is appointed by the Board of Directors and serves as the chief executive officer for the City.

The City provides a full range of services including public safety, construction and maintenance of streets and other infrastructure, parks and recreational activities, water and sewer services, solid waste collection and disposal, public transportation, and administrative services. The City also reports the financial activity for the Advertising and Promotion Commission, the Fort Smith Public Library and the Fort Smith Airport Commission. These three entities are included in the financial statements as discretely presented component units. Additional information on these component units may be found in Note 1 in the notes to the financial statements.

The Board of Directors adopts an annual budget that serves as the City's financial planning document. Control overspending and allocation of resources are a main focus of the budget. The annual budget process begins in June of each year and is usually adopted each December.

Appropriation requests by fund, division and department are submitted to the City Administrator and the Director of Finance. Resources are allocated based upon priorities established by the Board of Directors. The legal level of budgetary control is the departmental level. For example, the Police



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Department is reported as a Public Safety (division) expenditure in the General Fund budget to actual statements located in the required supplementary information in the financial section of this report. The City Administrator is authorized to transfer appropriated amounts within individual funds. However, additional appropriations during the year require approval by the Board of Directors.

Factors Affecting Financial Condition

The information presented in the financial statements may be better understood when considered from a broader perspective of the environment within which Fort Smith's municipal government operates.

Local Economy. Total sales tax revenue in 2023 increased 4% over 2022 revenue. This was compared to an 8% increase in 2022 over 2021. The local economy's growth is positive.

Fort Smith voters approved two sales tax extensions in May 2022. The two sales tax extensions will pay for federally mandated sewer system improvements, a 23.87% pay increase to all police, fire department needs and future park improvements.

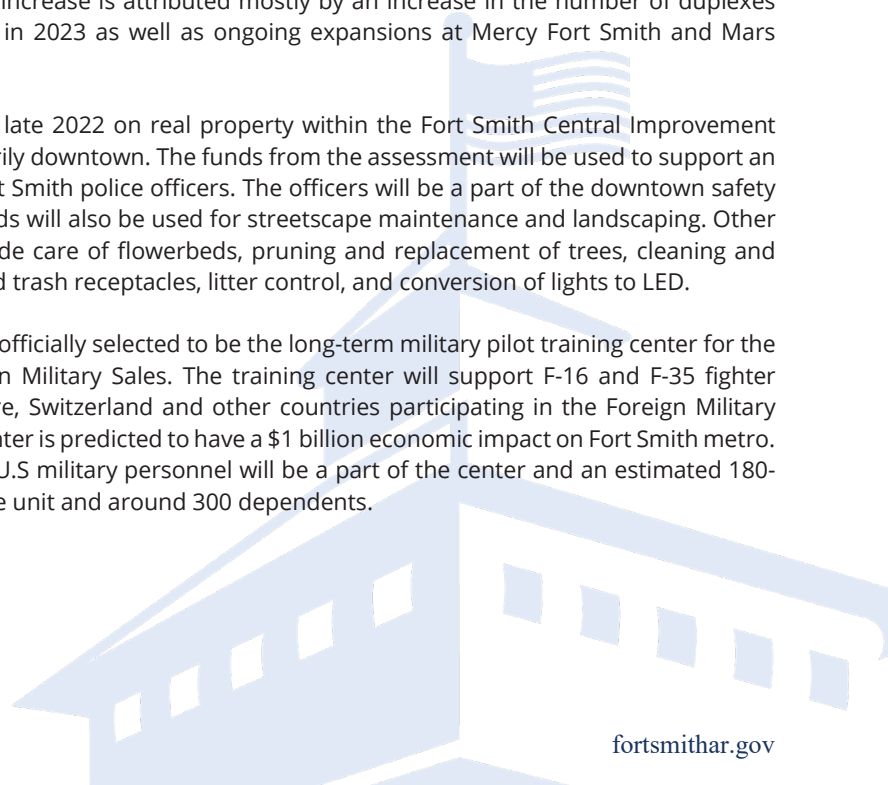
The tax package is expected to raise more than \$210 million in the eight-year extension.

The City has seen significant industrial and residential development. Several major companies have long-standing and growing interests in the region, including OK Foods, Kraft-Planters, ABB Ltd., Umarex USA, Phoenix Metals, Mars Petcare, ArcBest, PRADCO Outdoor Brands, Graphic Packaging, Owens Corning, Nestle and Georgia-Pacific Dixie Products.

Fort Smith building permits increased 22.8%. Building permits totaled \$442.9 million in 2023 compared to \$360.4 million in 2022. The increase is attributed mostly by an increase in the number of duplexes and single-family homes built in 2023 as well as ongoing expansions at Mercy Fort Smith and Mars Petcare.

An assessment was passed in late 2022 on real property within the Fort Smith Central Improvement Business District (CBID), primarily downtown. The funds from the assessment will be used to support an ambassador program with Fort Smith police officers. The officers will be a part of the downtown safety and security program. The funds will also be used for streetscape maintenance and landscaping. Other uses for the funds could include care of flowerbeds, pruning and replacement of trees, cleaning and repairs to benches, lighting and trash receptacles, litter control, and conversion of lights to LED.

In March 2023, Fort Smith was officially selected to be the long-term military pilot training center for the United States Military's Foreign Military Sales. The training center will support F-16 and F-35 fighter planes purchased by Singapore, Switzerland and other countries participating in the Foreign Military Sales program. The training center is predicted to have a \$1 billion economic impact on Fort Smith metro. It has been reported that 345 U.S military personnel will be a part of the center and an estimated 180-plus members of the Singapore unit and around 300 dependents.



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A world-class facility on the banks of the Arkansas River - The United States Marshals Museum, opened July 1, 2023. Fort Smith was selected by the United States Marshals Service as the permanent home for its national museum in 2007.

Fort Smith is the home of a newly formed baseball team in the Mid-America League, a Professional Baseball Development League. The Fort Smith Marshals celebrated their inaugural opening night May 23, 2024.

Various works are being completed at the public parks citywide. More trails are being built throughout the City. The bathhouse at Creekmore Park will be demolished and rebuilt in 2024. The City acquired several properties in 2023 including the former Acme Brick Yard which will be a nice addition to the City's park properties.

A former restaurant property was purchased in November 2023. This property will be remodeled and will become a dedicated 911 call center. Funding for this project will be shared with Sebastian County.

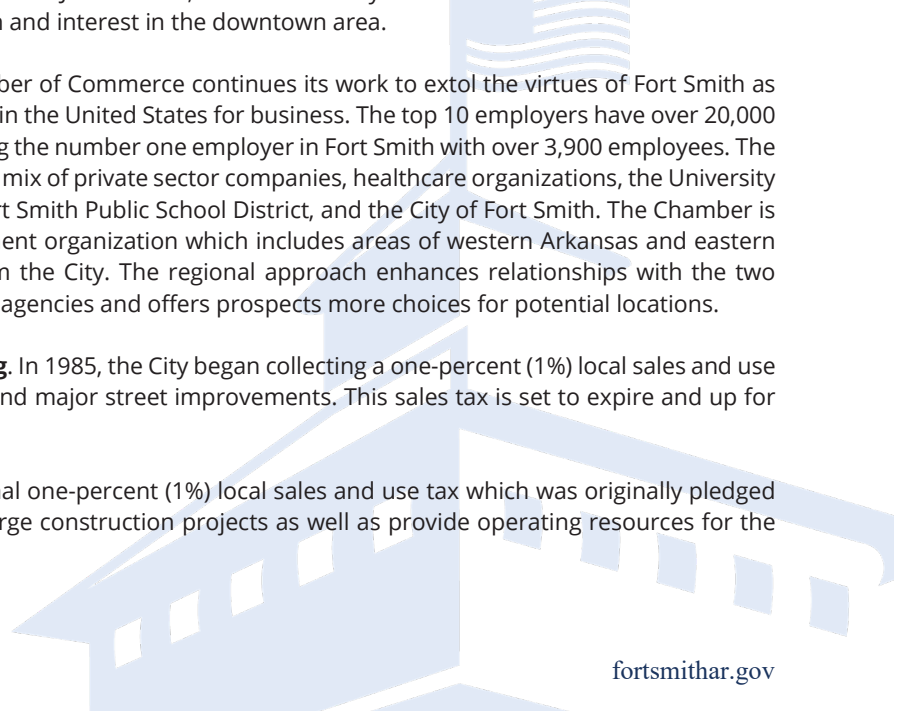
In December 2023, the City acquired 10.7 acres of land with a 10,000 square foot facility equipped for servicing vehicles and equipment. The surrounding land will be used for equipment training and testing.

Downtown Fort Smith continues to experience a revitalization by creating sustainable downtown growth through increased residential and commercial spaces, walkability, and more entertainment and cultural amenities. The City is participating in the Main Street Arkansas Program. The program was established to help cities and towns develop a public-private effort to revitalize urban neighborhoods and traditional central business district commercial areas. The Arkansas Department of Transportation and the City approved a joint project for the complete rehabilitation of all of Towson Avenue including a streetscape project. Several other streetscape projects and private investments in office, residential, and commercial redevelopment, is representative of the successful resurgence of the downtown area. Additionally, the Unexpected Arts Festival, Riverfront Jazz Festival, Steel Horse Rally and Peacemaker Music Festivals are all encouraging signs of growth and interest in the downtown area.

The Fort Smith Regional Chamber of Commerce continues its work to extol the virtues of Fort Smith as the fourth lowest cost location in the United States for business. The top 10 employers have over 20,000 employees with OK Foods being the number one employer in Fort Smith with over 3,900 employees. The top 10 employers are a healthy mix of private sector companies, healthcare organizations, the University of Arkansas-Fort Smith, the Fort Smith Public School District, and the City of Fort Smith. The Chamber is a regional economic development organization which includes areas of western Arkansas and eastern Oklahoma up to 30 miles from the City. The regional approach enhances relationships with the two states' economic development agencies and offers prospects more choices for potential locations.

Long-Term Financial Planning. In 1985, the City began collecting a one-percent (1%) local sales and use tax to fund its neighborhood and major street improvements. This sales tax is set to expire and up for renewal in 2024.

The City also levies an additional one-percent (1%) local sales and use tax which was originally pledged to redeem bonds issued for large construction projects as well as provide operating resources for the



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fire and parks departments. Three-fourths of the existing 1% local sales tax supported the now retired 2012 and 2014 bonds. The remaining ¼% of the tax assessment is used to provide operating and capital costs for the fire department and the parks department. All outstanding bonds were called and paid in full September 2022. Due to state laws regarding sales and use taxes, collections continued through the end of the year resulting in \$14.6 million, including earned interest, in sales and use tax revenues beyond the amount required to pay off the outstanding bonds. The excess sales tax can be used for any lawful purpose and in 2022 management assigned the remaining fund balance for use on capital projects. In 2023, the City Board of Directors voted to allocate \$4 million of the excess sales tax collections specifically to parks and recreation capital improvements with the remaining amounts allocated to water and sewer capital improvements.

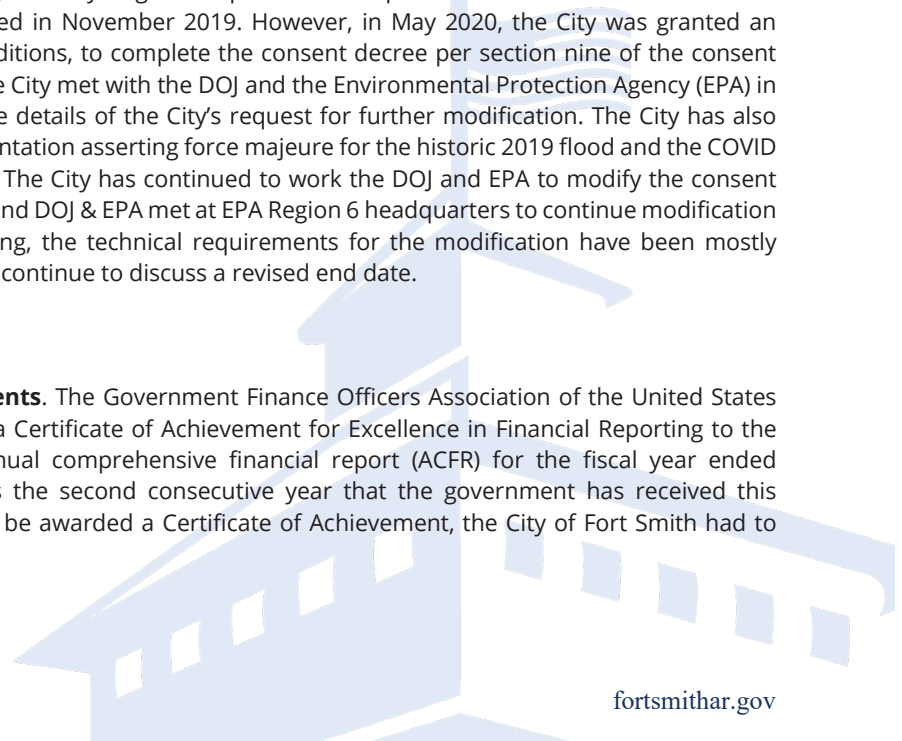
In May 2022, Fort Smith voters voted to extend the 1% sales tax to 2030 with rededicated purposes. One quarter percent of this sales tax is allocated to the fire department and the parks and recreation department evenly. The remaining ¾% will be allocated 83.3% to federal consent decree work on the city's sewer system and 16.7% will be allocated to the police department.

The City's comprehensive plan includes development and planning in and around Fort Smith. Local developers of planned residential areas outside the City limits continue to request City services. This may provide for future annexation that would increase the City's tax base. The comprehensive plan was updated at the end of 2019. Annual updates to the implementation of the Comprehensive Plan are provided to the Implementation Committee each year.

In January 2015, the City entered a 12-year consent decree with the Department of Justice (DOJ) regarding dry and wet weather sanitary system overflows requiring sewer rehabilitation and improvements. In May 2015, the Board of Directors approved multi-year sewer rate increases to provide funding for some of the required projects and upgrades to the sewer system. The cumulative rate increase was 167%. Beginning in September 2016, the City began the process to request a modification to the consent decree. The request was denied in November 2019. However, in May 2020, the City was granted an additional five-years, with conditions, to complete the consent decree per section nine of the consent decree. In September 2020, the City met with the DOJ and the Environmental Protection Agency (EPA) in Washington D.C. to discuss the details of the City's request for further modification. The City has also provided DOJ and EPA documentation asserting force majeure for the historic 2019 flood and the COVID pandemic, which was denied. The City has continued to work the DOJ and EPA to modify the consent decree. In April 2022, the City and DOJ & EPA met at EPA Region 6 headquarters to continue modification discussions. Since that meeting, the technical requirements for the modification have been mostly settled. DOJ, EPA, and the City continue to discuss a revised end date.

Other Information

Awards and Acknowledgements. 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 Fort Smith for its annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2022. This was the second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City of Fort Smith had to



publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the annual report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We also acknowledge the thorough and professional way the annual audit was conducted and assistance with the annual report production by Forvis Mazars. In closing, we acknowledge the contributions of the Mayor, Board of Directors, and the Audit Advisory Committee members who have consistently supported the City's goal of excellence in all aspects of financial management and reporting. Their encouragement and support is greatly appreciated.

Respectfully submitted,



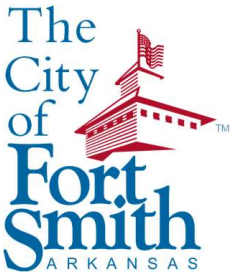
Carl Geffken
City Administrator



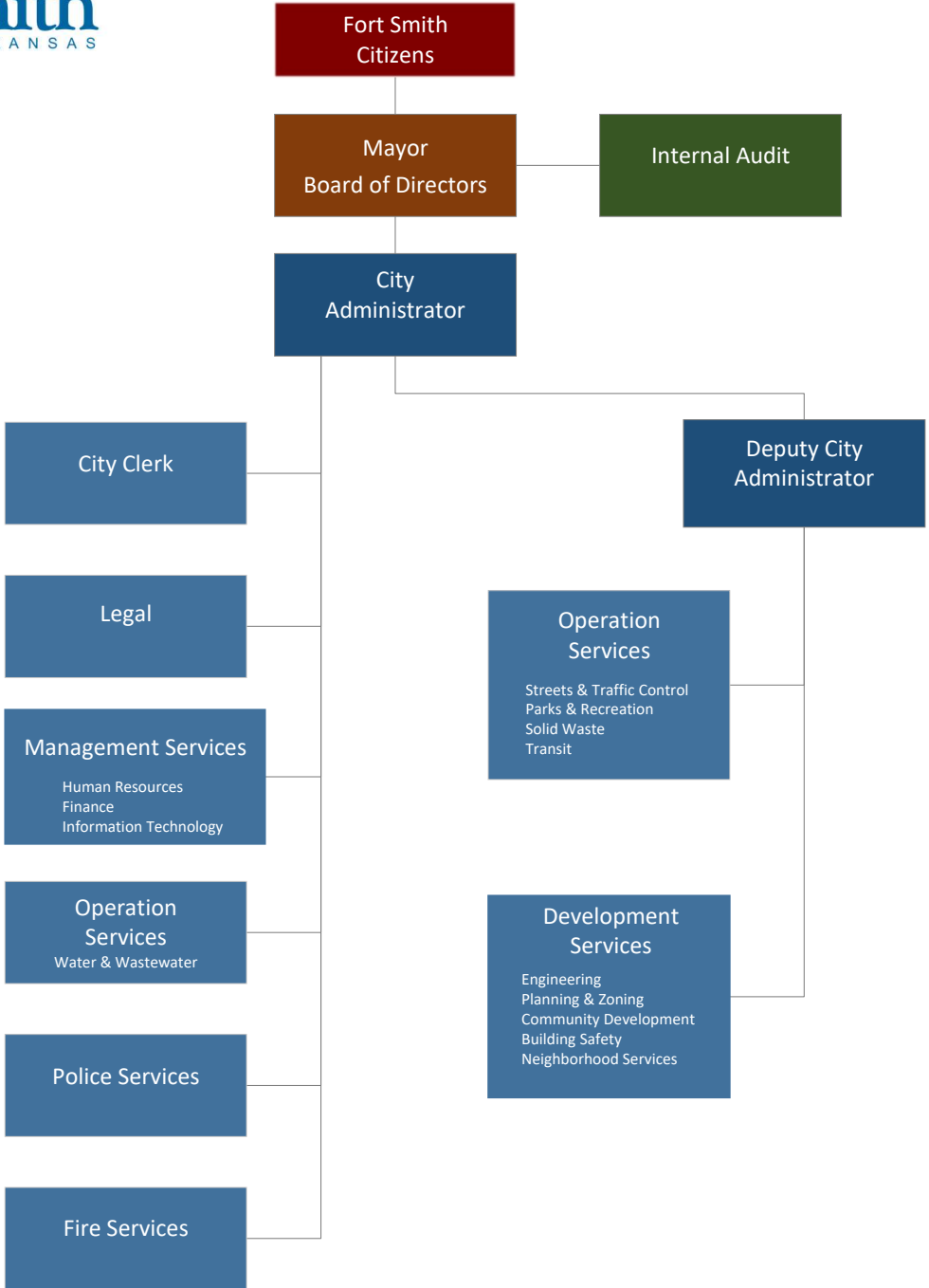
Andrew Richards
Chief Financial Officer



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City of Fort Smith Organizational Structure



**List of Elected and Appointed Officials
December 31, 2023**

Elected Officials

| | |
|----------------------------|--------------------|
| Mayor | George B. McGill |
| Director-Ward 1/Vice Mayor | Jarred Rego |
| Director-Ward 2 | Andre' Good |
| Director-Ward 3 | Lavon Morton |
| Director-Ward 4 | George Catsavis |
| Director at Large | Christina Catsavis |
| Director at Large | Kevin Settle |
| Director at Large | Neal Martin |
| District Court Judge | Sam Terry |
| District Court Judge | Amy Grimes |
| District Court Judge | Wendy Sharum |

Appointed Officials

| | |
|-----------------------------|-------------------------|
| City Administrator | Carl Geffken |
| Deputy City Administrator | Jeff Dingman |
| Advertising and Promotion | Ashleigh Bachert |
| Airport | Michael Griffin |
| City Clerk | Sherri Gard |
| Development/Planning | Maggie Rice |
| District Court | Rachel Sims |
| Engineering | Stan Snodgrass |
| Finance | Andrew Richards |
| Fire | Boyd Waters, Fire Chief |
| Human Resources | Rick Lolley |
| Information and Technology | James Gentry |
| Internal Audit | Tracey Shockley |
| Library | Jennifer Goodson |
| Parks and Recreation | Sara Deuster, Interim |
| Police | Danny Baker |
| Solid Waste | Nicole Riley |
| Streets and Traffic Control | Matt Meeker |
| Transit | Ken Savage |
| Utilities (Water & Sewer) | Lance McAvoy |



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fort Smith
Arkansas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO



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Financial Section



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Independent Auditor's Report

The Honorable Mayor and Board of Directors
City of Fort Smith, Arkansas
Fort Smith, Arkansas

Report on the Audit of the Financial Statements

Opinions

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

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

We did not audit the financial statements of the Fort Smith Public Library, a discretely presented component unit of the City of Fort Smith, Arkansas, which represent 12%, 12% and 43% of the assets, net position and revenues, respectively, of the aggregate discretely presented component units as of December 31, 2023. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fort Smith Public Library, is based solely on the report of the other auditor.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Fort Smith, Arkansas
July 22, 2024**



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Management's Discussion and Analysis December 31, 2023

The following discussion and analysis of the City of Fort Smith's financial performance provides a narrative overview and analysis of its financial activities for the year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 11-16 of this report.

Financial Highlights

- Primary Government total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of 2023 by \$1.0 billion (net position). Of this amount, \$858.0 million was invested in capital assets, net of related debt; \$90.1 million was restricted for debt service; police, fire and park and recreation improvements; construction projects for streets, bridges and drainage, and sewer consent decree improvements; and other purposes. The component of net position unrestricted and available for meeting the City's emergency and unexpected obligations was \$67.2 million. The City's governmental activities have an unrestricted net position (deficit) of (\$10.8) million. The unrestricted net position of the governmental activities is negative due to \$82.2 million in net pension liabilities at year-end. The City's business-type activities have an unrestricted net position of \$78.0 million.
- The City's total net position increased by \$52.4 million in 2023. Net position of the governmental activities increased by \$21.0 million in 2023 compared to a net increase of \$56.9 million in 2022. The City's net position of the business-type activities increased by \$31.4 million in 2023 compared to a net increase of \$10.6 million in 2022.
- At the end of 2023, the City's governmental funds reported combined ending fund balances of \$133.8 million, an increase of \$17.6 million from the prior year. The restricted portion of the fund balances is \$65.0 million. The remaining fund balances are classified as nonspendable of \$0.3 million; assigned of \$9.7 million; and unassigned of \$41.2 million.
- At the end of 2023, the unassigned fund balance for the General Fund was \$41.2 million or 65.1% of total General Fund expenditures and transfers out. There was a decrease of \$0.6 million in total general fund balance between years.
- The City's total bonded indebtedness decreased (\$9.6) million during the current year to \$185.6 million.
- The City's governmental discretely presented component units reported a net position of \$13.1 million at December 31, 2023 which was \$2.6 million for 2022.
- The City's business-type component units reported a net position of \$84.6 million at December 31, 2023 which was a \$12.7 million increase from 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and 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 private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community service, and debt service. The business-type activities of the City include the water and sewer system and the solid waste disposal system.

The government-wide financial statements include not only the City itself (known as the primary government), but also, the following legally separate entities for which the City is financially accountable:

- Fort Smith Public Library
- Advertising and Promotion Commission
- Airport Commission
- Central Business Improvement District

Financial information for three of these *component units* are reported separately from the financial information presented for the primary government itself. The Central Business Improvement District, although also legally separate, provides services entirely to the City, and therefore has been included as an integral part of the primary government

The government-wide financial statements can be found on pages 38-41 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, 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 governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower 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 may better understand the long-term impact of the government'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 maintains 10 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, Street Maintenance Fund, Sales Tax Fund, LOPFI Contribution Fund, the Special Grants Fund and the Sales and Use Tax Bond Fund that are considered to be major funds. Data from the other four (4) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 42-46 of this report.

Proprietary funds. The City maintains two different types of proprietary 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 and sewer system, solid waste system and parking operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions for fuel and duplicating services, medical, dental and life insurance benefits, and workers' compensation claims. The services provided by the internal service funds predominantly benefit the governmental rather than the business-type functions. They have been allocated between the *governmental activities* and the *business type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Solid Waste Fund, both of which are considered to be major funds of the City and for the Parking Fund, the City's nonmajor proprietary fund. The Working Capital, Employee Insurance and Workers' Compensation Funds are the City's internal service funds and are reported in a single aggregated presentation.

The basic proprietary fund financial statements can be found on pages 48-53 of this report.

Fiduciary fund. The City maintains a fiduciary fund for its OPEB plan trust that is held for the purpose of providing future medical claims of retirees that become participants. The plan trust is an irrevocable trust entered into by the City for benefit of its participants.

The fiduciary fund financial statements can be found on pages 54-55 of this report.

Notes to basic 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 basic financial statements can be found on pages 54-118 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's General Fund budget, the City's Street Maintenance Fund budget and pension and other postemployment benefit information as listed in the table of contents. The City adopts an annual appropriation budget for its General Fund and its Street Maintenance Fund. Budgetary comparison schedules have been provided for the General Fund and the Street Maintenance Fund to demonstrate compliance with the annual budgets. *Required supplementary information* can be found on pages 120-134 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 137-150 of this report.

Government-Wide Financial Analysis

Net Position*

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|----------------|--------------------------|----------------|------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$168,605,570 | \$ 160,045,518 | \$ 131,714,690 | \$ 119,652,826 | \$ 300,320,260 | \$ 279,698,344 |
| Capital assets | 454,136,741 | 444,632,806 | 586,777,170 | 579,800,057 | 1,040,913,911 | 1,024,432,863 |
| Total assets | 622,742,311 | 604,678,324 | 718,491,860 | 699,452,883 | 1,341,234,171 | 1,304,131,207 |
| Total deferred outflows of resources | 26,381,509 | 12,384,251 | 3,338,906 | 2,530,253 | 29,720,415 | 14,914,504 |
| Long-term liabilities | 102,242,848 | 69,970,630 | 214,870,682 | 223,402,120 | 317,113,530 | 293,372,750 |
| Other liabilities | 12,714,177 | 21,646,692 | 8,963,368 | 10,862,840 | 21,677,545 | 32,509,532 |
| Total liabilities | 114,957,025 | 91,617,322 | 223,834,050 | 234,264,960 | 338,791,075 | 325,882,282 |
| Total deferred inflows of resources | 13,040,730 | 25,339,765 | 3,837,756 | 4,910,323 | 16,878,486 | 30,250,088 |
| Net position: | | | | | | |
| Net investment in capital assets | 449,591,689 | 439,594,966 | 408,450,858 | 391,727,322 | 858,042,548 | 831,322,288 |
| Restricted | 82,379,703 | 57,798,315 | 7,696,850 | 7,307,845 | 90,076,553 | 65,106,160 |
| Unrestricted (Deficit) | (10,845,327) | 2,712,207 | 78,011,252 | 63,772,686 | 67,165,925 | 66,484,893 |
| Total net position | \$521,126,065 | \$ 500,105,488 | \$ 494,158,960 | \$ 462,807,853 | \$ 1,015,285,025 | \$ 962,913,341 |

*-2022 information has not been restated for the adoption of GASB 96.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.0 billion at the close of 2023.

The largest portion of the City's net position \$858.0 million or 84.5% reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8.9%) represents resources that are subject to restrictions as to how they may be used. Of the total \$90.1 million restricted net position, \$7.2 million is restricted for bond retirement, \$52.2 million is restricted for construction projects, \$431.3 thousand is restricted for police and fire retirement contribution, \$0.2 million is restricted for parks and recreation and \$5.4 million is restricted for other purposes. The remaining balance of net position is \$67.2 million.

The business-type activities reported a positive balance in unrestricted net position at the end of the current year, as was the case in the prior year. The governmental activities reported a deficit unrestricted net position due to net pension liabilities of \$82.2 million.

The City's net position increased by \$52.4 million during 2023. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Changes in Net Position*

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-------------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Fees, fines, and charges for services | \$ 9,637,642 | \$ 7,880,906 | \$ 78,282,821 | \$ 79,696,485 | \$ 87,920,463 | \$ 87,577,391 |
| Operating grants and contributions | 15,797,713 | 20,995,692 | - | - | 15,797,713 | 20,995,692 |
| Capital grants and contributions | 10,060,078 | 14,108,928 | 10,620,566 | 1,009,891 | 20,680,644 | 15,118,819 |
| | <u>35,495,433</u> | <u>42,985,526</u> | <u>88,903,387</u> | <u>80,706,376</u> | <u>124,398,820</u> | <u>123,691,902</u> |
| General revenues | | | | | | |
| Property taxes | 14,684,563 | 13,892,261 | - | - | 14,684,563 | 13,892,261 |
| Sales taxes | 84,495,826 | 81,253,585 | - | - | 84,495,826 | 81,253,585 |
| Utility franchise fees | 9,326,338 | 8,846,697 | - | - | 9,326,338 | 8,846,697 |
| Unrestricted investment earnings | 5,533,738 | 1,183,974 | 5,298,787 | 1,161,172 | 10,832,525 | 2,345,146 |
| Intergovernmental | - | 6,220,634 | 9,628,714 | 4,104,948 | 9,628,714 | 10,325,582 |
| Gain on early extinguishment of debt | - | 2,570,050 | - | - | - | 2,570,050 |
| Other | 1,547,039 | 640,947 | 17,131 | 410,263 | 1,564,170 | 1,051,210 |
| | <u>151,082,937</u> | <u>157,593,674</u> | <u>103,848,019</u> | <u>86,382,759</u> | <u>254,930,956</u> | <u>243,976,433</u> |
| Total revenues | | | | | | |
| Expenses | | | | | | |
| General government | 22,053,261 | 30,213,524 | - | - | 22,053,261 | 30,213,524 |
| Public safety | 50,671,663 | 38,511,381 | - | - | 50,671,663 | 38,511,381 |
| Public works | 22,370,426 | 18,231,979 | - | - | 22,370,426 | 18,231,979 |
| Community services | 23,890,176 | 12,962,004 | - | - | 23,890,176 | 12,962,004 |
| Interest on long-term debt | 87,904 | 736,338 | - | - | 87,904 | 736,338 |
| Water and sewer | - | - | 63,228,290 | 58,483,930 | 63,228,290 | 58,483,930 |
| Solid Waste | - | - | 19,992,762 | 17,046,039 | 19,992,762 | 17,046,039 |
| Parking | - | - | 236,296 | 216,863 | 236,296 | 216,863 |
| | <u>119,101,924</u> | <u>100,655,226</u> | <u>83,457,348</u> | <u>75,746,832</u> | <u>202,559,272</u> | <u>176,402,058</u> |
| Total expenses | | | | | | |
| Change in net position before transfers | 31,981,013 | 56,938,448 | 20,390,671 | 10,635,927 | 52,371,684 | 67,574,375 |
| Transfers | (10,960,436) | 10,000 | 10,960,436 | (10,000) | - | - |
| | <u>21,020,577</u> | <u>56,948,448</u> | <u>31,351,107</u> | <u>10,625,927</u> | <u>52,371,684</u> | <u>67,574,375</u> |
| Increase in net position | | | | | | |
| Net Position - beginning of year | <u>500,105,488</u> | <u>443,157,040</u> | <u>462,807,853</u> | <u>452,181,926</u> | <u>962,913,341</u> | <u>895,338,966</u> |
| Net Position - end of year | <u>\$521,126,065</u> | <u>\$ 500,105,488</u> | <u>\$ 494,158,960</u> | <u>\$462,807,853</u> | <u>\$ 1,015,285,025</u> | <u>\$ 962,913,341</u> |

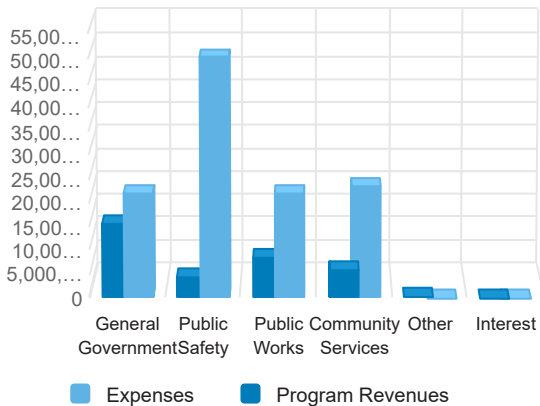
*-2022 information has not been restated for GASB 96.

Governmental Activities. During the current year, net position for governmental activities increased \$21.0 million from the prior year for an ending balance of \$521.1 million. The increase in the overall net position of governmental activities is the primary result of \$23.0 million in capitalized construction

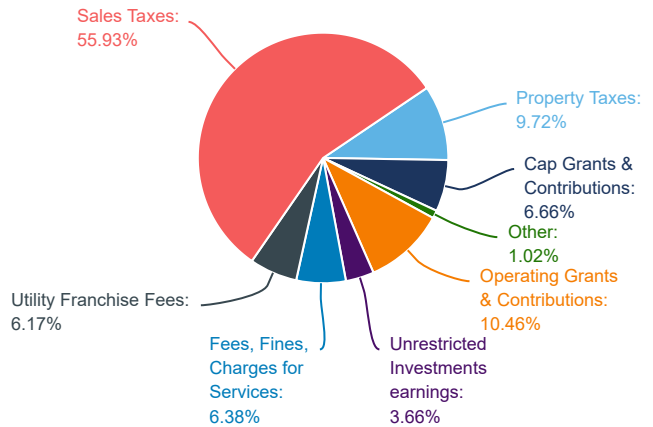
projects primarily related to street construction. In addition, the fluctuation of revenues and expenses as compared to the prior year impacted the increase in net position as noted below.

- Revenues from sales taxes increased \$3.2 million to \$84.5 million or 4%. The increase in revenues is attributed to a general improvement of the local economy resulting in increased retail sales tax in the City and the County in 2023 compared to 2022
- Revenues from property taxes of \$14.7 million increased \$792.3 thousand or 5.7%. The increased revenue is attributed to an increase in assessed values of 1.7%.
- Unrestricted investment earnings increased \$4.3 million from the prior year primarily due to investment interest rate increases during 2023.
- Operating grants and contributions decreased \$5.2 million or 24.8% to \$15.8 million in 2023, primarily due to \$13.0 million received in state funding to assist the Airport with the runway extension project in the prior year.
- Total expenses increased \$18.4 million to \$119.1 million or 18.3% from prior year. A portion of the increase in total expenses is attributed to the conveyance of land, buildings and equipment to the Fort Smith Public Library, a discretely presented component unit, with a carrying value of \$10.4 million.

Expenses and Program Revenues - Governmental Activities



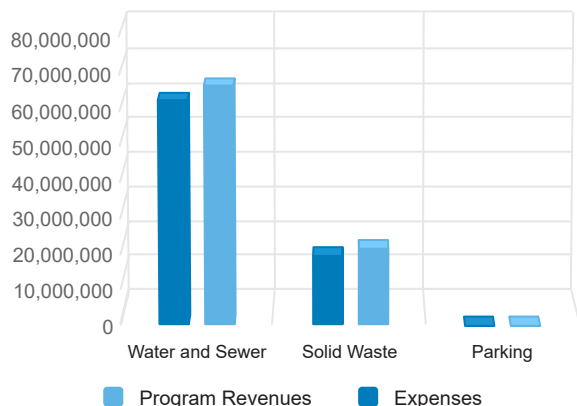
Revenues by Source - Governmental Activities



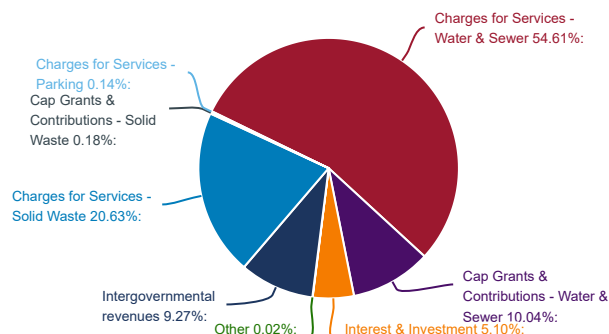
Business-Type Activities. Net position for City’s business-type activities increased by \$31.4 million during the current year, reaching an ending balance of \$494.2 million. Key elements of the increase are as follows:

- The water and sewer system net position increased by \$28.4 million. The operating income for the system totaled \$0.8 million in 2023.
- The solid waste system added \$3.5 million to the increase in total net position. The operating income for the system in 2023 totaled \$1.5 million.
- Water and sewer system service charges contribute 72.2% of the revenue to business-type activities and increased \$4.0 million compared to 2022 due primarily to an increase in usage.
- The solid waste system service charges accounted for 27.6% of the revenue to business-type activities and increased \$1.5 million compared to 2022 due primarily to an increase in service volume.
- Current year operating revenues for the business-type activities exceeded operating expenses by \$2.2 million. Operating expenses increased from 2022 by \$7.6 million or 11.1%.

Program Revenue and Expenses - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2023, the City's governmental funds reported combined ending fund balances of \$133.8 million, an increase of \$17.6 million in comparison with the prior year. Of this amount, \$65.0 million represents restricted fund balance for construction projects, police and fire retirement contributions, and other purposes. Approximately \$0.3 million of the fund balances is non-spendable. A portion of the fund balance, \$9.7 million, is assigned for specific uses by the City. The remainder of the balance, \$41.2 million, is unassigned and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At December 31, 2023, unassigned fund balance of the General Fund was \$41.2 million, while the total fund balance was \$41.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures, including transfers out. Unassigned fund balances represent 65.1% of total General Fund expenditures, including transfers out, while total fund balances represent 66.3% of that same amount. There was a decrease of \$0.6 million in total General Fund balance between years. The restricted sales tax funds for Fire (\$1.5 million) and Parks and Recreation (\$5.6 million) were transferred out of the General Fund and are now reported under the Sales Tax Fund.

The Street Maintenance Fund, a special revenue fund, is presented as a major fund and reported \$9.7 million of total fund balance, a decrease of \$1.0 million over the prior year primarily due to an increase in capital outlay expenditures increasing by \$.74 million over the prior year and an increase in outside services of \$.38 million. Fund balance consists of \$7.5 million assigned for street construction and \$2.2 million assigned for other purposes. This fund accounts for 7.3% of the total governmental fund balances.

The Sales Tax Fund, a special revenue fund, is presented as a major fund and accounts for 60.1% of the total governmental fund balances or \$80.4 million. Revenues include a one percent local sales tax dedicated to streets, bridges and associated drainage and a one percent local sales tax dedicated to

four departments as described next. Three quarter percent of the one percent tax is allocated 83.3% for federally mandated sewer consent decree improvements and 16.7% is allocated for police operations and capital. The remaining one quarter percent is split ⅙% for fire operations and capital and ⅙% for parks department capital improvements. Fund balance increased \$32.2 million during the year due to all sales tax revenues being reported in the Sales Tax Fund. In prior years, the City reported certain sales taxes in the Sales & Use Tax Bond Fund. Expenditures increased \$14.8 million over the prior year and are primarily related to new expenditures for the fund of Police, Fire and Parks and Recreation sales tax revenues in 2023.

LOPFI Contribution Fund, a special revenue fund, is presented as a major fund and accounts for 0.3% of the total government fund balances. Revenues include a dedicated Property Tax and Insurance Turnback Revenues for police and fire pension contributions. Fund balance decreased \$0.1 million during the year as the City's annual required pension contributions continued to increase at a faster rate than the increase in dedicated property tax and state insurance turnback revenues. In addition, \$1.9 million was transferred from the City's General Fund to provide additional funds to make the required pension contributions during the year.

The Special Grants Fund, a special revenue fund, is presented as a major fund and accounts for 0.6% of the total government fund balance. At year end, the fund held \$1.2 million in cash and unearned revenue related to the City's receipt of funds received from the Coronavirus State and Local Fiscal Recovery Fund established by *The American Rescue Plan Act of 2021*. These funds are available for use for eligible City expenditures through 2024.

The Sales & Use Tax Bond Fund had a decrease in fund balance of \$12.5 million during the year to (\$0.0) million. All outstanding bonds were called and paid in full in September 2022. Due to state laws regarding sales and use taxes, collections continued through the end of the year resulting in \$12.5 million in sales and use tax revenues beyond the amount required to pay off the outstanding bonds. The fund earned \$2.1 million in interest. The excess sales tax was used for a lawful purpose and management assigned the remaining fund balance for use on capital projects with \$4.1 million allocated to the parks and recreation capital improvements and \$10.7 being allocated to the water and sewer capital improvement projects.

Proprietary funds. The City's proprietary funds provide the same information found in the government-wide financial statements, but with more detail.

Net position at the end of the year amounted to \$442.9 million and \$48.0 million for the Water and Sewer Fund and the Solid Waste Fund, respectively. The change in net position was a \$28.4 million increase for the Water and Sewer Fund and a \$3.5 million increase for the Solid Waste Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

General Fund. The final amended General Fund budget had total appropriations of \$66.5 million (total expenditures plus transfers out).

Revenue estimates for the General Fund (\$60.9 million) exceeded the original budget of \$52.8 million (total revenues plus transfers in).

Total actual revenue, including transfers in, for the General Fund was \$62.0 million which was consistent with the final budget estimates.

Total actual expenditures, including transfers out, was (\$3.2) million less than final budget primarily due to the timing of planned capital expenditures.

The budget and actual schedule for the General Fund may be found on page 132 in the required supplementary section of this document.

Capital Assets and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business-type activities as of December 31, 2023 amounts to \$1.0 billion, net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park and library facilities, streets, drainage systems and right-to-use leased assets. The total increase in the City’s investment in capital assets was 1.6%, a 2.1% increase for governmental activities and a 1.2% increase for business-type activities.

Capital Assets, Net of Accumulated Depreciation and Amortization*

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 34,057,155 | \$ 28,210,008 | \$ 16,895,107 | \$ 16,895,107 | \$ 50,952,262 | \$ 45,105,115 |
| Buildings | 39,588,268 | 50,722,362 | 5,207,877 | 5,410,194 | 44,796,145 | 56,132,556 |
| Water System | - | - | 258,751,989 | 259,401,936 | 258,751,989 | 259,401,936 |
| Sewer System | - | - | 232,658,270 | 234,573,097 | 232,658,270 | 234,573,097 |
| Improvement other than buildings | 15,935,729 | 14,597,358 | 6,950,650 | 7,781,581 | 22,886,379 | 22,378,939 |
| Infrastructure | 308,636,664 | 298,757,526 | - | - | 308,636,664 | 298,757,526 |
| Machinery and equipment | 22,150,532 | 23,671,333 | 15,472,627 | 14,915,232 | 37,623,159 | 38,586,565 |
| Right-to-use assets | 1,882,602 | 1,373,714 | 710,901 | - | 2,593,503 | 1,373,714 |
| Construction in progress | 31,885,791 | 27,300,505 | 50,129,749 | 40,822,910 | 82,015,540 | 68,123,415 |
| Total | <u>\$ 454,136,741</u> | <u>\$ 444,632,806</u> | <u>\$ 586,777,170</u> | <u>\$ 579,800,057</u> | <u>\$ 1,040,913,911</u> | <u>\$ 1,024,432,863</u> |

*-2022 information has not been restated for adoption of GASB 96.

Major capital asset events during 2023 included the following:

- Net additions to construction in progress totaled \$13.9 million. Of this amount, water and wastewater improvements accounted for an increase of \$9.3 million and the general government and streets increased by \$4.5 million.
- Net additions to infrastructure totaled \$9.9 million due to annual depreciation (\$13.1 million) and the amount of completed street projects (\$22 million) during 2023.
- Net decrease to the sewer system totaled (\$1.9) million and net decrease to the water system totaled (\$0.6) million in 2023.
- Depreciation and amortization expense totaled \$41.3 million.

Additional information on the City’s capital assets can be found in *Note 4* on pages 71-77 of this report.

Long-term debt. At December 31, 2023, the City had \$185.6 million of long-term bonds outstanding. These bonds are secured solely by specified revenue sources, (i.e. revenue bonds). The remainder of the City’s long-term debt consists of leases payable, SBITA payable and installment loans.

City of Fort Smith’s Outstanding Debt*

| | Governmental Activities | | Business-Type Activities | |
|------------------|-------------------------|---------------------|--------------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue bonds | \$ - | \$ - | \$ 182,740,000 | \$ 193,420,000 |
| Leases payable | 1,215,056 | 1,428,496 | - | - |
| SBITA payable | 638,608 | - | 731,510 | - |
| Installment loan | 276,298 | 316,472 | - | - |
| Total | <u>\$ 2,129,962</u> | <u>\$ 1,744,968</u> | <u>\$ 183,471,510</u> | <u>\$ 193,420,000</u> |

*-2022 information has not been restated for adoption of GASB 96.

The City’s total bonded debt decreased by (\$9.6) million or 4.9% during 2023. Key factors in this decrease were the regularly scheduled bond redemptions. In addition, the 2011 bonds were paid in full in April 2023 after a bond call of \$1.7 million. The City maintains “A” ratings from Standard & Poor’s on its water and sewer revenue bonds series 2015, 2016 and 2018.

Per the Bond Authorizing Ordinances, the City covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues (net revenues being defined as gross revenues of the System less the amounts required to pay the costs of operation, maintenance, and repair of the System, including all expense items properly attributable to the operation and maintenance of the System in accordance with generally accepted accounting principles applicable to municipal water and sewer systems (excluding depreciation, interest and amortization expenses)) at least equal to 110% of current year’s debt service on all System Bonds and the amount needed to make the deposits into the Depreciation Fund and the Debt Service Reserve and to reimburse bond insurers for any amounts owed in connection with a Qualified Surety Bond. As of December 31, 2023, the debt service coverage is 108%. See Note 17 regarding water rate increase.

State statutes limit the amount of general obligation bonds a government entity may issue to 25% of its total assessed valuation. The current debt limitation for the City is \$420.4 million. The City has no general obligation debt at December 31, 2023.

Additional information regarding the City’s long-term debt can be found in *Note 7* on pages 80-87 of this report.

Economic Factors and the Next Year’s Budget and Rates

- The year-end unemployment rate for the City was 2.7%, compared to 2.5% in 2022. The state unemployment rate for 2023 was 3.4% and the national rate was 3.7%.
- The City expects tax revenue for 2024 to remain consistent with 2023.

These factors were considered when the City prepared its 2024 Budget.

The Board of Directors considered these factors when making the spending priorities going into the 2024 budget year – pay increases for employees, city-wide, and the General Fund Capital Improvement Plan. The City’s General Fund budget for 2024 was approved at \$54 million. Continued efforts are being made to control spending and reduce costs where appropriate.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial

information should be addressed to the Chief Financial Officers Office, Suite 512, 623 Garrison Avenue, Fort Smith, Arkansas 72901.

**Statement of Net Position
December 31, 2023**

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|----------------------|-------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities |
| Assets | | | | | |
| Cash and cash equivalents | \$ 142,181,586 | \$ 75,778,582 | \$ 217,960,168 | \$ 2,859,555 | \$ 4,656,169 |
| Investments | - | 9,679,958 | 9,679,958 | 109,623 | 6,788,133 |
| Receivables, net | | | | | |
| Property taxes and utility franchise fees | 16,989,625 | - | 16,989,625 | 240,802 | - |
| Sales taxes | 6,909,336 | - | 6,909,336 | - | - |
| Accounts | 380,509 | 7,971,142 | 8,351,651 | 301,313 | - |
| Interest | - | - | - | - | 234,375 |
| Due from other governments | 3,512,800 | 1,078,028 | 4,590,828 | - | 3,966,831 |
| Internal balances | (1,801,013) | 1,801,013 | - | - | - |
| Inventories | 57,080 | 2,186,990 | 2,244,070 | - | 73,418 |
| Prepays and deposits | 317,707 | 295,397 | 613,104 | 79,399 | 138,417 |
| Restricted assets | | | | | |
| Cash | 57,940 | 257,881 | 315,821 | - | 207,535 |
| Investments | - | 32,487,502 | 32,487,502 | - | 2,422,411 |
| Deposits | - | 178,197 | 178,197 | - | - |
| Lease receivables | - | - | - | - | 12,692,081 |
| Capital assets, net | | | | | |
| Nondepreciable | 65,942,946 | 67,024,856 | 132,967,802 | 1,061,841 | 46,775,009 |
| Depreciable | 388,193,795 | 519,752,314 | 907,946,109 | 10,124,477 | 24,726,387 |
| Total Assets | <u>622,742,311</u> | <u>718,491,860</u> | <u>1,341,234,171</u> | <u>14,777,010</u> | <u>102,680,766</u> |
| Deferred Outflows of Resources | | | | | |
| Deferred amounts on refunding | - | 1,658,904 | 1,658,904 | - | - |
| Deferred outflows-pension | 15,416,726 | - | 15,416,726 | 656,090 | - |
| Deferred outflows-pension contributions | 7,933,474 | - | 7,933,474 | - | - |
| Deferred outflows-OPEB | 3,031,309 | 1,680,002 | 4,711,311 | - | - |
| Total deferred outflows of resources | <u>26,381,509</u> | <u>3,338,906</u> | <u>29,720,415</u> | <u>656,090</u> | <u>-</u> |

Statement of Net Position (Continued)
December 31, 2023

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-------------------------|----------------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 10,520,395 | \$ 6,442,180 | \$ 16,962,575 | \$ 158,288 | \$ 3,921,986 |
| Other | 253,656 | 1,670 | 255,326 | - | - |
| Accrued interest | 81,946 | 2,119,324 | 2,201,270 | - | - |
| Deposits | - | 400,194 | 400,194 | - | - |
| Unearned revenue | 1,858,180 | - | 1,858,180 | - | 77,347 |
| Noncurrent liabilities | | | | | |
| Other long-term liabilities due within one year | 2,576,965 | 279,783 | 2,856,748 | - | - |
| Current portion of long-term debt | 831,155 | 11,414,577 | 12,245,732 | 3,971 | 35,879 |
| Due in more than one year | 98,834,728 | 203,176,322 | 302,011,050 | 2,103,069 | 1,895,079 |
| Total liabilities | <u>114,957,025</u> | <u>223,834,050</u> | <u>338,791,075</u> | <u>2,265,328</u> | <u>5,930,291</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred amounts on refunding | - | 84,746 | 84,746 | - | - |
| Deferred inflows-pension | 6,268,998 | - | 6,268,998 | 44,107 | - |
| Deferred inflows-OPEB | 6,771,732 | 3,753,010 | 10,524,742 | - | - |
| Deferred inflows-leases | - | - | - | - | 12,129,450 |
| Total deferred inflows of resources | <u>13,040,730</u> | <u>3,837,756</u> | <u>16,878,486</u> | <u>44,107</u> | <u>12,129,450</u> |
| Net Position | | | | | |
| Net investment in capital assets | 449,591,689 | 408,450,858 | 858,042,548 | 11,162,368 | 66,006,433 |
| Restricted for: | | | | | |
| Construction projects | 51,661,773 | 500,000 | 52,161,773 | - | 243,368 |
| Debt service | - | 7,196,850 | 7,196,850 | - | - |
| Public safety operations and capital | 5,081,498 | - | 5,081,498 | - | - |
| Courts | 258,455 | - | 258,455 | - | - |
| Parks & recreation operations | 211,337 | - | 211,337 | - | - |
| Parks & recreation capital improvements | 7,242,431 | - | 7,242,431 | - | - |
| Housing and rehabilitation | 70,287 | - | 70,287 | - | - |
| Police & fire retirement contributions | 431,257 | - | 431,257 | - | - |
| Sewer consent decree improvements | 17,243,986 | - | 17,243,986 | - | - |
| Downtown maintenance | 178,679 | - | 178,679 | - | - |
| Tourism & promotion | - | - | - | 1,374,879 | - |
| Unrestricted | <u>(10,845,327)</u> | <u>78,011,252</u> | <u>67,165,925</u> | <u>586,418</u> | <u>18,371,224</u> |
| Total net position | <u>\$ 521,126,065</u> | <u>\$ 494,158,960</u> | <u>\$ 1,015,285,025</u> | <u>\$ 13,123,665</u> | <u>\$ 84,621,025</u> |

**Statement of Activities
For the Year Ended December 31, 2023**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--------------------------------|-----------------------|---------------------------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|-------------------------|
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Component Units | |
| | | | | | Governmental Activities | Business-Type Activities | Total | Governmental Activities |
| Primary Government: | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General Government | | | | | | | | |
| Administration | \$ 15,463,927 | \$ 1,529,711 | \$ 10,358,665 | \$ 100,540 | \$ (3,475,011) | | \$ (3,475,011) | |
| Legal and courts | 2,275,666 | 2,425,787 | 5,221 | - | 155,342 | | 155,342 | |
| Finance | 4,313,668 | 1,400,842 | - | - | (2,912,826) | | (2,912,826) | |
| Public safety | | | | | | | | |
| Police | 25,637,948 | 1,781,496 | 601,210 | 75,608 | (23,179,634) | | (23,179,634) | |
| Fire | 25,033,715 | 93,591 | 1,984,412 | 152,644 | (22,803,068) | | (22,803,068) | |
| Public works | | | | | | | | |
| Operations | 802,839 | - | - | - | (802,839) | | (802,839) | |
| Streets | 18,470,261 | 383,136 | - | 8,362,531 | (9,724,594) | | (9,724,594) | |
| Traffic Control | 3,097,326 | - | - | - | (3,097,326) | | (3,097,326) | |
| Community services | | | | | | | | |
| Health and Social Services | 132,615 | - | - | - | (132,615) | | (132,615) | |
| Parks and Recreation | 15,288,621 | 212,582 | 31,458 | - | (15,044,581) | | (15,044,581) | |
| Convention Center | 3,283,290 | 1,408,407 | - | - | (1,874,883) | | (1,874,883) | |
| Transit | 3,636,021 | 197,002 | 1,234,123 | 1,368,755 | (836,141) | | (836,141) | |
| Housing and Rehabilitation | 1,549,629 | - | 1,582,624 | - | 32,995 | | 32,995 | |
| Other | 28,494 | 205,088 | - | - | 176,594 | | 176,594 | |
| Interest | 87,904 | - | - | - | (87,904) | | (87,904) | |
| Total Governmental Activities | <u>119,101,924</u> | <u>9,637,642</u> | <u>15,797,713</u> | <u>10,060,078</u> | <u>(83,606,491)</u> | | <u>(83,606,491)</u> | |
| Business-Type Activities: | | | | | | | | |
| Water and Sewer | 63,228,290 | 56,714,103 | - | 10,430,508 | | \$ 3,916,321 | | |
| Solid Waste | 19,992,762 | 21,424,480 | - | 190,058 | | 1,621,776 | | |
| Parking | 236,296 | 144,238 | - | - | | (92,058) | | |
| Total Business-Type Activities | <u>83,457,348</u> | <u>78,282,821</u> | <u>-</u> | <u>10,620,566</u> | | <u>5,446,039</u> | | |
| Total Primary Government | <u>\$ 202,559,272</u> | <u>\$ 87,920,463</u> | <u>\$ 15,797,713</u> | <u>\$ 20,680,644</u> | <u>\$ (83,606,491)</u> | <u>\$ 5,446,039</u> | <u>\$ (78,160,452)</u> | |
| Component Units: | | | | | | | | |
| Governmental | | | | | | | | |
| Advertising & Promotion | \$ 1,064,795 | \$ - | \$ - | \$ - | | | \$ (1,064,795) | |
| Public Library | 4,040,679 | 196,166 | 417,634 | 10,452,825 | | | 7,025,946 | |
| | <u>5,105,474</u> | <u>196,166</u> | <u>417,634</u> | <u>10,452,825</u> | | | <u>5,961,151</u> | |
| Business-Type | | | | | | | | |
| Airport | 5,222,029 | 2,804,763 | 2,787,977 | 11,583,036 | | | | \$ 11,953,747 |
| Total Component Units | <u>\$ 10,327,503</u> | <u>\$ 3,000,929</u> | <u>\$ 3,205,611</u> | <u>\$ 22,035,861</u> | | | <u>5,961,151</u> | <u>11,953,747</u> |

**Statement of Activities (Continued)
For the Year Ended December 31, 2023**

| | Net (Expense) Revenue and Changes in Net Position | | | | |
|---------------------------------------|--|-----------------------------|-------------------------|----------------------------|-----------------------------|
| | Primary Government | | | Component Units | |
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities |
| General revenues | | | | | |
| Property taxes | \$ 14,684,563 | \$ - | \$ 14,684,563 | \$ 1,635,696 | \$ - |
| Sales taxes | 84,495,826 | - | 84,495,826 | 1,478,890 | - |
| Gross receipts utility franchise fees | 9,326,338 | - | 9,326,338 | - | - |
| Hospitality taxes | - | - | - | 1,201,941 | - |
| Intergovernmental | - | 9,628,714 | 9,628,714 | - | - |
| Unrestricted investment earnings | 5,533,738 | 5,298,787 | 10,832,525 | 63,351 | 773,528 |
| Other | 1,547,039 | 17,131 | 1,564,170 | 154,103 | - |
| Transfers | (10,960,436) | 10,960,436 | - | - | - |
| Total general revenues and transfers | <u>104,627,068</u> | <u>25,905,068</u> | <u>130,532,136</u> | <u>4,533,981</u> | <u>773,528</u> |
| Change in net position | 21,020,577 | 31,351,107 | 52,371,684 | 10,495,132 | 12,727,275 |
| Net position, beginning of year | <u>500,105,488</u> | <u>462,807,853</u> | <u>962,913,341</u> | <u>2,628,533</u> | <u>71,893,750</u> |
| Net position, end of year | <u>\$ 521,126,065</u> | <u>\$ 494,158,960</u> | <u>\$ 1,015,285,025</u> | <u>\$ 13,123,665</u> | <u>\$ 84,621,025</u> |

**Balance Sheet - Governmental Funds
December 31, 2023**

| | General | Street Maintenance | Sales Tax | LOPFI Contribution | Special Grants | Sales and Use Tax Bond | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------|----------------------|-----------------------|---------------------|------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | | | |
| Cash | \$ 38,760,435 | \$ 9,371,136 | \$ 78,664,823 | \$ 1,279,117 | \$ 3,198,702 | \$ - | \$ 531,584 | \$ 131,805,797 |
| Receivables, net of allowance for uncollectibles | | | | | | | | |
| Property taxes and utility franchise fees | 10,823,940 | 2,641,584 | - | 3,522,113 | 249 | - | 1,739 | 16,989,625 |
| Sales taxes | 2,016,487 | - | 4,892,849 | - | - | - | - | 6,909,336 |
| Accounts | 170,807 | 126 | 8 | - | - | - | 185,829 | 356,770 |
| Due from other funds | 94,188 | - | - | - | - | - | 4,486 | 98,674 |
| Due from other governments | 2,044,965 | 704,370 | 20,413 | - | 615,614 | - | 127,439 | 3,512,801 |
| Restricted assets: | | | | | | | | |
| Cash | - | - | - | - | - | - | 57,942 | 57,942 |
| Inventories | - | - | - | - | - | - | 24,130 | 24,130 |
| Prepaid items | 304,244 | - | - | - | - | - | 13,463 | 317,707 |
| Total Assets | \$ 54,215,066 | \$ 12,717,216 | \$ 83,578,093 | \$ 4,801,230 | \$ 3,814,565 | \$ - | \$ 946,612 | \$ 160,072,782 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 3,859,807 | \$ 557,174 | \$ 2,878,608 | \$ 1,107,887 | \$ 1,230,066 | \$ - | \$ 349,935 | \$ 9,983,477 |
| Retainage payable | - | 6,875 | 331,103 | - | - | - | - | 337,978 |
| Due to other funds | - | - | - | - | - | - | 4,486 | 4,486 |
| Unearned revenue | - | - | - | - | 1,723,193 | - | 134,987 | 1,858,180 |
| Other | 253,656 | - | - | - | - | - | - | 253,656 |
| Total Liabilities | 4,113,463 | 564,049 | 3,209,711 | 1,107,887 | 2,953,259 | - | 489,408 | 12,437,777 |
| Deferred Inflows of Resources | | | | | | | | |
| Unavailable property taxes | 8,158,687 | 2,446,564 | - | 3,262,086 | - | - | - | 13,867,337 |
| Total deferred inflows of resources | 8,158,687 | 2,446,564 | - | 3,262,086 | - | - | - | 13,867,337 |
| Fund Balances: | | | | | | | | |
| Nonspendable | 304,244 | - | - | - | - | - | 37,593 | 341,837 |
| Restricted: | | | | | | | | |
| Streets construction | - | - | 51,661,773 | - | - | - | - | 51,661,773 |
| Public safety operations and capital | - | - | 4,220,192 | - | 861,306 | - | - | 5,081,498 |
| Courts | 258,455 | - | - | - | - | - | - | 258,455 |
| Parks & recreation operations | 211,337 | - | - | - | - | - | - | 211,337 |
| Parks & recreation capital improvements | - | - | 7,242,431 | - | - | - | - | 7,242,431 |
| Housing and rehabilitation | - | - | - | - | - | - | 70,287 | 70,287 |
| Police & fire retirement contributions | - | - | - | 431,257 | - | - | - | 431,257 |
| Sewer consent decree improvements | - | - | 17,243,986 | - | - | - | - | 17,243,986 |
| Downtown maintenance | - | - | - | - | - | - | 178,679 | 178,679 |
| Assigned: | | | | | | | | |
| Convention center | - | - | - | - | - | - | 170,645 | 170,645 |
| Streets maintenance | - | 7,541,077 | - | - | - | - | - | 7,541,077 |
| Asset replacement | - | 2,165,526 | - | - | - | - | - | 2,165,526 |
| Unassigned | 41,168,880 | - | - | - | - | - | - | 41,168,880 |
| Total Fund Balances | 41,942,916 | 9,706,603 | 80,368,382 | 431,257 | 861,306 | - | 457,204 | 133,767,668 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 54,215,066 | \$ 12,717,216 | \$ 83,578,093 | \$ 4,801,230 | \$ 3,814,565 | \$ - | \$ 946,612 | \$ 160,072,782 |

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023**

Total fund balances – governmental funds \$ 133,767,668

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. These assets consist of:

| | | |
|---|-----------------------|-------------|
| Land | \$ 34,057,155 | |
| Buildings | 72,025,052 | |
| Improvements other than buildings | 33,216,451 | |
| Machinery and equipment | 63,680,223 | |
| Infrastructure | 508,656,364 | |
| Right-to-use assets | 3,551,791 | |
| Accumulated depreciation and amortization | <u>(292,936,086)</u> | |
| | 422,250,950 | |
| Construction in progress | <u>31,885,791</u> | |
| Total | <u>\$ 454,136,741</u> | 454,136,741 |

Some revenues are not recognized in the governmental funds because they are not collected within the prescribed time period after year end and are not considered available and are deferred. On the accrual basis, however, those revenues would be recognized regardless of when they are collected. 13,867,337

Deferred inflows and outflows related to pensions and OPEB are not due and payable in the current period and, therefore, are not reported in the funds. 13,340,776

Internal service funds are used by management to charge the costs of certain activities, such as fuel and insurance, to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities. 6,004,771

Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

| | | |
|---|------------------------|-----------------------|
| Compensated absences | \$ (5,363,276) | |
| Claims payable | (82,500) | |
| Interest payable | (81,946) | |
| Leases payable | (1,215,057) | |
| Installment loan | (276,298) | |
| SBITA payable | (638,608) | |
| Net pension liability | (82,206,411) | |
| Net OPEB liability | <u>(10,127,132)</u> | |
| Total | <u>\$ (99,991,228)</u> | (99,991,228) |
| Net position of governmental activities | | <u>\$ 521,126,065</u> |

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2023**

| | <u>General</u> | <u>Street Maintenance</u> | <u>Sales Tax</u> | <u>LOPFI Contribution</u> | <u>Special Grants</u> | <u>Sales and Use Tax Bond</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------|-------------------|-------------------------------|-------------------|-------------------------------|---------------------------|---------------------------------------|---|---|
| Revenues | | | | | | | | |
| Property taxes | \$ 8,419,117 | \$ 2,499,749 | \$ - | \$ 3,334,090 | \$ - | \$ - | \$ 205,088 | \$ 14,458,044 |
| Sales taxes | 24,648,163 | - | 57,737,475 | - | - | 2,110,191 | - | 84,495,829 |
| Licenses and permits | 2,925,215 | 383,136 | - | - | - | - | - | 3,308,351 |
| Utility franchise fees | 9,326,338 | - | - | - | - | - | - | 9,326,338 |
| Intergovernmental | 6,151,088 | 7,579,660 | 782,871 | 1,965,032 | 9,213,533 | - | 1,582,624 | 27,274,808 |
| Fines and forfeitures | 2,365,257 | - | - | 123,912 | - | - | - | 2,489,169 |
| Fees for services | 566,708 | - | - | - | - | - | 1,408,407 | 1,975,115 |
| Investment earnings | 1,513,203 | 460,426 | 2,980,510 | 4,438 | 23,691 | 53,028 | 3,423 | 5,038,719 |
| Contributions | 132,676 | - | - | 588,540 | 7,956 | - | - | 729,172 |
| Miscellaneous | 1,730,537 | 174,484 | 101,432 | 21 | 113 | - | 6,217 | 2,012,804 |
| Total Revenues | 57,778,302 | 11,097,455 | 61,602,288 | 6,016,033 | 9,245,293 | 2,163,219 | 3,205,759 | 151,108,349 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General government | | | | | | | | |
| Administration | 4,888,235 | 336,557 | 1,633,032 | - | 8,254,118 | - | - | 15,111,942 |
| Legal and courts | 2,129,081 | 98,121 | - | - | - | - | - | 2,227,202 |
| Finance | 1,761,614 | 1,002,460 | 812,630 | - | - | - | - | 3,576,704 |
| Public safety | | | | | | | | |
| Police | 17,551,623 | - | 307,353 | 3,814,539 | 575,990 | - | - | 22,249,505 |
| Fire | 13,375,415 | - | 2,437,614 | 4,179,797 | - | - | - | 19,992,826 |
| Public works | | | | | | | | |
| Operations | - | 763,011 | - | - | - | - | - | 763,011 |
| Streets | - | 4,181,124 | 968,721 | - | - | - | - | 5,149,845 |
| Traffic Control | - | 2,420,524 | - | - | - | - | - | 2,420,524 |
| Community services | | | | | | | | |
| Health and Social Services | 132,615 | - | - | - | - | - | - | 132,615 |
| Parks and Recreation | 2,049,822 | 284,149 | 64,990 | - | 286,667 | - | - | 2,685,628 |
| Convention Center | - | - | - | - | - | - | 2,615,756 | 2,615,756 |
| Transit | 2,807,386 | - | - | - | - | - | - | 2,807,386 |
| Housing and Rehabilitation | - | - | - | - | - | - | 1,527,258 | 1,527,258 |
| Other | - | - | - | - | - | - | 28,494 | 28,494 |
| Capital Outlay | 6,571,857 | 3,117,947 | 30,257,515 | - | 606,048 | - | 26,122 | 40,579,489 |

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)
For the Year Ended December 31, 2023

| | <u>General</u> | <u>Street Maintenance</u> | <u>Sales Tax</u> | <u>LOPFI Contribution</u> | <u>Special Grants</u> | <u>Sales and Use Tax Bond</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-------------------------------|----------------------|-------------------------------|---------------------------|---------------------------------------|---|---|
| Debt Service: | | | | | | | | |
| Principal | \$ 1,143,575 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 40,174 | \$ 1,183,749 |
| Interest | 69,767 | - | - | - | - | - | - | 69,767 |
| | <u>52,480,990</u> | <u>12,203,893</u> | <u>36,481,855</u> | <u>7,994,336</u> | <u>9,722,823</u> | <u>-</u> | <u>4,237,804</u> | <u>123,121,701</u> |
| Excess (deficiency) in revenues over (under) expenditures | <u>5,297,312</u> | <u>(1,106,438)</u> | <u>25,120,433</u> | <u>(1,978,303)</u> | <u>(477,530)</u> | <u>2,163,219</u> | <u>(1,032,045)</u> | <u>27,986,648</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | 4,210,546 | 127,476 | 7,087,642 | 1,900,000 | 270,913 | - | 1,400,000 | 14,996,577 |
| Transfers out | (10,748,555) | - | - | - | (510,192) | (14,698,266) | - | (25,957,013) |
| Leases (as lessee) | 545,532 | - | - | - | - | - | - | 545,532 |
| SBITA | 73,358 | - | - | - | - | - | - | 73,358 |
| Total Other Financing Sources and Uses | <u>(5,919,119)</u> | <u>127,476</u> | <u>7,087,642</u> | <u>1,900,000</u> | <u>(239,279)</u> | <u>(14,698,266)</u> | <u>1,400,000</u> | <u>(10,341,546)</u> |
| Net Change in Fund Balances | <u>(621,807)</u> | <u>(978,962)</u> | <u>32,208,075</u> | <u>(78,303)</u> | <u>(716,809)</u> | <u>(12,535,047)</u> | <u>367,955</u> | <u>17,645,102</u> |
| Fund Balances, beginning of year | <u>42,564,723</u> | <u>10,685,565</u> | <u>48,160,307</u> | <u>509,560</u> | <u>1,578,115</u> | <u>12,535,047</u> | <u>89,249</u> | <u>116,122,566</u> |
| Fund Balances, end of year | <u>\$ 41,942,916</u> | <u>\$ 9,706,603</u> | <u>\$ 80,368,382</u> | <u>\$ 431,257</u> | <u>\$ 861,306</u> | <u>\$ -</u> | <u>\$ 457,204</u> | <u>\$ 133,767,668</u> |

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2023**

| | |
|---|----------------------|
| Net change in fund balances – total governmental funds | \$ 17,645,102 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | 40,579,489 |
| Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. | (21,466,984) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position, including the transfer of capital assets to discretely presented component unit Fort Smith Public Library in the amount of \$10,452,825. | (10,558,425) |
| The repayment of debt consumes current financial resources of governmental funds, but the issuance of debt provides current financial resources. These transactions do not have any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 564,859 |
| Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 431,608 |
| Some expenses, i.e., the change in compensated absences liability, interest, net pension and OPEB liabilities, reported in the statement of activities and changes in net position do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds. | (5,332,708) |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and fuel, to individual funds. A portion of the net revenues of the internal service funds is reported with governmental activities | <u>(842,364)</u> |
| Change in net position of governmental activities | <u>\$ 21,020,577</u> |



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**Statement of Net Position -
Proprietary Funds
December 31, 2023**

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activities |
|--|--------------------------|-------------------|------------------|------------------------|-------------------------|
| | Water and Sewer | Solid Waste | Nonmajor-Parking | | Internal Service Funds |
| Current Assets | | | | | |
| Cash | \$ 47,861,084 | \$ 27,917,498 | \$ - | \$ 75,778,582 | \$ 10,375,792 |
| Investments | - | 9,679,958 | - | 9,679,958 | - |
| Receivables | | | | | |
| Accounts, net of uncollectibles of \$414,435; \$110,672; and \$-0- | 5,958,202 | 1,984,001 | 28,939 | 7,971,142 | 23,739 |
| Due from other governments | 887,970 | 190,058 | - | 1,078,028 | - |
| Restricted | | | | | |
| Cash | 257,881 | - | - | 257,881 | - |
| Investments | 32,487,502 | - | - | 32,487,502 | - |
| Inventories | 2,052,530 | 134,460 | - | 2,186,990 | 32,950 |
| Prepaid items | 293,718 | - | 1,681 | 295,399 | - |
| Total Current Assets | 89,798,887 | 39,905,975 | 30,620 | 129,735,482 | 10,432,481 |
| Noncurrent Assets | | | | | |
| Restricted | | | | | |
| Deposits | 178,197 | - | - | 178,197 | - |
| Capital assets | | | | | |
| Land | 15,162,175 | 373,772 | 1,359,160 | 16,895,107 | - |
| Buildings | 2,847,353 | 5,879,002 | 2,490,458 | 11,216,813 | - |
| Improvements other than buildings | - | 29,483,548 | - | 29,483,548 | - |
| Machinery and equipment | 27,584,705 | 24,888,032 | 103,531 | 52,576,268 | - |
| Water system | 427,655,752 | - | - | 427,655,752 | - |
| Sewer system | 362,471,235 | - | - | 362,471,235 | - |
| Construction in progress | 49,922,694 | 151,018 | 56,037 | 50,129,749 | - |
| Right-to-use SBITA | 585,096 | 405,067 | - | 990,163 | - |
| Accumulated depreciation | (321,445,692) | (40,616,538) | (2,579,236) | (364,641,466) | - |
| Total Noncurrent Assets | 564,961,515 | 20,563,901 | 1,429,950 | 586,955,366 | - |
| Total Assets | 654,760,402 | 60,469,876 | 1,460,570 | 716,690,848 | 10,432,481 |
| Deferred outflows of resources | | | | | |
| Deferred amount on refunding | 1,658,904 | - | - | 1,658,904 | - |
| Deferred outflows of resources - OPEB | 1,231,306 | 448,696 | - | 1,680,002 | - |
| Total deferred outflows of resources | 2,890,210 | 448,696 | - | 3,338,906 | - |

**Statement of Net Position -
Proprietary Funds (Continued)
December 31, 2023**

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activities |
|--|-----------------------------|----------------------|----------------------|------------------------------|------------------------------|
| | Water and Sewer | Solid Waste | Nonmajor- Parking | | Internal Service Funds |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 4,684,381 | \$ 1,069,935 | \$ 13,977 | \$ 5,768,293 | \$ 116,442 |
| Retainage payable | 673,887 | - | - | 673,887 | - |
| Accrued vacation and sick leave | 212,697 | 67,086 | - | 279,783 | - |
| Accrued interest | 2,119,324 | - | - | 2,119,324 | - |
| Claims and judgments | - | - | - | - | 2,416,067 |
| Due to other funds | - | - | 94,188 | 94,188 | - |
| Revenue bonds payable | 11,160,000 | - | - | 11,160,000 | - |
| SBITA payable | 115,266 | 139,311 | - | 254,577 | - |
| Deposits | 400,194 | - | - | 400,194 | - |
| Other | 1,670 | - | - | 1,670 | - |
| Total Current Liabilities | <u>19,367,419</u> | <u>1,276,332</u> | <u>108,165</u> | <u>20,751,916</u> | <u>2,532,509</u> |
| Noncurrent liabilities | | | | | |
| Accrued vacation and sick leave | 850,786 | 268,345 | 1,271 | 1,120,402 | - |
| Landfill closure and postclosure care | - | 8,741,495 | - | 8,741,495 | - |
| Revenue bonds, net | 187,224,865 | - | - | 187,224,865 | - |
| SBITA payable | 352,278 | 124,654 | - | 476,932 | - |
| OPEB liabilities | 4,113,603 | 1,499,025 | - | 5,612,628 | - |
| Total Noncurrent Liabilities | <u>192,541,532</u> | <u>10,633,519</u> | <u>1,271</u> | <u>203,176,322</u> | <u>-</u> |
| Total Liabilities | <u>211,908,951</u> | <u>11,909,851</u> | <u>109,436</u> | <u>223,928,238</u> | <u>2,532,509</u> |
| Deferred inflows of resources | | | | | |
| Deferred amount on refunding | 84,746 | - | - | 84,746 | - |
| Deferred inflows of resources - OPEB | 2,750,653 | 1,002,357 | - | 3,753,010 | - |
| Total deferred inflows of resources | <u>2,835,399</u> | <u>1,002,357</u> | <u>-</u> | <u>3,837,756</u> | <u>-</u> |
| Net Position | | | | | |
| Net investment in capital assets | 387,044,323 | 19,976,586 | 1,429,950 | 408,450,858 | - |
| Restricted for bond retirement | 7,196,850 | - | - | 7,196,850 | - |
| Restricted for asset replacement | 500,000 | - | - | 500,000 | - |
| Unrestricted | 48,165,089 | 28,029,778 | (78,816) | 76,116,052 | 7,899,972 |
| Total Net Position | <u>\$ 442,906,262</u> | <u>\$ 48,006,364</u> | <u>\$ 1,351,134</u> | <u>492,263,760</u> | <u>\$ 7,899,972</u> |

Reconciliation to government - wide statement of net position:

| | |
|--|-----------------------|
| Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time | <u>1,895,200</u> |
| Net position of business-type activities | <u>\$ 494,158,960</u> |

**Statement of Revenues, Expenses and Changes in
Fund Net Position Proprietary Funds
For the Year Ended December 31, 2023**

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activities |
|--|-----------------------------|----------------------|----------------------|------------------------------|------------------------------|
| | Water and Sewer | Solid Waste | Nonmajor- Parking | | Internal Service Funds |
| Operating Revenues | | | | | |
| Water service | \$ 26,628,995 | \$ - | \$ - | \$ 26,628,995 | \$ - |
| Sewer service | 27,353,204 | - | - | 27,353,204 | - |
| Other charges for services | 1,972,632 | 21,341,097 | 141,701 | 23,455,430 | 11,717,400 |
| Other | 154,250 | 83,385 | - | 237,635 | - |
| Total Operating Revenues | <u>56,109,081</u> | <u>21,424,482</u> | <u>141,701</u> | <u>77,675,264</u> | <u>11,717,400</u> |
| Operating Expenses | | | | | |
| Personnel services | 18,955,820 | 6,856,141 | 99,462 | 25,911,423 | - |
| Contractual services | 6,915,571 | 4,506,185 | 91,143 | 11,512,899 | 938,026 |
| Materials and supplies | 10,171,740 | 4,711,336 | 33,229 | 14,916,305 | 1,025,873 |
| Heat, light, and power | 3,199,472 | 158,898 | 9,462 | 3,367,832 | - |
| Depreciation | 16,092,122 | 3,713,729 | 3,001 | 19,808,852 | - |
| Insurance claims and expenses | - | - | - | - | 11,544,669 |
| Total Operating Expenses | <u>55,334,725</u> | <u>19,946,289</u> | <u>236,297</u> | <u>75,517,311</u> | <u>13,508,568</u> |
| Operating Income (Loss) | <u>774,356</u> | <u>1,478,193</u> | <u>(94,596)</u> | <u>2,157,953</u> | <u>(1,791,168)</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Net investment earnings (loss) | 3,640,367 | 1,657,696 | 724 | 5,298,787 | 495,017 |
| Interest expense and fiscal charges | (7,423,289) | (9,619) | - | (7,432,908) | - |
| Other nonoperating revenues | 643,396 | 17,050 | 2,618 | 663,064 | - |
| Other nonoperating expenses | (54,864) | (36,854) | - | (91,718) | - |
| Net Nonoperating Revenues (Expenses) | <u>(3,194,390)</u> | <u>1,628,273</u> | <u>3,342</u> | <u>(1,562,775)</u> | <u>495,017</u> |
| Income (Loss) Before Contributions and Transfers | <u>(2,420,034)</u> | <u>3,106,466</u> | <u>(91,254)</u> | <u>595,178</u> | <u>(1,296,151)</u> |
| Capital grants and contributions | 20,059,222 | 190,058 | - | 20,249,280 | - |
| Transfers in | 10,861,708 | 198,728 | - | 11,060,436 | - |
| Transfers out | (100,000) | - | - | (100,000) | - |
| Change in Net Position | <u>28,400,896</u> | <u>3,495,252</u> | <u>(91,254)</u> | <u>31,804,894</u> | <u>(1,296,151)</u> |
| Net position, beginning of year | <u>414,505,366</u> | <u>44,511,112</u> | <u>1,442,388</u> | | <u>9,196,123</u> |
| Net position, end of year | <u>\$ 442,906,262</u> | <u>\$ 48,006,364</u> | <u>\$ 1,351,134</u> | | <u>\$ 7,899,972</u> |
| Reconciliation to government - wide statement of activities: | | | | | |
| Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds | | | | (453,787) | |
| Change in net position of business-type activities for government-wide statement of activities | | | | <u>\$ 31,351,107</u> | |



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**Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2023**

| | Business-Type Activities | | | Total Enterprise Funds | Governmental Activities |
|---|--------------------------|----------------------|------------------|------------------------|-------------------------|
| | Water and Sewer | Solid Waste | Nonmajor-Parking | | Internal Service Funds |
| Cash Flows from Operating Activities | | | | | |
| Cash received from customers | \$ 56,399,355 | \$ 21,735,857 | \$ 128,458 | \$ 78,263,670 | \$ - |
| Cash received from service users | - | - | - | - | 1,594,694 |
| Cash received from city and employee contributions | - | - | - | - | 10,147,917 |
| Cash payments for goods and services | (22,547,821) | (8,355,935) | (58,067) | (30,961,823) | (1,048,249) |
| Cash paid to employees | (18,844,918) | (6,814,917) | (99,490) | (25,759,325) | - |
| Cash payments for premiums and other operating expenses | - | - | - | - | (1,425,029) |
| Cash payments for claims paid | - | - | - | - | (11,260,382) |
| Cash received from other operating revenues | 21,661 | 83,385 | - | 105,046 | - |
| Net cash provided by (used in) operating activities | <u>15,028,277</u> | <u>6,648,390</u> | <u>(29,099)</u> | <u>21,647,568</u> | <u>(1,991,049)</u> |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Transfers in from other funds | 10,861,708 | 198,728 | - | 11,060,436 | - |
| Transfers out to other funds | (100,000) | - | - | (100,000) | - |
| Other noncapital financing receipts/payments | (54,864) | (36,854) | 5 | (91,713) | - |
| Net cash provided by noncapital financing activities | <u>10,706,844</u> | <u>161,874</u> | <u>5</u> | <u>10,868,723</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds from sale of capital assets | - | 15,781 | 72 | 15,853 | - |
| Acquisition and construction of capital assets | (21,093,917) | (4,768,292) | (56,037) | (25,918,246) | - |
| Proceeds from insurance recoveries | 643,396 | 1,269 | 2,540 | 647,205 | - |
| Intergovernmental receipts for capital projects | 20,161,215 | - | - | 20,161,215 | - |
| Principal paid on capital debt | (10,797,552) | (141,101) | - | (10,938,653) | - |
| Interest paid on capital debt | (8,939,347) | (9,619) | - | (8,948,966) | - |
| Net cash used in capital and related financing activities | <u>(20,026,205)</u> | <u>(4,901,962)</u> | <u>(53,425)</u> | <u>(24,981,592)</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | | | |
| Proceeds from sales and maturities of investment securities | 21,858,218 | 9,152,246 | - | 31,010,464 | - |
| Outlays for purchases of investment securities | (20,294,452) | (10,148,027) | - | (30,442,479) | - |
| Interest on investments | 5,269,031 | 1,670,798 | 724 | 6,940,553 | 495,018 |
| Net cash provided by investing activities | <u>6,832,797</u> | <u>675,017</u> | <u>724</u> | <u>7,508,538</u> | <u>495,018</u> |
| Net Increase (Decrease) in Cash | <u>12,541,713</u> | <u>2,583,319</u> | <u>(81,795)</u> | <u>15,043,237</u> | <u>(1,496,031)</u> |
| Cash, beginning of year | 35,722,569 | 25,334,180 | 81,796 | 61,138,545 | 11,871,822 |
| Cash, end of year | <u>\$ 48,118,965</u> | <u>\$ 27,917,498</u> | <u>\$ -</u> | <u>\$ 76,036,463</u> | <u>\$ 10,375,791</u> |

Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended December 31, 2023

| | Business-Type Activities | | | Governmental Activities | |
|---|--------------------------|----------------------|--------------------|-------------------------|------------------------|
| | Water and Sewer | Solid Waste | Nonmajor-Parking | Total Enterprise Funds | Internal Service Funds |
| Reconciliation of cash and restricted cash at December 31 to statement of net position | | | | | |
| Cash | \$ 47,861,084 | \$ 27,917,498 | \$ - | \$ 75,778,582 | \$ 10,375,791 |
| Restricted cash | 257,881 | - | - | 257,881 | - |
| Total | <u>\$ 48,118,965</u> | <u>\$ 27,917,498</u> | <u>\$ -</u> | <u>\$ 76,036,463</u> | <u>\$ 10,375,791</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | |
| Operating income (loss) | \$ 774,356 | \$ 1,478,193 | \$ (94,596) | \$ 2,157,953 | \$ (1,791,168) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | |
| Depreciation | 16,092,122 | 3,713,729 | 3,001 | 19,808,852 | - |
| Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources | | | | | |
| Accounts receivable | 443,542 | 394,761 | (13,383) | 824,920 | 25,212 |
| Due to other funds | - | - | 94,188 | 94,188 | - |
| Inventories | (580,068) | 3,142 | - | (576,926) | 3,705 |
| Prepaid items and other assets | (107,610) | 132 | - | (107,478) | - |
| Deferred outflows of resources - OPEB | (643,259) | (235,782) | - | (879,041) | - |
| Accounts payable and accrued liabilities | (1,059,149) | 358,852 | (18,309) | (718,606) | (505,163) |
| Deposits | (234,883) | - | - | (234,883) | - |
| Liability for claims and judgments | - | - | - | - | 276,365 |
| OPEB liabilities | 1,115,320 | 413,440 | - | 1,528,760 | - |
| Deferred inflows of resources - OPEB | (772,094) | (273,121) | - | (1,045,215) | - |
| Other liabilities | - | 795,044 | - | 795,044 | - |
| Total adjustments | <u>14,253,921</u> | <u>5,170,197</u> | <u>65,497</u> | <u>19,489,615</u> | <u>(199,881)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 15,028,277</u> | <u>\$ 6,648,390</u> | <u>\$ (29,099)</u> | <u>\$ 21,647,568</u> | <u>\$ (1,991,049)</u> |
| Noncash investing, capital and financing activities: | | | | | |
| Net appreciation (depreciation) in fair value of investments | \$ 62,490 | \$ 227,827 | \$ - | \$ 290,317 | \$ - |
| Capital-related accounts payable | 3,034,646 | 323,350 | - | 3,357,995 | - |
| Right-to-use-assets acquired | - | 167,440 | - | 167,440 | - |

**Statement of Fiduciary Net Position
OPEB Trust Fund
December 31, 2023**

| | |
|---|----------------------------|
| Assets | |
| Current Assets | |
| Investments: | |
| Government money market funds | \$ 1,586,357 |
| Total Investments | <u>1,586,357</u> |
| Total Current Assets | <u>1,586,357</u> |
| Total Assets | <u>1,586,357</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | <u>3,966</u> |
| Total Current Liabilities | <u>3,966</u> |
| Total Liabilities | <u>3,966</u> |
| Net Position | |
| Net position restricted for postemployment benefits other than pensions | <u>1,582,391</u> |
| Total Net Position | <u><u>\$ 1,582,391</u></u> |

**Statement of Changes in Fiduciary Net Position
OPEB Trust Fund
For the Year Ended December 31, 2023**

Additions:

| | | |
|---|----|----------------|
| Contributions | | |
| Employer | \$ | 311,472 |
| Total contributions | | <u>311,472</u> |
| Investment Earnings | | |
| Net increase in fair value of investments | | 64,773 |
| Less investment expense | | <u>15,582</u> |
| Net investment earnings | | <u>49,191</u> |
| Total additions | | <u>360,663</u> |

Deductions:

| | | |
|--|--|----------------|
| Benefits paid directly to participants | | <u>311,472</u> |
| Total deductions | | <u>311,472</u> |
| Change in Net Position | | <u>49,191</u> |

**Net Position Restricted for Postemployment
Benefits Other Than Pensions**

| | | |
|-------------------|----|-------------------------|
| Beginning of year | | <u>1,533,200</u> |
| End of year | \$ | <u><u>1,582,391</u></u> |

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The City of Fort Smith, Arkansas (the “City”) is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city administrator form of government. Seven elected directors and the Mayor set policy. The directors employ the City Administrator. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City is a municipality governed by an elected mayor and a seven-member board of directors (Board). As required by GAAP, these financial statements present the City (Primary Government) and its component units. The component units are legally separate from the City, but are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City based upon the criteria of GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 80, *Blending Requirements for Certain Component Units* and GASB Statement 39, *Determining whether Certain Organizations Are Component Units*, as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus*. Generally, GASB Statements 14, 39, 61 and 80 require entities for which the City appoints a voting majority of the board and the entity imposes a financial benefit or burden to be included in the City’s financial reporting entity. Additionally, those entities that the nature and significance of their relationship with the City is such that exclusion from the City’s financial reporting entity would render the City’s financial statements incomplete or misleading, should also be included in the City’s reporting entity.

Those entities that meet the above established criteria for inclusion, and that meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantially the same as the City’s board, are required to be included as part of the primary government’s financial statements through “blended” presentation. Those entities that meet the above established criteria for inclusion, but do not either (1) provide services entirely or almost entirely for the City, or (2) have the same or substantially the same board as the City, are required to be presented “discretely” or in a separate column as part of the City’s reporting entity, but not part of the primary government. Entities for which the City is accountable because it appoints a voting majority of the Board but is not financially accountable, are related organizations and would be disclosed in these notes.

All entities that are not included as “Blended Component Units” or “Discretely Presented Component Units” on the following page are excluded from the City’s financial reporting entity.

Blended Component Units

Central Business Improvement District (CBID) - The CBID commission consists of eight commissioners as appointed by the Board of Directors. The Board of Directors can remove any commissioner with a vote of $\frac{2}{3}$. The City levies an annual assessment upon property owners in the CBID. The assessment revenues fund “clean & green” projects to improve landscaping, maintenance, cleanliness, repairs and overall appearance of City sidewalks, streets and public spaces in the CBID area. The CBID does not issue separate financial statements.

Discretely Presented Component Units**Business-Type**

Airport Commission - The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. In 2023, the City contributed \$3.9 million, included in administration expenses on the governmental activities statement of activities, to the Airport Commission to assist with a runway extension project. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 6700 McKennon Boulevard, Suite 200, Fort Smith, Arkansas 72903, or from the City Clerk's office. See *Note 16* for condensed financial statements.

Governmental

Advertising and Promotion Commission (the Commission) - The Commission was established during 1989 to promote the City and increase tourism. The Commission is governed by seven members appointed by the Board. The Mayor and one board member serve as two of the seven members of the Commission. The City levies taxes for the Commission's revenue, performs administrative services for collection of taxes, and provides financial services to the Commission. However, the Commission functions for the benefit of the citizens and visitors to the City. The Commission is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Commission. See *Note 16* for condensed financial statements.

Public Library - The board of trustees for the Fort Smith Public Library manages the Public Library and consists of seven members appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the City levies the Public Library's ad valorem tax annually. The City contributes 6% of county sales tax revenues annually to support the operations of the Library which totaled \$1.5 million. The Library participates in the City's self-funded health insurance benefit plan. The City retains the risk of financing the plan's obligations and invoices the Library monthly for its estimated share. The Library paid the City premiums totaling \$249,567 during the year ended December 31, 2023. At December 31, 2023, the Library owed the City \$21,916 for employee health insurance. In addition, the Library received land and properties totaling \$10,452,825 during the year ended December 31, 2023 from the City. The Public Library is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Financial statements of the Public Library can be obtained from the Library's administrative office located at 3201 Rogers Avenue, Fort Smith, Arkansas, 72903, or from the City Clerk's office. See *Note 16* for condensed financial statements.

Related Organizations

The City's Mayor and Board are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations, does not extend beyond making the appointments. The Mayor and Board appoint the members of the Fort Smith Housing Authority and the Solid Waste Management District; however, the City cannot impose its will upon the Housing Authority or the Solid Waste Management District as stated in GASB Statements 14, 39, 61 and 80; therefore, the financial operations of these related organizations have not been included in the City's basic financial statements.

Notes to Basic Financial Statements December 31, 2023

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to functions based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. All other revenues are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental, proprietary, and fiduciary, are presented. Proprietary funds include both enterprise and internal service funds. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a single column.

The City reports the following major governmental funds:

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

The *Street Maintenance Fund* is a special revenue fund that accounts for the City's allocation of state highway revenues turnback and property taxes from the Sebastian County road tax allocation restricted for street and traffic control operations. Minor maintenance, repair, and construction of streets and traffic control signals as well as street lighting are included in this fund.

The *Sales Tax Fund* is a special revenue fund that accounts for resources from the City's one percent (1%) local sales and use tax dedicated to the major street, bridge, and associated drainage projects; and a one percent (1%) local sales and use tax allocated to the police department and the utilities department. This sales tax is dedicated ¼% to police operations and capital improvements, ⅕% sewer consent decree improvements, ⅙% to parks and recreation capital improvements and ⅙% to fire operations and capital improvements.

The *LOPFI Contribution Fund* is a special revenue fund that accounts for the funding of contributions made to the Police and Fire Relief and Pension Plans administered by Arkansas LOPFI. Revenues

include a dedicated property tax and insurance turnback revenues for police and fire pension contributions.

The *Special Grants Fund* is a special revenue fund that accounts for federal, state, and local grants received by the City. These funds are restricted to expenditures for approved projects of the various agencies. At year end, the fund held \$1,723,193 in cash and unearned revenue related to the City's funds received from the Coronavirus State and Local Fiscal Recovery Fund established by the *The American Rescue Plan Act of 2021*. These funds are available for use for eligible City expenditures through 2024.

The *Sales and Use Tax Bond Fund* is a debt service fund that accounts for resources to repay general government related debt. The final expenditures were paid out of this fund in 2023.

The City reports the following major enterprise funds:

The *Water and Sewer Fund* is an enterprise fund that accounts for the activities of the water and wastewater operations. The City operates water treatment plants and distribution lines and wastewater treatment plants, pumping stations and collection systems.

The *Solid Waste Fund* is an enterprise fund that accounts for the activities of providing solid waste collection and disposal. The City's landfill activities are included in this fund.

The City reports the following fiduciary fund type:

The *OPEB Trust Fund* is a pension trust fund that accounts for contributions to an irrevocable trust established to provide for future funding of retirees' medical plan benefits.

Additionally, the City reports the following fund types:

Special Revenue Funds- The special revenue funds, which include federal and state grants, are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. The City's nonmajor special revenue funds are Community Development Block Grant (CDBG) Funds, Tilles Park Fund, Home Investment Partnership Act Fund and Convention Center Fund.

Internal Service Funds- The internal service funds are used to account for centralized services, employee health care, and workers' compensation coverage provided to the City departments on a cost-reimbursement basis.

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Funds

The government-wide, proprietary fund financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes, fines and forfeitures, grants, entitlements, and similar items; and contributions. Recognition standards are based on the characteristics and classes of nonexchange

Notes to Basic Financial Statements December 31, 2023

transactions. Property taxes are recognized as revenues in the year for which they are levied. Utility franchise fees, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. All of the utility franchise fees remitted to the City are based upon the gross receipts of the franchised utility. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unavailable revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures and proceeds of general long-term debt and financing through leases are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within sixty (60) days after year-end with the exception of grant revenues that are considered available if collected within one year. Principal revenue sources considered susceptible to accrual include ad valorem taxes, sales taxes, utility franchise fees, grant revenues, and interest. Other revenues, such as fines and forfeitures and service charges, are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when the related liability is incurred under the accrual basis of accounting, except for expenditures related to principal and interest on long-term debt, including lease and SBITA liabilities as well as claims and judgments, and compensated absences which are recorded only when payment is due.

Cash and Investments

In order to facilitate cash management, the operating cash of certain funds is pooled into common bank accounts for the purpose of increasing income through combined investment activities. Investments are carried at fair value. Interest earned on investments is recorded in the funds in which the investments are recorded.

Inventories and Prepaids

Inventories, consisting primarily of gasoline and waterline materials, are valued on the average cost basis. General government fund inventories are accounted for on the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include infrastructure assets constructed since 1980, are reported in the government-wide financial statements and the fund financial statements for proprietary funds.

Capital assets are recorded at historical cost (except for intangible right-to-use lease and SBITA assets, the measurement of which is discussed in Note 4 below). Contributed property is recorded at acquisition value at the date of contribution. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset classes. Land and construction in progress are not depreciated. Depreciation/amortization is recorded on each class of depreciable/amortizable assets utilizing the straight-line method over the estimated useful lives of the assets, or on the units-of-production method based on filled capacity utilized for the City's landfill.

Leases

Lessee: The City is a lessee for a noncancellable lease of equipment, office space and land. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$20,000 or more.

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

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

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

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

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

Payments due under the lease contracts include fixed payments plus, for many of the City's leases, variable payments. For office space leases that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance, and common area maintenance. For office equipment leases maintenance services are provided by the lessor at a fixed cost and are included in the fixed lease payments for the single, combined lease component.

Notes to Basic Financial Statements December 31, 2023

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and equipment leases across the City. These are used to maximize operational flexibility in terms of managing the assets used in the City's operations. The majority of extension and termination options held are exercisable only by the City and not by the respective lessor.

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

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the lease term.

Lessor: The Airport is a lessor for a noncancellable lease of property. The Airport recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements.

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

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

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

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

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

The ranges of estimated useful lives, excluding improvements other than buildings for the Solid Waste Fund, are as follows:

| Capital Assets | Useful Life (Years) |
|---|------------------------|
| Governmental activities: | |
| Buildings | 10 to 50 |
| Improvements other than buildings | 5 to 50 |
| Infrastructure | |
| Streets | 40 |
| Bridges | 30 |
| Drainage | 20 |
| Machinery and equipment | 5 to 20 |
| Right-to use leased assets | 5 to 20 |
| Business-type activities: | |
| Enterprise funds: | |
| Water and sewer system: | |
| Buildings | 10 to 50 |
| Water system | 10 to 50 |
| Sewer system | 10 to 50 |
| Machinery and equipment | 3 to 10 |
| Solid Waste: | |
| Buildings | 35 |
| Leasehold improvements | 10 to 30 |
| Machinery and equipment | 3 to 10 |
| Parking: | |
| Buildings | 30 |
| Machinery and equipment | 3 to 10 |
| Discretely presented component units: | |
| Public Library | |
| Fixtures and equipment | 5 to 10 |
| Transportation equipment | 5 |
| Airport Commission: | |
| Buildings and improvements | 10 to 30 |
| Improvements other than buildings | 5 to 20 |
| Machinery and equipment | 3 to 15 |
| Furniture and fixtures | 3 to 10 |
| Ramps, runways, taxiways and improvements | 3 to 50 |

Renewals and betterments of property and equipment are capitalized, whereas normal repairs and maintenance are charged to expense as incurred.

The City's capitalization policy states that capital assets are defined as assets with an initial value or cost greater than or equal to \$20,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets that are defined as having a constructed project cost greater than or equal to \$250,000.

Property Tax Revenue

Taxes are levied on November 1 and are due and payable at that time. Property taxes attach an enforceable lien on property the first Monday in February (the lien date). All unpaid taxes levied November 1 become delinquent October 16 of the following year.

Notes to Basic Financial Statements December 31, 2023

Sebastian County is the collecting agent for the levy and remits the collections to the City, net of a collection fee.

The City is permitted by Arkansas State Law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general governmental services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2023 to finance the above operations was \$0.70 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.50 per \$100 of assessed valuation on real and personal property. Approximately \$8.4 million of additional taxes could be raised per year based on the current year's assessed value of \$1,193,037,498 for real property and \$488,449,940 for personal property before the limit is reached.

Compensated Absences

The City allows nonuniformed employees to accumulate unused vacation of up to 360 hours, police to accumulate unused vacation of up to 160 hours, and firefighters to accumulate unused vacation of up to 240 hours for one year. Upon termination, any accumulated unused vacation time will be paid to the employees who have been here at least one year. Generally, City employees are allowed to accumulate unused sick leave up to a maximum of 120 days. Any accumulated unused sick leave over 45 days for nonuniformed employees hired prior to February 4, 1992, and any accumulated unused sick leave over 90 days for nonuniformed employees hired February 4, 1992, and thereafter is paid upon termination. At the end of term of service, police officers will be paid for any accumulated unused sick leave upon retirement or death to a maximum amount equal to three month's salary for police officers at the rank held upon retirement. At the end of term of service, firefighters shall be paid for any accumulated unused sick leave upon retirement or death to a maximum amount equal to three month's salary at the rank held upon retirement.

The City records a liability for compensated absences as the employee earns benefits attributable to services already rendered that are not contingent on a specific event that is outside the control of the City. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured such as a result of employee resignations and retirements.

Risk Management

The City maintains a medical self-insurance plan funded by the City and administered by a third party. The plan provides certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's costs of providing these benefits, including premiums, totaled \$11,435,538 in 2023, and are included in operating expenses in the Employee Insurance Fund. The City contributes fully for each employee and shares in the contribution for any dependents. Retired employees may continue coverage under the City's policy but must bear the entire cost of these contributions. See *Note 11*.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$1,047,157 in 2023 to fund this program. There have been no significant reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

Sales Taxes

In November 1985, the City began assessing 1% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled \$29,923,833 for fiscal year 2023, and are included in the Sales Tax Fund's sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage. The City refers the tax to the voters every ten years for reapproval. The tax is currently extended until 2025.

In August 1994, Sebastian County began assessing 1% sales and use tax on retail sales in the county. Each city within Sebastian County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 78% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes totaled \$24,648,161 for fiscal year 2023. These taxes are included in the General Fund's sales tax revenues. The County refers the tax to the voters every ten years for reapproval. The tax is currently in place until 2033.

In May 2022, the citizens approved to extend a 1% sales tax to 2030. Three quarter percent of the one percent tax will be apportioned 83.3% for federally mandated sewer consent decree improvements and 16.7% will be apportioned for police operations and capital. The remaining one quarter percent will be split $\frac{1}{8}\%$ for fire operations and capital and $\frac{1}{8}\%$ for parks department capital improvements. These taxes are collected by the state and remitted to the City net of a collection fee. The taxes for this purpose totaled \$29,923,833 for fiscal year 2023, of which \$7,480,958 is included in the Fire and Parks sales tax revenue, \$16,943,902 for Consent Decree Sewer Improvements, \$3,388,780 for Police Operations and Capital and \$2,110,192 is included in the Sales and Use Tax Bond Fund's sales tax revenue. All outstanding bonds were called and paid in full by September 2022. Due to state laws regarding sales and use taxes, collections continued through the end of the 2022 resulting in \$12.5 million in sales and use tax revenues beyond the amount required to pay off the outstanding bonds. The fund earned \$2.3M in interest. The excess sales tax was allocated by the Board of Directors for use on capital projects with \$4.1M being allocated to parks and recreation capital improvements and \$10.7M to water and sewer capital improvements.

Statement of Cash Flows

For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents, which are classified as cash and restricted cash in the accompanying statement of fund net position.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities, business-type activities, and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. In governmental funds, long-term liabilities are only recorded to the extent that they are due and payable. Debt premiums, discounts and deferred gains/losses on refunding are generally deferred and amortized over the shorter of refunded debt or refunded debt's life using the straight-line method that approximates the effective interest method. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt discounts and premiums during the current period. The face amount of the debt issued and discounts given are reported separately as

Notes to Basic Financial Statements December 31, 2023

other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Restricted Assets

Assets are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Certain resources are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable grant regulations. The balance of the restricted asset accounts in the governmental activities are as follows:

| | |
|---|------------------|
| Cash | \$ 57,940 |
| Total restricted assets - governmental activities | <u>\$ 57,940</u> |

Certain proceeds of the City's enterprise funds revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The balances of the restricted assets accounts in the enterprise funds are as follows:

| | |
|---|----------------------|
| Current Assets: | |
| Cash - water and sewer bond construction account | \$ 257,881 |
| Investments - water and sewer bond account | 9,319,174 |
| Investments - water and sewer bond construction account | <u>23,168,328</u> |
| Total current assets - restricted | <u>32,745,383</u> |
| Noncurrent assets: | |
| Deposits | <u>\$ 178,197</u> |
| Total noncurrent assets | <u>178,197</u> |
| Total restricted assets - enterprise funds | <u>\$ 32,923,580</u> |

Unearned Revenue

Unearned revenue consists mainly of grant receipts and convention center rentals. At December 31, 2023, \$1,262,338 of unearned revenue is related to the City's remaining *American Rescue Plan Act* (ARPA) funding. The City received a total of \$21,220,634 in ARPA funding. During 2022, the City recognized \$6,224,634 of ARPA revenue as it allocated this amount toward eligible public safety personnel expenditures. The amount is recognized as intergovernmental revenue for the City's governmental activities in the statement of activities. During 2022, the City allocated \$4,104,948 in ARPA funding towards eligible water and sewer infrastructure projects. In 2023, the City allocated \$9,628,714 towards eligible water and sewer infrastructure projects. This amount is recognized as intergovernmental revenues for the City's business-type activities in the statement of activities.

Estimates

The preparation of financial statements in accordance 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 of resources, liabilities and deferred inflows of resources and disclosure 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 these estimates.

Pensions

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 Fire Relief and Pension Plan, the Police Relief and Pension Plan, the Local Police and Fire Retirement System and the Arkansas Public Employees Retirement System (together, 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.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources and OPEB expense associated with the City's OPEB Plan, information about the fiduciary net position of the Plan and additions to/deletions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, the City recognizes benefit payments when due and payable with the benefit terms. Investments are reported at fair value.

Fund Balances - Governmental Funds

The fund balances for the City's governmental funds are displayed in five components:

Nonspendable – Nonspendable fund balances are not in a spendable form or are required to remain intact.

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Committed fund balances may be used only for the specific purposes determined by ordinance of the Board of Directors (BOD). Commitments may be changed by issuance of an ordinance by the BOD.

Assigned – Assigned fund balances are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balances represent the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. The Board of Directors (BOD) has by resolution authorized the City Administrator to assign fund balance. The BOD may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Notes to Basic Financial Statements December 31, 2023

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. However, in other governmental funds, if the amounts spent is more than the resources available for a specific purpose, then it may need to report a negative amount in unassigned fund balance.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The City has four items that qualify for reporting in this category. The 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. Two of the items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred outflows related to contributions made after 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 as shown within *Note 10*. The fourth item relates to deferred outflows of resources for OPEB items.

In addition to liabilities, the statement of net position and balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four items that qualify as deferred inflows of resources as of December 31, 2023. The items reported in the statements are unavailable revenues in the governmental funds balance sheet, deferred inflows-pension in the government-wide statement of net position, deferred amounts on refunding and deferred inflows related to OPEB items in the government-wide statement of net position and the proprietary funds statement of net position. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows-pension consists of the difference between the expected and actual experience related to the pension plans as well as the net difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred inflows-pension are amortized over future periods as shown within *Note 10*.

Note 2: Cash and Investments

The City maintains a cash and investment pool that is available for use by all City funds. In addition, investments are separately held by some of the City's funds.

The City follows GASB Statement 3, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement 40, *Deposit and Investment Risk Disclosure* and GASB Statement 79, *Certain External Investment Pools and Pool Participants*. The investments and deposits of the primary government are stated at quoted fair values. As a result, a net unrealized gain of \$292,040 is recorded as an increase in fair value of investments for the primary government in 2023 and is included in Unrestricted investment earnings in the government-wide statement of activities..

Deposits

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’s custodial credit risk requires compliance with the deposit policy for state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral agreements.

At December 31, 2023, none of the City’s bank balances were uninsured and uncollateralized and, therefore, not exposed to custodial credit risk. Independent third parties held securities in the City’s name as collateral at December 31, 2023. The bank balances and carrying amount of the City’s deposits held as of December 31, 2023 were as follows:

Pooled and Nonpooled Funds

| Description | Bank Balance | Carrying Amount |
|-----------------|-----------------------|-----------------------|
| Demand deposits | <u>\$ 204,022,278</u> | <u>\$ 201,789,557</u> |

Component Units

At year-end, the carrying amount of the Public Library’s deposits was \$1,419,808 and the bank balance was \$1,489,368. At December 31, 2023, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount and bank balance of the Advertising and Promotion Commission’s deposits was \$1,439,747. At December 31, 2023, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount and bank balance of the Airport Commission’s deposits was \$14,074,248. At December 31, 2023, none of the balances were exposed to custodial credit risk.

Investments

State statutes and City ordinances authorize the City to invest funds in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision

Notes to Basic Financial Statements December 31, 2023

thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. Government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the City to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state, or the District of Columbia.

The City pension funds are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, corporate stocks, bonds, and mutual funds.

The City's investments, including accrued interest, held as of December 31, 2023, were as follows:

Pooled and Nonpooled Funds

| Description | Fair Value | Investment Maturities Less than 1 Year | Investment Maturities 1-5 Years |
|---------------------------|----------------------|--|---------------------------------|
| U.S. Treasury obligations | \$ 23,478,795 | \$ 20,166,307 | \$ 3,262,808 |
| U.S. Agency obligations | 1,070,195 | 49,680 | 1,070,195 |
| Money market mutual funds | 33,755,466 | 33,755,466 | - |
| | <u>\$ 58,304,456</u> | <u>\$ 53,971,453</u> | <u>\$ 4,333,003</u> |

In compliance with GASB 72, the City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2023:

- U.S. Treasury obligations of \$23,478,795 are valued using quoted market prices in active markets (Level 1 inputs).
- U.S. Agency obligations of \$1,070,195 are valued using the spread above the risk-free yield curve (Level 2 inputs).
- Money market funds of \$33,755,466 are valued at their net asset value.

Component Units

At year-end, the Public Library held \$109,623 in certificates of deposit. The Public Library reports certificates of deposits at amortized cost.

Interest Rate Risk. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Notes to Basic Financial Statements
December 31, 2023

Credit Risk. The City's investments at December 31, 2023, are securities issued and guaranteed by the U.S. Government.

Custodial Credit Risks. Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. While the City's investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City are in the City's name.

The following schedules reconcile the carrying amounts of deposits and investments to the government-wide statement of net position:

Primary Government:

| | |
|--|-----------------------|
| Carrying value of deposits - Pooled and nonpooled funds | \$ 201,789,557 |
| Investments classified as deposits | 16,486,432 |
| | <u>\$ 218,275,989</u> |
| Cash as reported on the government-wide statement of net position | \$ 217,960,168 |
| Restricted cash as reported on the government-wide statement of net position | 315,821 |
| | <u>\$ 218,275,989</u> |
| Carrying value of investments - | |
| Debt securities | \$ 24,548,990 |
| Money market mutual funds | 33,755,466 |
| Accrued income | 349,436 |
| Investments classified as deposits | (16,486,432) |
| | <u>\$ 42,167,460</u> |
| As reported on the government-wide statement of net position: | |
| Investments | \$ 9,679,958 |
| Restricted investments | 32,487,502 |
| | <u>\$ 42,167,460</u> |

Component Units:

Governmental Activities

| | |
|---|---------------------|
| Carrying value of deposits - | |
| Public Library | \$ 1,419,808 |
| Advertising and Promotion Commission | 1,439,747 |
| Carrying value of investments - | |
| Public Library | 109,623 |
| | <u>\$ 2,969,178</u> |
| As reported on the government-wide statement of net position: | |
| Cash | \$ 2,859,555 |
| Investments | 109,623 |
| | <u>\$ 2,969,178</u> |

Business-type Activities

| | |
|---|----------------------|
| Carrying value of deposits - | |
| Airport Commission | \$ 14,074,248 |
| | <u>\$ 14,074,248</u> |
| As reported on the government-wide statement of net position: | |
| Cash | \$ 4,656,169 |
| Investments | 6,788,133 |
| Restricted cash | 207,535 |
| Restricted investments | 2,422,411 |
| | <u>\$ 14,074,248</u> |

Notes to Basic Financial Statements December 31, 2023

Note 3: Leases Receivable

The Airport leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds, the terms of which expire 2023 through 2049. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number of leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

Revenue recognized under lease contracts during the year ended December 31, 2023 was \$942,815 which includes both lease revenue and interest.

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

| Years Ending December 31, | Principal | Interest | Total |
|---------------------------|----------------------|---------------------|----------------------|
| 2024 | \$ 738,165 | \$ 327,368 | \$ 1,065,533 |
| 2025 | 759,203 | 307,602 | 1,066,805 |
| 2026 | 720,094 | 287,343 | 1,007,437 |
| 2027 | 548,753 | 270,807 | 819,560 |
| 2028 | 496,795 | 257,042 | 753,837 |
| 2029 - 2033 | 2,728,688 | 1,074,633 | 3,803,321 |
| 2034 - 2038 | 1,514,690 | 779,269 | 2,293,959 |
| 2039 - 2043 | 1,553,775 | 589,634 | 2,143,409 |
| 2044 - 2048 | 1,840,631 | 363,982 | 2,204,613 |
| Thereafter | 1,791,287 | 240,185 | 2,031,472 |
| Total | <u>\$ 12,692,081</u> | <u>\$ 4,497,865</u> | <u>\$ 17,189,946</u> |

Regulated Leases

The Airport leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire 2023 through 2042.

Revenue recognized for fixed payments under regulated lease contracts during the years ended December 31, 2023 was \$191,622.

The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2023:

| Years Ending December 31, | Total Future |
|------------------------------|-------------------|
| 2024 | \$ 98,254 |
| 2025 | 47,756 |
| 2026 | 50,246 |
| 2027 | 55,549 |
| 2028 | 74,259 |
| 2029 - 2033 | 78,211 |
| 2034 - 2038 | 100,245 |
| 2039 - 2043 | 43,755 |
| Total | <u>\$ 548,275</u> |

Notes to Basic Financial Statements
December 31, 2023

Note 4: Capital Assets

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

Primary Government:

| | (Restated) January 1, 2023 | Additions | Deletions/ Transfers | December 31, 2023 |
|--|----------------------------------|----------------------|-------------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated/amortized | | | | |
| Land | \$ 28,210,008 | \$ 6,457,906 | \$ (610,759) | \$ 34,057,155 |
| Construction in progress | 27,300,505 | 27,547,503 | (22,962,217) | 31,885,791 |
| Total capital assets not being depreciated/ amortized | <u>55,510,513</u> | <u>34,005,409</u> | <u>(23,572,976)</u> | <u>65,942,946</u> |
| Capital assets being depreciated/amortized | | | | |
| Buildings | 89,316,253 | 114,365 | (17,405,566) | 72,025,052 |
| Improvements other than buildings | 30,653,990 | 160,421 | 2,402,040 | 33,216,451 |
| Infrastructure | 485,692,673 | 1,293,554 | 21,670,136 | 508,656,363 |
| Machinery and equipment | 66,164,757 | 4,381,950 | (6,866,484) | 63,680,223 |
| Right-to-use leased buildings | 1,156,315 | - | (19,860) | 1,136,455 |
| Right-to-use leased equipment | 841,693 | 550,432 | - | 1,392,125 |
| Right-to-use SBITA | 949,853 | 73,358 | - | 1,023,211 |
| Total depreciable capital assets at historical cost | <u>674,775,534</u> | <u>6,574,080</u> | <u>(219,734)</u> | <u>681,129,880</u> |
| Less accumulated depreciation/amortization for | | | | |
| Buildings | 38,593,891 | 1,741,600 | (7,898,707) | 32,436,784 |
| Improvements other than buildings | 16,056,632 | 1,224,090 | - | 17,280,722 |
| Infrastructure | 186,935,147 | 13,084,553 | - | 200,019,700 |
| Machinery and equipment | 42,493,424 | 4,351,986 | (5,315,720) | 41,529,690 |
| Right-to-use leased buildings | 448,005 | 442,739 | (19,860) | 870,884 |
| Right-to-use leased equipment | 176,289 | 315,307 | - | 491,596 |
| Right-to-use SBITA | - | 306,709 | - | 306,709 |
| Total accumulated depreciation/amortization | <u>284,703,388</u> | <u>21,466,984</u> | <u>(13,234,287)</u> | <u>292,936,085</u> |
| Capital assets being depreciated/amortized, net | <u>390,072,146</u> | <u>(14,892,904)</u> | <u>13,014,553</u> | <u>388,193,795</u> |
| Governmental activities capital assets, net | <u>\$ 445,582,659</u> | <u>\$ 19,112,505</u> | <u>\$ (10,558,423)</u> | <u>\$ 454,136,741</u> |

Notes to Basic Financial Statements December 31, 2023

| | (Restated) January 1, 2023 | Additions | Deletions/ Transfers | December 31, 2023 |
|--|----------------------------------|---------------------|-------------------------|-----------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 16,895,107 | \$ - | \$ - | \$ 16,895,107 |
| Construction in progress | 40,822,910 | 20,402,643 | (11,095,804) | 50,129,749 |
| Total capital assets not being depreciated/ amortized | <u>57,718,017</u> | <u>20,402,643</u> | <u>(11,095,804)</u> | <u>67,024,856</u> |
| Capital assets being depreciated/amortized: | | | | |
| Water system | 420,775,710 | 371,670 | 6,508,372 | 427,655,752 |
| Sewer system | 357,691,136 | 141,246 | 4,638,852 | 362,471,234 |
| Buildings | 8,698,605 | 27,750 | 2,490,458 | 11,216,813 |
| Improvements other than buildings | 31,974,006 | - | (2,490,458) | 29,483,548 |
| Machinery and equipment | 49,666,651 | 4,965,498 | (2,055,881) | 52,576,268 |
| Right-to-use SBITA | 990,163 | - | - | 990,163 |
| Total depreciable capital assets at historical cost | <u>869,796,271</u> | <u>5,506,164</u> | <u>9,091,343</u> | <u>884,393,778</u> |
| Less accumulated depreciation for: | | | | |
| Water system | 161,373,773 | 7,535,933 | (5,943) | 168,903,763 |
| Sewer system | 123,118,039 | 6,694,927 | - | 129,812,966 |
| Buildings | 3,288,411 | 230,155 | 2,490,370 | 6,008,936 |
| Improvements other than buildings | 24,192,425 | 830,931 | (2,490,458) | 22,532,898 |
| Machinery and equipment | 34,751,420 | 4,237,644 | (1,885,425) | 37,103,639 |
| Right-to-use SBITA | - | 279,262 | - | 279,262 |
| Total accumulated depreciation/amortization | <u>346,724,068</u> | <u>19,808,852</u> | <u>(1,891,456)</u> | <u>364,641,464</u> |
| Capital assets being depreciated/amortized, net | <u>523,072,203</u> | <u>(14,302,688)</u> | <u>10,982,799</u> | <u>519,752,314</u> |
| Business-type activities capital assets, net | <u>\$ 580,790,220</u> | <u>\$ 6,099,955</u> | <u>\$ (113,005)</u> | <u>\$ 586,777,170</u> |

**Notes to Basic Financial Statements
December 31, 2023**

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

| | |
|--|----------------------|
| Governmental activities: | |
| General government - | |
| Administration | \$ 151,972 |
| Legal | 317 |
| Finance | 680,386 |
| Public safety - | |
| Police | 1,695,613 |
| Fire | 1,524,534 |
| Public works - | |
| Streets | 13,255,811 |
| Traffic Control | 641,634 |
| Community services - | |
| Parks and recreation | 2,080,630 |
| Convention center | 653,129 |
| Transit | 782,038 |
| Housing and rehabilitation | 920 |
| Total governmental activities depreciation/amortization expense | <u>21,466,984</u> |
| Business type activities: | |
| Water and Sewer | 16,092,122 |
| Solid Waste | 3,713,729 |
| Parking | 3,001 |
| Total business-type activities depreciation/amortization expense | <u>19,808,852</u> |
| Total depreciation/amortization expense | <u>\$ 41,275,836</u> |

Reconciliation of capital assets additions to the capital outlay in the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds:

| | |
|--|----------------------|
| Capital assets activity (on page 71): | |
| Additions for capital assets not being depreciated/amortized | \$ 34,005,409 |
| Additions for capital assets being depreciated/amortized | <u>6,574,080</u> |
| Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | <u>\$ 40,579,489</u> |

Notes to Basic Financial Statements December 31, 2023

Capital assets activity for the year ended December 31, 2023, for the major enterprise funds was as follows:

Primary Government:

| | Restated January 1, 2023 | Additions | Deletions/ Transfers | December 31, 2023 |
|---|--------------------------------|---------------------|-------------------------|-----------------------|
| Water and Sewer Fund: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 15,162,175 | \$ - | \$ - | \$ 15,162,175 |
| Construction in progress | 40,674,412 | 20,344,086 | (11,095,804) | 49,922,694 |
| Total capital assets not being depreciated/ amortized: | <u>55,836,587</u> | <u>20,344,086</u> | <u>(11,095,804)</u> | <u>65,084,869</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 2,819,603 | 27,750 | - | 2,847,353 |
| Water system | 420,775,710 | 371,670 | 6,508,372 | 427,655,752 |
| Sewer system | 357,691,136 | 141,245 | 4,638,853 | 362,471,234 |
| Machinery and equipment | 27,694,724 | 122,914 | (232,932) | 27,584,706 |
| Right-to-use SBITA | 585,096 | - | - | 585,096 |
| Total depreciable capital assets at historical cost | <u>809,566,269</u> | <u>663,579</u> | <u>10,914,293</u> | <u>821,144,141</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 467,485 | 92,584 | - | 559,982 |
| Water system | 161,373,774 | 7,535,933 | (5,123) | 168,903,763 |
| Sewer system | 123,118,039 | 6,694,927 | - | 129,812,966 |
| Machinery and equipment | 20,539,588 | 1,656,856 | (140,086) | 22,057,159 |
| Right-to-use SBITA | - | 111,822 | - | 111,822 |
| Total accumulated depreciation/amortization | <u>305,498,886</u> | <u>16,092,122</u> | <u>(145,209)</u> | <u>321,445,692</u> |
| Capital assets being depreciated/amortized, net | <u>503,482,287</u> | <u>(15,428,543)</u> | <u>11,059,502</u> | <u>499,698,449</u> |
| Total Water and Sewer Fund capital assets, net | <u>\$ 559,318,874</u> | <u>\$ 4,915,543</u> | <u>\$ (36,302)</u> | <u>\$ 564,783,318</u> |

Notes to Basic Financial Statements
December 31, 2023

| | Restated January 1, 2023 | Additions | Deletions/ Transfers | December 31, 2023 |
|---|--------------------------------|---------------------|-------------------------|----------------------|
| Solid Waste Fund: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 373,772 | \$ - | \$ - | \$ 373,772 |
| Construction in progress | 148,498 | 2,520 | - | 151,018 |
| Total capital assets not being depreciated/ amortized: | <u>522,270</u> | <u>2,520</u> | <u>-</u> | <u>524,790</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 5,879,002 | - | - | 5,879,002 |
| Improvements other than buildings | 29,483,548 | - | - | 29,483,548 |
| Machinery and equipment | 21,868,396 | 4,842,584 | (1,822,949) | 24,888,031 |
| Right-to-use SBITA | 405,067 | - | - | 405,067 |
| Total depreciable capital assets at historical cost | <u>57,636,013</u> | <u>4,842,584</u> | <u>(1,822,949)</u> | <u>60,655,648</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 2,820,926 | 137,571 | - | 2,958,497 |
| Improvements other than buildings | 21,701,967 | 830,931 | - | 22,532,898 |
| Machinery and equipment | 14,126,053 | 2,577,787 | (1,746,135) | 14,957,705 |
| Right-to-use SBITA | - | 167,440 | - | 167,440 |
| Total accumulated depreciation/amortization | <u>38,648,946</u> | <u>3,713,729</u> | <u>(1,746,135)</u> | <u>40,616,540</u> |
| Capital assets being depreciated/amortized, net | <u>18,582,000</u> | <u>1,128,855</u> | <u>(76,814)</u> | <u>20,039,108</u> |
| Total Solid Waste fund capital assets, net | <u>\$ 19,104,270</u> | <u>\$ 1,131,375</u> | <u>\$ (76,814)</u> | <u>\$ 20,563,898</u> |

Component Units:

| | January 1, 2023 | Additions | Deletions/ Transfers | December 31, 2023 |
|--|--------------------|----------------------|-------------------------|----------------------|
| Governmental Activities: | | | | |
| Public Library | | | | |
| Capital assets not being depreciated/amortized | | | | |
| Land | \$ 422,132 | \$ 610,759 | \$ - | \$ 1,032,891 |
| Rare book collection | 5,000 | - | - | 5,000 |
| Total capital assets not being depreciated/amortized | <u>427,132</u> | <u>610,759</u> | <u>-</u> | <u>1,037,891</u> |
| Capital assets being depreciated/amortized: | | | | |
| Equipment | 1,840,956 | 9,842,066 | - | 11,683,022 |
| Transportation equipment | 139,952 | - | - | 139,952 |
| Right-to-use leased equipment | - | 23,950 | - | 23,950 |
| Total depreciable capital assets at historical cost | <u>1,980,908</u> | <u>9,866,016</u> | <u>-</u> | <u>11,846,924</u> |
| Less accumulated depreciation/amortization | <u>1,432,096</u> | <u>266,401</u> | <u>-</u> | <u>1,698,497</u> |
| Capital assets being depreciated/amortized, net | <u>548,812</u> | <u>9,599,615</u> | <u>-</u> | <u>10,148,427</u> |
| Governmental activities capital assets, net | | | | |
| Public Library | <u>\$ 975,944</u> | <u>\$ 10,210,374</u> | <u>\$ -</u> | <u>\$ 11,186,318</u> |

Notes to Basic Financial Statements December 31, 2023

| | January 1, 2023 | Additions | Deletions/ Transfers | December 31, 2023 |
|--|----------------------|----------------------|-------------------------|----------------------|
| Business-Type Activities: | | | | |
| Airport Commission: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 6,831,680 | \$ - | \$ - | \$ 6,831,680 |
| Construction in progress | 28,234,574 | 11,714,305 | (5,550) | 39,943,329 |
| Total capital assets not being depreciated/amortized | <u>35,066,254</u> | <u>11,714,305</u> | <u>(5,550)</u> | <u>46,775,009</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 25,494,990 | 157,867 | - | 25,652,857 |
| Runways & other airport infrastructure | 56,262,963 | 100,455 | - | 56,363,418 |
| Equipment, furniture & fixtures, and other | 13,249,456 | 386,876 | (85,091) | 13,551,241 |
| Right-to-use asset-land | 2,033,149 | - | - | 2,033,149 |
| Total depreciable capital assets at historical cost | <u>97,040,558</u> | <u>645,198</u> | <u>(85,091)</u> | <u>97,600,665</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 15,077,636 | 550,383 | | 15,628,019 |
| Runways & other airport infrastructure | 45,184,765 | 1,386,147 | | 46,570,912 |
| Equipment, furniture & fixtures, and other | 10,242,820 | 309,888 | (73,591) | 10,479,117 |
| Right-to-use asset-land | 130,820 | 65,410 | | 196,230 |
| Total accumulated depreciation/amortization | <u>70,636,041</u> | <u>2,311,828</u> | <u>(73,591)</u> | <u>72,874,278</u> |
| Capital assets being depreciated/amortized, net | <u>26,404,517</u> | <u>(1,666,630)</u> | <u>(11,500)</u> | <u>24,726,387</u> |
| Business-type activities capital assets, net | | | | |
| Airport Commission | <u>\$ 61,470,771</u> | <u>\$ 10,047,675</u> | <u>\$ (17,050)</u> | <u>\$ 71,501,396</u> |

Construction-in-progress is composed of the following:

| | Primary Appropriation | Expended to December 31, 2023 | Committed |
|--------------------------------------|--------------------------|-------------------------------------|----------------------|
| Primary government: | | | |
| Governmental activities | \$ 73,119,954 | \$ 31,885,791 | \$ 41,234,163 |
| Business-type activities | | | |
| Water and sewer capital improvements | 50,770,519 | 49,922,694 | 847,825 |
| Solid Waste | 151,018 | 151,018 | - |
| Total | <u>\$ 124,041,491</u> | <u>\$ 81,959,503</u> | <u>\$ 42,081,988</u> |

The City's governmental construction projects include major street and drainage improvements and additional trails and greenway. Funding is in place for these projects. Water and sewer capital improvement projects include the neighborhood waterline improvements, wet weather wastewater improvements, wastewater sewer line replacements and improvements, and plant designs that are funded by the 2018 Water and Sewer System Revenue Bonds and utility operating revenues.

Notes to Basic Financial Statements
December 31, 2023

Reconciliation of Capital Assets to Net Investment in Capital Assets on the Statement of Net Position:

| | Business-Type | | | | |
|---|-----------------------|-----------------------|----------------------|---------------------|-----------------------|
| | Governmental | Water and Sewer | Solid Waste | Parking | Total |
| Primary Government: | | | | | |
| Net book value | \$ 454,136,741 | \$ 564,783,318 | \$ 20,563,901 | \$ 1,429,950 | \$ 586,777,169 |
| Current and noncurrent debt | (2,129,962) | (197,278,251) | (263,966) | - | (197,542,217) |
| Capital related accounts payable | (2,077,111) | (3,034,646) | (323,350) | - | (3,357,995) |
| Retainage payable | (337,978) | (673,887) | - | - | (673,887) |
| Restricted assets - unspent bond/net proceeds | - | 23,247,788 | - | - | 23,247,788 |
| Net investment in capital assets | <u>\$ 449,591,689</u> | <u>\$ 387,044,323</u> | <u>\$ 19,976,586</u> | <u>\$ 1,429,950</u> | <u>\$ 408,450,858</u> |
| | Governmental | Business-Type | | | |
| Component Units: | | | | | |
| Net book value | \$ 11,186,318 | \$ 71,501,396 | | | |
| Current and noncurrent debt | (23,950) | (1,930,958) | | | |
| Capital related accounts payable | - | (2,533,061) | | | |
| Retainage payable | - | (1,030,944) | | | |
| Net investment in capital assets | <u>\$ 11,162,368</u> | <u>\$ 66,006,433</u> | | | |

Note 5: Lease Payable

This note provides information for leases where the City is a lessee.

The City is obligated under leases covering certain office space, machinery and IT equipment that expire at various dates during the next four years.

The City has entered into various lease agreements as lessee primarily for office space, land and office equipment. Most leases have initial terms of up to 20 years, and contain one or more renewal at our option, generally for three or five year periods. We have included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For the City's transportation equipment leases, variable payments include those for property taxes and mileage. For office space leases that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance, and common area maintenance. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

Notes to Basic Financial Statements December 31, 2023

Amounts recognized in the statement of net position

The statement of net position shows the following amounts relating to leases:

| Right-of-use assets | Governmental Activities |
|---------------------|----------------------------|
| Buildings | \$ 265,571 |
| Equipment | 900,529 |
| | \$ 1,166,100 |
| | |
| Lease payable | Governmental Activities |
| Current | \$ 466,946 |
| Non-current | 748,110 |
| | \$ 1,215,056 |

The future principal and interest lease payments as of December 31, 2023, were as follows:

| Fiscal year | Governmental Activities | |
|-------------|-------------------------|-----------|
| | Principal | Interest |
| 2024 | \$ 466,946 | \$ 32,137 |
| 2025 | 367,869 | 18,809 |
| 2026 | 348,034 | 7,426 |
| 2027 | 32,206 | 146 |
| 2028 | - | - |
| Total | \$ 1,215,056 | \$ 58,518 |

Lease Liability-Airport Commission

The following is a summary of the Airport's long-term lease liability for the year ended December 31, 2023:

| | 2023 | | | | |
|-----------------|----------------------|-----------|-------------|-------------------|--------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Due in One Year |
| Lease liability | \$ 1,965,900 | \$ - | \$ (34,942) | \$ 1,930,958 | \$ 35,879 |

Notes to Basic Financial Statements
December 31, 2023

The Airport has a land lease that began in 2001 with terms that expire in 2052. The future principal and interest payments for the lease liability as of December 31, 2023 are as follows:

| Years Ending December 31, | Principal | Interest | Total |
|---------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 35,879 | \$ 50,737 | \$ 86,616 |
| 2025 | 36,842 | 49,774 | 86,616 |
| 2026 | 37,830 | 48,786 | 86,616 |
| 2027 | 42,859 | 47,727 | 90,586 |
| 2028 | 44,378 | 46,569 | 90,947 |
| 2029 - 2033 | 249,329 | 214,120 | 463,449 |
| 2034 - 2038 | 309,342 | 177,280 | 486,622 |
| 2039 - 2043 | 379,084 | 131,869 | 510,953 |
| 2044 - 2048 | 459,993 | 76,507 | 536,500 |
| Thereafter | 335,422 | 14,620 | 350,042 |
| Total | <u>\$ 1,930,958</u> | <u>\$ 857,989</u> | <u>\$ 2,788,947</u> |

Note 6: SBITA Right-To-Use Assets and Payables

A SBITA is a contract that conveys control of the right to use another party’s information technology asset such as software. The contract is for a noncancellable period of time and the arrangement is an exchange or exchange-like transaction. This type of transaction creates a subscription liability and a right-to-use asset that must be recognized at the commencement of the term.

It is the policy of the City to only capitalize the SBITA right-to-use assets that are above \$20,000 threshold and to amortize it using the straight-line method over the term of the contract. Initial software implementation cost for existing SBITAs prior to implementation date were reported as an outflow of resources in prior years and hence not included as part of the right-to-use SBITA assets. The SBITA liability has been measured in accordance to the facts and circumstances known to the City as of the date of implementation for this current fiscal year. Any subsequent changes to subscription terms and/or payments after the liability was originally recorded will cause a remeasurement of the liability and the right-to-use asset as of that date.

The City uses multiple SBITAs across all functions and City departments. The total amount of outflows of resources recognized in the reporting period for other payments not previously included in the measurement of the subscription liability were \$4,900. There were no variable payments during the current fiscal year.

Amounts recognized in the statement of net position

The statement of net position shows the following amounts relating to SBITAs:

| Right-of-use assets | Governmental Activities | Business-type Activities |
|---------------------|----------------------------|-----------------------------|
| SBITA | \$ 716,502 | \$ 710,901 |
| | <u>\$ 716,502</u> | <u>\$ 710,901</u> |

Notes to Basic Financial Statements December 31, 2023

| SBITA payable | Governmental Activities | Business-type Activities |
|---------------|----------------------------|-----------------------------|
| Current | \$ 324,035 | \$ 254,578 |
| Non-current | 314,573 | 476,932 |
| | \$ 638,608 | \$ 731,510 |

The future principal and interest SBITA payments as of December 31, 2023, were as follows:

| Fiscal year | Governmental Activities | | Business-Type Activities | |
|-------------|-------------------------|-----------|--------------------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 324,035 | \$ 27,734 | \$ 254,578 | \$ 31,616 |
| 2025 | 178,292 | 13,346 | 237,386 | 19,776 |
| 2026 | 80,677 | 5,832 | 45,100 | 10,324 |
| 2027 | 55,605 | 2,377 | 47,043 | 8,381 |
| 2028 | - | - | 49,053 | 6,371 |
| 2029-2033 | - | - | 98,351 | 6,272 |
| Total | \$ 638,608 | \$ 49,289 | \$ 731,510 | \$ 82,740 |

Note 7: Long-Term Liabilities

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

Primary Government:

| | (Restated) Balance January 1, 2023 | Increases | Decreases | Balance December 31, 2023 | Amount Due in One Year |
|---|---|---------------|--------------|---------------------------------|---------------------------|
| | Governmental Activities: | | | | |
| Compensated Absences | \$ 4,340,280 | \$ 1,574,053 | \$ 551,057 | \$ 5,363,276 | \$ 160,898 |
| Employee insurance/workers' compensation | 2,139,702 | 276,365 | - | 2,416,067 | 2,416,067 |
| Leases payable | 1,428,496 | 545,532 | 758,971 | 1,215,057 | 466,946 |
| SBITA payable | 949,853 | 73,358 | 384,603 | 638,608 | 324,035 |
| Installment loan | 316,472 | - | 40,174 | 276,298 | 40,174 |
| Net OPEB liability | 7,301,853 | 2,825,279 | - | 10,127,132 | - |
| Net pension liability | 54,443,827 | 27,762,584 | - | 82,206,411 | - |
| Total other long-term liabilities | 70,920,483 | 33,057,171 | 1,734,805 | 102,242,849 | 3,408,120 |
| Total governmental activities long-term liabilities | \$ 70,920,483 | \$ 33,057,171 | \$ 1,734,805 | \$ 102,242,849 | \$ 3,408,120 |

Notes to Basic Financial Statements
December 31, 2023

| | (Restated) Balance January 1, 2023 | Increases | Decreases | Balance December 31, 2023 | Amount Due in One Year |
|---|---|---------------------|----------------------|---------------------------------|---------------------------|
| Business-Type Activities | | | | | |
| Bonds Payable - | | | | | |
| Revenue bonds | \$ 193,420,000 | \$ - | \$ 10,680,000 | \$ 182,740,000 | \$ 11,160,000 |
| Add issuance premium | 17,108,909 | - | 1,464,044 | 15,644,865 | - |
| Revenue bonds payable, net | <u>210,528,909</u> | <u>-</u> | <u>12,144,044</u> | <u>198,384,865</u> | <u>11,160,000</u> |
| Compensated absences | 842,893 | \$ 1,132,961 | 575,669 | 1,400,185 | 279,783 |
| Net OPEB liability | 4,083,868 | 1,528,760 | - | 5,612,628 | - |
| SBITA payable | 990,163 | - | 258,653 | 731,510 | 254,578 |
| Closure/postclosure landfill costs | 7,946,451 | 795,044 | - | 8,741,495 | - |
| Total other long-term liabilities | <u>12,873,212</u> | <u>3,456,765</u> | <u>834,322</u> | <u>16,485,818</u> | <u>534,361</u> |
| Total business-type activities long-term liabilities | <u>\$ 223,402,121</u> | <u>\$ 3,456,765</u> | <u>\$ 12,978,366</u> | <u>\$ 214,870,683</u> | <u>\$ 11,694,361</u> |

Reconciliation of governmental activities to the government-wide statement of net position:

| | |
|---|-----------------------|
| Noncurrent liabilities: | |
| Due within one year | \$ 3,408,120 |
| Due in more than one year | <u>98,834,728</u> |
| Total governmental activities long-term liabilities | <u>\$ 102,242,848</u> |

Reconciliation of business-type activities to the government-wide statement of net position:

| | |
|--|-----------------------|
| Current Liabilities: | |
| Current portion of long-term debt | \$ 11,160,000 |
| Noncurrent liabilities: | |
| Due within one year | 534,361 |
| Due in more than one year | <u>203,176,322</u> |
| Total business-type activities long-term liabilities | <u>\$ 214,870,683</u> |

For compensated absences, the general fund normally liquidates 71%, and the street maintenance fund, street sales tax fund, CDBG, and cleanup/demo fund normally liquidate 4%, 3%, 1%, and 1%, respectively. The remaining 20% is liquidated by the water & sewer and sanitation operating funds.

The claims payable for employee insurance and workers' compensation is reported in the respective internal service funds and will be liquidated by those funds.

The other postemployment benefit (OPEB) liabilities are related to healthcare benefits for retirees. The OPEB liabilities apply to governmental and business-type activities as applicable. For governmental activities, the General Fund generally pays OPEB liabilities.

The pension liability for police and fire is liquidated by the LOPFI fund. The district court and the library participate in APERS. The district court is part of the general fund and the pension liability is liquidated by the district court. The library, a component unit, is responsible for their portion of the pension liability.

Notes to Basic Financial Statements December 31, 2023

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

| | (Restated) Balance January 1, 2023 | Increases | Decreases | Balance December 31, 2023 | Amount Due in One Year |
|------------------------------------|---|---------------------|----------------------|---------------------------------|---------------------------|
| Water and Sewer Fund: | | | | | |
| Bonds Payable - | | | | | |
| Revenue bonds | \$ 193,420,000 | \$ - | \$ 10,680,000 | \$ 182,740,000 | \$ 11,160,000 |
| Add issuance premium | 17,108,909 | - | 1,464,044 | 15,644,865 | - |
| Revenue bonds payable, net | <u>210,528,909</u> | - | <u>12,144,044</u> | <u>198,384,865</u> | <u>11,160,000</u> |
| Compensated absences | 650,903 | 852,050 | 439,470 | 1,063,483 | 212,697 |
| SBITA payable | 585,096 | | 117,552 | 467,544 | 115,266 |
| Net OPEB liability | <u>2,998,283</u> | <u>1,115,320</u> | - | <u>4,113,603</u> | - |
| Other long-term liabilities | <u>4,234,282</u> | <u>1,967,370</u> | <u>557,022</u> | <u>5,644,630</u> | <u>327,963</u> |
| Total water and sewer fund | <u>\$ 214,763,191</u> | <u>\$ 1,967,370</u> | <u>\$ 12,701,066</u> | <u>\$ 204,029,495</u> | <u>\$ 11,487,963</u> |
| Solid Waste Fund: | | | | | |
| Compensated absences | \$ 191,444 | \$ 277,982 | \$ 133,996 | \$ 335,430 | \$ 67,086 |
| SBITA payable | 405,067 | | 141,101 | 263,966 | 139,311 |
| Net OPEB liability | 1,085,585 | 413,440 | - | 1,499,025 | - |
| Closure/postclosure landfill costs | <u>7,946,451</u> | <u>795,044</u> | - | <u>8,741,495</u> | - |
| Other long-term liabilities | <u>9,628,547</u> | <u>1,486,466</u> | <u>275,097</u> | <u>10,839,916</u> | <u>206,397</u> |
| Total solid waste fund | <u>\$ 9,628,547</u> | <u>\$ 1,486,466</u> | <u>\$ 275,097</u> | <u>\$ 10,839,916</u> | <u>\$ 206,397</u> |

Reconciliation of changes in long-term liabilities for the major enterprise funds to the statement of fund net position for proprietary funds:

| | Water and Sewer Fund | Solid Waste Fund |
|--|-------------------------|----------------------|
| Current Liabilities: | | |
| Revenue bonds payable | \$ 11,160,000 | \$ - |
| SBITA payable | 115,266 | 139,311 |
| Accrued vacation and sick leave | 212,697 | 67,086 |
| Noncurrent Liabilities: | | |
| Landfill closure and postclosure care | - | 8,741,495 |
| Revenue bonds, net | 187,224,865 | - |
| SBITA payable | 352,278 | 124,654 |
| Accrued vacation and sick leave | 850,786 | 268,345 |
| Net OPEB liability | <u>4,113,603</u> | <u>1,499,025</u> |
| Total long-term liabilities for major enterprise funds | <u>\$ 204,029,495</u> | <u>\$ 10,839,916</u> |

Notes to Basic Financial Statements
December 31, 2023

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

| | Restated Balance January 1, 2023 | Increases | Decreases | Balance December 31, 2023 | Amount Due in One Year |
|--------------------------------|---|-----------------------|----------------------|---------------------------------|---------------------------|
| Component Units: | | | | | |
| Business-type activities | | | | | |
| Airport Commission | | | | | |
| Lease liability | \$ 1,965,900 | \$ - | \$ 34,942 | \$ 1,930,958 | \$ 35,879 |
| Total business-type activities | <u>1,965,900</u> | <u>-</u> | <u>34,942</u> | <u>1,930,958</u> | <u>35,879</u> |
| Governmental activities | | | | | |
| Public Library | | | | | |
| Lease liability | - | 23,950 | - | 23,950 | 3,971 |
| Net pension liability | 1,867,198 | 215,892 | - | 2,083,090 | - |
| Total governmental activities | <u>1,867,198</u> | <u>239,842</u> | <u>-</u> | <u>2,107,040</u> | <u>3,971</u> |
| Total Component Units | <u>\$ 3,833,098</u> | <u>\$ 239,842</u> | <u>\$ 34,942</u> | <u>\$ 4,037,998</u> | <u>\$ 39,850</u> |

Short-Term Financing

In accordance with Amendment 78 of the Arkansas Constitution, Arkansas state statutes limit the amount of short-term financing, including leases, the City may have in any fiscal year up to five percent (5%) of the assessed valuation of property within the City. The limit applies to the reporting entity governmental activities. The governmental activities had \$1,428,496 of leases payable considered short-term financing as of December 31, 2023. The limit as of December 31, 2023 was \$420.4 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2023.

Notes to Basic Financial Statements December 31, 2023

Revenue Bonds - Business-Type Activities

Revenue bonds outstanding at December 31, 2023, are comprised of the following individual issues:

Water and Sewer:

| | |
|--|-----------------------|
| \$35,000,000 of Series 2015 Water and Sewer Refunding and Construction Revenue Bonds; due in varying amounts through October 1, 2040 with interest ranging from 2% to 4% payable semiannually | \$ 27,445,000 |
| \$56,955,000 of Series 2016 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2032 with interest ranging from 1.7% to 4.4% payable semiannually | 40,415,000 |
| \$130,680,000 of Series 2018 Water and Sewer Refunding and Construction Revenue Bonds; due in varying amounts through October 1, 2035 with interest ranging from 2% to 5% payable semiannually | <u>114,880,000</u> |
| Bonds outstanding, December 31, 2023 | 182,740,000 |
| Unamortized bond premium | <u>15,644,865</u> |
| Net bonds outstanding, December 31, 2023 | <u>\$ 198,384,865</u> |

Water and Sewer:

On November 10, 2011, the City issued \$18,920,000 Water and Sewer Refunding Revenue Bonds, Series 2011, to refund the outstanding \$2,325,000 of 2002B Series Bonds and to refund the outstanding \$16,595,000 of 2002C Series Bonds. The reacquisition price exceeded the carrying amount of the old debt by \$93,625. The unamortized amount is reported as a deferred inflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$0 as of December 31, 2023. The City completed the refunding to obtain an economic gain of \$1,372,849 over the remaining life of the bonds. All Series 2011 Bonds were paid off in 2023.

On December 1, 2015, the City issued \$35,000,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2015, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current refunding of the City's Water and Sewer Revenue Bonds, Series 2005B, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2016 through 2040 with interest rates ranging from 2% to 4%, payable semiannually. The old amount of debt exceeded the reacquisition price by \$59,621. The unamortized amount is reported as a deferred inflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$11,925 as of December 31, 2023. The City completed the refunding to reduce its total debt service payments over the next ten (10) years by \$547,391 and to obtain an economic gain of \$493,245.

On December 1, 2016, the City issued \$56,955,000 Water and Sewer Refunding Revenue Bonds, Series 2016, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2007 and partial refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2017 through 2032 with interest rates ranging from 1.7% to 4.4%, payable semiannually. The reacquisition price exceeded the old amount of debt by \$3,092,522. The unamortized amount is reported as a deferred outflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$1,658,904 as of December 31, 2023. The City completed the refunding to reduce its

total debt service payments over the next fifteen (15) years by \$4,629,701 and to obtain an economic gain of \$3,691,784.

On September 1, 2018, the City issued \$130,680,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2018, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2020 through 2035 with interest rates ranging from 2% to 5%, payable semiannually beginning April 1, 2019 through October 1, 2035. The reacquisition price exceeded the old amount of debt by \$29,338. The unamortized amount is reported as a deferred outflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$72,821 as of December 31, 2023. The City completed the refunding to reduce its total debt service payments over the next fifteen (15) years by \$14,835,319 and to obtain an economic gain of \$9,837,592.

The Series 2011, 2015, 2016 and 2018 Revenue Bonds are collateralized by revenue of the water and sewer system and the various special funds established by the authorizing bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the revenue bond funds and third to pay the cost of replacements made necessary by the depreciation of the system. Any remaining revenues may then be used for redemption of the bonds prior to maturity, as discussed previously, for the purchase of bonds at a price not to exceed par and accrued interest, for construction, extension, betterments and improvements to the system, or for any other lawful purpose.

Per the Bond Authorizing Ordinances, the City covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues (net revenues being defined as gross revenues of the System less the amounts required to pay the costs of operation, maintenance, and repair of the System, including all expense items properly attributable to the operation and maintenance of the System in accordance with generally accepted accounting principles applicable to municipal water and sewer systems (excluding depreciation, interest and amortization expenses)) at least equal to 110% of current year's debt service on all System Bonds and the amount needed to make the deposits into the Depreciation Fund and the Debt Service Reserve and to reimburse bond insurers for any amounts owed in connection with a Qualified Surety Bond.

The ordinances also contain provisions that, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 2023, the City is in compliance with all applicable requirements except for the debt service coverage requirement of 110%. As of December 31, 2023, the debt service coverage is 108%. See Note 17 regarding water rate increase.

Restricted accounts required by the bond ordinances are as follows:

Bond Retirement - The City is required to restrict funds for the payment of principal, interest, and trustee and paying agents' fees up to a maximum of \$2,331,150 related to the 2015 Bonds, \$5,695,500 related to the 2016 Bonds and \$13,068,000 related to the 2018 Bonds. The City held surety bonds valued at \$2,329,768, \$5,695,500 and \$13,068,000 at December 31, 2023 for this purpose, respectively. The 2011 Bond was called on April 1, 2023 so no restricted funds or deposit is required as of December 31, 2023.

Asset Replacement- The City is required to deposit 3% of the gross revenues of the water and sewer system for the preceding month plus \$5,000 per month until the sum of \$500,000 has been accumulated

Notes to Basic Financial Statements December 31, 2023

in the Depreciation Fund. Amounts are to be used for replacements made necessary by the depreciation of the system. The City has accumulated \$500,000 for asset replacement as of December 31, 2023. Amounts are reported in restricted investments in the fund level and government-wide financial statements.

Maturity Schedule

Aggregate debt service requirements at December 31, 2023 for business-type activity related bonds were as follows:

| | Total Business-Type Activities Water and Sewer | |
|---|---|----------------------|
| | Principal | Interest |
| 2024 | \$ 11,160,000 | \$ 8,477,300 |
| 2025 | 11,620,000 | 8,019,850 |
| 2026 | 12,095,000 | 7,546,450 |
| 2027 | 12,675,000 | 6,965,700 |
| 2028 | 13,310,000 | 6,331,950 |
| 2029-2033 | 75,630,000 | 21,973,650 |
| 2034-2038 | 41,860,000 | 4,403,450 |
| 2039-2042 | 4,390,000 | 265,000 |
| Total | 182,740,000 | <u>\$ 63,983,350</u> |
| Add unamortized bond premium | 15,644,865 | |
| Net bonds outstanding as of December 31, 2023 | <u>\$ 198,384,865</u> | |

Pledged Revenues for the City

The following is a summary of pledged revenues for the City for the year ended December 31, 2023.

| Debt | Revenue Pledged | Total Pledged Revenue | Portion of Pledged Revenue Stream | Percentage Portion of Pledged Revenue Stream | Remaining Principal, Interest and Fees |
|---|---------------------------------|------------------------------|--|---|---|
| Business-Type Activities: | | | | | |
| Water and Sewer Refunding Revenue Bonds, Series 2011 | Revenues of the Enterprise Fund | \$ 59,749,447 | \$ 1,794,313 | 3.0% | \$ - |
| Water and Sewer Refunding and Construction Revenue Bonds, Series 2015 | Revenues of the Enterprise Fund | 59,749,447 | 2,315,863 | 3.9% | 39,594,100 |
| Water and Sewer Refunding Revenue Bonds, Series 2016 | Revenues of the Enterprise Fund | 59,749,447 | 5,057,400 | 8.5% | 49,864,800 |
| Water and Sewer Refunding and Construction Revenue Bonds, Series 2018 | Revenues of the Enterprise Fund | 59,749,447 | 10,356,188 | 17.3% | 157,264,450 |
| | | | <u>\$ 19,523,763</u> | <u>32.7%</u> | <u>\$ 246,723,350</u> |

Applicability of Federal Arbitrage Regulations

Debt issuances of the City and various Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from the

investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These rules carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. City management believes the City is in compliance with these rules and regulations.

At December 31, 2023, the City has no arbitrage payable.

Conduit Debt Obligations

From time to time, the City has issued various bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the state, the City, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

As of December 31, 2023, there were thirteen series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$912,109,216.

Note 8: Risk Management

The City is exposed to various risks of loss related to the City's self-insurance of workers' compensation and health and other medical benefits provided to employees and retirees, and their dependents and beneficiaries. The City accounts for these programs through the Employee Insurance Fund and Workers' Compensation Fund. Each fund is an internal service fund. In addition, the City limits property and casualty losses and manages risk through the purchase of insurance policies with several different carriers. The City has not recognized any settlements that exceeded insurance coverage during the past three years.

All funds of the City participate in the City's insurance programs and make payments to the respective self-insurance funds based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. The Airport Commission and the Fort Smith Public Library participate in the City's health plans by making contributions as required by the City. At December 31, 2023, the net position was \$5,126,693 and \$2,530,895 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$1,311,229 and \$1,104,838 reported in the Employee Insurance and Workers' Compensation Funds, respectively, are based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes the effect of specific incremental claims, adjustment expenses, and if probable and material, salvages and subrogation. These liabilities include accruals for claims incurred but not reported, based upon the City's historical claims rate. These liabilities are the City's best estimate based on available information. Changes in the reported liabilities during 2023 are detailed below:

Notes to Basic Financial Statements December 31, 2023

| | <u>Employee Insurance</u> | <u>Workers' Compensation</u> |
|---|-------------------------------|----------------------------------|
| Self-insurance liability, December 31, 2021 | \$ 748,536 | \$ 1,116,482 |
| Current year claims and changes in estimate | 9,199,935 | 747,287 |
| Claim payments | <u>(9,015,704)</u> | <u>(657,212)</u> |
| Self-insurance liability, December 31, 2022 | 932,767 | 1,206,557 |
| Current year claims and changes in estimate | 11,192,756 | 628,656 |
| Claim payments | <u>(10,814,294)</u> | <u>(730,375)</u> |
| Self-insurance liability, December 31, 2023 | <u>\$ 1,311,229</u> | <u>\$ 1,104,838</u> |

Note 9: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. MissionSquare Plan Services administers the Plan. All assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. The City does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the City has not presented the assets and liabilities from the plan in these basic financial statements. Deferred compensation investments are held by outside trustees. Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these.

The Plan, available to all full-time City employees, permits them to defer until future years up to 100% of compensation or \$22,500 whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 10: Pension Plans

The City of Fort Smith, Arkansas participates in one defined contribution plan as described below. The City also participates in four defined benefit pension plans; which are comprised of two agent multiple-employer defined benefit pension plans and two cost-sharing multiple-employer defined benefit pension plans, each of which are described and illustrated in detail below.

Aggregate amounts for the four pension plans are as follows:

| | <u>FRPF</u> | <u>PRPF</u> | <u>LOPFI</u> | <u>APERS</u> | <u>Total</u> |
|--|---------------|---------------|---------------|--------------|---------------|
| Net pension liability | \$ 18,884,865 | \$ 17,770,114 | \$ 45,414,860 | \$ 136,572 | \$ 82,206,411 |
| Deferred outflows of resources | - | - | 15,385,553 | 31,173 | 15,416,726 |
| Deferred outflows of resources - contributions | 1,534,596 | 1,697,760 | 4,692,860 | 8,258 | 7,933,474 |
| Deferred inflows of resources | 1,206,513 | 897,762 | 4,162,747 | 1,976 | 6,268,998 |
| Pension expense | 571,645 | 1,254,436 | 7,314,022 | 23,688 | 9,163,791 |

(a) Public Employees Retirement System (Defined Contribution Plan)

Plan Description

Effective April 1, 1997, the Public Employees' Retirement System (PERS) was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the 401(a) Plan). ICMARC serves as administrator of the 401(a) Plan. All

full-time, non-uniformed employees with the exception of the three district judges and the District Court Clerk are covered by the 401(a) Plan. Each participant has a plan account to which the contributions are made, and each participant manages their account by selecting various investments options offered by ICMARC.

The present value of each PERS active member account at March 31, 1997, was transferred to ICMARC in the participant's name. An annuity contract from an insurance company was purchased to continue to provide benefit payments to beneficiaries of PERS. The remaining balance of approximately \$1,700,000 was transferred to the Employee Insurance Fund to provide for future employee benefits. Additionally, the contract was purchased whereby all beneficiaries will receive a 3% cost of living adjustment every three years beginning January 1, 1998. The present value of the deferred members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

Benefits Provided

Plan benefits are based upon the total amount of money in an individual's account at retirement. Plan provisions and contribution rates are established by the 401(a) Plan agreement between the Board and ICMARC. Approval from both the Board and ICMARC is required for 401(a) Plan amendments.

Contributions

Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 5% of each covered employees' earnings. Employer contributions to the PERS plan totaled \$1,726,819 for 2023.

(b) Arkansas Public Employees' Retirement System

On January 1, 2005, the district court clerk became a member of the Arkansas Public Employees' Retirement System (APERS). APERS is administered by the state as a cost sharing, multiple-employer, defined benefit plan. The employer contribution rate was 15.32% of covered payroll for 2023. The Clerk's contribution rate was 5.25% of covered payroll for 2023. The City's contributions to the Plan for the year ended December 31, 2023 were \$16,305.

Benefits Provided

Benefits under APERS are calculated depending on the member's hire date, with retirees separated into two separate categories; the non-contributory plan applies to all persons hired prior to July 1, 2005, while the new contributory plan applies to all employees hired on or after July 1, 2005. Under both plans, a member may retire with full benefits at either the age of 65 with five years of service, or at any age with 28 years of service. The member may retire with reduced benefits at either the age of 55 with five years of service or at any age with 25 years of service. The reduction is equal to one-half of one percent for each month retirement precedes normal retirement age or one percent for each month below 28 years of actual service, whichever is less. Under the non-contributory plan, the benefit calculation is equal to a factor of 1.72% of the member's final average salary multiplied by the years and months of credited service. Under the new contributory plan, the benefit calculation is equal to a factor of 2.00% of the members final average salary multiplied by the years of credited service. Under each plan, an additional .5% of the member's final average salary is awarded for each year of credited service exceeding 28 years. The minimum monthly benefit is \$150, excluding any age and beneficiary option reductions.

Under both the non-contributory and contributory plan, the member's final average salary is the highest 36 calendar months of covered compensation. In addition, a cost-of-living adjustment of 3% annually

Notes to Basic Financial Statements December 31, 2023

is included in the current benefits. Covered payroll for the clerk was \$109,321 for the fiscal year ended December 31, 2023.

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

At December 31, 2023, the City reported a liability of \$136,572 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employee contributions to the Plan of the year for the measurement period. At June 30, 2023, the City's proportion was 0.00468646%, which is a decrease of 0.00001026% from its proportion as of June 30, 2022, of 0.004696720%.

For the year ended December 31, 2023, the City recognized pension expense of \$23,688. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 7,709 | \$ 750 |
| Change of assumptions | 6,421 | - |
| Changes in proportion and differences between City contributions and share of contributions | 45 | 1,226 |
| Net difference between projected and actual earnings on pension plan investments | 16,998 | - |
| Contributions subsequent to the measurement date | <u>8,258</u> | <u>-</u> |
| Total | <u>\$ 39,431</u> | <u>\$ 1,976</u> |

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$8,258 will be recognized as a reduction of the net pension liability for the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

| | <u>Year Ending December 31,</u> |
|-------|-------------------------------------|
| 2024 | \$ 6,187 |
| 2025 | 3,497 |
| 2026 | 20,660 |
| 2027 | <u>(1,147)</u> |
| Total | <u>\$ 29,197</u> |

Actuarial Assumptions

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

| | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Price Inflation | 2.50 percent (2.50 percent in prior year) |
| Wage Inflation | 3.25 percent (3.25 percent in prior year) |
| Discount rate | 7.00 percent (7.15 percent in prior year) |
| Salary increases | 3.25 to 9.85 percent, including inflation (3.25 to 9.85 percent, including inflation, in prior year) |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation (7.15 percent, including inflation, in prior year) |

Mortality rates were based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

Long-term Expected Return on Plan Assets

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 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 current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

| Long-term Expected Real Rate of Return | | |
|--|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Broad Domestic Equity | 37% | 6.19% |
| International Equity | 24% | 6.77% |
| Real Assets | 16% | 3.34% |
| Absolute Return | 5% | 3.36% |
| Domestic Fixed | 18% | 1.79% |
| Total | 100% | |

Discount Rate

In the June 30, 2023 actuarial valuation, a single discount rate of 7.00% (7.15% in prior year) was used to measure the total pension liability. This single discount rate was based on the expected rate of return

**Notes to Basic Financial Statements
December 31, 2023**

on pension plan investments of 7.00 percent (7.15 percent in prior year). The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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 table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, 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 one-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption | | |
|---|--|---|------------------------------|
| | 1% Decrease 6.00% | Current Single Rate Assumption 7.00% | 1% Increase 8.00% |
| City's proportionate share of the net pension liability | \$ 217,684 | \$ 136,572 | \$ 69,744 |

Fort Smith Public Library - Arkansas Public Employees' Retirement System (Component Unit)

Plan Description

The Fort Smith Public Library (the Organization) participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with 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.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Funding Policy: The Organization contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll at December 31, 2023. Contributions made by the Organization were \$244,187 for the year ended December 31, 2023. Employees are not required to contribute to the plan.

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 7/1/2017 | 2.00% |
| Non-Contributory | 1.72% |

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

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

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of actual 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 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 15.28% of compensation for the fiscal year ended December 31, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

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>.

Measurement Date

The collective net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the net pension liability was based on the employer’s share of contributions to the pension plan relative to the total contributions of all participating employers. The Library’s proportion

Notes to Basic Financial Statements December 31, 2023

at June 30, 2023, was 0.071481% which is an increase of 0.002234% from its proportion as of June 30, 2022 of 0.069247%.

Actuarial Assumptions

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

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed (Level Dollar) |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 4-Year smoothed fair value; 25% corridor (Market Value for Still Paying Old Plan) |
| Inflation | 3.25% wage inflation; 2.50% price inflation |
| Salary Increases | 3.25% - 9.85% including inflation |
| Investment Rate of Return | 7.00 percent (7.15 percent in prior year) |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition |
| Mortality | Mortality rates were based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017. |

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

Long-term Expected Return on Plan Assets

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 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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021 to 2030 were based upon capital market assumptions provided by the plan’s investment consultant(s). For each major asset class that is included in the pension plan’s current asset allocation as of June 30, 2023, these best estimates are summarized in the following table:

| Long-term Expected Real Rate of Return | | |
|--|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Broad Domestic Equity | 37% | 6.19% |
| International Equity | 24% | 6.77% |
| Real Assets | 16% | 3.34% |
| Absolute Return | 5% | 3.36% |
| Domestic Fixed | 18% | 1.79% |
| Total | 100% | |

Single Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent (7.15 percent in prior year). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent):

| | Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption | | |
|--|---|---|----------------------|
| | 1% Decrease 6.00% | Current Single Rate Assumption 7.00% | 1% Increase 8.00% |
| Library’s proportionate share of the net pension liability | \$ 3,320,258 | \$ 2,083,090 | \$ 1,063,781 |

Notes to Basic Financial Statements December 31, 2023

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

At December 31, 2023, the Library reported a liability of \$2,083,090 for its proportionate share of the net pension liability.

The Organization had a pension contribution liability of \$13,521 accrued at December 31, 2023. The Organization's proportionate share of pension expense was \$393,578 for the year ended December 31, 2023. At December 31, 2023, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 117,586 | \$ 11,444 |
| Change of assumptions | 97,931 | - |
| Net difference between projected and actual earnings on pension plan investments | 259,270 | - |
| Changes in proportion | 59,872 | 32,663 |
| Organization contributions subsequent to the measurement date | <u>121,431</u> | <u>-</u> |
| Total | <u>\$ 656,090</u> | <u>\$ 44,107</u> |

\$121,431 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>Year Ending December 31,</u> |
|-------|-------------------------------------|
| 2024 | \$ 130,529 |
| 2025 | 52,672 |
| 2026 | 324,850 |
| 2027 | <u>(17,499)</u> |
| Total | <u>\$ 490,552</u> |

(c) Fire Relief and Pension Plan ("FRPF") (the Old Fire Plan)

Plan Description

The Fire Relief and Pension Plan ("FRPF") is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Old Plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas local police and fire (LOPFI) retirement system whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current

plan benefit levels and fund the Old Fire Plan’s net pension obligation over a 30-year open amortization period. The Old Fire Plan’s benefit structure remains unchanged under the administration by LOPFI. The assets of the Old Fire Plan are included in the pooled assets of the LOPFI system and a financial report that includes disclosures about the elements of the basic financial statements is available on the LOPFI’s website at www.lopfi-prb.com

Benefits

The FRPF provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the fire department. The FRPF also provides benefits for surviving spouses and dependent children of deceased firemen. No participants’ benefits vest until normal retirement age. At normal retirement age, participants may elect to continue working and enter the Deferred Retirement Option Plan for up to 5 years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 and detailed later in this footnote. Therefore, the Firemen’s Fund is effectively closed to new members.

Pension benefit provisions and all other requirements, including vesting, are established by state statute. Participants in the Old Fire Plan became eligible for membership as of the first date of employment. Members of the Old Fire Plan who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participant’s annual salary. Employees become vested after 20 years of service. Members with more than 25 years of service credit may be entitled to a maximum of 100% of their highest annual salary.

At the December 31, 2022 valuation and measurement date, the following were covered by the benefit terms:

| | |
|----------------------------|----|
| Retirees and beneficiaries | 96 |
| Total | 96 |

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 to the Old Plans. The contributions for the 2023 plan year were based upon the December 31, 2022, actuarial report. Contributions to the Plan by the City were \$1,534,596 for the year ended December 31, 2023.

Net Pension Liability

The City’s net pension liability of \$18,884,865 as of December 31, 2023 was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022.

Notes to Basic Financial Statements December 31, 2023

Actuarial Assumptions

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

| | |
|------------------------|--|
| Valuation date | December 31, 2022 |
| Cost method | Entry Age |
| Asset valuation method | Smooth market over a period of 5 years |
| Amortization method | Closed Amortization Period based on projected future payroll |
| Amortization period | 15 years beginning January 1, 2023 |

Assumptions:

| | |
|---------------------------|---|
| Inflation rate – price | 2.50 percent (2.50 percent in prior year) |
| Wage inflation | 3.25 percent (3.25 percent in prior year) |
| Discount Rate | 7.25 percent (7.00 percent in prior year) |
| Investment rate of return | 7.25 percent (7.00 percent in prior year) |

The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables 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.

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2016 valuation. Assumptions are reviewed annually. No additional changes were made for the 2022 valuation.

Long-term Expected Return on Plan Assets

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 were determined. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

| Long-term Expected Real Rate of Return | | |
|--|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. Stock - Large Cap | 21% | 4.05% |
| U.S. Stock - Small Cap | 21% | 4.65% |
| International Equity | 9% | 5.27% |
| Emerging Markets | 9% | 7.49% |
| U.S. Corporate Bonds | 25% | (0.35%) |
| Real Estate | 5% | 3.76% |
| Private Equity | 10% | 9.10% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. 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.

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--------------------------------|------------------------------------|------------------------------------|
| Balance at January 1, 2023 | \$ 32,820,244 | \$ 15,793,240 | \$ 17,027,004 |
| Changes for the year: | | | |
| Interest | 2,185,214 | - | 2,185,214 |
| Differences between expected and actual experience | (180,475) | - | (180,475) |
| Assumption changes | (596,845) | - | (596,845) |
| Contributions - employer | - | 1,785,823 | (1,785,823) |
| Contributions - employee | - | - | - |
| Net investment income | - | (2,221,195) | 2,221,195 |
| Benefit payments, including refunds of employee contributions | (3,205,793) | (3,205,793) | - |
| Administrative expense | - | (14,595) | 14,595 |
| Net Changes | <u>(1,797,899)</u> | <u>(3,655,760)</u> | <u>1,857,861</u> |
| Balance at December 31, 2023 | <u>\$ 31,022,345</u> | <u>\$ 12,137,480</u> | <u>\$ 18,884,865</u> |

Notes to Basic Financial Statements December 31, 2023

There was one benefit change during the year. The assumed investment rate of return was 7.25% (7.00% in the prior year), the wage inflation assumption remained the same at 3.25% and the price inflation assumption was 2.50% (same as prior year).

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the City's net pension liability using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

| | Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption | | |
|------------------------------|---|---|----------------------|
| | 1% Decrease 6.25% | Current Single Rate Assumption 7.25% | 1% Increase 8.25% |
| City's Net Pension Liability | \$ 21,387,531 | \$ 18,884,865 | \$ 16,666,396 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

Pension Liabilities, Pension Expense, Deferred Inflows of Resources and Deferred Outflows of Resources

For the year ended December 31, 2023, the City recognized pension expense of \$571,645. At December 31, 2023, the City reported deferred outflows and 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 | \$ - | \$ 1,206,513 |
| Contributions subsequent to the measurement date | 1,534,596 | - |
| Total | \$ 1,534,596 | \$ 1,206,513 |

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,534,596 will be recognized as a reduction of the net pension liability for the year ending December 31, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31, | | |
|-----------------------------|----|------------------|
| 2024 | \$ | (56,299) |
| 2025 | | 222,884 |
| 2026 | | 384,624 |
| 2027 | | 655,304 |
| Total | \$ | <u>1,206,513</u> |

Arkansas LOPFI plan administration policy, as required by state statutes, contains the following provisions: segregate all of the plan’s retired participants and fund future benefit payments at 100%; remove these retirees as City obligations while the City realizes the remaining, net unfunded obligation on the segregated retirees; amortize these funded, accrued liabilities over a closed period of 40 years that began September 20, 1990; if the length of the financing period for unfunded liabilities causes closed plan assets to temporarily dip below zero, Arkansas LOPFI would loan the shortages until the financing period is complete as, at that time, Arkansas LOPFI will have been fully reimbursed including investment credits.

(d) Police Relief and Pension Plan (“PRPF) (the Old Police Plan)

Plan Description

The Police Relief and Pension Plan (“PRPF”) is an agent multiple-employer defined benefit pension plan for employees of the Police Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas Local Police and Fire (LOPFI) Retirement System whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Police Plan pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Police Plan’s net pension obligation over a 30-year open amortization period. The Old Police Plan’s benefit structure remains unchanged under the administration by LOPFI. The assets of the Old Police Plan are included in the pooled assets of the LOPFI system and a financial report that includes disclosures about the elements of the basic financial statements is available on the LOPFI’s website at www.lopfi-prb.com.

Benefits

The PRPF provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the police department. The PRPF also provides benefits for surviving spouses and dependent children of deceased policemen. No participants’ benefits vest until normal retirement age. At normal requirement age, participants may elect to continue working and enter the Deferred Retirement Option Plan for up to 5 years. All policemen hired after January 1, 1983,

Notes to Basic Financial Statements December 31, 2023

participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 and detailed later in this footnote. Therefore, the Policemen's Fund is effectively closed to new members.

Pension benefit provisions and all other requirements, including vesting, are established by state statute. Participants in the Old Plans became eligible for membership as of the first date of employment. Members of the Old Plans who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participant's annual salary. Employees become vested after 20 years of service. Members with more than 25 years of service credit may be entitled to a maximum of 100% of their highest annual salary.

At the December 31, 2022 valuation and measurement date, the following were covered by the benefit terms:

| | |
|----------------------------|----|
| Retirees and beneficiaries | 73 |
| Total | 73 |

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 to the Old Police Plan. The contributions for the 2023 plan year were based upon the December 31, 2022, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2023 were \$1,697,760.

Net Pension Liability

The City's net pension liability of \$17,770,114 as of December 31, 2023 was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions

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

| | |
|------------------------|--|
| Valuation date | December 31, 2022 |
| Cost method | Entry age |
| Asset valuation method | Smooth market over a period of 5 years |
| Amortization method | Closed Amortization Period based on projected future payroll |
| Amortization period | 15 years beginning January 1, 2023 |

Assumptions:

| | |
|---------------------------|---|
| Inflation rate - price | 2.50 percent (2.50 percent in prior year) |
| Wage inflation | 3.25 percent (3.25 percent in prior year) |
| Discount Rate | 7.25 percent (7.00 percent in prior year) |
| Investment rate of return | 7.25 percent (7.00 percent in prior year) |

The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables 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.

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2016 valuation. Assumptions are reviewed annually. No additional changes were made for the 2022 valuation.

Long-term Expected Return on Plan Assets

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. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

| Long-term Expected Real Rate of Return | | |
|--|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. Stock - Large Cap | 21% | 4.05% |
| U.S. Stock - Small Cap | 21% | 4.65% |
| Internal Equity | 9% | 5.27% |
| Emerging Markets | 9% | 7.49% |
| U.S Corporate Bonds | 25% | (0.35%) |
| Real Estate | 5% | 3.76% |
| Private Equity | 10% | 9.10% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.25% (7.00% in the prior year). The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. 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

Notes to Basic Financial Statements December 31, 2023

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|-----------------------------------|--|---------------------------------------|
| Balance at January 1, 2023 | \$ 26,982,239 | \$ 10,561,635 | \$ 16,420,604 |
| Changes for the year: | | | |
| Interest | 1,801,897 | - | 1,801,897 |
| Differences between expected and actual experience | 594,707 | - | 594,707 |
| Assumption changes | (583,925) | - | (583,925) |
| Contributions - employer | - | 1,992,459 | (1,992,459) |
| Contributions - employee | - | - | - |
| Net investment income | - | (1,519,307) | 1,519,307 |
| Benefit payments, including refunds of employee contributions | (2,481,713) | (2,481,713) | - |
| Administrative expense | - | (9,983) | 9,983 |
| Net Changes | <u>(669,034)</u> | <u>(2,018,544)</u> | <u>1,349,510</u> |
| Balance at December 31, 2023 | <u>\$ 26,313,205</u> | <u>\$ 8,543,091</u> | <u>\$ 17,770,114</u> |

There was one benefit change during the year. The assumed investment rate of return was 7.25% (7.00% in the prior year), the wage inflation assumption remained the same at 3.25% and the price inflation assumption remained the same at 2.50%.

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the City's net pension liability using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage higher than the current rate:

| | Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption | | |
|------------------------------|--|---|----------------------|
| | 1% Decrease 6.25% | Current Single Rate Assumption 7.25% | 1% Increase 8.25% |
| City's Net Pension Liability | <u>\$ 20,249,380</u> | <u>\$ 17,770,114</u> | <u>\$ 15,638,221</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report.

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

For the year ended December 31, 2023, the City recognized pension expense of \$1,254,436. At December 31, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 897,762 |
| Contributions subsequent to the measurement date | <u>1,697,760</u> | <u>-</u> |
| Total | <u>\$ 1,697,760</u> | <u>\$ 897,762</u> |

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,697,760 will be recognized as a reduction of the net pension liability for the year ending December 31, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|-------------------|
| 2024 | \$ 7,565 |
| 2025 | 170,939 |
| 2026 | 271,030 |
| 2027 | <u>448,228</u> |
| Total | <u>\$ 897,762</u> |

Arkansas LOPFI plan administration policy, as required by state statutes, contains the following provisions: segregate all of the plan’s retired participants and fund future benefit payments at 100%; remove these retirees as City obligations while the City realizes the remaining, net unfunded obligation on the segregated retirees; amortize these funded, accrued liabilities over a closed period of 40 years that began September 20, 1990; if the length of the financing period for unfunded liabilities causes closed plan assets to temporarily dip below zero, Arkansas LOPFI would loan the shortages until the financing period is complete as, at that time, Arkansas LOPFI will have been fully reimbursed including investment credits.

(e) Arkansas Local Police and Fire Retirement System (the New Plans)

Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide cost-sharing multiple-employer defined benefit pension plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 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. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, 620 West 3rd Street, Little Rock, Arkansas 72201, or by calling (501) 682-1745.

Notes to Basic Financial Statements December 31, 2023

Benefits Provided

LOPFI provides for a retirement benefit paid to the Member on a monthly basis. The monthly benefit is based on a formula provided by law for the Member's lifetime. The Member has several options in calculating the benefit, which is normally the result of these factors: age of retirement, retirement multiplier, amount of the credit services (years and months), and final average pay. Each option available to the member provides for a different calculation based on these factors.

Contributions

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. The City contributes 24.00% of covered employee salaries to the new plan for firefighters and 21.29% of covered employee salaries to the new plan for police officers. Employees contributed \$1,882,858 to the contributory plan for the year ended December 31, 2023. City contributions to the new plans for the year ended December 31, 2023, were \$4,692,860 and were equal to 100% of the required contributions for each year.

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

At December 31, 2023, the City reported a liability of \$45,414,860 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2022, the City's proportion was 4.2536% which is an increase 0.1236% from the City's proportion of 4.1300% at December 31, 2021.

For the year ended, December 31, 2023, the City recognized pension expense of \$7,314,022. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 2,985,295 | \$ - |
| Changes of assumptions | 495,109 | 3,521,311 |
| Net difference between projected and actual earnings on pension plan investments | 11,054,758 | - |
| Changes in proportion | 850,391 | 641,436 |
| Contributions subsequent to the measurement date | 4,692,860 | - |
| Total | <u>\$ 20,078,413</u> | <u>\$ 4,162,747</u> |

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,692,860 will be recognized as a reduction of the net pension liability for the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|------------------------|
| 2024 | \$ (880,965) |
| 2025 | (1,965,065) |
| 2026 | (3,149,319) |
| 2027 | <u>(5,227,457)</u> |
| Total | <u>\$ (11,222,806)</u> |

Actuarial Assumptions

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

| | |
|---------------------------|---|
| Actuarial cost method | Entry age normal |
| Price Inflation | 2.50 percent (2.50 percent in prior year) |
| Wage Inflation | 3.25 percent (3.25 percent in prior year) |
| Salary increases | 3.75 to 18.25 percent, including inflation (3.75 to 18.25 percent in prior year) |
| Discount Rate | 7.25 percent (7.00 percent in prior year) |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation (7.00 percent, including inflation, in prior year) |

The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables 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.

Actuarial assumptions used in the December 31, 2022 valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2016 valuation. Assumptions are reviewed annually. No additional changes were made for the 2022 valuation.

Notes to Basic Financial Statements December 31, 2023

Long-term Expected Return on Plan Assets

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. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

| Long-term Expected Real Rate of Return | | |
|--|-------------------|--|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| U.S. Stock - Large Cap | 21% | 4.05% |
| U.S. Stock - Small Cap | 21% | 4.65% |
| International Equity | 9% | 5.27% |
| Emerging Markets | 9% | 7.49% |
| U.S. Corporate Bonds | 25% | (0.35%) |
| Real Estate | 5% | 3.76% |
| Private Equity | 10% | 9.10% |
| Total | 100% | |

Discount Rate

In the December 31, 2022 actuarial valuation, a single discount rate of 7.25% (7.00% in prior year) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% (7.00% in prior year). The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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 the Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, 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 or 1-percentage-point higher than the current rate:

| | Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption | | |
|---|---|---|----------------------|
| | 1% Decrease 6.25% | Current Single Rate Assumption 7.25% | 1% Increase 8.25% |
| City's proportionate share of the net pension liability | \$ 67,625,338 | \$ 45,414,860 | \$ 27,441,477 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued LOPFI financial report.

Note 11: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

The City of Fort Smith sponsors and administers an informal single employer defined benefit healthcare plan (City of Fort Smith Other Postemployment Benefit Plan) that provides coverage for medical, dental and vision benefits. Arkansas statute provides that any municipal city official or employee vested in any of the City’s retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City’s healthcare plan after retirement. In addition, members employed at least 5 years with age plus service exceeding 70 at retirement are eligible for benefits. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the plan, but all required information is presented in this report.

Contributions: The contribution requirements of plan members are established by the City Board of Directors 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 plans. Employees are required to elect coverage at the time of termination. The City is not required to make contributions to the plan on behalf of the retirees. However, benefit payments made directly by the employer are reported as employer contributions. The plan has 857 active participants and 25 retirees and beneficiaries receiving benefits who pay monthly premiums between \$485 for single coverage and \$1,238 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of the plan are presented as a trust fund in the City’s Annual Comprehensive Financial Report and are prepared on the accrual basis of accounting. Employer contributions, if made, are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Fund investments are reported at fair value. The City’s investment policies are defined in *Note 1* of the financial statements.

Plan Membership

Plan membership as of December 31, 2023 is as follows:

| | |
|-------------------------------------|-----|
| Active members | 857 |
| Inactive members receiving benefits | 25 |
| | 882 |
| | 882 |

Notes to Basic Financial Statements December 31, 2023

Investments

The plan's policy in regard to the allocation of invested assets is established by the City. The long-term expected rate of return for each major asset class included in the asset allocation at the end of 2023 is as follows:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Fixed Income Securities | 100.00% | 4.00% |

The long-term rate of return also included an expected 2.5% inflation for 2023. The long-term expected rate of return at December 31, 2023 was 4.0%.

Net OPEB Liability

The net OPEB liability is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. A single discount rate of 4.00% was used to measure the total OPEB liability as of December 31, 2023. The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------------|--|
| Actuarial cost method: | Entry Age Normal |
| Inflation: | 2.5 percent per year |
| Payroll growth | 3.25 percent |
| Health care cost trend rates: | 8.00 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent |
| Single discount rate: | 4.00 percent at 12/31/23 (4.31 percent at 12/31/22) |
| Cost Method | Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: <ul style="list-style-type: none"> • Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and • Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth, |
| Retirement age: | Expected retirement ages of general employees are based on information provided by the Arkansas Public Employees Retirement System (APERS) |
| Mortality: | RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years to MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement) |

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

Notes to Basic Financial Statements
December 31, 2023

The Plan uses a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher to determine the bond rate. The bond index range as of December 31, 2023 was 3.26% to 4.00%. The Trust maintains a minimal fiduciary net position; therefore, the single discount rate is used that results in a total actuarial present value of all projected benefit payments equal to the sum of the actuarial present values of benefit payments determined through an iterative process as prescribed by GASB.

The components of the net OPEB liability of the City at December 31, were as follows:

| | Increase (Decrease) | | |
|--|--------------------------------|--|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balance at January 1, 2023 | \$ 12,922,784 | \$ 1,537,063 | \$ 11,385,721 |
| Changes for the year: | | | |
| Service cost | 910,463 | - | 910,463 |
| Interest | 589,572 | - | 589,572 |
| Contributions - employer | - | 311,472 | (311,472) |
| Differences between expected and actual experience | 1,850,856 | - | 1,850,856 |
| Changes of assumptions | 1,363,914 | - | 1,363,914 |
| Net investment income | - | 64,876 | (64,876) |
| Administrative fees | - | (15,582) | 15,582 |
| Benefit payments | (311,472) | (311,472) | - |
| Net Changes | <u>4,403,333</u> | <u>49,294</u> | <u>4,354,039</u> |
| Balance at December 31, 2023 | <u>\$ 17,326,117</u> | <u>\$ 1,586,357</u> | <u>\$ 15,739,760</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 9.16% | |

The schedule of investment return for the City's OPEB Plan is as follows for the years ended December 31, 2023:

| | |
|---|-------|
| Annual money-weighted rate of return, net of investment expense | 3.21% |
|---|-------|

Sensitivity of the net OPEB liability to changes in the discount rate: Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2023. In particular, the table presents the plan's net OPEB liability if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

| | Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption | | |
|--------------------|---|---|----------------------|
| | 1% Decrease 3.00% | Current Single Rate Assumption 4.00% | 1% Increase 5.00% |
| Net OPEB liability | <u>\$ 17,426,223</u> | <u>\$ 15,739,760</u> | <u>\$ 14,215,542</u> |

Notes to Basic Financial Statements December 31, 2023

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rates as of December 31, 2023. In particular, the table presents the plan's net OPEB liability if it were calculated using a single health care trend rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

| | Sensitivity of the Net OPEB Liability to the Health Care Trend Rate | | |
|--------------------|--|---------------------------|----------------------------|
| | Current Single Rate | | |
| | 1% Decrease 7.00%-3.50% | Assumption 8.00%-4.50% | 1% Increase 9.00%-5.50% |
| Net OPEB liability | \$ 13,605,702 | \$ 15,739,760 | \$ 18,291,795 |

OPEB Expenses and Deferred Outflows/Inflows of Resources related to OPEB

For the year ended December 31, 2023, the City recognized a reduction in OPEB expense of \$139,958. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 2,713,480 | \$ 7,730,171 |
| Difference between expected and actual experience | 1,913,939 | 2,794,571 |
| Net difference between projected and actual earnings on OPEB plan investments | 83,892 | - |
| | <u>\$ 4,711,311</u> | <u>\$ 10,524,742</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023, related to OPEB will be recognized as OPEB expense as follows:

| Year ending December 31, | |
|-----------------------------|-----------------------|
| 2024 | \$ (2,118,063) |
| 2025 | (2,110,466) |
| 2026 | (2,127,582) |
| 2027 | (87,967) |
| 2028 | (41,861) |
| Thereafter | <u>672,508</u> |
| | <u>\$ (5,813,431)</u> |

The City's policy in regard to the allocation in invested assets is established and may be amended by the City's Board of Directors, which is the Plan's Board, by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk.

Note 12: Commitments and Contingencies

Litigation

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City’s financial position. The City appropriates funds necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable. At December 31, 2023, the City has accrued a liability in the amount of \$82,500.

Contingencies

The City has received federal and state financial awards in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of City management, such disallowances, if any, will not be significant.

In 2015, the City entered into a Consent Decree with the United States Environmental Protection Agency (EPA), the United States Department of Justice (DOJ), and the Arkansas Department of Environmental Quality (ADEQ). The Consent Decree addresses the City’s compliance with the Federal Clean Water Act involving dry and wet weather overflows from the sanitary sewer system and ongoing maintenance. Beginning in September 2016, the City began the process to request a modification to the consent decree. The request was initially denied in November 2019. However, in May 2020, the City was granted an additional five-years, with conditions, to complete the consent decree per section nine of the consent decree. In September 2020, the City met with the DOJ and the EPA in Washington D.C. to discuss the details of the City’s request for a modification. The City has sent documentation asserting force majeure for the historic 2019 flood and the COVID pandemic, which was denied. The City has continued to work with the DOJ and EPA to modify the consent decree. In April 2022, the City and DOJ & EPA met at EPA Region 6 headquarters to continue modification discussions. Since that meeting, the technical requirements for the modification have been mostly settled. DOJ, EPA, and the City continue to discuss a revised end date. The City was assessed and paid \$800,000 in stipulated penalties associated with the Consent Decree in 2023.

Note 13: Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2023, are as follows:

| Fund | Receivables | Payables |
|----------------------------|-------------|-----------|
| Governmental Funds: | | |
| General Fund | \$ 94,188 | \$ - |
| Proprietary Funds: | | |
| Nonmajor proprietary funds | - | 94,188 |
| Total | \$ 94,188 | \$ 94,188 |

The outstanding balances between funds result mainly from the time lag between dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between the funds are made.

Notes to Basic Financial Statements December 31, 2023

Interfund transfers in (out) for the year ended December 31, 2023, are as follows:

| Fund | Transfers | |
|-----------------------------|----------------------|----------------------|
| | In | Out |
| Primary Government - | | |
| Governmental Funds: | | |
| Major funds: | | |
| General Fund | \$ 4,210,546 | \$ 10,748,555 |
| Special Grants Fund | 270,913 | 510,192 |
| Sales Tax Fund | 7,087,642 | - |
| Sales and Use Tax Bond Fund | | 14,698,266 |
| Street Maintenance | 127,476 | - |
| LOPFI Contribution Fund | 1,900,000 | - |
| Non-major funds: | | |
| Convention Center Fund | 1,400,000 | - |
| Total governmental funds | <u>14,996,577</u> | <u>25,957,013</u> |
| Proprietary Funds: | | |
| Water and Sewer Fund | 10,861,708 | 100,000 |
| Solid Waste Fund | 198,728 | - |
| Total proprietary funds | <u>11,060,436</u> | <u>100,000</u> |
| Total primary government | <u>\$ 26,057,013</u> | <u>\$ 26,057,013</u> |

The transfers out from the General Fund include:

- \$1,900,000 transfer to LOPFI Contribution Fund to assist with the contribution requirements to the LOPFI pension plans
- \$1,400,000 to the Convention Center Fund to help support operations
- \$90,000 to the Solid Waste Fund to fund clean up and demolition operations.
- \$270,913 transfer to Special Grants Fund to move restricted fund balances out of General Fund
- \$7,091,836 transfer to restricted fund balance for fire and parks and recreation sales tax to Sales Tax Fund.

The transfers out from the Special Grants Fund include:

- \$110,546 transfer to the General Fund for FEMA reimbursements
- \$108,728 transfer to the Solid Waste Fund for FEMA reimbursements
- \$127,476 transfer to the Street Maintenance Fund for FEMA reimbursements
- \$163,442 transfer to the Water & Sewer Fund for FEMA reimbursements.

The transfers out from the Sales and Use Tax Bond Fund include:

- \$4,000,000 transfer of excess sales tax revenues to the General Fund for parks and recreation capital improvements
- \$10,698,266 transfer of excess sales tax revenues to the Water & Sewer Fund for capital improvements

The transfers out from the Water and Sewer Fund include:

- \$100,000 to the General Fund in lieu of franchise fees.

Note 14: Landfill Closure and Postclosure Care Costs

In October 1991, the EPA issued rules and regulations which require the City to place a final cover on its Municipal Solid Waste Landfill (landfill) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for a period of 30 years following closure of the site.

In 1994, the City adopted GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. This statement requires that the City recognize a portion of the closure and postclosure care costs referred to above as an operating expense in each fiscal year based on landfill capacity used as of each fiscal year-end, even though such costs will be paid only near or after the date that the landfill stops accepting waste.

The City's permitted landfill capacity is 60,714,375 cubic yards. The life of the landfill is projected at 111 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2023, is \$8,741,495. The remaining estimated closure and postclosure care costs of approximately \$34.8 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 20.32% at December 31, 2023. These amounts are based upon annual engineering estimates of what it would cost to perform all closure and postclosure costs, based on the City's approved closure plan, through December 31 2023. Actual costs may be significantly higher due to inflation, changes in technology, or changes in regulations by the Arkansas Department of Environmental Quality.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The amount of financial assurance required by the state as of December 31, 2023, is \$9,183,337. In order to comply with this requirement, Arvest Bank issued an irrevocable standby letter of credit that is pledged to the Arkansas Department of Environmental Quality in the amount of \$8,575,000 at December 31, 2023, with an increased amount to \$9,200,000 on June 21, 2024. The City has also pledged investments as collateral for the letter of credit.

Note 15: New Applicable GASB Standards***GASB Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62***

The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant consistent and comparable information. This statement is effective for the City in the fiscal year 2024.

GASB Statement No. 101 - Compensated Absences

The objective of the statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement is effective for the City in the fiscal year 2024.

GASB Statement No. 102 - Certain Risk Disclosures

The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement is effective for the City in fiscal year 2025.

Notes to Basic Financial Statements December 31, 2023

GASB Statement No. 103 – Financial Reporting Model Improvements

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This statement is effective for the City in fiscal year 2026.

Note 16: Condensed Financial Statements-Discretely Presented Component Units

The following presents condensed financial statements for each of the three discretely presented component units:

Statement of Net Position December 31, 2023

| | Governmental | | | Business-Type |
|--|--|----------------------|----------------------|-----------------------|
| | Advertising Promotion Commission | Public Library | Total | Airport Commission |
| Assets | | | | |
| Current assets | \$ 1,439,782 | \$ 2,150,910 | \$ 3,590,692 | \$ 16,595,508 |
| Capital assets, net of accumulated depreciation, as applicable | - | 11,186,318 | 11,186,318 | 71,501,396 |
| Noncurrent assets | - | - | - | 14,583,862 |
| Total assets | <u>1,439,782</u> | <u>13,337,228</u> | <u>14,777,010</u> | <u>102,680,766</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows related to pensions | - | 656,090 | 656,090 | - |
| Total deferred outflows of resources | <u>-</u> | <u>656,090</u> | <u>656,090</u> | <u>-</u> |
| Liabilities | | | | |
| Current liabilities | 64,903 | 93,385 | 158,288 | 4,035,212 |
| Noncurrent liabilities | - | 2,107,040 | 2,107,040 | 1,895,079 |
| Total liabilities | <u>64,903</u> | <u>2,200,425</u> | <u>2,265,328</u> | <u>5,930,291</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows related to pensions | - | 44,107 | 44,107 | - |
| Deferred inflows related to leases | - | - | - | 12,129,450 |
| Total deferred inflows of resources | <u>-</u> | <u>44,107</u> | <u>44,107</u> | <u>12,129,450</u> |
| Net Position | | | | |
| Net investment in capital assets | - | 11,162,368 | 11,162,368 | 66,006,433 |
| Restricted | 1,374,879 | - | 1,374,879 | 243,368 |
| Unrestricted (deficit) | - | 586,418 | 586,418 | 18,371,224 |
| Total net position | <u>\$ 1,374,879</u> | <u>\$ 11,748,786</u> | <u>\$ 13,123,665</u> | <u>\$ 84,621,025</u> |

**Statement of Activities
For the Year Ended December 31, 2023**

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|---|--|--|--|----------------------|---------------------|
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | | |
| | | | | | Advertising and Promotion | Public Library | Total |
| Advertising/ Promotion | \$ 1,064,795 | \$ - | \$ - | \$ - | \$ (1,064,795) | \$ - | \$ (1,064,795) |
| Public Library | 4,040,679 | 196,166 | 417,634 | 10,452,825 | - | 7,025,946 | 7,025,946 |
| Total | <u>\$ 5,105,474</u> | <u>\$ 196,166</u> | <u>\$ 417,634</u> | <u>\$ 10,452,825</u> | <u>\$ (1,064,795)</u> | <u>\$ 7,025,946</u> | <u>\$ 5,961,151</u> |
| General revenues | | | | | | | |
| Property taxes | | | | | - | 1,635,696 | 1,635,696 |
| Sales taxes | | | | | - | 1,478,890 | 1,478,890 |
| Hospitality hotel/motel taxes | | | | | 1,201,941 | - | 1,201,941 |
| Unrestricted investment earnings | | | | | 58,282 | 5,069 | 63,351 |
| Other | | | | | 46,201 | 107,902 | 154,103 |
| Total general revenues | | | | | <u>1,306,424</u> | <u>3,227,557</u> | <u>4,533,981</u> |
| Change in net position | | | | | <u>241,629</u> | <u>10,253,503</u> | <u>10,495,132</u> |
| Net position, beginning | | | | | <u>1,133,250</u> | <u>1,495,283</u> | <u>2,628,533</u> |
| Net position, ending | | | | | <u>\$ 1,374,879</u> | <u>\$ 11,748,786</u> | <u>\$13,123,665</u> |
| Net (Expense) Revenue and Changes in Net Position | | | | | | | |
| | Program Revenues | | | | Business-Type Activities | | |
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Airport Commission | | |
| Airport Commission | \$ 5,222,029 | \$ 2,804,763 | \$ 2,787,977 | \$ 11,583,036 | \$ 11,953,747 | | |
| Total | <u>\$ 5,222,029</u> | <u>\$ 2,804,763</u> | <u>\$ 2,787,977</u> | <u>\$ 11,583,036</u> | <u>11,953,747</u> | | |
| General revenues | | | | | | | |
| Unrestricted investment earnings | | | | | <u>773,528</u> | | |
| Total general revenues | | | | | <u>773,528</u> | | |
| Change in net position | | | | | <u>12,727,275</u> | | |
| Net position, beginning | | | | | <u>71,893,750</u> | | |
| Net position, ending | | | | | <u>\$ 84,621,025</u> | | |

Notes to Basic Financial Statements December 31, 2023

Note 17: Subsequent Events

Rate Increases

On July 11, 2024, the Board of Directors adopted water rate increases to provide for water and sewer system operating and maintenance expenses and debt service requirements. The rate increases are effective August 1, 2024 and average approximately 50%.

Note 18: Change in Accounting Principle

Adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96)

For the fiscal year ended December 31, 2023, The City adopted GASB 96. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The adoption of GASB 96 resulted in changes in presentation of the financial statements and related disclosures in the notes to the financial statements. The adoption of GASB 96 had no impact on the primary government's beginning net position or previously reported change in net position.

Required Supplementary Information



**Agent Multiple-Employer Plan
Schedule of the City's Net Pension
Liability and Related Ratios - FRPF (the Old Fire Plan)**

| Fiscal Year Ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | | |
| Interest | \$ 2,185,214 | \$ 2,187,902 | \$ 2,210,736 | \$ 2,262,194 | \$ 2,250,013 | \$ 2,387,422 | \$ 2,458,896 | \$ 2,531,326 | \$ 2,601,031 |
| Difference between expected and actual experience | (180,475) | 863,257 | 617,979 | 91,150 | 946,549 | 138,769 | (151,195) | 116,585 | 385,846 |
| Assumption Changes | (596,845) | 125,281 | - | - | - | 1,767,387 | - | 680,689 | - |
| Benefit Payments, including refunds of employee contributions | (3,205,793) | (3,223,869) | (3,085,961) | (3,090,972) | (2,954,113) | (2,957,863) | (3,502,026) | (2,982,945) | (4,733,419) |
| Net Change in Total Pension Liability | (1,797,899) | (47,429) | (257,246) | (737,628) | 242,449 | 1,335,715 | (1,194,325) | 345,655 | (1,746,542) |
| Total Pension Liability - Beginning | <u>32,820,244</u> | <u>32,867,673</u> | <u>33,124,919</u> | <u>33,862,547</u> | <u>33,620,098</u> | <u>32,284,383</u> | <u>33,478,708</u> | <u>33,133,053</u> | <u>34,879,595</u> |
| Total Pension Liability - Ending (a) | <u>\$31,022,345</u> | <u>\$32,820,244</u> | <u>\$32,867,673</u> | <u>\$33,124,919</u> | <u>\$33,862,547</u> | <u>\$33,620,098</u> | <u>\$32,284,383</u> | <u>\$33,478,708</u> | <u>\$33,133,053</u> |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions - Employer* | \$ 1,785,823 | \$ 1,779,703 | \$ 2,764,741 | \$ 1,701,004 | \$ 2,636,258 | \$ 1,540,550 | \$ 1,666,114 | \$ 1,866,654 | \$ 1,741,331 |
| Contributions - Member | - | - | - | - | - | - | 747 | 4,708 | 5,118 |
| Net Investment Income | (2,221,195) | 2,345,929 | 1,742,497 | 2,234,612 | (377,407) | 1,736,826 | 784,066 | 26,779 | 1,131,513 |
| Benefit Payments, including refunds of employee contributions | (3,205,793) | (3,223,869) | (3,085,961) | (3,090,972) | (2,954,113) | (2,957,863) | (3,502,026) | (2,982,945) | (4,733,419) |
| Administrative Expense | (14,595) | (19,471) | (21,551) | (19,653) | (25,021) | (22,267) | (25,264) | (33,915) | (26,887) |
| Net Change in Plan Fiduciary Net Position | (3,655,760) | 882,292 | 1,399,726 | 824,991 | (720,283) | 297,246 | (1,076,363) | (1,118,719) | (1,882,344) |
| Plan Fiduciary Net Position - Beginning | <u>15,793,240</u> | <u>14,910,948</u> | <u>13,511,222</u> | <u>12,686,231</u> | <u>13,406,514</u> | <u>13,109,268</u> | <u>14,185,631</u> | <u>15,304,350</u> | <u>17,186,694</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$12,137,480</u> | <u>\$15,793,240</u> | <u>\$14,910,948</u> | <u>\$13,511,222</u> | <u>\$12,686,231</u> | <u>\$13,406,514</u> | <u>\$13,109,268</u> | <u>\$14,185,631</u> | <u>\$15,304,350</u> |
| City's Net Pension Liability (a) - (b) | <u>\$18,884,865</u> | <u>\$17,027,004</u> | <u>\$17,956,725</u> | <u>\$19,613,697</u> | <u>\$21,176,316</u> | <u>\$20,213,584</u> | <u>\$19,175,115</u> | <u>\$19,293,077</u> | <u>\$17,828,703</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 39.12% | 48.12% | 45.37% | 40.79% | 37.46% | 39.88% | 40.61% | 42.37% | 46.19% |
| Covered Payroll ^ | \$ - | \$ - | \$ - | \$ 26,646 | \$ 86,750 | \$ 74,302 | \$ 86,657 | \$ 156,943 | \$ - |
| City's Net Pension Liability as a Percentage of Covered Payroll | N/A | N/A | N/A | 73608.41% | 24410.74% | 27204.63% | 22127.60% | 12293.05% | N/A |

* Includes assets reported as Premium Tax Money. The amount for 2023 was \$190,073.

^ Beginning in 2016, Covered Payroll is the amount for which contributions were based.

Prior to 2016, Covered Payroll was based on active valuation payroll.

Information in this schedule has been 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 under the provisions of GASB 68, the City will only present available information.

- (1): Assumption changes for 2017 include a decrease in the price inflation from 3.75 to 3.00 percent and a salary increase from 3.75 to 4.00 percent. There was no change in investment rate of return 7.75 percent in 2017.
- (2): Assumption changes for 2018 include an increase in the price inflation from 3.00 to 3.75 percent and a salary decrease from 4.00 to 3.75 percent. There was no change in investment rate of return of 7.75 percent.
- (3): Assumption changes for 2019 include a decrease in price inflation from 3.75 to 2.75 percent, a salary decrease from 4.00 to 3.75 percent and a decrease in the investment rate of return of 7.75 to 7.00 percent.
- (4): Assumption changes for 2020 include a decrease in price inflation from 2.75 to 2.50 percent.
- (5): No assumption changes for years 2021, 2022 and 2023.

Required Supplementary Information

**Agent Multiple-Employer Plan
Schedule of the City's Net Pension
Liability and Related Ratios - PRPF (the Old Police Plan)**

| Fiscal Year Ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | | | | |
| Interest | \$ 1,801,897 | \$ 1,908,541 | \$ 1,892,834 | \$ 1,961,197 | \$ 1,917,084 | \$ 1,940,131 | \$ 1,962,715 | \$ 1,968,295 | \$ 1,944,283 |
| Difference Between Actual & Expected Experience | 594,707 | (816,745) | 838,445 | (478,127) | 1,153,626 | 1,495,866 | 385,696 | 652,213 | 614,152 |
| Assumption Changes | (583,925) | (117,450) | - | - | - | 1,627,412 | - | 396,928 | - |
| Benefit Payments, including refunds of employee contributions | (2,481,713) | (2,513,969) | (2,499,815) | (2,419,553) | (2,461,495) | (2,959,388) | (2,320,229) | (2,271,315) | (2,245,252) |
| Net Change in Total Pension Liability | (669,034) | (1,539,623) | 231,464 | (936,483) | 609,215 | 2,104,021 | 28,182 | 746,121 | 313,183 |
| Total Pension Liability - Beginning | <u>26,982,239</u> | <u>28,521,862</u> | <u>28,290,398</u> | <u>29,226,881</u> | <u>28,617,666</u> | <u>26,513,645</u> | <u>26,485,463</u> | <u>25,739,342</u> | <u>25,426,159</u> |
| Total Pension Liability - Ending (a) | <u>\$26,313,205</u> | <u>\$26,982,239</u> | <u>\$28,521,862</u> | <u>\$28,290,398</u> | <u>\$29,226,881</u> | <u>\$28,617,666</u> | <u>\$26,513,645</u> | <u>\$26,485,463</u> | <u>\$25,739,342</u> |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions - Employer* | \$ 1,992,459 | \$ 2,013,820 | \$ 2,923,608 | \$ 1,892,691 | \$ 2,634,491 | \$ 1,429,779 | \$ 1,509,135 | \$ 1,596,703 | \$ 1,554,845 |
| Contributions - Member | - | - | - | - | - | - | - | - | 490 |
| Net Investment Income | (1,519,307) | 1,535,755 | 1,078,326 | 1,307,687 | (211,373) | 996,413 | 463,067 | 15,584 | 624,174 |
| Benefit Payments, including refunds of employee contributions | (2,481,713) | (2,513,969) | (2,499,815) | (2,419,553) | (2,461,495) | (2,959,388) | (2,320,229) | (2,271,315) | (2,245,252) |
| Administrative Expense | (9,983) | (12,746) | (13,336) | (11,501) | (14,014) | (12,774) | (15,173) | (19,925) | (14,832) |
| Net Change in Plan Fiduciary Net Position | (2,018,544) | 1,022,860 | 1,488,783 | 769,324 | (52,391) | (545,970) | (363,200) | (678,953) | (80,575) |
| Plan Fiduciary Net Position - Beginning | <u>10,561,635</u> | <u>9,538,775</u> | <u>8,049,992</u> | <u>7,280,668</u> | <u>7,333,059</u> | <u>7,879,029</u> | <u>8,242,229</u> | <u>8,921,182</u> | <u>9,001,757</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 8,543,091</u> | <u>\$ 10,561,635</u> | <u>\$ 9,538,775</u> | <u>\$ 8,049,992</u> | <u>\$ 7,280,668</u> | <u>\$ 7,333,059</u> | <u>\$ 7,879,029</u> | <u>\$ 8,242,229</u> | <u>\$ 8,921,182</u> |
| City's Net Pension Liability (a) - (b) | <u>\$ 17,770,114</u> | <u>\$ 16,420,604</u> | <u>\$ 18,983,087</u> | <u>\$ 20,240,406</u> | <u>\$ 21,946,213</u> | <u>\$ 21,284,607</u> | <u>\$ 18,634,616</u> | <u>\$ 18,243,234</u> | <u>\$ 16,818,160</u> |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 32.47% | 39.14% | 33.44% | 28.45% | 24.91% | 25.62% | 29.72% | 31.12% | 34.66% |
| City's Net Pension Liability as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* Includes assets reported as Premium Tax Money. The amount for 2023 was \$252,876.

^ Beginning in 2016, Covered Payroll is the amount for which contributions were based.

Prior to 2016, Covered Payroll was based on active valuation payroll.

Information in this schedule has been 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 under the provisions of GASB 68, the City will only present available information.

- (1): Assumption changes for 2017 include an increase in the price inflation from 3.75 to 3.00 percent and a salary increase from 3.75 to 4.00 percent. There was no change in investment rate of return 7.75 percent in 2017.
- (2): Assumption changes for 2018 include an increase in the price inflation from 3.00 to 3.75 percent and a salary decrease from 4.00 to 3.75 percent. There was no change in investment rate of return of 7.75 percent.
- (3): Assumption changes for 2019 include a decrease in price inflation from 3.75 to 2.75 percent, a salary decrease from 4.00 to 3.75 percent and a decrease in the investment rate of return of 7.75 to 7.00 percent.
- (4): Assumption changes for 2020 include a decrease in price inflation from 2.75 to 2.50 percent.
- (5): No assumption changes for 2021, 2022, and 2023.

**Agent Multiple-Employer Plan
Schedule of the City’s Pension
Contributions - PRPF (the Old Police Plan)**

| FY Ended December 31, | Actuarially Determined Contribution (ADC) | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-----------------------|---|---------------------|----------------------------------|-----------------|---|
| 2023 | \$ 1,697,760 | \$ 1,697,760 | \$ - | \$ - | N/A |
| 2022 | 1,697,760 | 1,697,760 | - | - | N/A |
| 2021 | 1,697,760 | 1,697,760 | - | - | N/A |
| 2020 | 1,588,560 | 2,588,560 | (1,000,000) | - | N/A |
| 2019 | 1,542,372 | 1,542,372 | - | - | N/A |
| 2018 | 1,334,976 | 2,334,976 | (1,000,000) | - | N/A |
| 2017 | 1,256,207 | 1,256,207 | - | - | N/A |
| 2016 | 1,256,207 | 1,256,207 | - | - | N/A |
| 2015 | 1,372,907 | 1,372,907 | - | - | N/A |

Key Assumptions for ADC:

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Valuation Date | December 31, 2021 |
| Actuarial Cost Method | Individual Entry-Age Normal |
| Amortization Method | Closed Amortization Period based on projected future payroll |
| Remaining Amortization Period | 15 years beginning January 1, 2023 |
| Asset Valuation Method | 5-Year smoothed market; 20% corridor (for funding purposes) |
| Price Inflation | 2.50% |
| Salary Increases | 3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation |
| Investment Rate of Return | 7.50% |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016. |
| Mortality | The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables 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. |

Other Information:

Notes There were no benefit changes during the year.

Note: Information in this schedule has been determined as of the City’s most recent year-end.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provision of GASB 68, the City will only present available information.

Required Supplementary Information

**Cost-Sharing Plan
Schedule of the City's Proportionate Share of the Net
Pension Liability - LOPFI (the New Plans)**

| Plan Fiscal Year Ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 4.2536% | 4.1300% | 4.2656% | 4.2426% | 4.2070% | 4.0601% | 4.3186% | 4.9028% | 4.9183% |
| City's proportionate share of the net pension liability | \$45,414,860 | \$20,869,577 | \$29,325,127 | \$32,784,534 | \$37,963,100 | \$28,851,157 | \$24,639,054 | \$25,717,186 | \$17,804,470 |
| City's covered payroll | \$20,852,403 | \$18,702,920 | \$17,367,198 | \$17,841,388 | \$17,681,877 | \$16,657,860 | \$15,585,218 | \$16,226,346 | \$17,203,371 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 217.79% | 111.58% | 168.85% | 183.76% | 214.70% | 173.20% | 158.09% | 158.49% | 103.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.20% | 84.75% | 77.79% | 73.21% | 66.09% | 71.48% | 72.87% | 72.92% | 79.14% |

Information in this schedule has been 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 under the provisions of GASB 68, the City will only present available information.

Schedule of City's Contributions - LOPFI (the New Plans)

| Plan Fiscal Year Ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially required contribution | \$ 4,692,860 | \$ 4,112,902 | \$ 3,771,507 | \$ 3,688,419 | \$ 3,540,551 | \$ 3,284,942 | \$ 2,904,425 | \$ 2,674,571 | \$ 3,043,184 |
| Contributions in relation to the actuarially required contribution | (4,692,860) | (4,112,902) | (3,771,507) | (3,688,419) | (3,540,551) | (3,284,942) | (2,904,425) | (2,674,571) | (3,043,184) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$20,852,403 | \$18,702,920 | \$17,367,198 | \$17,841,388 | \$17,681,877 | \$16,657,860 | \$15,585,218 | \$16,226,346 | \$17,203,371 |
| Contributions as a percentage of covered payroll | 22.51% | 21.99% | 21.72% | 20.67% | 20.02% | 19.72% | 18.64% | 16.48% | 17.69% |

Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability - APERS

| Plan Fiscal Year Ended June 30, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| City's proportion of the net pension liability | 0.0047% | 0.0047% | 0.0047% | 0.0049% | 0.0047% | 0.0047% | 0.0048% | 0.0048% | 0.0049% |
| City's proportionate share of the net pension liability | \$ 136,572 | \$ 126,642 | \$ 36,152 | \$ 139,343 | \$ 113,539 | \$ 103,956 | \$ 125,123 | \$ 115,180 | \$ 90,125 |
| City's covered payroll | \$ 109,321 | \$ 102,878 | \$ 95,253 | \$ 96,333 | \$ 94,221 | \$ 91,675 | \$ 87,267 | \$ 92,221 | \$ 87,267 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 124.93% | 123.10% | 37.95% | 144.65% | 120.50% | 113.40% | 143.38% | 124.90% | 103.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.94% | 78.31% | 93.57% | 75.38% | 78.55% | 79.59% | 75.65% | 75.50% | 80.39% |

Information in this schedule has been 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 under the provisions of GASB 68, the City will only present available information.

Required Supplementary Information

Schedule of City's Contributions - APERS

| Plan Fiscal Year Ended June 30, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actuarially required contribution | \$ 16,305 | \$ 15,732 | \$ 14,593 | \$ 14,546 | \$ 13,910 | \$ 13,702 | \$ 12,872 | \$ 12,654 |
| Contributions in relation to the actuarially required contribution | (16,305) | (15,732) | (14,593) | (14,546) | (13,910) | (13,702) | (12,872) | (12,654) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 106,689 | \$ 102,878 | \$ 95,253 | \$ 96,333 | \$ 94,221 | \$ 91,675 | \$ 87,267 | \$ 92,221 |
| Contributions as a percentage of covered payroll | 15.28% | 15.29% | 15.32% | 15.10% | 14.76% | 14.95% | 14.75% | 13.72% |

Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Required Supplementary Information

Fort Smith Public Library - APERS

Schedule of the Library's Proportionate Share of the Net Pension Liability - APERS

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Organization's proportion of the net pension liability(asset) | 0.07148101% | 0.06924677% | 0.07244692% | 0.06842373% | 0.06581163% | 0.07428966% | 0.06648929% | 0.07284649% | 0.07559378% |
| Organization's proportionate share of the net pension liability | \$ 2,103,069 | \$ 1,867,158 | \$ 556,995 | \$ 1,959,371 | \$ 1,587,725 | \$ 1,638,782 | \$ 1,718,177 | \$ 1,742,013 | \$ 1,392,236 |
| Organization's covered payroll | \$ 1,584,315 | \$ 1,769,598 | \$ 1,446,684 | \$ 1,335,065 | \$ 1,259,399 | \$ 1,286,673 | \$ 1,304,997 | \$ 1,319,906 | \$ 1,345,315 |
| Organization's proportionate share of the net pension liability as a percentage of its covered payroll | 132.74% | 105.51% | 38.50% | 146.76% | 126.07% | 127.37% | 131.66% | 131.98% | 103.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.94% | 78.31% | 93.57% | 75.38% | 78.55% | 79.59% | 75.65% | 75.50% | 80.39% |

Schedule of Library Contributions Last Fiscal Year

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially required contribution | \$ 244,187 | \$ 221,750 | \$ 221,632 | \$ 204,532 | \$ 192,940 | \$ 189,784 | \$ 189,225 | \$ 191,379 | \$ 198,569 |
| Contributions in relation to the actuarially required contribution | (244,187) | (221,750) | (221,632) | (204,532) | (192,940) | (205,249) | (173,760) | (191,379) | (198,569) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (15,465) | \$ 15,465 | \$ - | \$ - |
| Organization's covered payroll | \$ 1,593,909 | \$ 1,769,598 | \$ 1,446,684 | \$ 1,335,065 | \$ 1,259,399 | \$ 1,286,673 | \$ 1,304,997 | \$ 1,319,906 | \$ 1,345,315 |
| Contributions as a percentage of covered payroll | 15.32% | 12.53% | 15.32% | 15.32% | 15.32% | 14.75% | 14.50% | 14.50% | 14.76% |

Notes to Schedules:

Only nine fiscal years are presented because 10-year data is not yet available.

Other Postemployment Benefit Plan
Schedule of Changes in the City's Net OPEB Liability and Related Ratios

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | | |
| Service Cost | \$ 910,463 | \$ 972,744 | \$ 945,457 | \$ 740,528 | \$ 701,561 | \$ 688,122 |
| Interest | 589,572 | 373,856 | 379,078 | 505,240 | 558,604 | 1,219,581 |
| Differences Between Expected and Actual Experience | 1,850,856 | 345,514 | (517,229) | (3,549,625) | (1,074,914) | - |
| Changes of Assumptions | 1,363,914 | (1,994,258) | 223,018 | 1,901,027 | 666,698 | (18,537,237) |
| Benefit Payments | (311,472) | (360,487) | (268,881) | (366,898) | (293,091) | (271,381) |
| Net Change in Total OPEB Liability | 4,403,333 | (662,631) | 761,443 | (769,728) | 558,858 | (16,900,915) |
| Total OPEB Liability - Beginning | 12,922,784 | 13,585,415 | 12,823,972 | 13,593,700 | 13,034,842 | 29,935,757 |
| Total OPEB Liability - Ending (a) | <u>\$ 17,326,117</u> | <u>\$ 12,922,784</u> | <u>\$ 13,585,415</u> | <u>\$ 12,823,972</u> | <u>\$ 13,593,700</u> | <u>\$ 13,034,842</u> |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - Employer | \$ 311,472 | \$ 360,487 | \$ 268,881 | \$ 366,898 | \$ 293,091 | \$ 271,381 |
| Net Investment Income | 64,876 | (37,092) | (20,826) | 99,308 | 67,719 | 27,907 |
| Benefit Payments | (311,472) | (360,487) | (268,881) | (366,898) | (293,091) | (271,381) |
| Administrative Expense | (15,582) | (15,578) | (15,945) | (12,063) | (15,274) | (25,666) |
| Net change in Fiduciary Net Position | 49,294 | (52,670) | (36,771) | 87,245 | 52,445 | 2,241 |
| Plan Fiduciary Net Position - Beginning | 1,537,063 | 1,589,733 | 1,626,504 | 1,539,259 | 1,486,814 | 1,484,573 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 1,586,357</u> | <u>\$ 1,537,063</u> | <u>\$ 1,589,733</u> | <u>\$ 1,626,504</u> | <u>\$ 1,539,259</u> | <u>\$ 1,486,814</u> |
| City's Net OPEB Liability - Ending (a) - (b) | <u>\$ 15,739,760</u> | <u>\$ 11,385,721</u> | <u>\$ 11,995,682</u> | <u>\$ 11,197,468</u> | <u>\$ 12,054,441</u> | <u>\$ 11,548,028</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 9.16% | 11.89% | 11.70% | 12.68% | 11.32% | 11.41% |
| Covered-employee payroll | \$ 56,662,290 | \$ 52,964,335 | \$ 47,959,015 | \$ 48,622,396 | \$ 46,933,607 | \$ 45,273,921 |
| City's Net OPEB Liability as a Percentage of covered-employee payroll | 27.78% | 21.50% | 25.01% | 23.03% | 25.68% | 25.51% |

Notes to the Schedule

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only six years are shown. Additional years' information will be added as it becomes available.

Changes in assumptions. In 2018, the assumed single discount rate was increased from 4.00 to 4.11 percent. The health care cost trend increased from 7.5 to 8.0 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent. In 2019, the assumed single discount rate was decreased from 4.11 to 3.57 percent. In 2020, the assumed single discount rate was decreased from 3.57 to 2.78 percent. In 2021, the assumed single discount rate was decreased from 2.78 to 2.60 percent. In 2022, the assumed single discount rate was increased from 2.60 to 4.31 percent. In 2023, the assumed single discount rate was decreased from 4.31 percent to 4.00.

Required Supplementary Information

**Other Postemployment Benefit Plan
Schedule of City Contributions**

| Plan Fiscal Year Ended December 31, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Actuarially determined contribution | \$ 1,533,942 | \$ 1,274,388 | \$ 1,242,720 | \$ 1,311,170 | \$ 1,233,440 | \$ 1,923,660 |
| Contributions in relation to the actuarially determined contribution | <u>(311,472)</u> | <u>(360,487)</u> | <u>(268,881)</u> | <u>(366,898)</u> | <u>(293,091)</u> | <u>(271,381)</u> |
| Contribution deficiency (excess) | <u>\$ 1,222,470</u> | <u>\$ 913,901</u> | <u>\$ 973,839</u> | <u>\$ 944,272</u> | <u>\$ 940,349</u> | <u>\$ 1,652,279</u> |
| City's covered-employee payroll | \$ 56,662,290 | \$ 52,964,335 | \$ 47,959,015 | \$ 48,622,396 | \$ 46,933,607 | \$ 45,273,921 |
| Contributions as a percentage of covered-employee payroll | 0.55% | 0.68% | 0.56% | 0.75% | 0.62% | 0.60% |

Notes to Schedule:

Valuation Date: Actuarially determined contributions are calculated as of December 31

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal
 Inflation: 2.5 percent per year
 Health care cost trend rates: 8.00 percent initial, decreasing 0.50 percent per year to an ultimate rate of 4.5 percent
 Single discount rate: 4 percent
 Retirement age: Expected retirement ages of general employees are based on information provided by the Arkansas Public Employees Retirement System (APERS)
 Mortality: RPH-2018 Total Data Set Mortality Table fully generational using Scale MP-2018 (RP-2014 Mortality Table with Improvement Scale MP-2016 in the prior year)

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only six years are shown. Additional years' information will be added as it becomes available.

**Other Postemployment Benefit Plan
Schedule of Investment Returns**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 3.21% | (3.31%) | (2.26%) | 5.40% | 3.53% | 0.15% |

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only six years are shown. Additional years' information will be added as it becomes available.

Required Supplementary Information

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 8,868,224 | \$ 8,054,403 | \$ 8,419,117 | \$ 364,714 |
| Sales taxes | 23,841,419 | 24,410,124 | 24,648,161 | 238,037 |
| Licenses and permits | 2,156,193 | 2,803,828 | 2,925,215 | 121,387 |
| Utility franchise fees | 8,356,900 | 9,452,113 | 9,326,338 | (125,775) |
| Intergovernmental | 6,505,146 | 6,297,523 | 6,151,088 | (146,435) |
| Fines and forfeitures | 1,848,927 | 2,097,219 | 2,365,257 | 268,038 |
| Fees for services | 477,260 | 509,412 | 566,708 | 57,296 |
| Interest | 246,076 | 1,393,247 | 1,513,205 | 119,958 |
| Contributions | 227,000 | 194,290 | 132,676 | (61,614) |
| Miscellaneous | 193,720 | 1,567,834 | 1,730,537 | 162,703 |
| Total revenues | <u>52,720,865</u> | <u>56,779,993</u> | <u>57,778,302</u> | <u>998,309</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | | | | |
| Administration | 4,738,108 | 5,319,121 | 4,888,235 | 430,886 |
| Legal | 2,404,954 | 2,258,891 | 2,129,081 | 129,810 |
| Finance | 2,335,472 | 2,851,405 | 1,761,614 | 1,089,791 |
| Public safety | | | | |
| Police | 18,602,531 | 17,631,336 | 17,551,623 | 79,713 |
| Fire | 13,539,447 | 13,783,872 | 13,375,415 | 408,457 |
| Community services | | | | |
| Health and social services | 235,620 | 235,949 | 132,615 | 103,334 |
| Parks and recreation | 2,713,966 | 2,697,594 | 2,049,822 | 647,772 |
| Transit | 2,789,687 | 2,855,685 | 2,807,386 | 48,299 |
| Capital outlay | 5,006,793 | 14,217,965 | 6,571,857 | 7,646,108 |
| Debt Service | 1,213,342 | 1,213,342 | 1,213,342 | - |
| Total expenditures | <u>53,579,920</u> | <u>63,065,160</u> | <u>52,480,990</u> | <u>10,584,170</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(859,055)</u> | <u>(6,285,167)</u> | <u>5,297,312</u> | <u>11,582,479</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 100,000 | 4,100,000 | 4,210,546 | 110,546 |
| Transfers out | (2,567,000) | (3,390,000) | (10,748,555) | (7,358,555) |
| Leases (as lessee) | 545,532 | 545,532 | 545,532 | - |
| SBITA | 73,358 | 73,358 | 73,358 | - |
| Total other financing sources and uses | <u>(1,848,110)</u> | <u>1,328,890</u> | <u>(5,919,119)</u> | <u>(7,248,009)</u> |
| Net change in fund balances | <u>(2,707,165)</u> | <u>(4,956,277)</u> | <u>(621,807)</u> | <u>4,334,470</u> |
| Fund Balances, beginning of year | <u>26,963,152</u> | <u>35,472,887</u> | <u>42,564,723</u> | <u>-</u> |
| Fund Balances, end of year | <u>\$ 24,255,987</u> | <u>\$ 30,516,610</u> | <u>\$ 41,942,916</u> | <u>\$ 4,334,470</u> |

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Street Maintenance Fund
For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,660,467 | \$ 2,389,584 | \$ 2,499,749 | \$ 110,165 |
| Licenses and permits | 200,000 | 400,000 | 383,136 | (16,864) |
| Intergovernmental | 6,908,900 | 8,049,105 | 7,579,660 | (469,445) |
| Interest | 14,564 | 400,000 | 460,426 | 60,426 |
| Miscellaneous | - | 172,114 | 174,484 | 2,370 |
| Total revenues | <u>9,783,931</u> | <u>11,410,803</u> | <u>11,097,455</u> | <u>(313,348)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | | | | |
| Administration | 366,486 | 335,526 | 336,557 | (1,031) |
| Legal | 115,250 | 98,122 | 98,121 | 1 |
| Finance | 1,053,468 | 986,535 | 1,002,460 | (15,925) |
| Public works | | | | |
| Operations | 769,867 | 794,162 | 763,011 | 31,151 |
| Streets | 4,507,643 | 4,199,083 | 4,181,124 | 17,959 |
| Traffic control | 2,733,518 | 2,490,534 | 2,420,524 | 70,010 |
| Community services | | | | |
| Parks and recreation | 297,582 | 283,819 | 284,149 | (330) |
| Capital outlay | <u>2,810,507</u> | <u>5,044,512</u> | <u>3,117,947</u> | <u>1,926,565</u> |
| Total expenditures | <u>12,654,321</u> | <u>14,232,293</u> | <u>12,203,893</u> | <u>2,028,400</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,870,390)</u> | <u>(2,821,490)</u> | <u>(1,106,438)</u> | <u>1,715,052</u> |
| Transfers in | - | - | 127,476 | (127,476) |
| Total Other Financing Uses | - | - | 127,476 | (127,476) |
| Net Change in Fund Balances | <u>(2,870,390)</u> | <u>(2,821,490)</u> | <u>(978,962)</u> | <u>1,587,576</u> |
| Fund Balances, beginning of year | <u>7,555,179</u> | <u>10,648,156</u> | <u>10,685,565</u> | <u>-</u> |
| Fund Balances, end of year | <u>\$ 4,684,789</u> | <u>\$ 7,826,666</u> | <u>\$ 9,706,603</u> | <u>\$ 1,587,576</u> |

Notes to Required Supplementary Information December 31, 2023

Budgets and Budget Accounting

By December 1 of each year, the City Administrator is required to submit to the Board of Directors (“Board”) a proposed budget for the fiscal year beginning on the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted prior to adoption of the budget to allow citizen input. The state statute governing adoption of annual budgets requires the Board to approve the budget prior to February 1. For practical purposes, the Board usually adopts the budget in December.

Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for the General fund and the Street Maintenance Fund, a special revenue fund. Budget and actual schedules are presented at the department level that is the legal level of budgetary control.

Appropriations in all budget funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (*i.e.*, purchase orders, contracts and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year’s budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

Combining and Individual Fund Financial Statements and Schedules



Nonmajor Governmental Funds For the Year Ended December 31, 2023

Special Revenue Funds:

Community Development Block Grant (CDBG) - To account for the operations of projects utilizing CDBG grant funds and community development department funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

Tilles Park - To account for donations received from the Tilles family estate. The money received is restricted for upgrading and maintaining Tilles Park.

HOME Investment Partnership Act- To account for federal funds administered by the Community Housing Development Organizations (CHDO) and other subrecipients to provide assistance for affordable housing.

Convention Center - To account for operations of the convention center. The rental revenue generated by the center and a subsidy from the General Fund are accounted for in this fund. The City has an agreement with the Advertising & Promotion Commission (A & P) whereby the A & P manage the center.

Central Business Improvement District (CBID) - To account for annual assessments upon property owners in the CBID. The assessment revenues fund “clean & green” projects to improve landscaping, maintenance, cleanliness, repairs and overall appearance of City sidewalks, streets and public spaces in the CBID area. The CBID does not issue separate financial statements.

**Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2023**

| | Special Revenue | | | | | Total Nonmajor Governmental Funds |
|--|---|-------------|--|----------------------|-------------------|--|
| | Community Development Block Grant | Tilles Park | HOME Investment Partnership Act | Convention Center | CBID | |
| Assets | | | | | | |
| Cash | \$ - | \$ - | \$ 339 | \$ 353,440 | \$ 177,805 | \$ 531,584 |
| Receivables, net of allowance for uncollectibles | | | | | | |
| Taxes | - | - | - | - | 1,739 | 1,739 |
| Accounts | - | - | - | 185,829 | - | 185,829 |
| Due from other funds | - | - | 4,486 | - | - | 4,486 |
| Due from other governments | 85,905 | - | 41,534 | - | - | 127,439 |
| Restricted assets: | | | | | | |
| Cash | 20,713 | - | 37,229 | - | - | 57,942 |
| Inventories | - | - | - | 24,130 | - | 24,130 |
| Prepaid items | - | - | - | 13,463 | - | 13,463 |
| Total assets | <u>\$ 106,618</u> | <u>\$ -</u> | <u>\$ 83,588</u> | <u>\$ 576,862</u> | <u>\$ 179,544</u> | <u>\$ 946,612</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and accrued liabilities | \$ 67,376 | \$ - | \$ 48,057 | \$ 233,637 | \$ 864 | \$ 349,934 |
| Due to other funds | 4,486 | - | - | - | - | 4,486 |
| Unearned revenues | - | - | - | 134,987 | - | 134,987 |
| Total liabilities | <u>71,862</u> | <u>-</u> | <u>48,057</u> | <u>368,624</u> | <u>864</u> | <u>489,407</u> |
| Fund Balances: | | | | | | |
| Nonspendable | - | - | - | 37,593 | - | 37,593 |
| Restricted: | | | | | | |
| Housing and rehabilitation | 34,756 | - | 35,531 | - | - | 70,287 |
| Other | - | - | - | - | 178,679 | 178,679 |
| Assigned: | | | | | | |
| Convention center | - | - | - | 170,645 | - | 170,645 |
| Total Fund Balances | <u>34,756</u> | <u>-</u> | <u>35,531</u> | <u>208,238</u> | <u>178,679</u> | <u>457,204</u> |
| Total liabilities and fund balances | <u>\$ 106,618</u> | <u>\$ -</u> | <u>\$ 83,588</u> | <u>\$ 576,862</u> | <u>\$ 179,543</u> | <u>\$ 946,611</u> |

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Nonmajor Governmental Funds
For the Year Ended December 31, 2023**

| | Special Revenue | | | | | Total Nonmajor Governmental Funds |
|---|---|---------------|--|----------------------|-------------------|--|
| | Community Development Block Grant | Tilles Park | HOME Investment Partnership Act | Convention Center | CBID | |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 205,088 | \$ 205,088 |
| Intergovernmental | 1,210,975 | - | 371,649 | - | - | 1,582,624 |
| Fees for services | - | - | - | 1,408,407 | - | 1,408,407 |
| Investment earnings (loss) | - | - | - | 1,338 | 2,085 | 3,423 |
| Miscellaneous | 6,217 | - | - | - | - | 6,217 |
| Total revenues | <u>1,217,192</u> | <u>-</u> | <u>371,649</u> | <u>1,409,745</u> | <u>207,173</u> | <u>3,205,759</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Community services | | | | | | |
| Convention Center | - | - | - | 2,615,756 | - | 2,615,756 |
| Housing and Rehabilitation | 1,187,882 | - | 339,376 | - | - | 1,527,258 |
| Other | - | - | - | - | 28,494 | 28,494 |
| Capital Outlay | - | 26,122 | - | - | - | 26,122 |
| Debt Service | - | - | - | 40,174 | - | 40,174 |
| Total expenditures | <u>1,187,882</u> | <u>26,122</u> | <u>339,376</u> | <u>2,655,930</u> | <u>28,494</u> | <u>4,237,804</u> |
| Excess (deficiency) of revenues over (under) expenditures | 29,310 | (26,122) | 32,273 | (1,246,185) | 178,679 | (1,032,045) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | - | 1,400,000 | - | 1,400,000 |
| Total Other Financing Sources and Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,400,000</u> | <u>-</u> | <u>1,400,000</u> |
| Change in Fund Balances | 29,310 | (26,122) | 32,273 | 153,815 | 178,679 | 367,955 |
| Fund Balances (deficit), beginning of year | 5,446 | 26,122 | 3,258 | 54,423 | - | 89,249 |
| Fund Balances, end of year | <u>\$ 34,756</u> | <u>\$ -</u> | <u>\$ 35,531</u> | <u>\$ 208,238</u> | <u>\$ 178,679</u> | <u>\$ 457,204</u> |

Internal Service Funds For the Fiscal Year Ended December 31, 2023

Working Capital - To account for the accumulation and allocation of costs associated with fuel and duplicating services.

Employee Insurance - To account for monthly premiums contributed by the City and its employees for health insurance coverage and to provide for payment of life insurance premiums. The plan is self-insured with a third party administrator acting as paying agent for claims. Premiums are accumulated in this fund for the payment of employee insurance claims.

Workers' Compensation - To account for amounts contributed for workers' compensation. Workers' compensation contributions are accumulated in this fund for the payment of workers' compensation claims.

**Combining Statement of Net Position
Internal Service Funds
December 31, 2023**

| | <u>Working Capital</u> | <u>Employee Insurance</u> | <u>Workers' Compensation</u> | <u>Total</u> |
|--|----------------------------|-------------------------------|----------------------------------|---------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash | \$ 248,438 | \$ 6,436,070 | \$ 3,691,284 | \$ 10,375,792 |
| Receivables, net of allowance for uncollectibles | | | | |
| Accounts | - | 23,739 | - | 23,739 |
| Inventories | <u>32,950</u> | <u>-</u> | <u>-</u> | <u>32,950</u> |
| Total Current Assets | <u>281,388</u> | <u>6,459,809</u> | <u>3,691,284</u> | <u>10,432,481</u> |
| Total Assets | <u>281,388</u> | <u>6,459,809</u> | <u>3,691,284</u> | <u>10,432,481</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities | 39,004 | 21,887 | 55,551 | 116,442 |
| Claims and judgments | <u>-</u> | <u>1,311,229</u> | <u>1,104,838</u> | <u>2,416,067</u> |
| Total Current Liabilities | <u>39,004</u> | <u>1,333,116</u> | <u>1,160,389</u> | <u>2,532,509</u> |
| Total Liabilities | <u>39,004</u> | <u>1,333,116</u> | <u>1,160,389</u> | <u>2,532,509</u> |
| Net Position | | | | |
| Unrestricted | <u>242,384</u> | <u>5,126,693</u> | <u>2,530,895</u> | <u>7,899,972</u> |
| Net Position | <u>\$ 242,384</u> | <u>\$ 5,126,693</u> | <u>\$ 2,530,895</u> | <u>\$ 7,899,972</u> |

**Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2023**

| | Working Capital | Employee Insurance | Workers' Compensation | Total |
|---------------------------------|--------------------|-----------------------|--------------------------|---------------------|
| Operating Revenues | | | | |
| Charges for services - internal | \$ 1,122,754 | \$ 9,233,900 | \$ 914,017 | \$ 11,270,671 |
| Charges for services - external | - | 446,729 | - | 446,729 |
| Total Operating Revenues | <u>1,122,754</u> | <u>9,680,629</u> | <u>914,017</u> | <u>11,717,400</u> |
| Operating Expenses | | | | |
| Contractual services | - | 621,244 | 316,782 | 938,026 |
| Materials and supplies | 1,025,873 | - | - | 1,025,873 |
| Insurance claims and expenses | - | 10,814,294 | 730,375 | 11,544,669 |
| Total Operating Expenses | <u>1,025,873</u> | <u>11,435,538</u> | <u>1,047,157</u> | <u>13,508,568</u> |
| Operating Income (Loss) | 96,881 | (1,754,909) | (133,140) | (1,791,168) |
| Nonoperating Revenues | | | | |
| Investment earnings | 6,069 | 316,247 | 172,701 | 495,017 |
| Change in Net Position | 102,950 | (1,438,662) | 39,561 | (1,296,151) |
| Net position, beginning of year | <u>139,434</u> | <u>6,565,355</u> | <u>2,491,334</u> | <u>9,196,123</u> |
| Net position, ending of year | <u>\$ 242,384</u> | <u>\$ 5,126,693</u> | <u>\$ 2,530,895</u> | <u>\$ 7,899,972</u> |

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2023**

| | Working Capital | Employee Insurance | Workers' Compensation | Total |
|--|--------------------|-----------------------|--------------------------|-----------------------|
| Cash Flows from Operating Activities: | | | | |
| Cash received from service users | \$ 1,122,754 | \$ 471,942 | \$ - | \$ 1,594,696 |
| Cash received from city and employee contributions | - | 9,233,900 | 914,017 | 10,147,917 |
| Cash payments for goods and services | (1,048,249) | - | - | (1,048,249) |
| Cash payments for premiums and other operating expenses | - | (1,135,214) | (289,816) | (1,425,030) |
| Cash payments for claims paid | - | (10,428,289) | (832,093) | (11,260,382) |
| Net cash provided by (used in) operating activities | <u>74,505</u> | <u>(1,857,661)</u> | <u>(207,892)</u> | <u>(1,991,048)</u> |
| Cash Flows from Investing Activities | | | | |
| Interest on investments | <u>6,069</u> | <u>316,247</u> | <u>172,701</u> | <u>495,017</u> |
| Net cash provided by investing activities | <u>6,069</u> | <u>316,247</u> | <u>172,701</u> | <u>495,017</u> |
| Net increase in cash | 80,574 | (1,541,414) | (35,191) | (1,496,031) |
| Cash, beginning of year | <u>167,864</u> | <u>7,977,483</u> | <u>3,726,475</u> | <u>11,871,822</u> |
| Cash, end of year | <u>\$ 248,438</u> | <u>\$ 6,436,070</u> | <u>\$ 3,691,284</u> | <u>\$ 10,375,792</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | | |
| Operating income (loss) | \$ 96,881 | \$ (1,754,909) | \$ (133,140) | \$ (1,791,168) |
| Change in assets and liabilities | | | | |
| Accounts receivable | - | 25,212 | - | 25,212 |
| Inventory | 3,705 | - | - | 3,705 |
| Accounts payable and accrued liabilities | (26,081) | (506,047) | 26,966 | (505,162) |
| Liability for claims and judgments | - | 378,083 | (101,718) | 276,365 |
| Total adjustments | <u>(22,376)</u> | <u>(102,752)</u> | <u>(74,752)</u> | <u>(199,880)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 74,505</u> | <u>\$ (1,857,661)</u> | <u>\$ (207,892)</u> | <u>\$ (1,991,048)</u> |

Discretely Presented Component Units For the Fiscal Year Ended December 31, 2023

Governmental Fund Types – Special Revenue Funds

Advertising and Promotion Commission - To account for the operations of the Advertising and Promotion Commission utilizing revenues from the hotel/motel (hospitality) tax. These revenues are restricted to expenditures of the Advertising and Promotion Commission to promote the City and increase tourism.

Public Library - To account for the operations of the Fort Smith Public Library in providing library services to citizens.

Proprietary Fund Type – Enterprise Fund

Airport Commission - To account for the provision of regional airport services. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing, and related debt service.

**Combining Statement of Net Position
Governmental Component Units
December 31, 2023**

| | <u>Advertising and Promotion Commission</u> | <u>Public Library</u> | <u>Total</u> |
|--|---|-----------------------|----------------------|
| Assets | | | |
| Cash | \$ 1,439,747 | \$ 1,419,808 | \$ 2,859,555 |
| Investments | - | 109,623 | 109,623 |
| Receivables, net of allowance for uncollectibles | | | |
| Taxes | - | 240,802 | 240,802 |
| Accounts | 35 | 301,278 | 301,313 |
| Prepaid items | - | 79,399 | 79,399 |
| Capital assets | | | |
| Nondepreciable | - | 1,061,841 | 1,061,841 |
| Depreciable | - | 10,124,477 | 10,124,477 |
| Total Assets | <u>1,439,782</u> | <u>13,337,228</u> | <u>14,777,010</u> |
| Deferred outflows of resources | | | |
| Deferred outflow related to pension | - | 656,090 | 656,090 |
| Total deferred outflows of resources | <u>-</u> | <u>656,090</u> | <u>656,090</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 64,903 | 93,385 | 158,288 |
| Long-term liabilities due in one year | - | 3,971 | 3,971 |
| Long-term liabilities due in more than one year | - | 2,103,069 | 2,103,069 |
| Total Liabilities | <u>64,903</u> | <u>2,200,425</u> | <u>2,265,328</u> |
| Deferred inflows of resources | | | |
| Deferred inflow related to pension | - | 44,107 | 44,107 |
| Total deferred inflows of resources | <u>-</u> | <u>44,107</u> | <u>44,107</u> |
| Net Position | | | |
| Net investment in capital assets | - | 11,162,368 | 11,162,368 |
| Restricted for: | | | |
| Tourism & promotion | 1,374,879 | - | 1,374,879 |
| Unrestricted | | | |
| Library | - | 586,418 | 586,418 |
| Total Net Position | <u>\$ 1,374,879</u> | <u>\$ 11,748,786</u> | <u>\$ 13,123,665</u> |

**Combining Statement of Activities - Governmental Component Units
For the Year Ended December 31, 2023**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--------------------------------------|---------------------|---------------------------------------|------------------------------------|---|------------------------------------|----------------------|-------|
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | | |
| | | | | | Advertising & Promotion Commission | Public Library | Total |
| Advertising and Promotion Commission | \$ 1,064,795 | \$ - | \$ - | \$ - | \$ - | \$ (1,064,795) | |
| Public Library | 4,040,679 | 196,166 | 417,634 | 10,452,825 | - | 7,025,946 | |
| Total | \$ 5,105,474 | \$ 196,166 | \$ 417,634 | \$ 10,452,825 | (1,064,795) | 7,025,946 | |
| General revenues | | | | | | | |
| Property taxes | | | | | - | 1,635,696 | |
| Sales taxes | | | | | - | 1,478,890 | |
| Hospitality taxes | | | | | 1,201,941 | - | |
| Unrestricted investment earnings | | | | | 58,282 | 5,069 | |
| Other | | | | | 46,201 | 107,902 | |
| Total general revenues | | | | | 1,306,424 | 3,227,557 | |
| Change in net position | | | | | 241,629 | 10,253,503 | |
| Net position, beginning of year | | | | | 1,133,250 | 1,495,283 | |
| Net position, end of year | | | | | \$ 1,374,879 | \$ 11,748,786 | |

**Balance Sheet - Advertising and Promotion
Governmental Component Unit
December 31, 2023**

| | |
|--|---------------------|
| Assets: | |
| Cash | \$ 1,439,747 |
| Accounts Receivable | <u>35</u> |
| Total Assets | <u>\$ 1,439,782</u> |
| | |
| Liabilities and Fund Balance: | |
| Current: | |
| Accounts payable and accrued liabilities | <u>\$ 64,903</u> |
| Total Liabilities | <u>64,903</u> |
| | |
| Fund Balance: | |
| Restricted for: | |
| Tourism & promotion | <u>1,374,879</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,439,782</u> |

**Statement of Revenues, Expenditures and Changes in Fund Balance
Advertising and Promotion - Governmental Component Unit
For the Year Ended December 31, 2023**

| | |
|--------------------------------------|---------------------|
| Revenues | |
| Taxes | \$ 1,201,941 |
| Investment earnings (loss) | 58,282 |
| Other | <u>46,201</u> |
| Total revenues | <u>1,306,424</u> |
| Expenditures | |
| Other | <u>1,064,795</u> |
| Total Expenditures | <u>1,064,795</u> |
| Excess of revenues over expenditures | <u>241,629</u> |
| Net change in fund balance | 241,629 |
| Fund Balance, beginning of year | <u>1,133,250</u> |
| Fund Balance, end of year | <u>\$ 1,374,879</u> |

**Statement of Net Position
Business-Type Component Unit
Airport Commission
December 31, 2023**

| | |
|--|----------------------|
| Assets | |
| Current Assets | |
| Cash | \$ 4,656,169 |
| Accrued interest receivable | 234,375 |
| Lease receivables, current | 738,165 |
| Due from other governments | 3,966,831 |
| Prepaid items and deposits | 138,417 |
| Inventories | <u>73,418</u> |
| Total Current Assets | <u>16,595,508</u> |
| Noncurrent Assets | |
| Restricted cash | 207,535 |
| Certificates of deposit | 2,422,411 |
| Lease receivables, noncurrent | 11,953,916 |
| Lease assets, net | 1,836,919 |
| Capital assets, nondepreciable | 46,775,009 |
| Capital assets, depreciable | <u>22,889,468</u> |
| Total Noncurrent Assets | <u>86,085,258</u> |
| Total Assets | <u>102,680,766</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable and accrued liabilities | 3,921,986 |
| Lease liability, current | 35,879 |
| Unearned revenue | <u>77,347</u> |
| Total Current Liabilities | <u>4,035,212</u> |
| Noncurrent liabilities | |
| Lease liability | <u>1,895,079</u> |
| Total Liabilities | <u>5,930,291</u> |
| Deferred Inflows of Resources | |
| Deferred inflows of resources, leases | <u>12,129,450</u> |
| Total deferred inflows of resources | <u>12,129,450</u> |
| Net Position | |
| Net investment in capital assets | 66,006,433 |
| Restricted for capital projects | 243,368 |
| Unrestricted | <u>18,371,224</u> |
| Total Net Position | <u>\$ 84,621,025</u> |

**Statement of Activities - Business-Type Component Units
 Airport Commission
 For the Year Ended December 31, 2023**

| | Program Revenues | | | Net (Expense) Revenue and Net Position | |
|--------------------|------------------|---|--|--|--|
| | Expenses | Fees, Fines, and Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Airport Commission | \$ 5,222,029 | \$ 2,804,763 | \$ 2,787,977 | \$ 11,583,036 | \$ 11,953,747 |
| | | General revenues | | | |
| | | | | Unrestricted investment earnings | 773,528 |
| | | | | Change in net position | 12,727,275 |
| | | | | Net position, beginning of year | 71,893,750 |
| | | | | Net position, end of year | <u>\$ 84,621,025</u> |

**Statement of Cash Flows – Business-Type Component Units
Airport Commission
For the Year Ended December 31, 2023**

| | |
|---|----------------------------|
| Operating Activities | |
| Cash received from customers | \$ 2,658,474 |
| Cash payments for goods and services | (1,730,652) |
| Cash paid to employees | <u>(1,173,689)</u> |
| Net cash used in operating activities | <u>(245,867)</u> |
| Noncapital Financing Activities | |
| Passenger facility charges received | 232,562 |
| Noncapital grants and gifts | <u>2,557,438</u> |
| Net cash provided by noncapital financing activities | <u>2,790,000</u> |
| Capital and Related Financing Activities | |
| Proceeds from capital grants | 11,583,036 |
| Acquisition and construction of capital assets | (12,359,503) |
| Proceeds from sale of capital assets | 11,287 |
| Principal paid on leases | (34,942) |
| Interest paid on leases | <u>(51,597)</u> |
| Net cash used in capital and related financing activities | <u>(851,719)</u> |
| Investing Activities | |
| Proceeds from sales and maturities of investment securities | 2,977,589 |
| Outlays for purchases of investment securities | (9,188,133) |
| Sale of short-term investments | 4,955,451 |
| Income received on investments and cash equivalents | <u>632,260</u> |
| Net cash used in investing activities | <u>(622,833)</u> |
| Net increase in cash and restricted cash | 1,069,581 |
| Cash and restricted cash, January 1 | 3,794,123 |
| Cash and restricted cash, December 31 | <u>\$ 4,863,704</u> |
| Reconciliation of cash and restricted cash at December 31 to statement of net position | |
| Cash | \$ 4,656,169 |
| Restricted cash | <u>207,535</u> |
| Total | <u>\$ 4,863,704</u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities | |
| Operating loss | \$ (2,359,906) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation | 2,311,828 |
| Change in assets and liabilities | |
| Accounts receivable | (1,984,608) |
| Lease receivables | (105,922) |
| Inventories | 1,409 |
| Prepaid items | (43,555) |
| Accounts payable and accrued liabilities | 2,005,871 |
| Deferred inflows - leases | <u>(70,984)</u> |
| Total adjustments | <u>2,114,039</u> |
| Net cash provided by (used in) operating activities | <u>\$ (245,867)</u> |
| Noncash capital and related financing activities: | |
| Capital-related accounts payable | \$ 967,493 |

Statistical Section



This section of the City of Fort Smith annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reflects about the City’s overall financial health.

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Financial Trends (Tables 1-5)

These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time 153

Revenue Capacity (Tables 6-11)

These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes. 159

Debt Capacity (Tables 12-15)

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future 165

Demographic and Economic Information (Tables 16-17)

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place.169

Operating Information (Tables 18-20)

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to services the City provides and the activities it performs171

Continuing Disclosure Requirement Information (Tables 21-22)

These schedules provide information required to be disseminated for investors of City debt. By including this data, this annual report may be used as the document that provides all debt covenant required reports and information175

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Table 1

**Net Position by Component
Last Ten Years
(Accrual Basis of Accounting)
(Unaudited)**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 301,383,411 | \$ 301,292,326 | \$ 310,422,734 | \$ 326,142,910 | \$ 337,628,439 | \$ 353,386,437 | \$ 375,642,851 | \$ 400,256,391 | \$ 439,594,966 | \$ 449,591,689 |
| Restricted | 46,649,301 | 50,358,284 | 49,252,066 | 48,938,954 | 58,722,663 | 69,471,463 | 61,701,488 | 67,339,948 | 57,798,315 | 82,379,703 |
| Unrestricted (deficit) | 8,929,780 | (41,489,044) | (38,495,788) | (28,509,210) | (35,881,319) | (37,520,231) | (27,258,596) | (24,439,299) | 2,712,207 | (10,845,327) |
| Total governmental activities net position | <u>\$ 356,962,492</u> | <u>\$ 310,161,566</u> | <u>\$ 321,179,012</u> | <u>\$ 346,572,654</u> | <u>\$ 360,469,783</u> | <u>\$ 385,337,669</u> | <u>\$ 410,085,743</u> | <u>\$ 443,157,040</u> | <u>\$ 500,105,488</u> | <u>\$ 521,126,065</u> |
| Business-Type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 378,186,724 | \$ 350,202,002 | \$ 397,064,645 | \$ 385,564,986 | \$ 391,608,271 | \$ 391,949,443 | \$ 389,203,590 | \$ 386,177,195 | \$ 391,727,322 | \$ 408,450,858 |
| Restricted | 19,073,298 | 20,677,094 | 23,582,119 | 23,581,225 | 8,736,608 | 6,319,596 | 6,191,083 | 4,746,700 | 7,307,845 | 7,696,850 |
| Unrestricted (deficit) | 649,154 | 34,468,082 | 12,571,307 | 18,695,478 | 43,171,676 | 45,204,886 | 50,302,949 | 61,258,031 | 63,772,686 | 78,011,252 |
| Total business-type activities net position | <u>\$ 397,909,176</u> | <u>\$ 405,347,178</u> | <u>\$ 433,218,071</u> | <u>\$ 427,841,689</u> | <u>\$ 443,516,555</u> | <u>\$ 443,473,925</u> | <u>\$ 445,697,622</u> | <u>\$ 452,181,926</u> | <u>\$ 462,807,853</u> | <u>\$ 494,158,960</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 679,570,135 | \$ 651,494,328 | \$ 707,487,379 | \$ 711,707,896 | \$ 729,236,710 | \$ 745,335,880 | \$ 764,846,441 | \$ 786,433,586 | \$ 831,322,288 | \$ 858,042,548 |
| Restricted | 65,722,599 | 71,035,378 | 72,834,185 | 65,808,092 | 67,459,271 | 75,791,059 | 67,892,571 | 72,086,648 | 65,106,160 | 90,076,553 |
| Unrestricted (deficit) | 9,578,934 | (7,020,962) | (25,924,481) | (9,813,732) | 7,290,357 | 7,684,655 | 23,044,353 | 36,818,732 | 66,484,893 | 67,165,925 |
| Total primary government net position | <u>\$ 754,871,668</u> | <u>\$ 715,508,744</u> | <u>\$ 754,397,083</u> | <u>\$ 767,702,256</u> | <u>\$ 803,986,338</u> | <u>\$ 828,811,594</u> | <u>\$ 855,783,365</u> | <u>\$ 895,338,966</u> | <u>\$ 962,913,341</u> | <u>\$ 1,015,285,025</u> |

Table 2

**Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)**

| | Fiscal Year | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 11,782,229 | \$ 10,540,138 | \$ 9,334,979 | \$ 9,813,976 | \$ 9,487,201 | \$ 10,237,381 | \$ 10,208,851 | \$ 15,180,500 | \$ 30,213,524 | \$ 22,053,261 |
| Public safety | 37,468,682 | 40,059,753 | 39,229,896 | 37,685,158 | 46,794,625 | 39,614,609 | 38,168,513 | 37,401,924 | 38,511,381 | 50,671,663 |
| Public works | 16,828,138 | 16,228,119 | 15,992,699 | 16,485,834 | 16,116,687 | 18,193,845 | 23,018,234 | 20,015,919 | 18,231,979 | 22,370,426 |
| Community services | 17,875,559 | 11,598,167 | 10,593,837 | 10,813,088 | 11,373,604 | 10,057,816 | 9,487,352 | 11,237,602 | 12,962,004 | 23,890,176 |
| Other | - | - | - | - | - | - | - | - | - | 28,494 |
| Interest | 4,948,763 | 4,702,341 | 4,390,585 | 4,528,084 | 2,991,999 | 2,142,150 | 1,619,133 | 1,030,482 | 736,338 | 87,904 |
| Total governmental activities expenses | 88,903,371 | 83,128,518 | 79,541,996 | 79,326,140 | 86,764,116 | 80,245,801 | 82,502,083 | 84,866,427 | 100,655,226 | 119,101,924 |
| Business-Type Activities: | | | | | | | | | | |
| Water and Sewer | 42,807,102 | 43,775,895 | 49,436,840 | 56,118,174 | 51,098,433 | 53,201,329 | 53,675,891 | 54,963,014 | 58,483,930 | 63,228,290 |
| Solid Waste | 13,298,931 | 12,160,733 | 11,623,625 | 14,930,172 | 12,462,283 | 13,708,100 | 13,699,284 | 12,746,048 | 17,046,039 | 19,992,762 |
| Parking | - | - | - | - | - | 308,030 | 176,885 | 224,262 | 216,863 | 236,296 |
| Total business-type activities expenses | 56,106,033 | 55,936,628 | 61,060,465 | 71,048,346 | 63,560,716 | 67,217,459 | 67,552,060 | 67,933,324 | 75,746,832 | 83,457,348 |
| Total primary government expenses | \$ 145,009,404 | \$ 139,065,146 | \$ 140,602,460 | \$ 150,374,486 | \$ 150,324,832 | \$ 147,463,260 | \$ 150,054,143 | \$ 152,799,751 | \$ 176,402,058 | \$ 202,559,272 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 3,590,637 | \$ 3,984,533 | \$ 4,138,125 | \$ 3,697,496 | \$ 4,035,492 | \$ 3,783,290 | \$ 3,459,285 | \$ 4,161,045 | \$ 4,335,251 | \$ 5,356,340 |
| Public safety | 183,031 | 166,741 | 174,925 | 206,292 | 212,218 | 1,093,566 | 1,189,180 | 1,060,711 | 1,875,351 | 1,875,087 |
| Public works | 266,627 | 254,686 | 335,684 | 346,439 | 389,717 | 198,326 | 305,509 | 253,143 | 365,481 | 383,136 |
| Community services | 1,210,185 | 1,199,131 | 1,170,521 | 1,322,074 | 1,207,071 | 1,392,367 | 526,883 | 682,832 | 1,304,823 | 1,817,991 |
| Other | - | - | - | - | - | - | - | - | - | 205,088 |
| Operating grants and contributions | 13,925,772 | 15,087,846 | 13,482,510 | 13,072,923 | 13,983,299 | 10,574,220 | 15,032,758 | 10,719,284 | 20,995,692 | 15,797,713 |
| Capital grants and contributions | 3,197,429 | 3,540,688 | 12,349,015 | 3,343,621 | 2,962,846 | 4,873,533 | 3,920,348 | 6,858,380 | 14,108,928 | 10,060,078 |
| Total governmental activities program revenues | 22,373,681 | 24,233,625 | 31,650,780 | 21,988,845 | 22,790,643 | 21,915,302 | 24,433,963 | 23,735,395 | 42,985,526 | 35,495,433 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water and sewer | 35,918,255 | 43,606,954 | 53,271,406 | 54,902,198 | 57,858,066 | 52,223,647 | 51,363,114 | 55,314,031 | 59,362,796 | 56,714,103 |
| Solid Waste | 13,291,198 | 13,756,356 | 14,791,432 | 14,757,545 | 16,812,701 | 15,973,017 | 17,363,969 | 18,681,397 | 20,210,733 | 21,424,480 |
| Parking | - | - | - | - | - | 189,340 | 123,229 | 128,980 | 122,956 | 144,238 |
| Capital grants and contributions | - | - | - | - | - | 517,991 | 166,707 | 93,000 | 1,009,891 | 10,620,566 |
| Total business-type activities program revenues | 49,209,453 | 57,363,310 | 68,062,838 | 69,659,743 | 74,670,767 | 68,903,995 | 69,017,019 | 74,217,408 | 80,706,376 | 88,903,387 |
| Total primary government program revenues | \$ 71,583,134 | \$ 81,596,935 | \$ 99,713,618 | \$ 91,648,588 | \$ 97,461,410 | \$ 90,819,297 | \$ 93,450,982 | \$ 97,952,803 | \$ 123,691,902 | \$ 124,398,820 |

Net (expense) revenue

Table 2 (Continued)

**Changes in Net Position
Last Ten Fiscal Years (Continued)
(Accrual Basis of Accounting)
(Unaudited)**

| | Fiscal Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Governmental activities | \$ (66,529,690) | \$ (58,894,893) | \$ (47,891,216) | \$ (57,337,295) | \$ (63,973,473) | \$ (58,330,499) | \$ (58,068,120) | \$ (61,131,032) | \$ (57,669,700) | \$ (83,606,491) |
| Business-Type activities | (6,896,580) | 1,426,682 | 7,002,373 | (1,388,602) | 11,110,051 | 1,686,536 | 1,464,959 | 6,284,084 | 4,959,544 | 5,446,039 |
| Total primary government net expense | <u>\$ (73,426,270)</u> | <u>\$ (57,468,211)</u> | <u>\$ (40,888,843)</u> | <u>\$ (58,725,897)</u> | <u>\$ (52,863,422)</u> | <u>\$ (56,643,963)</u> | <u>\$ (56,603,161)</u> | <u>\$ (54,846,948)</u> | <u>\$ (52,710,156)</u> | <u>\$ (78,160,452)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 11,447,651 | \$ 11,715,689 | \$ 12,255,857 | \$ 12,674,326 | \$ 12,929,340 | \$ 13,006,891 | \$ 12,986,093 | \$ 13,717,431 | \$ 13,892,261 | \$ 14,684,563 |
| Sales taxes | 55,823,661 | 56,850,299 | 58,893,332 | 59,100,140 | 60,050,705 | 60,725,266 | 63,573,016 | 73,323,540 | 81,253,584 | 84,495,826 |
| Gross receipts utility franchise fees | 6,780,156 | 6,388,844 | 5,974,790 | 6,304,008 | 6,840,478 | 6,630,438 | 6,114,478 | 7,079,057 | 8,846,697 | 9,326,338 |
| Intergovernmental | - | - | - | - | - | - | - | - | 6,220,634 | - |
| Unrestricted investment earnings | 85,627 | 152,888 | 64,861 | 317,642 | 1,220,764 | 1,419,241 | 595,603 | 29,401 | 1,183,974 | 5,533,737 |
| Other | 2,108,585 | 1,397,078 | 2,043,676 | 1,618,293 | 2,158,371 | 396,549 | (487,200) | 280,427 | 640,948 | 1,547,045 |
| Gain on early extinguishment of debt | - | - | - | - | - | - | - | - | 2,570,050 | - |
| Transfers | (20,487,564) | (16,408,142) | (20,323,854) | (3,995,559) | (1,255,595) | 1,010,000 | 34,210 | (227,533) | 10,000 | (10,960,436) |
| Total governmental activities | <u>55,758,116</u> | <u>60,096,656</u> | <u>58,908,662</u> | <u>76,018,850</u> | <u>81,944,063</u> | <u>83,188,385</u> | <u>82,816,200</u> | <u>94,202,323</u> | <u>114,618,148</u> | <u>104,627,073</u> |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 87,230 | 80,875 | 193,749 | 401,542 | 1,219,925 | 1,668,005 | 790,607 | (31,180) | 1,161,172 | 5,298,787 |
| Intergovernmental | - | - | - | - | - | - | - | - | 4,104,948 | 9,628,714 |
| Other | 1,403,727 | 138,309 | 350,917 | 762,982 | 1,099,816 | 116,099 | 2,341 | 3,867 | 410,263 | 17,128 |
| Transfers | 20,487,564 | 16,408,142 | 20,323,854 | 3,995,559 | 1,255,595 | (1,010,000) | (34,210) | 227,533 | (10,000) | 10,960,435 |
| Total business-type activities | <u>21,978,521</u> | <u>16,627,326</u> | <u>20,868,520</u> | <u>5,160,083</u> | <u>3,575,336</u> | <u>774,104</u> | <u>758,738</u> | <u>200,220</u> | <u>5,666,383</u> | <u>25,905,064</u> |
| Total primary government | <u>\$ 77,736,637</u> | <u>\$ 76,723,982</u> | <u>\$ 79,777,182</u> | <u>\$ 81,178,933</u> | <u>\$ 85,519,399</u> | <u>\$ 83,962,489</u> | <u>\$ 83,574,938</u> | <u>\$ 94,402,543</u> | <u>\$ 120,284,531</u> | <u>\$ 130,532,137</u> |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities | \$ (10,771,574) | \$ 1,201,763 | \$ 11,017,446 | \$ 18,681,555 | \$ 17,970,590 | \$ 24,857,886 | \$ 24,748,080 | \$ 33,071,291 | \$ 56,948,448 | \$ 21,020,582 |
| Business-type activities | 14,748,974 | 18,054,008 | 27,870,893 | 3,771,481 | 14,685,387 | 2,460,640 | 2,223,697 | 6,484,304 | 10,625,927 | 31,351,103 |
| Total primary government | <u>\$ 3,977,400</u> | <u>\$ 19,255,771</u> | <u>\$ 38,888,339</u> | <u>\$ 22,453,036</u> | <u>\$ 32,655,977</u> | <u>\$ 27,318,526</u> | <u>\$ 26,971,777</u> | <u>\$ 39,555,595</u> | <u>\$ 67,574,375</u> | <u>\$ 52,371,685</u> |

Table 3

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------------|-----------------|-----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Revenues | | | | | | | | | | |
| Taxes ⁽¹⁾ | \$ 74,337,156 | \$ 74,880,735 | \$ 77,077,945 | \$ 78,253,489 | \$ 79,356,524 | \$ 80,337,737 | \$ 82,527,555 | \$ 93,758,607 | \$ 103,442,294 | \$ 108,280,208 |
| Licenses and permits | 1,623,061 | 1,609,554 | 1,991,228 | 1,829,600 | 2,084,758 | 2,097,642 | 1,909,300 | 2,401,989 | 2,983,059 | 3,308,351 |
| Intergovernmental | 15,018,681 | 15,109,545 | 22,571,712 | 14,075,150 | 13,742,046 | 15,527,189 | 19,179,822 | 18,210,308 | 42,554,246 | 27,274,808 |
| Fines and forfeitures | 2,121,646 | 2,508,139 | 2,362,403 | 2,086,363 | 2,147,268 | 1,984,739 | 1,913,464 | 2,086,175 | 1,786,477 | 2,489,169 |
| Charges for services | 1,340,413 | 1,317,163 | 1,287,951 | 1,452,156 | 1,352,954 | 1,515,863 | 660,864 | 835,936 | 1,440,147 | 1,975,115 |
| Investment earnings | 185,589 | 262,136 | 168,689 | 442,148 | 1,380,801 | 1,455,011 | 579,362 | 29,340 | 1,065,091 | 5,038,719 |
| Contributions | 2,046,589 | 3,518,989 | 3,259,813 | 2,341,394 | 3,204,099 | 756,918 | 26,968 | 624,173 | 882,307 | 729,172 |
| Miscellaneous | 367,470 | 303,595 | 741,307 | 585,585 | 603,372 | 1,039,724 | 1,618,768 | 564,218 | 1,078,890 | 2,012,807 |
| Total revenues | 97,040,605 | 99,509,856 | 109,461,048 | 101,065,885 | 103,871,822 | 104,714,823 | 108,416,103 | 118,510,746 | 155,232,511 | 151,108,349 |
| Expenditures | | | | | | | | | | |
| General government | 8,544,169 | 8,346,483 | 7,714,771 | 8,012,962 | 7,647,178 | 8,306,798 | 8,312,165 | 8,958,979 | 29,840,607 | 20,915,848 |
| Public safety | 33,985,035 | 36,145,342 | 33,527,587 | 32,844,745 | 36,906,576 | 33,722,154 | 35,241,825 | 35,008,367 | 38,205,397 | 42,242,331 |
| Public works | 7,341,039 | 6,645,539 | 6,291,652 | 5,983,213 | 5,751,800 | 7,199,550 | 11,509,125 | 8,169,891 | 5,520,920 | 8,333,380 |
| Community services | 8,404,310 | 9,091,293 | 8,155,214 | 7,947,477 | 8,901,750 | 7,471,640 | 6,610,134 | 8,222,820 | 9,554,577 | 9,768,643 |
| Other | 1,636,526 | 1,760,379 | 1,448,839 | 1,543,680 | 1,909,145 | 1,798,936 | 1,788,980 | 6,744,968 | - | 28,494 |
| Capital outlay | 41,638,644 | 39,788,772 | 50,789,749 | 30,415,836 | 19,644,191 | 20,769,689 | 26,985,117 | 23,244,244 | 32,458,001 | 40,579,489 |
| Debt service | | | | | | | | | | |
| Principal | 11,315,000 | 11,240,000 | 11,425,000 | 12,320,000 | 12,735,000 | 13,610,000 | 14,560,001 | 16,970,000 | 27,131,577 | 1,183,749 |
| Interest | 4,217,236 | 4,247,774 | 3,938,833 | 4,138,267 | 2,589,697 | 2,710,215 | 2,197,400 | 1,625,100 | 874,967 | 69,767 |
| Issuance costs | 400,062 | - | - | - | - | - | - | - | - | - |
| Total expenditures | 117,482,021 | 117,265,582 | 123,291,645 | 103,206,180 | 96,085,337 | 95,588,982 | 107,204,747 | 108,944,369 | 143,586,046 | 123,121,701 |
| Excess (deficiency) of revenues over (under) expenditures | (20,441,416) | (17,755,726) | (13,830,597) | (2,140,295) | 7,786,485 | 9,125,841 | 1,211,356 | 9,566,377 | 11,646,465 | 27,986,648 |
| Other financing sources and (uses) | | | | | | | | | | |
| Transfers in | 36,885,129 | 1,833,771 | 1,060,810 | 2,881,246 | 3,451,814 | 877,000 | 2,050,456 | 2,876,735 | 3,300,000 | 14,996,577 |
| Transfers out | (36,937,129) | (1,775,248) | (962,881) | (1,959,000) | (2,963,814) | (867,000) | (3,016,246) | (3,104,268) | (3,290,000) | (25,957,013) |
| Loan Proceeds | - | - | - | - | - | - | - | - | 353,537 | - |
| Leases (as lessee) | - | - | - | - | - | - | - | - | 797,586 | 545,532 |
| SBITA | - | - | - | - | - | - | - | - | - | 73,358 |
| Premiums on bond issuance | 1,028,741 | - | - | - | - | - | - | - | - | - |
| Bond issuance | 34,295,000 | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 35,271,741 | 58,523 | 97,929 | 922,246 | 488,000 | 10,000 | (965,790) | (227,533) | 1,161,123 | (10,341,546) |
| Net change in fund balances | \$ 14,830,325 | \$ (17,697,203) | \$ (13,732,668) | \$ (1,218,049) | \$ 8,274,485 | \$ 9,135,841 | \$ 245,566 | \$ 9,338,844 | \$ 12,807,588 | \$ 17,645,102 |
| Debt service as a % of noncapital expenditures | 20.5% | 20.0% | 21.2% | 22.6% | 20.0% | 21.8% | 20.9% | 21.7% | 25.2% | 1.5% |

⁽¹⁾ See Table 6 for detail of tax revenues.

Table 4

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 73,340 | \$ 56,438 | \$ 190,121 | \$ 190,100 | \$ 312,081 | \$ 336,077 | \$ 350,912 | \$ 1,100,913 | \$ 625,526 | \$ 304,244 |
| Restricted | - | - | - | - | - | 4,634,601 | 4,020,868 | 5,974,817 | 7,515,507 | 469,792 |
| Assigned | 1,406,631 | 1,701,712 | 1,319,552 | 1,121,752 | 967,846 | 294,076 | 292,245 | 292,245 | 299,651 | - |
| Unassigned | 10,197,081 | 7,712,281 | 13,383,861 | 15,983,316 | 19,462,185 | 19,199,681 | 26,800,818 | 26,089,153 | 34,124,039 | 41,168,880 |
| Total general fund | <u>11,677,052</u> | <u>9,470,431</u> | <u>14,893,534</u> | <u>17,295,168</u> | <u>20,742,112</u> | <u>24,464,435</u> | <u>31,464,843</u> | <u>33,457,128</u> | <u>42,564,723</u> | <u>41,942,916</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | 339,952 | 179,311 | 194,052 | 641,036 | 641,036 | 650,774 | 50,000 | 7,340 | 169,854 | 37,593 |
| Restricted | 95,030,923 | 79,584,620 | 59,530,245 | 52,846,439 | 58,722,663 | 62,404,172 | 54,019,061 | 59,673,685 | 50,132,808 | 81,909,911 |
| Assigned | 1,920,226 | 2,036,588 | 2,923,499 | 5,537,590 | 4,795,502 | 6,384,643 | 8,442,230 | 10,533,826 | 23,255,181 | 9,877,248 |
| Unassigned (deficit) | - | - | (3,048) | - | (306,595) | (173,456) | - | (357,001) | - | - |
| Total all other governmental funds | <u>97,291,101</u> | <u>81,800,519</u> | <u>62,644,748</u> | <u>59,025,065</u> | <u>63,852,606</u> | <u>69,266,133</u> | <u>62,511,291</u> | <u>69,857,850</u> | <u>73,557,843</u> | <u>91,824,752</u> |
| Total governmental fund balances | <u>\$ 108,968,153</u> | <u>\$ 91,270,950</u> | <u>\$ 77,538,282</u> | <u>\$ 76,320,233</u> | <u>\$ 84,594,718</u> | <u>\$ 93,730,568</u> | <u>\$ 93,976,134</u> | <u>\$ 103,314,978</u> | <u>\$ 116,122,566</u> | <u>\$ 133,767,668</u> |

Table 5

**General Fund Revenues, Expenditures, and Fund Balance
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | \$43,702,563 | \$44,355,055 | \$44,912,352 | \$45,290,927 | \$ 47,668,106 | \$49,591,660 | \$ 51,517,343 | \$52,192,866 | \$70,133,039 | \$ 57,778,302 |
| Expenditures | 45,643,048 | 45,169,301 | 38,905,420 | 41,298,295 | 45,728,976 | 45,102,337 | 42,634,633 | 47,196,313 | 58,633,030 | 52,480,990 |
| Excess (deficiency) of revenues over (under) expenditures | (1,940,485) | (814,246) | 6,006,932 | 3,992,632 | 1,939,130 | 4,489,323 | 8,882,710 | 4,996,553 | 11,500,009 | 5,297,312 |
| Other financing sources (uses) | 1,932,200 | (1,392,375) | (583,829) | (1,590,998) | 1,507,814 | (767,000) | (1,882,302) | (3,004,268) | (2,392,414) | (5,919,119) |
| Net change in fund balances | (8,285) | (2,206,621) | 5,423,103 | 2,401,634 | 3,446,944 | 3,722,323 | 7,000,408 | 1,992,285 | 9,107,595 | (621,807) |
| Fund balance, January 1 | 11,685,337 | 11,677,052 | 9,470,431 | 14,893,534 | 17,295,168 | 20,742,112 | 24,464,435 | 31,464,843 | 33,457,128 | 42,564,723 |
| Fund balance, December 31 | <u>\$ 11,677,052</u> | <u>\$ 9,470,431</u> | <u>\$14,893,534</u> | <u>\$ 17,295,168</u> | <u>\$ 20,742,112</u> | <u>\$24,464,435</u> | <u>\$31,464,843</u> | <u>\$33,457,128</u> | <u>\$42,564,723</u> | <u>\$41,942,916</u> |

Table 6

**General Governmental Taxes by Source
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | Ad Valorem Taxes | Sales Taxes ⁽¹⁾ | Utility Franchise Fees | Total |
|--------------------|-------------------------|-----------------------------------|-------------------------------|---------------|
| 2014 | \$ 11,733,339 | \$ 55,823,661 | \$ 6,780,156 | \$ 74,337,156 |
| 2015 | 11,641,592 | 56,850,299 | 6,388,844 | 74,880,735 |
| 2016 | 12,209,823 | 58,893,332 | 5,974,790 | 77,077,945 |
| 2017 | 12,849,341 | 59,100,140 | 6,304,008 | 78,253,489 |
| 2018 | 12,465,341 | 60,050,705 | 6,840,478 | 79,356,524 |
| 2019 | 12,982,033 | 60,725,266 | 6,630,438 | 80,337,737 |
| 2020 | 12,840,061 | 63,573,016 | 6,114,478 | 82,527,555 |
| 2021 | 13,356,010 | 73,323,540 | 7,079,057 | 93,758,607 |
| 2022 | 13,342,013 | 81,253,584 | 8,846,697 | 103,442,294 |
| 2023 | 14,252,956 | 84,495,826 | 9,326,338 | 108,075,120 |

⁽¹⁾ The City began collecting a 1% sales tax for street projects in November 1985, a 1/2% sales tax for bond retirement in January 1998 through June 2004, and the City share of the county 1% sales tax in August 1994. In May 2006, the City began collecting a 1% sales tax for bond retirement. The sales taxes for bond retirement are now used to support the 2012 sales and use tax bonds. This 1% sales tax, reapproved in March 2012, is split 3/4% for bond retirement and 1/4% for General Fund programs. The 2012 sales and use tax bonds were issued for general government uses and business-type activities. The business-type activity improvements are recorded as contributions on the fund financial statements.

Table 7

**Local Sales and Use Tax Collections
And Direct and Overlapping Local Tax Rates
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | 1% City Sales & Use Tax Allocated for Street ⁽¹⁾ | City Share 1% County Sales & Use Tax ⁽²⁾ | 3/4% City Sales & Use Tax Allocated for Bonds ⁽³⁾ | 1/4% City Sales & Use Tax Allocated for Fire & Parks ⁽³⁾ | 1/8% City Sales & Use Tax Allocated for Police ⁽³⁾ | 5/8% City Sales & Use Tax Allocated for Sewer Consent Decree ⁽³⁾ | Total | Direct City Tax Rate | Overlapping Sebastian County Tax Rate |
|--------------|---|---|--|---|---|---|-----------------------|----------------------|---------------------------------------|
| 2014 | \$ 20,099,013 | \$ 15,625,636 | \$ 15,074,259 | \$ 5,024,753 | \$ - | \$ - | \$ 55,823,661 | 2.00% | 1.00% |
| 2015 | 20,380,151 | 16,090,921 | 15,284,934 | 5,094,293 | - | - | 56,850,299 | 2.00% | 1.00% |
| 2016 | 21,156,154 | 16,580,569 | 15,867,457 | 5,289,152 | - | - | 58,893,332 | 2.00% | 1.00% |
| 2017 | 21,204,143 | 16,691,854 | 15,903,107 | 5,301,036 | - | - | 59,100,140 | 2.00% | 1.00% |
| 2018 | 21,503,354 | 17,043,995 | 16,127,517 | 5,375,839 | - | - | 60,050,705 | 2.00% | 1.00% |
| 2019 | 21,730,261 | 17,264,744 | 16,297,696 | 5,432,565 | - | - | 60,725,266 | 2.00% | 1.00% |
| 2020 | 22,663,476 | 18,246,064 | 16,997,607 | 5,665,869 | - | - | 63,573,016 | 2.00% | 1.00% |
| 2021 | 26,134,495 | 21,054,550 | 19,600,871 | 6,533,624 | - | - | 73,323,540 | 2.00% | 1.00% |
| 2022 | 28,849,850 | 23,553,884 | 21,637,388 | 7,212,463 | - | - | 81,253,585 | 2.00% | 1.00% |
| 2023 | 29,923,833 | 24,648,161 | 2,110,192 | 7,480,958 | 3,388,780 | 16,943,902 | 84,495,826 | 2.00% | 1.00% |
| Total | <u>\$ 233,644,730</u> | <u>\$ 186,800,378</u> | <u>\$ 154,901,028</u> | <u>\$ 58,410,552</u> | <u>\$ 3,388,780</u> | <u>\$ 16,943,902</u> | <u>\$ 654,089,370</u> | | |

⁽¹⁾ The City Sales and Use Tax allocated for construction, repair and maintenance of street, bridge and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax has been reauthorized through 2025. The tax is accounted for in the Sales Tax Fund, a special revenue fund.

⁽²⁾ Sebastian County began assessing a 1% Sales and Use Tax August 1, 1994. The City receives a share of the tax based upon its population within Sebastian County. The City allocates its share of the tax to its General Fund. The tax has been reauthorized through 2024.

⁽³⁾ In May 2012, the City issued sales and use tax bonds to provide for water improvements, wastewater improvements, fire facilities and apparatus, and for an aquatics park in conjunction with Sebastian County. Beginning October 1, 2012, the 1% sales tax is split with 3/4% allocated to the redemption of the 2012 bonds and 1/4% allocated to operations in the fire and parks departments. The 2012 Sales and Use Tax bonds were redeemed in September 2022. Voters approved to extend the 3/4% sales tax in a May 2022 election. The tax is to commence January 1, 2023 and be allocated 5/8% for Consent Decree and 1/8% for Police. Voters also approved to extend the 1/4% sales tax in the May 2022 election. The tax is to commence January 1, 2023 and be allocated 1/4% to Fire and 1/4% to Parks.

Table 8

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | Total Tax Levy ⁽¹⁾ | Current Tax Collections | Percent of Levy Collections | Delinquent Tax Collections | Total Tax Collections | Collection Percent of Current Levy | Outstanding Delinquent Taxes | Outstanding Delinquent Taxes as a Percent of Current Levy |
|-------------|-------------------------------|-------------------------|-----------------------------|----------------------------|-----------------------|------------------------------------|------------------------------|---|
| 2014 | \$ 10,551,660 | \$ 7,740,390 | 73.36% | \$ 1,318,456 | \$ 9,058,846 | 85.85% | \$ 523,298 | 4.96% |
| 2015 | 10,656,912 | 8,643,537 | 81.11% | 302,693 | 8,946,230 | 83.95% | 429,658 | 4.03% |
| 2016 | 11,638,707 | 10,869,598 | 93.39% | 349,161 | 11,218,759 | 96.39% | 419,948 | 3.61% |
| 2017 | 12,098,453 | 10,807,866 | 89.33% | 362,954 | 11,170,820 | 92.33% | 927,633 | 7.67% |
| 2018 | 12,634,135 | 10,584,574 | 83.78% | 410,578 | 10,995,152 | 87.03% | 640,218 | 5.07% |
| 2019 | 12,626,404 | 11,223,820 | 88.89% | 471,394 | 11,695,214 | 92.63% | 931,190 | 7.37% |
| 2020 | 12,683,867 | 10,490,424 | 82.71% | 512,519 | 11,002,943 | 86.75% | 1,680,924 | 13.25% |
| 2021 | 12,911,401 | 10,891,542 | 84.36% | 548,014 | 11,439,556 | 88.60% | 1,471,845 | 11.40% |
| 2022 | 13,284,001 | 11,181,888 | 84.18% | 561,470 | 11,003,350 | 82.83% | 1,540,643 | 11.60% |
| 2023 | 13,851,420 | 12,333,290 | 89.04% | 574,936 | 12,908,226 | 93.19% | 943,194 | 6.81% |

⁽¹⁾ Total tax levy is based upon valuation of previous year and has been adjusted for the homestead tax relief for property owners which became effective for the 2001 fiscal year. The tax levy for this schedule represents the City's levy for its General Fund and for the police and fire pension contributions in the LOPFI Fund, a special revenue fund. The city also receives one-half of the collections from the county levy in its Street Maintenance Fund, a special revenue fund.

Table 9

**Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year ⁽¹⁾ | Real Property | | Personal Property | | Total | | Ratio of Total Assessed to Total Estimated Actual | Direct Tax Rate (per \$100 assessed value) |
|----------------------------|----------------|------------------------|-------------------|------------------------|------------------|------------------------|---|--|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | | |
| 2014 | \$ 989,630,922 | \$ 4,948,154,610 | \$ 361,225,320 | \$ 1,806,126,600 | \$ 1,350,856,242 | \$ 6,754,281,210 | 20.00% | 0.70 |
| 2015 | 1,013,693,663 | 5,068,468,315 | 355,566,010 | 1,777,830,050 | 1,369,259,673 | 6,846,298,365 | 20.00% | 0.70 |
| 2016 | 1,048,822,152 | 5,244,110,760 | 374,525,310 | 1,872,626,550 | 1,423,347,462 | 7,116,737,310 | 20.00% | 0.70 |
| 2017 | 1,067,629,242 | 5,338,146,210 | 374,356,480 | 1,871,782,400 | 1,441,985,722 | 7,209,928,610 | 20.00% | 0.70 |
| 2018 | 1,085,359,343 | 5,426,796,715 | 394,705,520 | 1,973,527,600 | 1,480,064,863 | 7,400,324,315 | 20.00% | 0.70 |
| 2019 | 1,087,909,815 | 5,439,549,075 | 404,309,870 | 2,021,549,350 | 1,492,219,685 | 7,461,098,425 | 20.00% | 0.70 |
| 2020 | 1,109,800,557 | 5,549,002,785 | 409,188,080 | 2,045,940,400 | 1,518,988,637 | 7,594,943,185 | 20.00% | 0.70 |
| 2021 | 1,137,668,170 | 5,688,340,850 | 425,155,480 | 2,125,777,400 | 1,562,823,650 | 7,814,118,250 | 20.00% | 0.70 |
| 2022 | 1,172,842,928 | 5,864,214,640 | 456,735,930 | 2,283,679,650 | 1,629,578,858 | 8,147,894,290 | 20.00% | 0.70 |
| 2023 | 1,193,037,498 | 5,965,187,490 | 488,449,940 | 2,442,249,700 | 1,681,487,438 | 8,407,437,190 | 20.00% | 0.70 |

⁽¹⁾ Fiscal year is year of valuation.

The assessed value of real and personal property within the city limits is used as the basis for applying the city's property tax rates shown.

Table 10

**Property Tax Rates and Tax Levies
All Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)**

Tax rates (per \$100 of assessed valuation):

| Fiscal Year ⁽¹⁾ | City of Fort Smith | | Overlapping Rates | | | | Total Direct & Overlapping Rates | | | |
|----------------------------|--------------------|-------------------|-------------------|-------------------|--------------------|-------------------|----------------------------------|-------------------|------|------|
| | Real Property | Personal Property | Sebastian County | | FS School District | | FS Public Library | | | |
| | | | Real Property | Personal Property | Real Property | Personal Property | Real Property | Personal Property | | |
| 2014 | 0.70 | 0.70 | 0.80 | 0.80 | 3.65 | 3.65 | 0.10 | 0.10 | 5.25 | 5.25 |
| 2015 | 0.70 | 0.70 | 0.80 | 0.80 | 3.65 | 3.65 | 0.10 | 0.10 | 5.25 | 5.25 |
| 2016 | 0.70 | 0.70 | 0.80 | 0.80 | 3.65 | 3.65 | 0.10 | 0.10 | 5.25 | 5.25 |
| 2017 | 0.70 | 0.70 | 0.80 | 0.80 | 3.65 | 3.65 | 0.10 | 0.10 | 5.25 | 5.25 |
| 2018 | 0.70 | 0.70 | 0.80 | 0.80 | 3.65 | 3.65 | 0.10 | 0.10 | 5.25 | 5.25 |
| 2019 | 0.70 | 0.70 | 0.80 | 0.80 | 3.65 | 3.65 | 0.10 | 0.10 | 5.25 | 5.25 |
| 2020 | 0.70 | 0.70 | 0.80 | 0.80 | 4.21 | 4.21 | 0.10 | 0.10 | 5.81 | 5.81 |
| 2021 | 0.70 | 0.70 | 0.80 | 0.80 | 4.21 | 4.21 | 0.10 | 0.10 | 5.81 | 5.81 |
| 2022 | 0.70 | 0.70 | 0.80 | 0.80 | 4.21 | 4.21 | 0.10 | 0.10 | 5.81 | 5.81 |
| 2023 | 0.70 | 0.70 | 0.80 | 0.80 | 4.21 | 4.21 | 0.10 | 0.10 | 5.81 | 5.81 |

⁽¹⁾ Fiscal year is year of levy.

Table 11

**Principal Taxpayers
Current Year and Nine Years Ago
(Unaudited)**

| Name of Taxpayer ⁽¹⁾ | 2023 | | | 2014 | | |
|--|---|------|--|---|------|--|
| | Taxable Assessed Valuation ⁽²⁾ | Rank | Percentage of Total Assessed Valuation | Taxable Assessed Valuation ⁽²⁾ | Rank | Percentage of Total Assessed Valuation |
| Oklahoma Gas & Electric Co. | \$ 40,420,785 | 1 | 2.40% | | | |
| Mercy Medical Center | 19,490,377 | 2 | 1.16% | \$ 13,683,135 | 9 | 1.01% |
| Wal-Mart/Sam's Club | 17,686,815 | 3 | 1.05% | 17,069,680 | 6 | 1.26% |
| ABB (formerly Baldor Electric Company) | 16,751,309 | 4 | 1.00% | 17,822,840 | 4 | 1.32% |
| Dixie Consumer Products | 14,431,285 | 5 | 0.86% | | | |
| Hormel Foods Corporation | 9,613,095 | 9 | 0.57% | | | |
| AT&T Mobility | 8,783,550 | 10 | 0.52% | 19,216,260 | 2 | 1.42% |
| Arkansas Oklahoma Gas Corp | 14,167,245 | 6 | 0.84% | | | |
| Carco Carriage Corp | 10,679,925 | 8 | 0.64% | | | |
| Hiram Walker & Sons Inc | 12,175,765 | 7 | 0.72% | 13,769,820 | 8 | 1.02% |
| Mortgage Clearing Corporation | | | | | | |
| Fort Smith Health Management Assoc., LLC | | | | 21,484,040 | 1 | 1.59% |
| Fort Smith Mall LLC | | | | 11,256,454 | 10 | 0.83% |
| Gerdau/MacSteel | | | | 18,717,755 | 3 | 1.39% |
| Cellco Partnership | | | | 17,762,265 | 5 | 1.31% |
| Stephens Production Company | | | | 1,509,490 | 7 | 0.11% |
| | \$ 164,200,151 | | 9.77% | \$ 152,291,739 | | 11.27% |

⁽¹⁾ Sebastian County Assessor's Office.

⁽²⁾ Property taxes collected in 2023 are based upon 2022 assessed valuation of \$1,681,487,438. Property taxes collected in 2014 were based upon the 2013 assessed valuation of \$1,350,856,242

Table 12

**Computation of Direct and Estimated Overlapping Debt
December 31, 2023
(Unaudited)**

| Taxing Jurisdiction | Total Direct Debt ⁽¹⁾ | Estimated Percent Applicable ⁽²⁾ | Direct and Estimated Overlapping Debt |
|---|----------------------------------|---|---------------------------------------|
| Direct: | | | |
| City of Fort Smith | \$ 2,129,962 | 100.00% | \$ 2,129,962 |
| Overlapping: | | | |
| Fort Smith Special School District | 178,091,787 | 100.00% | 178,091,787 |
| Greenwood School District | 33,345,000 | 5.00% | 1,667,250 |
| Sebastian County | - | 76.00% | - |
| Total Overlapping | <u>211,436,787</u> | | <u>179,759,037</u> |
| Total direct and estimated overlapping bonded debt | <u>\$ 213,566,749</u> | | <u>\$ 181,888,999</u> |
| Ratio, direct and estimated overlapping debt to fiscal 2023 assessed valuation ⁽³⁾ | | | 10.82% |
| Per capita direct and estimated overlapping bonded debt ⁽⁴⁾ | | | <u>\$ 2,002</u> |

⁽¹⁾ Excluding self-supporting debt.

⁽²⁾ The percentage applicable to the City of Fort Smith is based on the relative assessed values within the City.

⁽³⁾ From Table 9, \$1,681,487,438

⁽⁴⁾ Based on the estimated population for 2023 in Table 16.

Table 13

**Computation of Legal Debt Margin
Last Ten Fiscal Years
(Unaudited)**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Net assessed value ⁽¹⁾ | \$1,350,856,242 | \$1,369,259,673 | \$1,423,347,462 | \$1,441,985,722 | \$1,480,064,863 | \$1,492,219,685 | \$1,518,988,637 | \$1,562,823,650 | \$1,629,578,858 | \$1,681,487,438 |
| Plus exempt property ⁽²⁾ | - | - | - | - | - | - | - | - | - | - |
| Total assessed value | <u>\$1,350,856,242</u> | <u>\$1,369,259,673</u> | <u>\$1,423,347,462</u> | <u>\$1,441,985,722</u> | <u>\$1,480,064,863</u> | <u>\$1,492,219,685</u> | <u>\$1,518,988,637</u> | <u>\$1,562,823,650</u> | <u>\$1,629,578,858</u> | <u>\$1,681,487,438</u> |
| Debt limit - 25% of total assessed value ⁽³⁾ | \$ 337,714,061 | \$ 342,314,918 | \$ 355,836,866 | \$ 360,496,431 | \$ 370,016,216 | \$ 373,054,921 | \$ 379,747,159 | \$ 390,705,913 | \$ 407,394,715 | \$ 420,371,860 |
| Amount of debt applicable to limit ⁽⁴⁾ | - | - | - | - | - | - | - | - | - | - |
| Debt Margin | <u>\$ 337,714,061</u> | <u>\$ 342,314,918</u> | <u>\$ 355,836,866</u> | <u>\$ 360,496,431</u> | <u>\$ 370,016,216</u> | <u>\$ 373,054,921</u> | <u>\$ 379,747,159</u> | <u>\$ 390,705,913</u> | <u>\$ 407,394,715</u> | <u>\$ 420,371,860</u> |

⁽¹⁾ From Table 9.

⁽²⁾ Not available

⁽³⁾ Limitation is established by state statute.

⁽⁴⁾ Includes general obligation debt net of assets available for bond retirement.

Source: Final property tax abstract-Sebastian County

Table 14

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | Governmental Activities | | | Business-Type Activities | | | Total Primary Government | Percentage of Personal Income ⁽¹⁾ | Per Capita ⁽¹⁾ |
|-------------|-------------------------|------------------|--------------------------|--------------------------|-----------------|---------------|--------------------------|--|---------------------------|
| | Sales Tax Bonds | Installment Loan | Leases and SBITA Payable | Revenue Bonds | Sales Tax Bonds | SBITA Payable | | | |
| 2014 | \$ 125,361,084 | \$ - | \$ 281,239 | \$ 162,626,345 | \$ - | \$ 355,190 | \$ 282,394,551 | 3.0% | 3,238 |
| 2015 | 113,634,511 | - | 173,163 | 188,028,416 | - | - | 301,836,090 | 3.4% | 3,443 |
| 2016 | 101,722,935 | - | 88,100 | 184,391,017 | - | - | 286,202,052 | 3.2% | 3,269 |
| 2017 | 88,916,358 | - | - | 177,146,166 | - | - | 266,062,524 | 2.9% | 3,029 |
| 2018 | 75,694,781 | - | - | 250,475,721 | - | - | 326,170,502 | 3.4% | 3,718 |
| 2019 | 61,598,204 | - | - | 242,455,231 | - | - | 304,053,435 | 3.2% | 3,459 |
| 2020 | 46,551,626 | - | - | 233,008,123 | - | - | 279,559,749 | 2.7% | 3,185 |
| 2021 | 29,095,050 | - | - | 222,421,015 | - | - | 251,516,065 | 2.3% | 2,822 |
| 2022 | - | 316,472 | 1,428,496 | 210,528,908 | - | - | 210,528,908 | 1.9% | 2,338 |
| 2023 | - | 276,298 | 1,853,664 | 182,739,999 | - | 731,510 | 185,601,471 | NA | 2,043 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See Table 16 for the personal income and population data. Data is not available for 2023 as of the date of this report.

**Revenue Bonds Debt Service Coverage
Last Ten Fiscal Years
(Unaudited)**

| | Fiscal Year | Revenue ⁽¹⁾ | Direct Operating Expenses ⁽²⁾ | Net Revenue Available for Debt Services | Debt Service Requirements | | | Coverage |
|-------------------------------|-------------|------------------------|--|---|---------------------------|-------------------------|---------------|----------|
| | | | | | Principal | Interest ⁽³⁾ | Total | |
| Water and Sewer System | 2014 | \$ 36,176,568 | \$ 23,037,349 | \$ 13,139,219 | \$ 5,870,000 | \$ 7,728,715 | \$ 13,598,715 | 97% |
| | 2015 | 43,646,523 | 24,179,774 | 19,466,749 | 6,085,000 | 7,567,304 | 13,652,304 | 143% |
| | 2016 | 53,684,097 | 26,705,909 | 26,978,188 | 6,675,000 | 7,836,058 | 14,511,058 | 186% |
| | 2017 | 55,851,653 | 27,161,854 | 28,689,799 | 6,275,000 | 7,374,703 | 13,649,703 | 210% |
| | 2018 | 59,882,546 | 29,019,604 | 30,862,942 | 6,170,000 | 7,720,005 | 13,890,005 | 222% |
| | 2019 | 53,398,509 | 28,328,815 | 25,069,694 | 6,360,000 | 10,468,211 | 16,828,211 | 149% |
| | 2020 | 51,943,983 | 28,852,095 | 23,091,888 | 7,930,000 | 9,958,090 | 17,888,090 | 129% |
| | 2021 | 55,445,129 | 30,676,930 | 24,768,199 | 9,070,000 | 9,680,213 | 18,750,213 | 132% |
| | 2022 | 65,532,045 | 34,305,504 | 31,226,541 | 10,375,000 | 9,263,263 | 19,638,263 | 159% |
| | 2023 | 60,392,843 | 39,242,603 | 21,150,240 | 10,680,000 | 8,927,250 | 19,607,250 | 108% |

⁽¹⁾ For purposes of this schedule, revenue includes operating revenue, interest revenue, and gross other nonoperating revenue.

⁽²⁾ Excludes depreciation expense and amortization expense.

⁽³⁾ Total interest paid for the fiscal year is presented in this schedule for revenue bonds only and it does not include capitalized interest or accrued interest.

2023 reconciliation of interest paid reported on this schedule to the statement of revenues, expenses, and changes in fund net assets for the proprietary funds:

| | |
|---|---------------------|
| | Water & Sewer |
| Interest paid - this schedule | \$ 8,927,250 |
| Bond discount amortization | (1,395,133) |
| Accrued interest - 12/31/22 | (2,240,249) |
| Accrued interest - 12/31/23 | 2,119,324 |
| SBITA interest | 12,097 |
| Interest expense and fiscal charges - statement of revenues, expenses, and changes in fund net position | <u>\$ 7,423,289</u> |

Table 16

**Demographic Statistics
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | City Population ⁽¹⁾ | County Population ⁽¹⁾ | Personal Income ⁽²⁾ (in thousands) | Per Capita Income ⁽²⁾ | Median Age ⁽³⁾ | Education Level in Years of Schooling ⁽³⁾ | School Enrollment ⁽⁴⁾ | Unemployment Rate ⁽²⁾ |
|-------------|--------------------------------|----------------------------------|---|----------------------------------|---------------------------|--|----------------------------------|----------------------------------|
| 2014 | 87,215 | 127,463 | \$ 9,478,220 | \$ 34,711 | 35.7 | 12 | 14,317 | 5.5% |
| 2015 | 87,667 | 127,385 | 8,820,555 | 35,500 | 35.0 | 12 | 14,918 | 4.1% |
| 2016 | 87,561 | 127,793 | 8,884,864 | 35,696 | 37.8 | 12 | 14,341 | 3.3% |
| 2017 | 87,834 | 127,786 | 9,111,482 | 36,452 | 38.1 | 12 | 14,407 | 3.5% |
| 2018 | 87,720 | 127,570 | 9,455,644 | 37,800 | 35.0 | 12 | 14,181 | 3.4% |
| 2019 | 87,891 | 127,827 | 9,612,004 | 38,382 | 35.0 | 12 | 14,788 | 3.2% |
| 2020 | 87,764 | 127,590 | 10,217,998 | 45,586 | 36.5 | 12 | 14,839 | 4.5% |
| 2021 | 89,142 | 127,799 | 11,078,663 | 48,556 | 38.0 | 12 | 14,361 | 2.2% |
| 2022 | 90,038 | 128,400 | 11,252,518 | 48,381 | 36.7 | 12 | 14,365 | 2.7% |
| 2023 | 90,862 | 129,059 | NA | NA | 36.4 | 12 | 14,291 | 3.8% |

Data Sources:

- ⁽¹⁾ Bureau of the Census
- ⁽²⁾ U.S. Department of Commerce (Personal income estimates are not adjusted for inflation).
Data for 2023 not available as of the date of this report.
- ⁽³⁾ Community Development Department's estimate.
- ⁽⁴⁾ Fort Smith School District/Arkansas Department of Education.

Table 17

**Principal Employers
Continuing Disclosure Requirement
Current Year and Nine Years Ago
(Unaudited)**

| Employer | 2023 | | | 2014 | | |
|--|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| O. K. Industries | 3,940 | 1 | 2.7% | 2,033 | 3 | 1.5% |
| Mercy-Fort Smith (formerly St Edward Mercy Medical Center) | 3,510 | 2 | 2.6% | 2,200 | 2 | 1.2% |
| Fort Smith Public Schools | 2,641 | 3 | 1.9% | 1,918 | 5 | 1.5% |
| Baptist Health (formerly Sparks Health Systems) | 2,000 | 4 | 1.5% | 2,336 | 1 | 2.0% |
| ArcBest | 2,000 | 5 | 1.4% | 1,388 | 6 | 0.8% |
| ABB (formerly Baldor Electric Company) | 2,300 | 6 | 1.4% | 2,000 | 4 | 2.0% |
| Choctaw | 1,150 | 8 | 1.3% | | | |
| University of Arkansas at Fort Smith | | | 1.0% | 1,000 | 7 | 0.8% |
| Bost | | | | 969 | 8 | 0.8% |
| City of Fort Smith | 1,090 | 10 | 0.9% | 943 | 9 | 0.8% |
| 188 th | 1,100 | 9 | 0.9% | | | |
| Rheem Mfg. | 1,200 | 7 | | | | 0.7% |
| Golden Living/Beverly Enterprises | | | | 926 | 10 | 0.7% |
| Total | 20,931 | | 15.6% | 15,713 | | 12.6% |

Data Sources:
Chamber of Commerce
U.S. Department of Labor, employment totals:

Table 18

**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)**

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government | 125 | 126 | 132 | 134 | 138 | 137 | 138 | 141 | 159 | 168 |
| Public safety: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 163 | 162 | 164 | 163 | 163 | 163 | 163 | 164 | 164 | 164 |
| Civilians | 59 | 59 | 55 | 55 | 52 | 54 | 52 | 55 | 56 | 56 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 149 | 149 | 149 | 149 | 149 | 149 | 149 | 149 | 149 | 150 |
| Civilians | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 4 |
| Public works: | | | | | | | | | | |
| Operations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 5 |
| Streets | 54 | 53 | 53 | 54 | 52 | 54 | 52 | 57 | 58 | 64 |
| Traffic control | 13 | 13 | 14 | 13 | 14 | 14 | 14 | 14 | 16 | 16 |
| Parks and recreation | 64 | 63 | 61 | 64 | 58 | 57 | 57 | 52 | 41 | 41 |
| Transit | 34 | 33 | 33 | 33 | 34 | 34 | 34 | 34 | 35 | 35 |
| Water and sewer | 196 | 223 | 264 | 270 | 302 | 303 | 302 | 308 | 300 | 300 |
| Solid Waste | 78 | 79 | 88 | 86 | 91 | 91 | 92 | 93 | 96 | 96 |
| Total | 943 | 968 | 1,021 | 1,029 | 1,062 | 1,065 | 1,062 | 1,077 | 1,084 | 1,098 |

Table 19

**Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)**

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sub-stations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Patrol units | 12 | 12 | 12 | 12 | 36 | 32 | 41 | 43 | 53 | 61 |
| Fire | | | | | | | | | | |
| Stations | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Apparatus | 17 | 17 | 30 | 27 | 27 | 27 | 29 | 29 | 31 | 31 |
| Training facility | - | - | - | - | - | - | - | - | - | 1 |
| Maintenance building | - | - | - | - | - | - | - | - | - | 1 |
| Streets | | | | | | | | | | |
| Streets (miles) | 590 | 590 | 503 | 505 | 505 | 505 | 505 | 505 | 505 | 510 |
| Streetlights | 6,053 | 6,600 | 6,778 | 6,053 | 6,200 | 6,700 | 6,700 | 6,700 | 6,700 | 6,700 |
| Traffic signals | 149 | 150 | 151 | 149 | 154 | 154 | 154 | 155 | 155 | 155 |
| Parks and recreation | | | | | | | | | | |
| Parks acreage (square feet) | 276 | 286 | 325 | 325 | 536 | 690 | 686 | 686 | 686 | 686 |
| Parks | 26 | 28 | 28 | 28 | 28 | 29 | 33 | 33 | 33 | 33 |
| Trails and greenways | - | - | - | - | - | 4 | 5 | 5 | 5 | 5 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water splashpad | 1 | 2 | 2 | 2 | 4 | 4 | 4 | 4 | 4 | 4 |
| Tennis courts | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Pickleball courts | - | - | - | - | - | - | - | 8 | 8 | 8 |
| Skatepark | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| Community centers | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Convention center | | | | | | | | | | |
| Theater -seats | 1,331 | 1,331 | 1,331 | 1,331 | 1,331 | 1,331 | 1,331 | 1,331 | 1,331 | 1,331 |
| Theater -area (square feet) | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 | 4,200 |
| Exhibit Hall -area (square feet) | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Transit buses | 19 | 16 | 16 | 16 | 16 | 16 | 14 | 14 | 15 | 16 |

Table 19 (Continued)

**Capital Asset Statistics by Function
Last Ten Fiscal Years (Continued)
(Unaudited)**

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Water and sewer | | | | | | | | | | |
| Water mains (miles) | 626 | 702 | 702 | 720 | 721 | 725 | 718 | 719 | 729 | 731 |
| Average daily production capacity (thousands of gallons) | 63,400 | 63,400 | 63,400 | 63,400 | 63,400 | 63,400 | 63,400 | 63,400 | 63,400 | 63,400 |
| Average daily consumption (thousands of gallons) | 22,137 | 20,862 | 20,878 | 20,878 | 20,434 | 20,199 | 21,070 | 21,339 | 22,852 | 22,058 |
| Sanitary sewers (miles) | 545 | 516 | 522 | 500 | 562 | 543 | 644 | 627 | 628 | 555 |
| Solid waste | | | | | | | | | | |
| Collection trucks | 45 | 45 | 44 | 44 | 44 | 43 | 46 | 55 | 48 | 48 |
| Landfill capacity (in cubic yards) | 64,998,995 | 63,895,067 | 61,612,281 | 50,314,801 | 49,952,321 | 49,581,307 | 48,989,307 | 49,217,063 | 48,749,223 | 48,313,723 |

Table 20

**Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)**

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Physical arrest | 8,155 | 9,026 | 9,854 | 9,521 | 8,621 | 7,485 | 5,212 | 5,192 | 4,706 | 5,203 |
| Parking violations | 4,320 | 5,197 | 4,904 | 1,991 | 1,723 | 2,254 | 238 | 690 | 539 | 558 |
| Traffic violations | 11,343 | 14,165 | 11,657 | 18,389 | 16,777 | 13,121 | 15,410 | 8,990 | 9,573 | 17,405 |
| Fire | | | | | | | | | | |
| Number of calls answered | 10,148 | 10,071 | 10,223 | 10,763 | 11,337 | 11,873 | 9,931 | 14,884 | 15,227 | 15,296 |
| Transit | | | | | | | | | | |
| Passenger trips | 204,097 | 194,869 | 190,418 | 191,124 | 204,695 | 207,629 | 139,421 | 187,673 | 205,460 | 242,176 |
| Water and sewer | | | | | | | | | | |
| New connections | 269 | 246 | 325 | 283 | 305 | 311 | 333 | 328 | 338 | 496 |
| Average daily production (thousands of gallons) | 22,137 | 26,859 | 28,767 | 26,859 | 29,182 | 29,065 | 30,358 | 31,895 | 33,180 | 35,095 |
| Average daily sewage flow (thousands of gallons) | 17,100 | 21,040 | 15,030 | 15,010 | 16,660 | 20,530 | 20,023 | 18,836 | 19,527 | 16,989 |
| Solid Waste | | | | | | | | | | |
| Waste disposal (cubic yards/day) | 1,024 | 1,024 | 1,533 | 2,368 | 1,169 | 1,197 | 1,061 | 1,065 | 1,509 | 1,041 |

Table 21

**Solid Waste System Statistics
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | Annual # Solid Waste System Customers | Cubic Yardage of Waste at Landfill | Useful Life of Landfill Remaining ⁽¹⁾ | Remaining Storage Capacity at Landfill |
|--------------------|--|---|---|---|
| 2014 | 330,300 | 1,037,201 | 12 yrs | 64,998,995 cubic yards |
| 2015 | 351,660 | 1,367,035 | 14 yrs | 63,895,067 cubic yards |
| 2016 | 357,036 | 1,765,715 | 10 yrs | 61,612,281 cubic yards |
| 2017 | 418,938 | 2,497,533 | 4 yrs | 50,314,801 cubic yards |
| 2018 | 436,439 | 2,860,013 | 3 yrs | 49,952,321 cubic yards |
| 2019 | 411,997 | 3,231,027 | 2 yrs | 49,581,307 cubic yards |
| 2020 | 544,245 | 3,189,013 | 2 yrs | 48,989,307 cubic yards |
| 2021 | 503,882 | 3,519,013 | 4 yrs | 49,217,063 cubic yards |
| 2022 | 552,452 | 3,986,853 | 5.9 yrs | 48,749,223 cubic yards |
| 2023 | 509,115 | 4,422,353 | 5.9 yrs | 48,313,723 cubic yards |

⁽¹⁾ This is the remaining life of the current cell being filled at the landfill. The entire landfill has a remaining life of 104.2 years.

Table 22

**Water and Sewer Statistics
Continuing Disclosure Requirement
(Unaudited)**

| <u>Fiscal Year</u> | <u>Average Daily Water Use in Gallons</u> | <u>Maximum Daily Water Use in Gallons</u> | <u>Total Water Use for Year in Gallons</u> | <u>Average Daily Sewage Flow in Gallons</u> |
|--------------------|---|---|--|---|
| 2019 | 20,118,952 | 37,886,000 | 7,343,421,184 | 20,530,000 |
| 2020 | 20,158,764 | 39,767,000 | 7,357,437,208 | 20,023,000 |
| 2021 | 21,339,122 | 44,455,000 | 7,788,238,084 | 18,835,833 |
| 2022 | 22,852,193 | 46,737,000 | 8,340,470,776 | 19,527,333 |
| 2023 | 22,058,035 | 44,345,000 | 8,050,623,020 | 16,988,667 |

| <u>Water Customers Fiscal Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Wholesale</u> | <u>Other</u> | <u>Total</u> |
|------------------------------------|--------------------|-------------------|------------------|--------------|--------------|
| 2019 | 29,896 | 4,378 | 13 | 210 | 34,497 |
| 2020 | 30,470 | 4,430 | 13 | 215 | 35,128 |
| 2021 | 30,752 | 4,460 | 20 | 224 | 35,456 |
| 2022 | 30,997 | 4,515 | 27 | 232 | 35,771 |
| 2023 | 30,968 | 4,459 | 27 | 230 | 35,684 |

| <u>Sewer Customers Fiscal Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Government</u> | <u>Other</u> | <u>Total</u> |
|------------------------------------|--------------------|-------------------|-------------------|--------------|--------------|
| 2019 | 27,772 | 3,675 | 90 | 45 | 31,582 |
| 2020 | 28,248 | 3,676 | 87 | 50 | 32,061 |
| 2021 | 28,517 | 3,691 | 91 | 49 | 32,348 |
| 2022 | 28,684 | 3,718 | 91 | 49 | 32,542 |
| 2023 | 28,684 | 3,718 | 91 | 49 | 32,542 |

| For 2023: | <u>Entity</u> | <u>Water</u> | <u>Sewer</u> | <u>Total</u> | <u>% of Gross Revenues</u> |
|------------------|------------------------------------|---------------------|---------------------|----------------------|----------------------------|
| | Van Buren Water Dept | \$ 3,384,045 | \$ - | \$ 3,384,045 | 5.95% |
| | OK Foods Inc | 2,526,061 | 541,705 | 3,067,766 | 5.40% |
| | Gerdau Macsteel Div. | 1,182,246 | - | 1,182,246 | 2.08% |
| | Cedarville Water Users | 238,911 | 935,796 | 1,174,707 | 2.07% |
| | Hwy 71 Water Dist No. 1 | 154,515 | 544,020 | 698,535 | 1.23% |
| | Simmons Prepared Foods-Fort Smith | 220,939 | 465,705 | 686,644 | 1.21% |
| | Gerber Products Co | 674,640 | - | 674,640 | 1.19% |
| | DBA-Sparks Regional Medical Center | 645,146 | - | 645,146 | 1.13% |
| | St Edwards Medical Center | 242,160 | 323,289 | 565,449 | 0.99% |
| | Franklin-Sebastian Public Water | 506,162 | - | 506,162 | 0.89% |
| | Top Ten Users | <u>\$ 9,774,825</u> | <u>\$ 2,810,515</u> | <u>\$ 12,585,340</u> | <u>22.14%</u> |

Independent Accountant's Report on Compliance with Arkansas State Requirements

The Honorable Mayor and Board of Directors
City of Fort Smith, Arkansas
Fort Smith, Arkansas

We have examined management's assertions that the City of Fort Smith, Arkansas complied with the requirements of *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2023:

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City 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 its assertion. Our responsibility is to express an opinion on management's assertion based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the City of Fort Smith, Arkansas complied with the aforementioned requirements during the year ended December 31, 2023 is fairly stated, in all material respects.

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

Forvis Mazars, LLP

**Fort Smith, Arkansas
July 22, 2024**



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For the Fiscal Year ended December 31, 2023

