

City of Fort Smith, Arkansas

Comprehensive Annual Financial Report

Year Ended December 31, 2018

Prepared By the

**City of Fort Smith, Arkansas
Finance Department**

City Board of Directors

Sandy Sanders, Mayor

Keith Lau
Andre' Good
Mike Lorenz
George Catsavis
Tracy Pennartz
Kevin Settle
Don Hutchings

City Administrator
Carl Geffken

City of Fort Smith, Arkansas
Year Ended December 31, 2018

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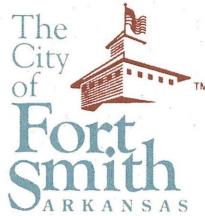
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INTRODUCTORY SECTION



June 15, 2020

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 comprehensive annual financial report (CAFR) of the City of Fort Smith for the fiscal year ended December 31, 2018.

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 **BKD, LLP**, 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, 2018 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. **BKD, LLP** 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, 2018. 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 require 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 second 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 88,000. 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, the Fort Smith Parking Authority, and the Fort Smith Airport Commission. These four 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 over spending 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 Department is reported as a Public Safety (division) expenditure in the General Fund budget to actual statement 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 2018 increased 1.6% in 2018 over 2017. This was compared to a 0.4% increase in 2017 over 2016.

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

Glatfelter, a Pennsylvania based company completed plans to turn the vacant Mitsubishi plant into a state-of-the-art production facility for air-laid paper products. Glatfelter opened their new \$90 million manufacturing operation. The company began production and commercial shipments in first quarter 2018.

Silgan Plastic Food Containers broke ground on the approximately 100,000 plus square foot facility which will create 150 new jobs to the area. Silgan will invest approximately \$38 million on this project.

The Arkansas Colleges of Health Education (ACHE) opened its first college at Chaffee Crossing in Fort Smith in Fall 2017. The Arkansas College of Osteopathic Medicine (ARCOM) anticipates graduating 150 Doctors of Osteopathic Medicine (DO) annually beginning in May 2021. ACHE's second building, the College of Health Sciences, a \$25 million, 66,000 square foot facility was completed in January 2020 and will be the home for future programs: School of Physical Therapy (PT), School of Occupational Therapy (OT), and Physician Assistant Studies (PA). Currently, construction is underway on a \$11 million development on 6.6 acres for residential and retail buildings.

The Arkansas Air National Guard 188th Fighter Wing learned in 2013 that it would receive a new mission and convert from the manned A-10 aircraft to a remotely piloted aircraft, targeting and intelligence unit. The 188th is the only organization in the world with RPA, intelligence and targeting at a combined facility. This change preserves the 1,000 full and part-time jobs associated with the 188th with a mission that is sustainable for the long term as part of the modern Air Force. Razorback Operation Center broke ground on the \$14.2 million facility in February 2018 with an expected finish in 2020.

Downtown Fort Smith is experiencing a revitalization. The plan is to create sustainable downtown growth through increased residential and commercial spaces, walkability, and more entertainment and cultural amenities. The Arkansas Department of Transportation and the City approved a joint project for the complete rehabilitation of all of Towson Avenue and a public/private partnership was formed with the guidance of the area Metropolitan Planning Organization to work on a streetscape project in conjunction with the rehabilitation. A downtown truck and traffic study was also completed that examined the flow of personal and commercial vehicles in order to examine ways to improve walkability while maintain access for commercial vehicles. 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 extoll the virtues of Fort Smith as the fourth lowest cost location in the United States for business. The top 10 employers have approximately 17,000 employees with OK Foods being the number one employer in Fort Smith with over 3,100 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 authorized through 2025.

The City also levies an additional one-percent (1%) local sales and use tax which is pledged to redeem bonds issued for large construction projects as well as provide operating resources for the fire and parks departments. The current 2012 Sales and Use Tax Bonds fund an aquatics park in conjunction with Sebastian County that opened in May 2015; a new fire station, existing station upgrades and improvements, and apparatus additions and replacements; wastewater improvements; and water improvements. The 2014 Sales and Use Tax Bonds fund additional water and wastewater improvements. This has proven to be a very effective way to fund projects and the City saves on interest charges because Arkansas sales tax bond issues have mandatory redemption requirements. Three-fourths of the existing 1% local sales tax supports the redemption of the 2012 and 2014 bonds. The remaining one-fourth percent of the tax assessment is used to provide operating and capital costs for the fire department and the parks 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 2017. Annual updates to the implementation of the Comprehensive Plan are provided to the Implementation Committee each year.

In January 2015, the City entered into a 12-year consent decree with the Department of Justice 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 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.

Other Information

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2017. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting. This was the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year only.

Acknowledgements. The preparation of the CAFR was made possible by the dedicated service of the entire staff of the Finance Department. Special recognition is made to Lori Hopkins - Finance Manager and Tracy Keck - Accounting Manager for their efforts. 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 manner in which the annual audit was conducted and assistance with the CAFR production by **BKD, LLP**.

In closing, we acknowledge the contributions of the Mayor, Board of Directors, Tracey Shockley, Internal Auditor, and the Audit Advisory Committee members who have consistently supported the City's goal of excellence in all aspects of financial management. Their encouragement and support is greatly appreciated.

Respectfully submitted,

A handwritten signature in blue ink that reads "Carl Geffken". The signature is written in a cursive style with a large, stylized initial "C".

Carl Geffken
City Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fort Smith
Arkansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

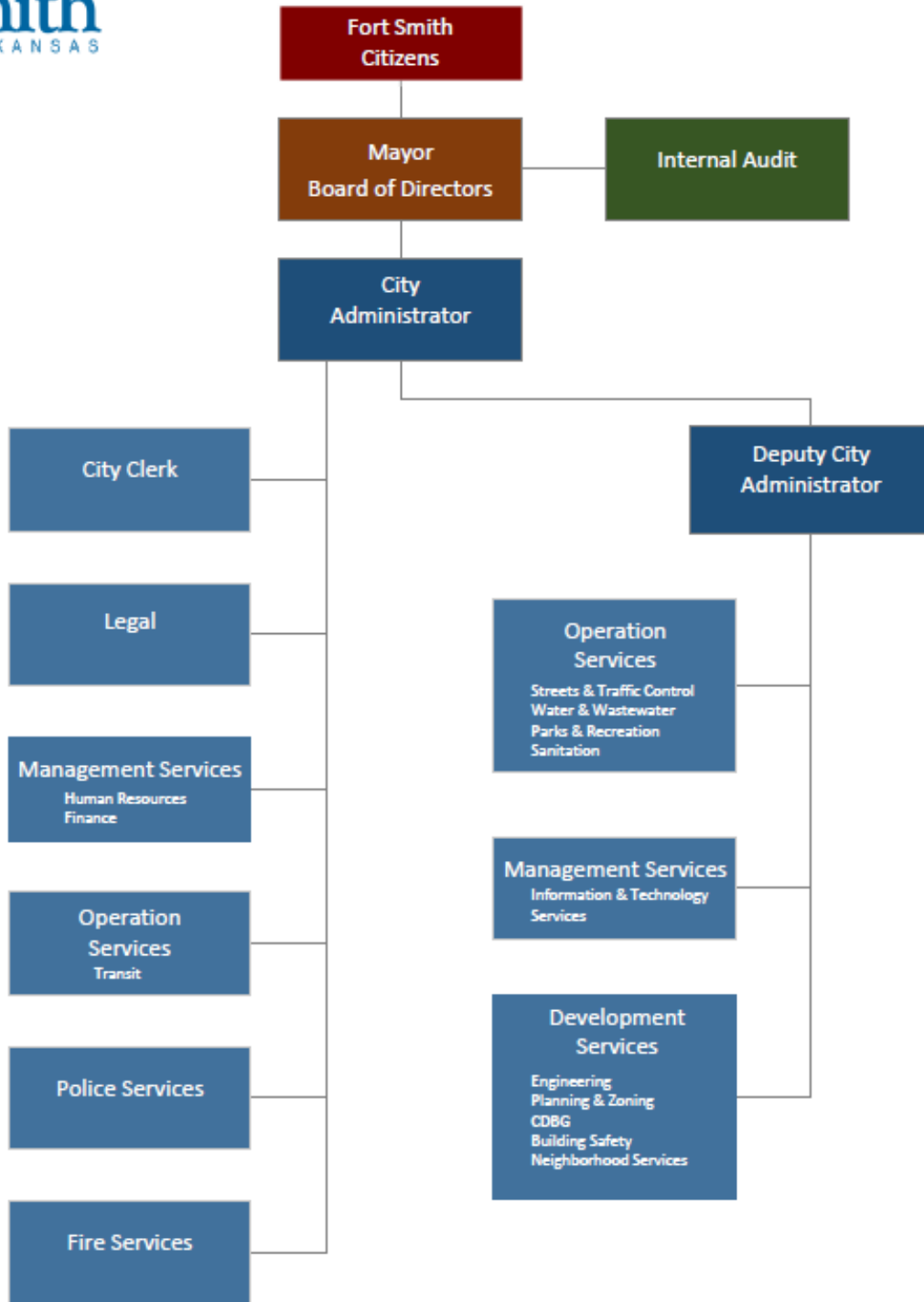
December 31, 2017

Christopher P. Morrill

Executive Director/CEO



City of Fort Smith Plan of Organization



City of Fort Smith, Arkansas
List of Elected and Appointed Officials
December 31, 2018

Elected Officials

Mayor	Sandy Sanders
Director-Ward 1	Keith Lau
Director-Ward 2	Andre' Good
Director-Ward 3	Mike Lorenz
Director-Ward 4	George Catsavis
Director at Large	Tracy Pennartz
Director at Large/Vice Mayor	Kevin Settle
Director at Large	Don Hutchings
District Court Judge	Ben Beland
District Court Judge	Claire Borengasser
District Court Judge	David Saxon

Appointed Officials

City Administrator	Carl Geffken
Deputy City Administrator	Jeff Dingman
Advertising and Promotion	Claude Legris
Airport	Michael Griffin
City Clerk	Sherri Gard
Development/Planning	Wally Bailey
District Court	Rachel Sims
Engineering	Stan Snodgrass
Finance	Jennifer Walker
Fire	Phil Christensen, Fire Chief
	Boyd Waters, Assistant Fire Chief
Human Resources	Rick Lolley
Information and Technology	Russell Gibson
Internal Audit	Tracey Shockley
Library	Jennifer Goodson
Parks and Recreation	Doug Reinert
Police	Nathanial Clark
Sanitation	Kyle Foreman
Streets and Traffic Control	George Allen
Transit	Ken Savage
Utilities	Jerry Walters

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

We have audited the accompanying 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 as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fort Smith Public Library, which represent 85%, 66% and 79% of the assets, net position and revenues, respectively, of the aggregate discretely presented governmental activities component units. 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The Honorable Mayor and
Board of Directors
City of Fort Smith, Arkansas
Page 2

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fort Smith, Arkansas as of December 31, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in *Note 1* to the financial statements, in 2018 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements, introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements listed as other information in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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.

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

BKD, LLP

Fort Smith, Arkansas
June 15, 2020

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City of Fort Smith, Arkansas

Management's Discussion and Analysis

December 31, 2018

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, 2018. 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 8-13 of this report.

Financial Highlights

- Primary Government total assets and deferred outflow of resources exceeded total liabilities and deferred inflows of resources at the close of 2018 by \$804.0 million (net position). Of this amount, \$729.2 million was invested in capital assets, net of related debt; \$67.5 million was restricted for debt service, police and fire retirement contributions, construction projects, and other purposes. The component of net position unrestricted and available for meeting the City's emergency and unexpected obligations was \$7.3 million. The City's governmental activities have a deficit in unrestricted net position of \$35.9 million. The City's business-type activities have unrestricted net position of \$43.2 million. The negative unrestricted net position of the governmental activities is due primarily to the \$70.5 million balance in net pension liabilities at year-end.
- The City's total net position increased by \$32.7 million in 2018. Net position of the governmental activities increased by \$18.0 million in 2018 compared to a net increase of \$18.7 million in 2017. The City's net position of the business-type activities increased by \$14.7 million in 2018 compared to a net increase of \$3.8 million in 2017.
- As of the close of 2018, the City's governmental funds reported combined ending fund balances of \$84.6 million, an increase of \$8.3 million from the prior year. The restricted portion of the fund balances is \$58.7 million. The remaining fund balances is classified as nonspendable of \$1.0 million; assigned of \$5.8 million; and unassigned of \$19.2 million.
- At the end of 2018, the unassigned fund balance for the General Fund was \$19.5 million or 41.6% of total General Fund expenditures and transfers out. There was an increase of \$3.4 million in total general fund balance between years.
- The City's total bonded indebtedness increased by \$45.5 million during the current year. The City issued \$130.7 million in Water and Sewer Refunding and Construction Revenue Bonds, Series 2018 which refunded \$66.3 million of the remaining Water and Sewer Refunding and Construction Revenue Bonds, Series 2008. \$5.3 million in Sales and Use Tax bonds were called during the year.
- The City's governmental component units reported net position of \$1.1 million at December 31, 2018 which was a \$31 thousand decrease from 2017.
- The City's business-type component units reported net position of \$42.3 million at December 31, 2018 which was a \$1.6 million increase from 2017.

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, with the difference between the two 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:

- Parking Authority
- Fort Smith Public Library
- Advertising and Promotion Commission
- Airport Commission

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 34-37 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 12 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, and the Sales and Use Tax Bond Fund that are considered to be major funds. Data from the other seven (7) 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 38-42 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 and its solid waste system. *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 Sanitation Fund, both of which are considered to be major funds of the City. 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 44-49 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 during 2009 for benefit of its participants.

The fiduciary fund financial statements can be found on pages 50-51 of this report.

Notes to the 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 the basic financial statements can be found on pages 52-128 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 129-144 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 145-161 of this report.

Government-Wide Financial Analysis

The 2017 financial statements were not restated for 2018 adoption of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additional information for the effect of the adoption of GASB 75 can be found in *Note 1* on page 52 of this report.

City of Fort Smith Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 107,594,106	\$ 100,051,378	\$ 158,137,579	\$ 82,248,021	\$ 265,731,685	\$ 182,299,399
Capital assets	413,816,878	411,719,716	564,055,005	550,163,010	977,871,883	961,882,726
Total assets	521,410,984	511,771,094	722,192,584	632,411,031	1,243,603,568	1,144,182,125
Total deferred outflows of resources	14,984,297	13,490,239	2,733,027	2,856,546	17,717,324	16,346,785
Long-term liabilities	147,772,516	166,537,967	257,654,864	190,504,042	405,427,380	357,042,009
Other liabilities	14,708,221	16,811,388	17,421,263	16,797,225	32,129,484	33,608,613
Total liabilities	162,480,737	183,349,355	275,076,127	207,301,267	437,556,864	390,650,622
Total deferred inflows of resources	13,434,761	2,051,411	6,332,929	124,621	19,767,690	2,176,032
Net position:						
Net investment in capital assets	337,638,439	326,142,910	391,608,271	385,564,986	729,246,710	711,707,896
Restricted	58,722,663	42,226,867	8,736,608	23,581,225	67,459,271	65,808,092
Unrestricted	(35,881,319)	(28,509,210)	43,171,676	18,695,478	7,290,357	(9,813,732)
Total net position	\$ 360,479,783	\$ 339,860,567	\$ 443,516,555	\$ 427,841,689	\$ 803,996,338	\$ 767,702,256

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 outflow of resources exceeded liabilities and deferred inflows of resources by \$804.0 million at the close of 2018.

The largest portion of the City’s net position \$729.2 million or 90.7% 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 (8.4%) represents resources that are subject to restrictions as to how they may be used. Of the total \$67.5 million restricted net position, \$24.9 million is restricted for bond retirement, \$38.6 million is restricted for construction projects, \$3.9 million is restricted for police and fire retirement contribution, and a very small amount is restricted for other purposes. The remaining balance of net position is \$7.3 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 negative balance in unrestricted net position primarily due to the net pension liabilities of \$70.5 million.

The City's net position increased by \$32.7 million during 2018. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

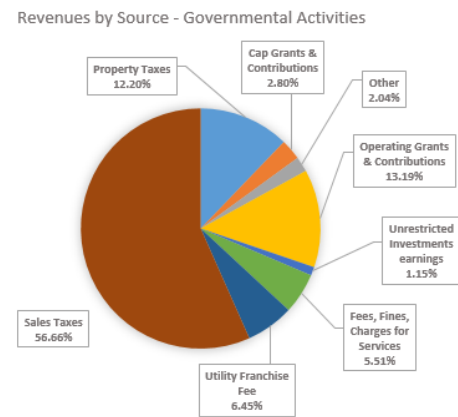
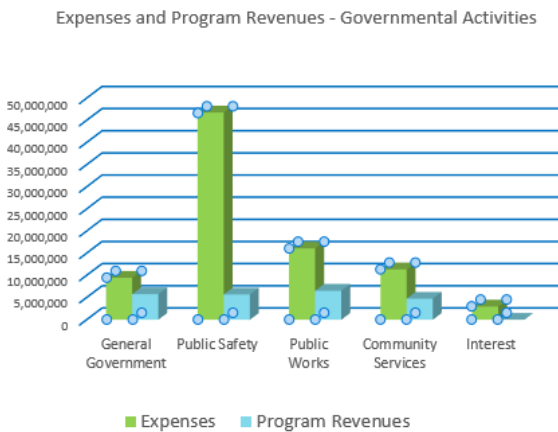
City of Fort Smith Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 5,844,498	\$ 5,572,301	\$ 74,670,767	\$ 69,659,743	\$ 80,515,265	\$ 75,232,044
Operating grants and contributions	13,983,299	13,072,923	-	-	13,983,299	13,072,923
Capital grants and contributions	2,962,846	3,343,621	-	-	2,962,846	3,343,621
	<u>22,790,643</u>	<u>21,988,845</u>	<u>74,670,767</u>	<u>69,659,743</u>	<u>97,461,410</u>	<u>91,648,588</u>
General revenues						
Property taxes	12,929,340	12,674,326	-	-	12,929,340	12,674,326
Sales taxes	60,050,705	59,100,140	-	-	60,050,705	59,100,140
Utility franchise fees	6,840,478	6,304,008	-	-	6,840,478	6,304,008
Unrestricted investment earnings	1,220,764	317,642	1,219,925	401,542	2,440,689	719,184
Other	2,158,371	1,618,293	1,099,816	762,982	3,258,187	2,381,275
	<u>105,990,301</u>	<u>102,003,254</u>	<u>76,990,508</u>	<u>70,824,267</u>	<u>182,980,809</u>	<u>172,827,521</u>
Expenses						
General government	9,487,201	9,813,976	-	-	9,487,201	9,813,976
Public safety	46,794,625	37,685,158	-	-	46,794,625	37,685,158
Public works	16,116,687	16,485,834	-	-	16,116,687	16,485,834
Community services	11,373,604	10,813,088	-	-	11,373,604	10,813,088
Interest on long-term debt	2,991,999	4,528,084	-	-	2,991,999	4,528,084
Water and sewer	-	-	51,098,433	56,118,173	51,098,433	56,118,173
Sanitation	-	-	12,462,283	14,930,172	12,462,283	14,930,172
	<u>86,764,116</u>	<u>79,326,140</u>	<u>63,560,716</u>	<u>71,048,345</u>	<u>150,324,832</u>	<u>150,374,485</u>
Change in net position before transfers	19,226,185	22,677,114	13,429,792	(224,078)	32,655,977	22,453,036
Transfers	(1,255,595)	(3,995,559)	1,255,595	3,995,559	-	-
Increase (decrease) in net position	17,970,590	18,681,555	14,685,387	3,771,481	32,655,977	22,453,036
Net Position – beginning of year	<u>339,860,567</u>	<u>321,179,012</u>	<u>427,841,689</u>	<u>433,218,071</u>	<u>767,702,256</u>	<u>754,397,083</u>
Prior Period Adjustment	-	-	-	(9,147,863)	-	(9,147,863)
Restatement for Adoption of GASB 75 (Note 1)	2,648,626	-	989,479	-	3,638,105	-
Net Position - beginning of year, as Restated*	<u>342,509,193</u>	<u>321,179,012</u>	<u>428,831,168</u>	<u>424,070,208</u>	<u>771,340,361</u>	<u>745,249,220</u>
Net Position – end of year	<u>\$ 360,479,783</u>	<u>\$ 339,860,567</u>	<u>\$ 443,516,555</u>	<u>\$ 427,841,689</u>	<u>\$ 803,996,338</u>	<u>\$ 767,702,256</u>

*The cumulative effect of applying GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* resulted in the beginning net position for 2018 being restated.

Governmental Activities. During the current year, net position for governmental activities increased \$17.1 million from the prior year for an ending balance of \$370.8 million. The increase in the overall net position of governmental activities is the result of incremental increases in all revenues primarily due to the steady improvement in local economic conditions, despite a \$9.7 million increase in expenses for public safety.

- Total revenues increased \$4.0 million to \$106.0 million or 3.9%.
- Revenues from sales taxes increased \$1.0 million to \$60.1 million or 1.6%. The increase in the City’s share of the county sales tax is accounted for in the General fund (1.9%). The City’s sales tax allocated for street projects and the sales tax allocated for the redemption of the Sales and Use Tax Bonds, Series 2012 and 2014 and fire and parks operations both increased 1.4% from 2017.
- Unrestricted investment earnings increased \$0.9 million from the prior year primarily due to improved interest rates on investments.
- Operating grants and contributions increased \$0.9 million or 7.0% to \$14.0 million in 2018, primarily due to an increase in police and fire contributions during 2018.

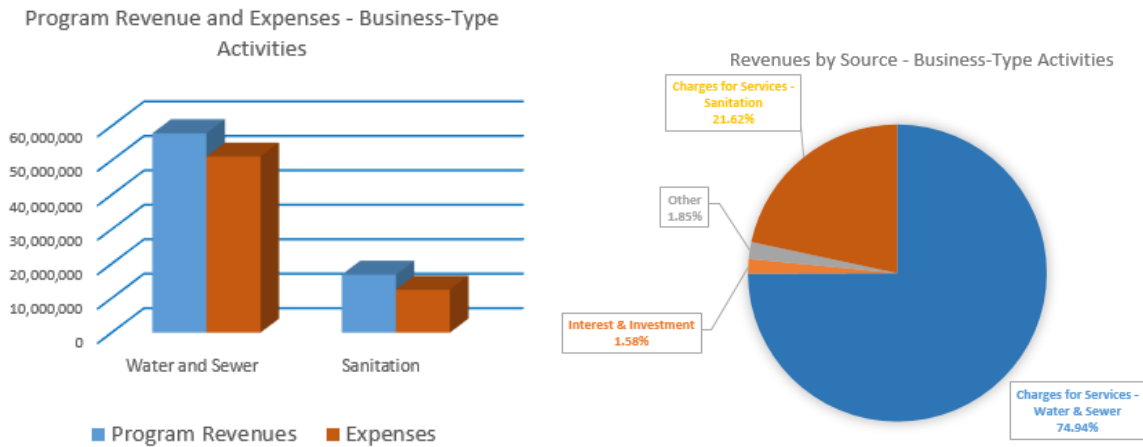
Total expenses increased \$7.4 million to \$86.8 million or 9.4% from prior year. The increase in total expenses is primarily caused by an increase in pension expense for Arkansas Local Fire and Police (LOPFI) and an increase in the City’s other postemployment benefit expenses. This is offset by a decrease in interest on long-term debt of \$1.5 million or 33.9%



Business-Type Activities. Net position for City’s business-type activities increased the by \$14.7 million during the current year, reaching an ending balance of \$443.5 million. Key elements of the increase are as follows:

- The water and sewer system contributed \$9.8 million to the increase in total net position. The operating income for the system totaled \$13.8 million in 2018.
- The solid waste system added \$4.2 million to the increase in total net position. The operating income for the system in 2018 totaled \$4.2 million.
- Water and sewer system service charges contribute 77.5% of the operating revenue to business-type activities.
- The solid waste system service charges accounted for 22.5% of the revenue to business-type activities.

- Current year revenues for the business-type activities exceeded operating expenses by \$18.0 million. This is due primarily to the increase in sewer rates. Water and Sewer and Sanitation operating expenses increased from 2017 by \$0.7 million or 1.2% due to an increase in materials and supplies due to the increase in the capitalization threshold from \$5 thousand to \$20 thousand effective January 1, 2018, causing an increase in items expensed rather than capitalized.



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, 2018, the City's governmental funds reported combined ending fund balances of \$84.6 million, an increase of \$8.3 million in comparison with the prior year. Of this amount, \$58.7 million represents restricted fund balance for construction projects, debt service coverage, police and fire retirement contributions, and other purposes. Approximately \$1 million of the fund balances is non-spendable. A portion of the fund balance, \$5.7 million, is assigned for specific uses by the City. The remainder of the balance, \$19.2 million, is unassigned in the General Fund and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At December 31, 2018, unassigned fund balance of the General Fund was \$19.5 million, while the total fund balance was \$20.8 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 41.6% of total General Fund expenditures, including transfers out, while total fund balances represents 44.4% of that same amount. There was an increase of \$3.4 million in total General Fund balance between years, a reflection of the City's steadily improving economy and maintaining general fund expenditures at a consistent level

The Street Maintenance Fund, a special revenue fund, is presented as a major fund and reported \$4.5 million of total fund balance, an increase of \$1.3 million over the prior year. Revenues include gasoline tax and highway sales tax turnback from the state and federal transportation grants. Fund balance consists of \$4.2 million assigned and \$0.4 million restricted for street construction. This fund accounts for 5.4% of the total governmental fund balances.

The Sales Tax Fund, a special revenue fund, is presented as a major fund and accounts for 44.5% of the total governmental fund balances. Revenues include a one-percent (1%) local sales tax dedicated to streets, bridges and associated drainage. Fund balance increased \$7.4 million during the year primarily due to a decline in \$8.7 million in expenditures compared to the prior year.

The Sales & Use Tax Bond Fund had an increase in fund balance of \$1.0 million during the year to \$16.8 million. The City exercised an extraordinary redemption of \$5.5 million from bonds outstanding during the year from surplus tax receipts. This fund accounts for 19.9% of the total governmental fund balances.

LOPFI Contribution Fund, a special revenue fund, is presented as a major fund and accounts for 4.6% 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 \$2.8 million during the year primarily due to a one time voluntary contribution of \$2.0 million by the City to improve the funded status of the local plans.

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 \$412.8 million and \$29.1 million for the Water and Sewer Fund and the Sanitation Fund, respectively. The increase in net position was \$9.8 million for the Water and Sewer Fund and \$4.2 million for the Sanitation 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 \$53 million (total expenditures plus transfers out) compared to the original budget total of \$50 million. The increase in appropriations of \$3 million is attributed to capital outlay.

Revenue estimates for the General Fund remained consistent with the original budget of \$49 million (total revenues plus transfers in).

Total actual revenue, including transfers in, for the General Fund was \$50.2 million or \$1.2 million more than the final budget estimates.

The budget and actual schedule for the General Fund may be found on page 142 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, 2018 amounts to \$977.9 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park and library facilities, streets, and drainage systems. The total increase in the City's investment in capital assets was 1.7%, a 0.5% increase for governmental activities and a 2.5% increase for business-type activities.

City of Fort Smith

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 27,371,491	\$ 27,150,846	\$ 14,460,019	\$ 14,261,392	\$ 41,831,510	\$ 41,412,238
Buildings	55,780,632	57,547,467	5,416,433	5,347,013	61,197,065	62,894,480
Water System	-	-	279,650,547	283,068,274	279,650,547	283,068,274
Sewer System	-	-	223,917,310	208,760,945	223,917,310	208,760,945
Improvement other than buildings	12,501,212	9,587,064	2,069,433	2,345,688	14,570,645	11,932,752
Infrastructure	285,317,770	263,231,933	-	-	285,317,770	263,231,933
Machinery and equipment	20,916,231	20,260,953	15,399,908	13,391,715	36,316,139	33,652,668
Construction in progress	11,929,542	33,941,453	23,141,355	22,987,983	35,070,897	56,929,436
Total	\$ 413,816,878	\$ 411,719,716	\$ 564,055,005	\$ 550,163,010	\$ 977,871,883	\$ 961,882,726

Major capital asset events during 2018 included the following:

- Net reduction to construction in progress totaled \$21.9 million. Of this amount, water and wastewater improvements accounted for an increase of \$0.2 million, sanitation decreased \$0.1 million and the general government and streets decreased by \$22.0 million due to assets placed in service during the year.
- Net additions to infrastructure totaled \$22.1 million due to the completion of several street projects during 2018.
- Net additions to the sewer system totaled \$20.8 million and to the water system totaled \$3.8 million in 2018.
- Depreciation expense totaled \$32.5 million.

Additional information on the City's capital assets can be found in *Note 3* on pages 71-79 of this report.

Long-term debt. At December 31, 2018, the City had \$298.8 million of long-term bonds outstanding, including \$227.2 million of bonds secured solely by specified revenue sources, (*i.e.* revenue bonds).

City of Fort Smith's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Sales and Use Tax Bonds	\$ 71,665,000	\$ 84,400,000	\$ -	\$ -
Revenue Bonds	-	-	227,155,000	168,905,000
Total	\$ 71,665,000	\$ 84,400,000	\$ 227,155,000	\$ 168,905,000

The City's total bonded debt increased by \$45.5 million or 18.0% during 2018. Key factors in this increase was the issuance of the Water and Sewer Refunding and Construction Revenue Bond, Series 2018 of \$130.7 million, which included the full refunding of the Water and Sewer Refunding and Construction Revenue Bond, Series 2008. The City maintains bond ratings as follows: an "A" rating from Standard & Poor's on its water and sewer revenue bonds series 2011, 2012, 2015, 2016 and 2018; and an "AA" rating from Standard & Poor's on its sales and use tax bonds series 2012 and 2014.

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 \$370 million. The City has no general obligation debt at December 31, 2018. Sales and use tax bonds are special debt of the City and are not considered general obligation bonds.

Additional information regarding the City's long-term debt can be found in *Note 4* on pages 80-92 of this report.

Economic Factors and the Next Year's Budget and Rates

- The year-end unemployment rate for the City was 3.5%, which is consistent with the 2017 rate. The state unemployment rate for 2018 was 3.6% and the national was 3.9%. The City is recovering from a down economy over the past few years.
- The City expects a 1.0% increase in its tax revenue for 2019.

These factors were considered when the City prepared its 2019 Budget.

The Board of Directors considered these factors when the making spending priorities going into the 2019 budget year – critical equipment for the Police Department, pay increases for employees, city-wide, additional LOPFI contributions to reduce the outstanding pension liabilities, and the General Fund Capital Improvement Plan. The City's General Fund budget for 2019 was approved at \$44 million for regular programs and \$7 million for Sales Tax programs. 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 Director of Finance's Office, Suite 512, 623 Garrison Avenue, Fort Smith, Arkansas 72903.

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City of Fort Smith, Arkansas
Statement of Net Position
December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Assets					
Cash and cash equivalents	\$ 18,039,360	\$ 5,694,684	\$ 23,734,044	\$ 745,142	\$ 2,369,577
Investments	51,228,658	48,850,132	100,078,790	698,854	1,876,533
Receivables, net					
Property taxes and utility franchise fees	14,199,493	-	14,199,493	-	-
Sales taxes	3,744,530	-	3,744,530	253,254	-
Accounts	668,337	14,266,995	14,935,332	175,808	161,313
Interest	-	-	-	-	18,149
Due from other governments	1,391,594	-	1,391,594	-	551,931
Internal balances	549,457	(549,457)	-	-	-
Inventories	-	1,396,105	1,396,105	-	61,864
Prepays and deposits	963,617	20,866	984,483	54,584	68,965
Restricted assets					
Cash	225,621	223,375	448,996	-	79,866
Investments	15,164,665	87,865,285	103,029,950	-	955,893
Accounts receivable, net	-	209,503	209,503	-	-
Sales tax receivable	1,377,651	-	1,377,651	-	-
Interest receivable	41,122	-	41,122	-	-
Prepaid items and deposits	-	160,092	160,092	-	-
Capital assets, net					
Nondepreciable	39,301,033	37,601,374	76,902,407	427,132	12,346,036
Depreciable	374,515,845	526,453,631	900,969,476	329,639	26,563,557
Total Assets	521,410,984	722,192,584	1,243,603,568	2,684,413	45,053,684
Deferred Outflows of Resources					
Deferred amounts on refunding	-	2,728,152	2,728,152	-	70,807
Deferred outflows-pension	8,910,151	-	8,910,151	343,598	-
Deferred outflows-pension contributions	6,065,809	-	6,065,809	95,945	-
Deferred outflows-OPEB	8,337	4,875	13,212	-	-
Total deferred outflows of resources	14,984,297	2,733,027	17,717,324	439,543	70,807

City of Fort Smith, Arkansas
Statement of Net Position (Continued)
December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Liabilities					
Accounts payable and accrued expenses	\$ 4,966,761	\$ 7,191,555	\$ 12,158,316	\$ 174,769	\$ 889,652
Other	207,664	1,670	209,334	-	-
Accrued interest	483,658	2,691,963	3,175,621	-	-
Deposits	-	539,167	539,167	-	-
Unearned revenue	85,122	-	85,122	-	-
Noncurrent liabilities					
Other long-term liabilities					
due within one year	1,295,015	636,909	1,931,924	-	5
Current portion of long-term debt	7,670,000	6,360,000	14,030,000	-	210,000
Due in more than one year	147,772,516	257,654,864	405,427,380	1,638,782	1,700,537
Total liabilities	162,480,737	275,076,127	437,556,864	1,813,551	2,800,194
Deferred Inflows of Resources					
Deferred amounts on refunding	-	252,715	252,715	-	-
Deferred inflows-pension	3,037,433	-	3,037,433	241,024	-
Deferred inflows-OPEB	10,397,328	6,080,214	16,477,542	-	-
Total deferred inflows of resources	13,434,761	6,332,929	19,767,690	241,024	-
Net Position					
Net investment in capital assets	337,638,439	391,608,271	729,246,710	756,771	37,070,400
Restricted for:					
Construction projects	37,948,405	625,471	38,573,876	-	57,765
Debt service	16,809,059	8,111,137	24,920,196	-	383,758
Parks & recreation	25,667	-	25,667	-	-
Housing and rehabilitation	27,184	-	27,184	-	-
Police & fire retirement contributions	3,912,348	-	3,912,348	-	-
Tourism & promotion	-	-	-	365,242	-
Unrestricted (deficit)	(35,881,319)	43,171,676	7,290,357	(52,632)	4,812,374
Total net position	\$ 360,479,783	\$ 443,516,555	\$ 803,996,338	\$ 1,069,381	\$ 42,324,297

City of Fort Smith, Arkansas
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Primary Government:									
Governmental Activities									
General Government									
Administration	\$ 5,377,383	\$ 833,830	\$ 1,282,524	\$ -	\$ (3,261,029)		\$ (3,261,029)		
Legal and courts	2,057,570	2,154,158	456,277	-	552,865		552,865		
Finance	2,052,248	1,047,504	-	-	(1,004,744)		(1,004,744)		
Public safety									
Police	23,687,812	90,191	3,366,238	132,321	(20,099,062)		(20,099,062)		
Fire	23,106,813	122,027	1,876,058	108,653	(21,000,075)		(21,000,075)		
Public works									
Operations	505,908	-	-	-	(505,908)		(505,908)		
Streets	13,213,917	389,717	4,078,058	2,087,687	(6,658,455)		(6,658,455)		
Traffic Control	2,396,862	-	-	-	(2,396,862)		(2,396,862)		
Community services									
Health and Social Services	126,906	-	-	-	(126,906)		(126,906)		
Parks and Recreation	4,558,542	238,643	-	-	(4,319,899)		(4,319,899)		
Convention Center	2,179,183	782,643	-	-	(1,396,540)		(1,396,540)		
Transit	2,474,314	185,700	1,053,201	634,185	(601,228)		(601,228)		
Housing and Rehabilitation	2,034,659	85	1,870,943	-	(163,631)		(163,631)		
Debt service									
Interest	2,991,999	-	-	-	(2,991,999)		(2,991,999)		
Total Governmental Activities	86,764,116	5,844,498	13,983,299	2,962,846	(63,973,473)		(63,973,473)		
Business-Type Activities:									
Water and Sewer	51,098,433	57,858,066	-	-	-	\$ 6,759,633	6,759,633		
Sanitation	12,462,283	16,812,701	-	-	-	4,350,418	4,350,418		
Total Business-Type Activities	63,560,716	74,670,767	-	-	-	11,110,051	11,110,051		
Total Primary Government	\$ 150,324,832	\$ 80,515,265	\$ 13,983,299	\$ 2,962,846	\$ (63,973,473)	\$ 11,110,051	\$ (52,863,422)		
Component Units:									
Governmental									
Advertising & Promotion	\$ 905,209	\$ -	\$ 4,600	\$ -				\$ (900,609)	
Public Library	2,983,639	200,354	165,613	-				(2,617,672)	
Subtotal	3,888,848	200,354	170,213	-				(3,518,281)	
Business-Type									
Parking Authority	259,793	183,484	-	-					\$ (76,309)
Airport	4,675,033	2,908,921	-	3,437,563					1,671,451
Subtotal	4,934,826	3,092,405	-	3,437,563					1,595,142
Total Component Units	\$ 8,823,674	\$ 3,292,759	\$ 170,213	\$ 3,437,563				(3,518,281)	1,595,142

City of Fort Smith, Arkansas
Statement of Activities (Continued)
For the Year Ended December 31, 2018

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental	Business-Type	Total	Governmental	Business-Type
	Activities	Activities		Activities	Activities
General revenues					
Property taxes	\$ 12,929,340	\$ -	\$ 12,929,340	\$ 1,483,569	\$ -
Sales taxes	60,050,705	-	60,050,705	1,008,320	-
Gross receipts utility franchise fees	6,840,478	-	6,840,478	-	-
Hospitality taxes	-	-	-	799,364	-
Unrestricted investment earnings	1,220,764	1,219,925	2,440,689	4,593	50,868
Other	2,158,371	1,099,816	3,258,187	191,432	-
Transfers	(1,255,595)	1,255,595	-	-	-
Total general revenues and transfers	81,944,063	3,575,336	85,519,399	3,487,278	50,868
Change in net position	17,970,590	14,685,387	32,655,977	(31,003)	1,646,010
Net position, beginning of year, as previously reported	339,860,567	427,841,689	767,702,256	1,100,384	40,678,287
Restatement for adoption of GASB 75 (Note 1)	2,648,626	989,479	3,638,105	-	-
Net position, beginning of year, as restated	342,509,193	428,831,168	771,340,361	1,100,384	40,678,287
Net position, end of year	\$ 360,479,783	\$ 443,516,555	\$ 803,996,338	\$ 1,069,381	\$ 42,324,297

City of Fort Smith, Arkansas

Balance Sheet – Governmental Funds

December 31, 2018

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 7,793,237	\$ 1,206,625	\$ 6,974,826	\$ -	\$ -	\$ 201,879	\$ 16,176,567
Investments	11,124,577	2,970,498	29,508,584	3,916,072	-	724,772	48,244,503
Receivables, net of allowance for uncollectibles							
Property taxes and utility franchise fees	8,930,060	2,258,328	-	3,011,105	-	-	14,199,493
Sales taxes	1,907,662	-	1,836,868	-	-	-	3,744,530
Accounts	540,552	1,200	101,470	-	-	7,173	650,395
Due from other funds	127,836	-	-	-	-	-	127,836
Due from other governments	810,372	519,812	-	-	-	61,410	1,391,594
Restricted assets:							
Cash	-	-	-	-	225,621	-	225,621
Investments	-	-	-	-	15,164,665	-	15,164,665
Sales taxes receivable	-	-	-	-	1,377,651	-	1,377,651
Interest receivable	-	-	-	-	41,122	-	41,122
Prepaid items	308,215	-	-	-	-	504,041	812,256
Deposits	3,866	-	136,995	-	-	-	140,861
Total Assets	\$ 31,546,377	\$ 6,956,463	\$ 38,558,743	\$ 6,927,177	\$ 16,809,059	\$ 1,499,275	\$ 102,297,094
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 3,270,942	\$ 274,878	\$ 749,496	\$ 143,503	\$ -	\$ 143,874	\$ 4,582,693
Retainage payable	-	-	172,434	-	-	-	172,434
Due to other funds	-	-	-	-	-	301,292	301,292
Unearned revenue	-	-	-	-	-	85,122	85,122
Other	204,972	-	-	-	-	2,692	207,664
Total Liabilities	3,475,914	274,878	921,930	143,503	-	532,980	5,349,205
Deferred Inflows of Resources							
Unavailable grants	150,036	-	-	-	-	-	150,036
Unavailable property taxes	7,178,315	2,153,494	-	2,871,326	-	-	12,203,135
Total deferred inflows of resources	7,328,351	2,153,494	-	2,871,326	-	-	12,353,171
Fund Balances:							
Nonspendable	312,081	-	136,995	-	-	504,041	953,117
Restricted for:							
Construction projects	-	357,047	37,499,818	-	-	91,540	37,948,405
Debt service	-	-	-	-	16,809,059	-	16,809,059
Parks & recreation	-	-	-	-	-	25,667	25,667
Housing and rehabilitation	-	-	-	-	-	27,184	27,184
Police & fire retirement contributions	-	-	-	3,912,348	-	-	3,912,348
Assigned to:							
Convention center	-	-	-	-	-	624,458	624,458
Construction projects	958,678	4,171,044	-	-	-	-	5,129,722
Other purposes	9,168	-	-	-	-	-	9,168
Unassigned (deficit)	19,462,185	-	-	-	-	(306,595)	19,155,590
Total Fund Balances	20,742,112	4,528,091	37,636,813	3,912,348	16,809,059	966,295	84,594,718
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 31,546,377	\$ 6,956,463	\$ 38,558,743	\$ 6,927,177	\$ 16,809,059	\$ 1,499,275	\$ 102,297,094

City of Fort Smith, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2018

Total fund balances – governmental funds \$ 84,594,718

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	\$ 27,371,491	
Buildings	86,677,706	
Improvements other than buildings	24,167,271	
Machinery and equipment	52,656,267	
Infrastructure	426,782,436	
Accumulated depreciation	<u>(215,767,835)</u>	
	401,887,336	
Construction in progress	<u>11,929,542</u>	
 Total	 <u>\$ 413,816,878</u>	 413,816,878

Some revenues in the governmental funds are unearned because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, however, those revenues would be recognized regardless of when they are collected. 12,353,171

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. 1,549,536

Internal service funds are used by management to charge the costs of certain activities, such as fuel and insurance, to individual funds. A portion of the assets and liabilities are included in governmental activities in the statement of net position. 4,302,300

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	\$ 2,135,770	
Claims payable	82,500	
Sales tax bonds payable, net	75,694,781	
Interest payable	483,658	
Net pension liabilities	70,453,304	
OPEB liabilities	<u>7,286,807</u>	
 Total	 <u>\$ 156,136,820</u>	 <u>(156,136,820)</u>

Net position of governmental activities \$ 360,479,783

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2018

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 7,331,663	\$ 2,199,821	\$ -	\$ 2,933,857	\$ -	\$ -	\$ 12,465,341
Sales taxes	22,419,834	-	21,503,354	-	16,127,517	-	60,050,705
Licenses and permits	1,881,334	203,424	-	-	-	-	2,084,758
Utility franchise fees	6,840,478	-	-	-	-	-	6,840,478
Intergovernmental	3,961,754	6,064,275	-	1,712,138	-	2,003,879	13,742,046
Fines and forfeitures	2,037,330	-	-	109,938	-	-	2,147,268
Fees for services	570,311	-	-	-	-	782,643	1,352,954
Interest	924,037	15,716	156,124	25,388	212,773	21,097	1,355,135
Increase in fair value of investments	-	-	-	-	25,666	-	25,666
Contributions	1,203,126	-	101,470	1,899,503	-	-	3,204,099
Miscellaneous	498,239	73,123	30,169	670	-	1,171	603,372
Total Revenues	47,668,106	8,556,359	21,791,117	6,681,494	16,365,956	2,808,790	103,871,822
Expenditures							
Current:							
General government							
Administration	3,156,542	221,670	-	-	-	-	3,378,212
Legal and courts	2,024,888	129,052	-	-	-	-	2,153,940
Finance	1,598,545	516,481	-	-	-	-	2,115,026
Public safety							
Police	14,218,898	-	-	4,251,858	-	143,834	18,614,590
Fire	12,912,611	-	-	5,379,375	-	-	18,291,986
Public works							
Operations	-	517,467	-	-	-	-	517,467
Streets	-	3,316,514	-	-	-	-	3,316,514
Traffic Control	-	1,917,819	-	-	-	-	1,917,819
Community services							
Health and Social Services	118,441	-	-	-	-	-	118,441
Parks and Recreation	2,835,221	281,906	-	-	-	140	3,117,267
Convention Center	-	-	-	-	-	1,535,760	1,535,760
Transit	2,147,988	-	-	-	-	-	2,147,988
Housing and Rehabilitation	-	-	-	-	-	1,982,294	1,982,294
Other	1,854,140	-	32,205	-	22,800	-	1,909,145
Capital Outlay	4,861,702	261,929	12,494,534	-	-	2,026,026	19,644,191
Debt Service:							
Principal	-	-	-	-	12,735,000	-	12,735,000
Interest	-	-	-	-	2,589,697	-	2,589,697
Total Expenditures	45,728,976	7,162,838	12,526,739	9,631,233	15,347,497	5,688,054	96,085,337
Excess (deficiency) in revenues over (under) expenditures	1,939,130	1,393,521	9,264,378	(2,949,739)	1,018,459	(2,879,264)	7,786,485

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)
For the Year Ended December 31, 2018

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)							
Transfers in	\$ 2,524,814	\$ -	\$ -	\$ 150,000	\$ -	\$ 777,000	\$ 3,451,814
Transfers out	(1,017,000)	(115,000)	(1,831,814)	-	-	-	(2,963,814)
Total Other Financing Sources and Uses	1,507,814	(115,000)	(1,831,814)	150,000	-	777,000	488,000
Net Change in Fund Balances	3,446,944	1,278,521	7,432,564	(2,799,739)	1,018,459	(2,102,264)	8,274,485
Fund Balances, beginning of year	17,295,168	3,249,570	30,204,249	6,712,087	15,790,600	3,068,559	76,320,233
Fund Balances, end of year	\$ 20,742,112	\$ 4,528,091	\$ 37,636,813	\$ 3,912,348	\$ 16,809,059	\$ 966,295	\$ 84,594,718

City of Fort Smith, Arkansas
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, 2018

Net change in fund balances – total governmental funds	\$ 8,274,485
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.	19,644,191
Capital contributions to the Water and Sewer Fund are recognized as transfers out on the government-wide statement of activities	(1,743,595)
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.	(15,789,218)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	15,026
The repayment of debt consumes current financial resources of governmental funds. This transaction does 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.	12,735,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	463,999
Some expenses, <i>i.e.</i> , 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.	(8,381,866)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fuel, to individual funds. The net loss of the internal service funds is reported with governmental activities	<u>2,752,568</u>
Change in net position of governmental activities	<u><u>\$ 17,970,590</u></u>

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City of Fort Smith, Arkansas
Statement of Fund Net Position –
Proprietary Funds
December 31, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Current Assets				
Cash	\$ -	\$ 4,463,135	\$ 4,463,135	\$ 3,094,342
Investments	25,255,402	21,912,819	47,168,221	4,666,066
Receivables				
Accounts, net of uncollectibles of \$196,833; \$56,519 and \$-0-	11,123,022	3,133,480	14,256,502	28,435
Accrued interest	-	-	-	-
Restricted				
Cash	223,375	-	223,375	-
Investments	87,865,285	-	87,865,285	-
Accounts receivable, net of uncollectibles of \$628,510	-	209,503	209,503	-
Interest receivable	-	-	-	-
Inventories	1,262,946	103,346	1,366,292	29,813
Prepaid items	-	16,366	16,366	15,000
Due from other funds	173,456	-	173,456	-
Total Current Assets	125,903,486	29,838,649	155,742,135	7,833,656
Noncurrent Assets				
Restricted				
Prepaid items and deposits	160,092	-	160,092	-
Capital assets				
Land	14,086,247	373,772	14,460,019	-
Buildings	1,925,102	5,208,689	7,133,791	-
Improvements other than buildings	-	23,253,316	23,253,316	-
Leasehold improvements	-	709,952	709,952	-
Machinery and equipment	20,636,321	18,585,761	39,222,082	-
Water system	411,525,519	-	411,525,519	-
Sewer system	322,106,840	-	322,106,840	-
Construction in progress	23,141,355	-	23,141,355	-
Less accumulated depreciation	(240,787,019)	(36,710,850)	(277,497,869)	-
Total Noncurrent Assets	552,794,457	11,420,640	564,215,097	-
Total Assets	678,697,943	41,259,289	719,957,232	7,833,656
Deferred outflows of resources				
Deferred amount on refunding	2,728,152	-	2,728,152	-
Deferred outflows of resources - OPEB	3,620	1,255	4,875	-
Total deferred outflows of resources	2,731,772	1,255	2,733,027	-

City of Fort Smith, Arkansas
Statement of Fund Net Position –
Proprietary Funds (Continued)
December 31, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Current liabilities				
Accounts payable and accrued liabilities	\$ 5,571,935	\$ 971,194	\$ 6,543,129	\$ 253,406
Retainage payable	524,154	-	524,154	-
Accrued vacation and sick leave	51,306	14,208	65,514	-
Accrued interest	2,691,963	-	2,691,963	-
Claims and judgments	-	-	-	1,738,264
Revenue bonds payable	6,360,000	-	6,360,000	-
Deposits	539,167	-	539,167	-
Other	1,670	-	1,670	-
Total Current Liabilities	15,740,195	985,402	16,725,597	1,991,670
Noncurrent liabilities				
Accrued vacation and sick leave	803,801	222,590	1,026,391	-
Landfill closure and postclosure care	-	8,251,531	8,251,531	-
Revenue bonds, net	244,115,721	-	244,115,721	-
OPEB liabilities	3,164,159	1,097,062	4,261,221	-
Total Noncurrent Liabilities	248,083,681	9,571,183	257,654,864	-
Total Liabilities	263,823,876	10,556,585	274,380,461	1,991,670
Deferred inflows of resources				
Deferred amount on refunding	252,715	-	252,715	-
Deferred inflows of resources - OPEB	4,514,847	1,565,367	6,080,214	-
Total deferred inflows of resources	4,767,562	1,565,367	6,332,929	-
Net Position				
Net investment in capital assets	380,187,631	11,420,640	391,608,271	-
Restricted for bond retirement	8,111,137	-	8,111,137	-
Restricted for asset replacement	500,000	125,471	625,471	-
Unrestricted	24,039,509	17,592,481	41,631,990	5,841,986
Total Net Position	\$ 412,838,277	\$ 29,138,592	441,976,869	\$ 5,841,986
Reconciliation to government - wide statement of net position:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			1,539,686	
Net position of business type activities			\$ 443,516,555	

City of Fort Smith, Arkansas
Statement of Revenues, Expenses and Changes in
Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Operating Revenues				
Water service	\$ 26,585,834	\$ -	\$ 26,585,834	\$ -
Sewer service	29,907,067	-	29,907,067	-
Other charges for services	1,204,906	16,647,589	17,852,495	11,366,996
Other	160,259	165,112	325,371	-
Total Operating Revenues	<u>57,858,066</u>	<u>16,812,701</u>	<u>74,670,767</u>	<u>11,366,996</u>
Operating Expenses				
Personnel services	15,612,059	5,482,839	21,094,898	-
Contractual services	6,465,024	2,572,826	9,037,850	728,990
Materials and supplies	4,953,968	2,821,215	7,775,183	753,898
Heat, light, and power	1,988,553	100,561	2,089,114	-
Depreciation	15,035,344	1,647,423	16,682,767	-
Insurance claims and expenses	-	-	-	8,166,794
Total Operating Expenses	<u>44,054,948</u>	<u>12,624,864</u>	<u>56,679,812</u>	<u>9,649,682</u>
Operating Income	<u>13,803,118</u>	<u>4,187,837</u>	<u>17,990,955</u>	<u>1,717,314</u>
Nonoperating Revenues (Expenses)				
Interest revenue	935,822	284,103	1,219,925	24,688
Interest expense and fiscal charges	(7,533,963)	-	(7,533,963)	-
Other nonoperating revenues	1,088,658	11,158	1,099,816	-
Net Nonoperating Revenues (Expenses)	<u>(5,509,483)</u>	<u>295,261</u>	<u>(5,214,222)</u>	<u>24,688</u>
Income Before Contributions and Transfers	<u>8,293,635</u>	<u>4,483,098</u>	<u>12,776,733</u>	<u>1,742,002</u>
Capital contributions	1,743,595	-	1,743,595	-
Transfers in	-	90,000	90,000	-
Transfers out	(215,000)	(363,000)	(578,000)	-
Change in Net Position	<u>9,822,230</u>	<u>4,210,098</u>	<u>14,032,328</u>	<u>1,742,002</u>
Net position, beginning of year, as previously reported	<u>402,564,723</u>	<u>24,390,339</u>		<u>4,099,984</u>
Restatement for adoption of GASB 75 (Note 1)	451,324	538,155		-
Net position, beginning of year, as restated	<u>403,016,047</u>	<u>24,928,494</u>		<u>4,099,984</u>
Net position, end of year	<u>\$ 412,838,277</u>	<u>\$ 29,138,592</u>		<u>\$ 5,841,986</u>
Reconciliation to government - wide statement of activities:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			<u>653,059</u>	
Change in net position of business type activities for government-wide statement of activities			<u>\$ 14,685,387</u>	

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City of Fort Smith, Arkansas
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Cash Flows from Operating Activities				
Cash received from customers	\$ 57,499,542	\$ 16,997,609	\$ 74,497,151	\$ -
Cash received from service users	-	-	-	1,186,879
Cash received from city and employee contributions	-	-	-	10,280,307
Cash payments for goods and services	(16,491,249)	(7,025,829)	(23,517,078)	(746,614)
Cash paid to employees	(15,643,646)	(5,467,539)	(21,111,185)	-
Cash payments for premiums and other operating expenses	-	-	-	(464,534)
Cash payments for claims paid	-	-	-	(8,126,390)
Cash received from other operating revenues	160,259	165,112	325,371	-
	25,524,906	4,669,353	30,194,259	2,129,648
Net cash provided by operating activities				
Cash Flows from Noncapital Financing Activities				
Transfers in from other funds	-	90,000	90,000	-
Transfers out to other funds	(215,000)	(363,000)	(578,000)	-
	(215,000)	(273,000)	(488,000)	-
Net cash used in noncapital financing activities				
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	309,710	33,262	342,972	-
Acquisition and construction of capital assets	(27,432,308)	(1,398,859)	(28,831,167)	-
Proceeds from the issuance of bonds	146,928,446	-	146,928,446	-
Principal paid on bonds	(72,430,000)	-	(72,430,000)	-
Interest paid on bonds	(8,823,561)	-	(8,823,561)	-
	38,552,287	(1,365,597)	37,186,690	-
Net cash provided by (used in) capital and related financing activities				
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investment securities	24,736,055	8,059,184	32,795,239	-
Outlays for purchases of investment securities	(89,778,617)	(8,347,104)	(98,125,721)	(25,597)
Interest on investments	795,334	287,920	1,083,254	25,597
	(64,247,228)	-	(64,247,228)	-
Net cash used in investing activities				
Net Increase (Decrease) in Cash	(385,035)	3,030,756	2,645,721	2,129,648
Cash, beginning of year	608,410	1,432,379	2,040,789	964,694
	\$ 223,375	\$ 4,463,135	\$ 4,686,510	\$ 3,094,342
Cash, end of year				

City of Fort Smith, Arkansas
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended December 31, 2018

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Reconciliation of cash and restricted cash at December 31 to statement of net position				
Cash	\$ -	\$ 4,463,135	\$ 4,463,135	\$ 3,094,342
Restricted cash	223,375	-	223,375	-
Total	\$ 223,375	\$ 4,463,135	\$ 4,686,510	\$ 3,094,342
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 13,803,118	\$ 4,187,837	\$ 17,990,955	\$ 1,717,314
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	15,035,344	1,647,423	16,682,767	-
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources				
Accounts receivable	(4,801,665)	(1,824,708)	(6,626,373)	13,344
Due from other funds	(173,456)	-	(173,456)	(136)
Inventory	(191,835)	29,375	(162,460)	6,712
Prepaid items	14,120	(4,561)	9,559	109,550
Deferred outflows of resources - OPEB	(3,620)	(1,255)	(4,875)	
Accounts payable and accrued liabilities	1,965,948	355,030	2,320,978	195,015
Deposits	(5,603)	-	(5,603)	-
Liability for claims and judgments	-	-	-	87,849
OPEB liabilities	(4,631,465)	(1,605,800)	(6,237,265)	-
Deferred inflows of resources - OPEB	4,514,847	1,565,367	6,080,214	
Other liabilities	(827)	320,645	319,818	-
Total adjustments	11,721,788	481,516	12,203,304	412,334
Net cash provided by operating activities	\$ 25,524,906	\$ 4,669,353	\$ 30,194,259	\$ 2,129,648

Noncash investing, capital and financing activities:

Enterprise funds:

The Water and Sewer Fund received contributions of capital assets of \$1,743,595 for 2018.

City of Fort Smith, Arkansas
Statement of Fiduciary Net Position
OPEB Trust Fund
December 31, 2018

Assets

Current Assets

Investments:

Government money market funds	\$ 424,592
Equities - agency bonds	179,408
US government bonds	736,594
Certificates of deposit	<u>149,946</u>
Total Investments	<u>1,490,540</u>
Total Current Assets	<u>1,490,540</u>
Total Assets	<u>1,490,540</u>

Liabilities

Current Liabilities

Accounts payable	<u>3,726</u>
Total Current Liabilities	<u>3,726</u>
Total Liabilities	<u>3,726</u>

Net Position

Net position restricted for postemployment benefits other than pensions	<u>1,486,814</u>
Total Net Position	<u>\$ 1,486,814</u>

City of Fort Smith, Arkansas
Statement of Changes in Fiduciary Net Position
OPEB Trust Fund
For the Year Ended December 31, 2018

Additions:

Contributions	
Employer	\$ 271,381
Total contributions	271,381
Investment Earnings	
Net increase in fair value of investments	27,907
Total investment earnings	27,907
Total additions	299,288

Deductions:

Benefits paid directly to participants	271,381
Management fees	25,666
Total deductions	297,047
Change in Net Position	2,241

Net Position Restricted for Postemployment

Benefits Other Than Pensions

Beginning of year	1,484,573
End of year	\$ 1,486,814

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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.

Adoption of Accounting Principles

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

Effective January 1, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). The requirements of this statement will improve the decision-usefulness of information in governmental entities financials reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net other postemployment benefits (OPEB) liability and a more comprehensive measure of OPEB expense. GASB 75 requires more extensive note disclosures as detailed in *Note 8* and required supplementary information (RSI) about the net OPEB liabilities.

The beginning net position has been restated to reflect the implementation of the new accounting standard as follows:

	Governmental Activities	Business-type Activities	Proprietary Funds	
			Water and Sewer Fund	Sanitation Fund
Net position at January 1, 2018, as Previously Reported	\$ 339,860,567	\$ 427,841,689	\$ 402,564,723	\$ 24,390,339
Recording of OPEB items - implementation of GASB 75:				
Recording of net OPEB liability as of January 1, 2018	(17,952,697)	(10,498,487)	(7,795,624)	(2,702,863)
Elimination of OPEB liability as previously reported at January 1, 2018	<u>20,601,323</u>	<u>11,487,966</u>	<u>8,246,948</u>	<u>3,241,018</u>
Adjustment to beginning net position for GASB 75 implementation	<u>2,648,626</u>	<u>989,479</u>	<u>451,324</u>	<u>538,155</u>
Total Net Position, Beginning of Year, as Restated	<u>\$ 342,509,193</u>	<u>\$ 428,831,168</u>	<u>\$ 403,016,047</u>	<u>\$ 24,928,494</u>

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2018

GASB Statement No. 85 – Omnibus 2017

Effective January 1, 2018, the City implemented GASB Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB standards and addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and postemployment benefits. This statement had no major effect on the City's financial statements in 2018.

GASB Statement No. 86 – Certain Debt Extinguishment Issues

Effective January 1, 2018, the City implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement had no effect on the City's financial statements in 2018.

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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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

The City has no component units included as Blended Component Units during 2018.

Discretely Presented Component Units

Business-Type

Fort Smith Parking Authority (the Authority) - The Authority’s governing board is appointed by the City’s Board; the operation and administration of the Authority’s property is conducted by City personnel; and the legal liability for the Authority’s revenue bond obligation remains with the City. In addition, the City provides a subsidy to fund the Authority’s operations; however, the Authority functions almost entirely for the benefit of residents and other customers. The Authority is a special purpose government engaged solely in business-type activities and is discretely presented in the City’s basic financial statements. Separate financial statements are not prepared for the Authority. See *Note 13* on pages 126-127 of these notes for condensed financial statements.

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. 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 13* on pages 126-127 of these notes 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 13* on pages 126-127 of these notes for condensed financial statements.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2018

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 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 13* on pages 126-127 of these notes 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.

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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 state gas turnback revenues 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.

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.

The *Sales and Use Tax Bond Fund* is a debt service fund that accounts for resources to repay general government related debt.

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 *Sanitation 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.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2018

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, Special Grants Fund, Economic Development Fund, and Convention Center Fund.

Capital Projects Fund - The Sales and Use Tax Construction Fund is a capital projects fund that accounts for the proceeds of the Sales and Use Tax Refunding and Construction Bonds and the projects funded thereby.

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.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2018

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 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 are reported as expenditures and proceeds of general long-term debt 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, 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

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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 cost including interest during the construction period for business-type activities. Contributed property is recorded at acquisition value at the date of contribution. Depreciation is recorded on each class of depreciable property 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.

The ranges of estimated useful lives, excluding improvements other than buildings for the Sanitation 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
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
Sanitation:	
Buildings	35
Leasehold improvements	10 to 30
Machinery and equipment	3 to 10
Discretely presented component units:	
Public Library	
Fixtures and equipment	5 to 10
Transportation equipment	5
Parking Authority:	
Buildings	30
Machinery and equipment	3 to 10
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

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 following Monday in February (the lien date). All unpaid taxes levied November 1 become delinquent October 16 of the following year.

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 2018 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 \$7.4 million of additional taxes could be raised per year based on the current year's assessed value of \$1,085,359,343 for real property and \$394,705,520 for personal property before the limit is reached.

Compensated Absences

The City allows nonuniformed employees to accumulate unused vacation of up to 160 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. 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 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 to a maximum amount of three month's salary in the rank of Assistant Chief and above, and to a maximum amount of 728 hours for firefighters in the rank of Captain and below.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2018

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 \$7,742,109 in 2018, 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 8* on pages 116-121.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$1,153,675 in 2018 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 a 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 \$21,503,354 for fiscal year 2018, 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 through 2025.

In August 1994, Sebastian County began assessing a 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 \$17,043,995 for fiscal year 2018. 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 through August 2024.

In March 2012, the citizens approved a referendum to continue the 1% sales and use tax on retail sales in the city to refund the Sales and Use Tax Construction Bonds, Series 2006, 2008 and 2009, to fund a new aquatics center, construct a new fire station, purchase and replace fire apparatus, improve existing fire stations, water improvements and wastewater improvements. The 1% sales tax revenue is split at ¾% for the repayment of the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and 2014, and ¼% for fire and parks departments operating and capital asset costs. These taxes are collected by the state and remitted to the City net of a collection fee. The taxes for this purpose totaled \$21,503,354 for fiscal year 2018, of which \$ 5,375,839 is included in the General Fund's sales tax revenue and \$ 16,127,517 is included in the Sales and Use Tax Bond Fund's sales tax revenue.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Statement of Cash Flows

For 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 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 and deferred losses on refundings

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 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 proceeds of the City's general government sales and use tax 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 balance of the restricted asset accounts in the governmental activities are as follows:

Cash	\$	225,621
Investments		15,164,665
Interest receivable		41,122
Sales taxes receivable		1,377,651
Total restricted assets - governmental activities	\$	16,809,059

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 meter deposit account	\$ 64,134
Cash - water and sewer bond construction account	159,241
Investments - water and sewer depreciation account	1,407,446
Investments - water and sewer meter deposit account	376,290
Investments - water and sewer bond account	8,052,562
Investments - water and sewer bond construction account	78,028,987
Accounts receivable, net - solid waste cleanup program account	<u>209,503</u>
Total current assets - restricted	<u>88,298,163</u>

Noncurrent assets:

Prepaid items and deposits - water and sewer operating account	19,373
Prepaid items and deposits - water and sewer bond construction account	<u>140,719</u>
Total noncurrent assets	<u>160,092</u>

Total restricted assets - enterprise funds	<u>\$ 88,458,255</u>
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Unearned Revenue

Unearned revenue consists mainly of grant receipts and convention center rentals.

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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 Employee's 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.

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.

City of Fort Smith, Arkansas

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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 position 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 7*. 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four items that qualify as deferred inflows of resources as of December 31, 2018. 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 7*.

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.

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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 loss of \$(25,666) is recorded as a decrease in fair value of investments for the primary government in 2018 related to the City’s governmental funds.

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 deposit policy for custodial credit risk requires compliance with the provisions of 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, 2018, none of the City’s bank balances were uninsured and uncollateralized. These balances were exposed to custodial credit risk. Independent third parties held securities in the City’s name as collateral at December 31, 2018. The bank balances and carrying amount of the City’s deposits held as of December 31, 2018 were as follows:

Pooled and Nonpooled Funds

Description	Bank Balance	Carrying Amount
Demand deposits	\$ 194,691,576	\$ 194,257,340
Certificates of deposit	<u>8,495,272</u>	<u>8,495,272</u>
	<u>\$ 203,186,848</u>	<u>\$ 202,752,612</u>

Component Units

At year-end, the carrying amount of the Public Library’s deposits was \$745,142 and the bank balance was \$889,692 . At December 31, 2018, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission’s deposits was \$3,405,336 and the bank balance was \$4,805,176 . At December 31, 2018, none of the balances were exposed to custodial credit risk.

City of Fort Smith, Arkansas
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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 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, 2018, were as follows:

Pooled and Nonpooled Funds

Description	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years
U.S. Treasury Bills	\$ 4,042,780	\$ 4,042,780	\$ -
U.S. Treasury Notes	<u>20,537,510</u>	<u>-</u>	<u>20,537,510</u>
	<u>\$ 24,580,290</u>	<u>\$ 4,042,780</u>	<u>\$ 20,537,510</u>

City of Fort Smith, Arkansas

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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, 2018:

- U.S. government obligations of \$24,580,290 are valued using the option-adjusted discounted cash flow model (Level 1 inputs).
- Money market funds of \$424,592, equities of \$179,408 and fixed income securities of \$881,805 are valued using quoted market prices (Level 1 inputs).

Component Units

At year-end, the Advertising & Promotion Commission held \$396,975 in U.S. Treasury Bills. The Advertising & Promotion Commission reports investments at fair value and the maturity dates of the bills are less than one year. The U.S. government obligations of \$396,975 are valued using the option-adjusted discount cash flow model (Level 1 inputs).

At year-end, the Public Library held \$301,879 in money market funds. The Public Library reports investments at fair value.

At year-end, the Parking Authority fund held \$463,906 in U.S. Treasury Bills. The Parking Authority reports investments at fair value and the maturity dates of the bills are less than one year. The U.S. government obligations of \$463,906 are valued using the option-adjusted discount cash flow model (Level 1 inputs).

At year-end, the Airport Commission held \$78,100 in money market mutual funds. The Airport Commission reports investments at fair value.

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.

Credit Risk. The City's investments at December 31, 2018, 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.

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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	\$ 202,752,612
Deposits classified as investments	<u>(178,569,572)</u>
	<u>\$ 24,183,040</u>
Cash as reported on the government-wide statement of net position	\$ 23,734,044
Restricted cash as reported on the government-wide statement of net position	<u>448,996</u>
	<u>\$ 24,183,040</u>
Carrying value of investments -	
Pooled and nonpooled funds	\$ 24,580,290
Deposits classified as investments	<u>178,569,572</u>
	<u>\$ 203,149,862</u>
As reported on the government-wide statement of net position:	
Investments	\$ 100,078,790
Restricted investments	103,029,950
Restricted interest receivable	<u>41,122</u>
	<u>\$ 203,149,862</u>

City of Fort Smith, Arkansas
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Component Units:

Governmental

Carrying value of deposits -		
Public Library	\$	745,142
Carrying value of investments -		
Advertising and Promotion		
Commission		396,975
Public Library		<u>301,879</u>
	<u>\$</u>	<u>1,443,996</u>

As reported on the government-wide
statement of net position:

Cash	\$	745,142
Investments		<u>698,854</u>
	<u>\$</u>	<u>1,443,996</u>

Business type

Carrying value of deposits -		
Airport Commission	\$	4,739,863
Carrying value of investments -		
Parking Authority		463,906
Airport Commission		<u>78,100</u>
	<u>\$</u>	<u>5,281,869</u>

As reported on the government-wide
statement of net position:

Cash	\$	2,369,577
Investments		1,876,533
Restricted cash		79,866
Restricted investments		<u>955,893</u>
	<u>\$</u>	<u>5,281,869</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2018 was as follows:

Primary Government:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2018</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 27,150,846	\$ 200,000	\$ 20,645	\$ 27,371,491
Construction in progress	33,941,453	15,924,405	(37,936,316)	11,929,542
Total capital assets not being depreciated	<u>61,092,299</u>	<u>16,124,405</u>	<u>(37,915,671)</u>	<u>39,301,033</u>
Capital assets being depreciated				
Buildings	86,575,564	76,567	25,575	86,677,706
Improvements other than buildings	20,418,282	-	3,748,989	24,167,271
Infrastructure	394,704,259	-	32,078,177	426,782,436
Machinery and equipment	49,074,218	1,699,624	1,882,425	52,656,267
Total depreciable capital assets at historical cost	<u>550,772,323</u>	<u>1,776,191</u>	<u>37,735,166</u>	<u>590,283,680</u>
Less accumulated depreciation for				
Buildings	29,028,097	1,868,977	-	30,897,074
Improvements other than buildings	10,831,218	834,841	-	11,666,059
Infrastructure	131,472,326	9,992,340	-	141,464,666
Machinery and equipment	28,813,265	3,093,060	(166,289)	31,740,036
Total accumulated depreciation	<u>200,144,906</u>	<u>15,789,218</u>	<u>(166,289)</u>	<u>215,767,835</u>
Capital assets being depreciated, net	<u>350,627,417</u>	<u>(14,013,027)</u>	<u>37,901,455</u>	<u>374,515,845</u>
Governmental activities capital assets, net	<u>\$ 411,719,716</u>	<u>\$ 2,111,378</u>	<u>\$ (14,216)</u>	<u>\$ 413,816,878</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Primary Government:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2018</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 14,261,392	\$ 198,627	\$ -	\$ 14,460,019
Construction in progress	22,987,983	23,650,971	(23,497,599)	23,141,355
Total capital assets not being depreciated	<u>37,249,375</u>	<u>23,849,598</u>	<u>(23,497,599)</u>	<u>37,601,374</u>
Capital assets being depreciated:				
Water system	407,683,157	771,780	3,070,582	411,525,519
Sewer system	301,311,737	1,879,730	18,915,373	322,106,840
Buildings	6,853,786	-	280,005	7,133,791
Improvements other than buildings	23,253,316	-	-	23,253,316
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	33,835,775	5,246,202	140,105	39,222,082
Total depreciable capital assets at historical cost	<u>773,647,723</u>	<u>7,897,712</u>	<u>22,406,065</u>	<u>803,951,500</u>
Less accumulated depreciation for:				
Water system	124,614,883	7,260,089	-	131,874,972
Sewer system	92,550,792	5,638,738	-	98,189,530
Buildings	1,506,774	210,584	-	1,717,358
Improvements other than buildings	20,907,627	276,256	-	21,183,883
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	20,444,060	3,297,100	81,014	23,822,174
Total accumulated depreciation	<u>260,734,088</u>	<u>16,682,767</u>	<u>81,014</u>	<u>277,497,869</u>
Capital assets being depreciated, net	<u>512,913,635</u>	<u>(8,785,055)</u>	<u>22,325,051</u>	<u>526,453,631</u>
Business-type activities capital assets, net	<u>\$ 550,163,010</u>	<u>\$ 15,064,543</u>	<u>\$ (1,172,548)</u>	<u>\$ 564,055,005</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government -	
Administration	\$ 51,270
Legal	544
Finance	62,323
Public safety -	
Police	1,173,573
Fire	1,185,953
Public works -	
Streets	10,022,692
Traffic Control	515,264
Community services -	
Health and social services	8,465
Parks and recreation	1,692,825
Convention center	683,292
Transit	379,926
Housing and rehabilitation	<u>13,091</u>
Total governmental activities depreciation expense	<u>15,789,218</u>
Business type activities:	
Water and Sewer	15,035,344
Sanitation	<u>1,647,423</u>
Total business-type activities depreciation expense	<u>16,682,767</u>
Total depreciation expense	<u><u>\$ 32,471,985</u></u>

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

Capital asset activity (on page 71):	
Additions for capital assets not being depreciated	\$ 16,124,405
Additions for capital assets being depreciated	<u>1,776,191</u>
	<u><u>\$ 17,900,596</u></u>
Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 19,644,191
Less: capital contributions to the Water and Sewer Fund	<u>(1,743,595)</u>
	<u><u>\$ 17,900,596</u></u>

City of Fort Smith, Arkansas
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A non-cash contribution of \$347,454 was sent from governmental activities to the water and sewer fund. Therefore, capital contributions to the Water and Sewer Fund and capital contributions per the Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds totaled \$1,743,595.

Capital asset activity for the year ended December 31, 2018, for the major enterprise funds was as follows:

Primary Government:

	<u>December 31, 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2018</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 13,887,620	\$ 198,627	\$ -	\$ 14,086,247
Construction in progress	<u>22,917,430</u>	<u>23,650,971</u>	<u>(23,427,046)</u>	<u>23,141,355</u>
Total capital assets not being depreciated:	<u>36,805,050</u>	<u>23,849,598</u>	<u>(23,427,046)</u>	<u>37,227,602</u>
Capital assets being depreciated:				
Buildings	1,715,650	-	209,452	1,925,102
Water system	407,683,157	771,780	3,070,582	411,525,519
Sewer system	301,311,737	1,879,730	18,915,373	322,106,840
Machinery and equipment	<u>16,745,153</u>	<u>3,877,914</u>	<u>13,254</u>	<u>20,636,321</u>
Total depreciable capital assets at historical cost	<u>727,455,697</u>	<u>6,529,424</u>	<u>22,208,661</u>	<u>756,193,782</u>
Less accumulated depreciation for:				
Buildings	66,490	53,920	-	120,410
Water system	124,614,883	7,260,089	-	131,874,972
Sewer system	92,550,792	5,638,738	-	98,189,530
Machinery and equipment	<u>8,534,776</u>	<u>2,082,597</u>	<u>(15,266)</u>	<u>10,602,107</u>
Total accumulated depreciation	<u>225,766,941</u>	<u>15,035,344</u>	<u>(15,266)</u>	<u>240,787,019</u>
Capital assets being depreciated, net	<u>501,688,756</u>	<u>(8,505,920)</u>	<u>22,223,927</u>	<u>515,406,763</u>
Total Water and Sewer Fund capital assets, net	<u>\$ 538,493,806</u>	<u>\$ 15,343,678</u>	<u>\$ (1,203,119)</u>	<u>\$ 552,634,365</u>

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	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2018</u>
Sanitation Fund:				
Capital assets not being depreciated:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in progress	70,553	-	(70,553)	-
Total capital assets not being depreciated:	<u>444,325</u>	<u>-</u>	<u>(70,553)</u>	<u>373,772</u>
Capital assets being depreciated:				
Buildings	5,138,136	-	70,553	5,208,689
Improvements other than buildings	23,253,316	-	-	23,253,316
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	17,090,622	1,368,288	126,851	18,585,761
Total depreciable capital assets at historical cost	<u>46,192,026</u>	<u>1,368,288</u>	<u>197,404</u>	<u>47,757,718</u>
Less accumulated depreciation for:				
Buildings	1,440,284	156,664	-	1,596,948
Improvements other than buildings	20,907,627	276,256	-	21,183,883
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	11,909,284	1,214,503	96,280	13,220,067
Total accumulated depreciation	<u>34,967,147</u>	<u>1,647,423</u>	<u>96,280</u>	<u>36,710,850</u>
Capital assets being depreciated, net	<u>11,224,879</u>	<u>(279,135)</u>	<u>101,124</u>	<u>11,046,868</u>
Total Sanitation fund capital assets, net	<u>\$ 11,669,204</u>	<u>\$ (279,135)</u>	<u>\$ 30,571</u>	<u>\$ 11,420,640</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Component Units-

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2018</u>
Governmental Activities:				
Public Library				
Capital assets not being depreciated:				
Land	\$ 422,132	\$ -	\$ -	\$ 422,132
Rare book collection	5,000	-	-	5,000
Capital assets not being depreciated	<u>427,132</u>	<u>-</u>	<u>-</u>	<u>427,132</u>
Capital assets being depreciated:				
Equipment	1,423,838	34,243	-	1,458,081
Transportation equipment	139,952	-	-	139,952
Total depreciable capital assets at historical cost	1,563,790	-	-	1,598,033
Less accumulated depreciation	<u>1,201,939</u>	<u>66,455</u>	<u>-</u>	<u>1,268,394</u>
Capital assets being depreciated, net	<u>361,851</u>	<u>(32,212)</u>	<u>-</u>	<u>329,639</u>
Governmental activities capital assets, net				
Public Library	<u>\$ 783,983</u>	<u>\$ (32,212)</u>	<u>\$ -</u>	<u>\$ 756,771</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2018</u>
Business-type activities:				
Parking Authority				
Capital assets				
not being depreciated:				
Land	\$ 1,359,160	\$ -	\$ -	\$ 1,359,160
Capital assets being depreciated:				
Improvements other than buildings	2,490,438	20	-	2,490,458
Machinery and equipment	73,525	30,006	-	103,531
Total depreciable capital	<u>2,563,963</u>	<u>30,026</u>	<u>-</u>	<u>2,593,989</u>
assets at historical cost				
Less accumulated				
depreciation for:				
Improvements other than buildings	2,490,438	20	-	2,490,458
Machinery and equipment	73,525	250	-	73,775
Total accumulated	<u>2,563,963</u>	<u>270</u>	<u>-</u>	<u>2,564,233</u>
depreciation				
Capital assets				
being depreciated, net	<u>-</u>	<u>29,756</u>	<u>-</u>	<u>29,756</u>
Business-type activities				
capital assets, net				
Parking Authority	<u>\$ 1,359,160</u>	<u>\$ 29,756</u>	<u>\$ -</u>	<u>\$ 1,388,916</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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	<u>December 31, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2018</u>
Airport Commission:				
Capital assets				
not being depreciated:				
Land	\$ 6,324,706	\$ 51,757	\$ 455,217	\$ 6,831,680
Construction in progress	<u>1,247,870</u>	<u>3,383,616</u>	<u>(476,290)</u>	<u>4,155,196</u>
Total capital assets not being depreciated	<u>7,572,576</u>	<u>3,435,373</u>	<u>(21,073)</u>	<u>10,986,876</u>
Capital assets being depreciated:				
Buildings	22,091,548	67,683	-	22,159,231
Runways & other airport infrastructure	55,412,227	-	-	55,412,227
Equipment, furniture & fixtures, and other	<u>12,295,921</u>	<u>366,047</u>	<u>(89,734)</u>	<u>12,572,234</u>
Total depreciable capital assets at historical cost	<u>89,799,696</u>	<u>433,730</u>	<u>(89,734)</u>	<u>90,143,692</u>
Less accumulated depreciation for:				
Buildings	13,483,822	500,021	-	13,983,843
Runways & other airport infrastructure	37,800,339	1,642,194	-	39,442,533
Equipment, furniture & fixtures, and other	<u>9,979,623</u>	<u>314,318</u>	<u>(110,426)</u>	<u>10,183,515</u>
Total accumulated depreciation	<u>61,263,784</u>	<u>2,456,533</u>	<u>(110,426)</u>	<u>63,609,891</u>
Capital assets being depreciated, net	<u>28,535,912</u>	<u>(2,022,803)</u>	<u>20,692</u>	<u>26,533,801</u>
Business-type activities capital assets, net				
Airport Commission	<u>\$ 36,108,488</u>	<u>\$ 1,412,570</u>	<u>\$ (381)</u>	<u>\$ 37,520,677</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Construction-in-progress is composed of the following:

	Primary Appropriation	Expended to December 31, 2018	Committed
Primary government:			
Governmental activities	\$ 56,175,515	\$ 11,929,542	\$ 44,245,973
Business-type activities			
Water and sewer capital improvements	<u>39,192,303</u>	<u>23,141,355</u>	<u>16,050,948</u>
Total	<u>\$ 95,367,818</u>	<u>\$ 35,070,897</u>	<u>\$ 60,296,921</u>

The City's governmental construction projects include major street and drainage improvements, a new sports complex, additional trails and greenways, and a new fire training center. Funding is in place for these projects. The water and sewer capital improvement projects include the water and wastewater projects that are being funded by the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and 2014. These assets are being transferred to the Water and Sewer Fund as contributed capital from a general government fund. Funds are available for these projects. The water and sewer capital improvement projects also include the neighborhood waterline improvements, wet weather wastewater improvements, and plant designs that are funded by the 2008 water and sewer system revenue bonds and utility operating revenues. The sanitation project currently includes construction of a new and expanded scale house for operations at the landfill and construction of a new road to the landfill. Funds are in place for both of these projects.

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

	Governmental	Business-Type		
		Water and Sewer	Sanitation	Total
Primary Government:				
Net book value	\$ 413,816,878	\$ 552,634,365	\$ 11,420,640	\$ 564,055,005
Current and noncurrent debt	(76,178,439)	(250,475,721)	-	(250,475,721)
Restricted assets - unspent bond/net proceeds	<u>-</u>	<u>78,028,987</u>	<u>-</u>	<u>78,028,987</u>
Net investment in capital assets	<u>\$ 337,638,439</u>	<u>\$ 380,187,631</u>	<u>\$ 11,420,640</u>	<u>\$ 391,608,271</u>
Component Units:				
Net book value	\$ 756,771	\$ 38,909,593		
Current and noncurrent debt	<u>-</u>	<u>(1,839,193)</u>		
Net investment in capital assets	<u>\$ 756,771</u>	<u>\$ 37,070,400</u>		

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2018 were as follows:

Primary Government-

	Balance January 1, 2018 (as restated)	Increases	Decreases	Balance December 31, 2018	Amount Due in One Year
Governmental Activities:					
Bonds Payable -					
Sales tax bonds	\$ 84,400,000	\$ -	\$ 12,735,000	\$ 71,665,000	\$ 7,670,000
Issuance premium	4,516,358	-	486,577	4,029,781	-
Sales tax bonds payable, net	<u>88,916,358</u>	-	<u>13,221,577</u>	<u>75,694,781</u>	<u>7,670,000</u>
Compensated Absences	1,978,716	157,054	-	2,135,770	128,146
Employee insurance/workers' compensation	1,200,115	366,319	399,565	1,166,869	1,166,869
OPEB liabilities	17,952,697	-	10,665,890	7,286,807	-
Net pension liabilities	<u>62,573,908</u>	<u>7,879,396</u> *	<u>-</u> *	<u>70,453,304</u>	<u>-</u>
Total other long-term liabilities	83,705,436	8,402,769	11,065,455	81,042,750	1,295,015
Total governmental activities long-term liabilities	<u>\$ 172,621,794</u>	<u>\$ 8,402,769</u>	<u>\$ 24,287,032</u>	<u>\$ 156,737,531</u>	<u>\$ 8,965,015</u>
Business-Type Activities					
Bonds Payable -					
Revenue bonds	\$ 168,905,000	\$ 130,680,000	\$ 72,430,000	\$ 227,155,000	\$ 6,360,000
Add issuance premium	8,241,166	16,248,445	1,168,890	23,320,721	-
Revenue bonds payable, net	<u>177,146,166</u>	<u>146,928,445</u>	<u>73,598,890</u>	<u>250,475,721</u>	<u>6,360,000</u>
Compensated absences	1,050,812	57,625	16,532	1,091,905	65,514
Claims Payable-Employee insurance and worker's compensation	450,300	431,284	310,189	571,395	571,395
OPEB liabilities	10,498,487	-	6,237,266	4,261,221	-
Closure/postclosure landfill costs	<u>7,930,886</u>	<u>320,645</u>	<u>-</u>	<u>8,251,531</u>	<u>-</u>
Total other long-term liabilities	19,930,485	809,554	6,563,987	14,176,052	636,909
Total business-type activities long-term liabilities	<u>\$ 197,076,651</u>	<u>\$ 147,737,999</u>	<u>\$ 80,162,877</u>	<u>\$ 264,651,773</u>	<u>\$ 6,996,909</u>

* Net increase is shown.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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

Current Liabilities:	
Current portion of long-term debt	\$ 7,670,000
Noncurrent liabilities:	
Due within one year	1,295,015
Due in more than one year	<u>147,772,516</u>
Total governmental activities long-term liabilities	<u>\$ 156,737,531</u>

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

Current Liabilities:	
Current portion of long-term debt	\$ 6,360,000
Noncurrent liabilities:	
Due within one year	636,909
Due in more than one year	<u>257,654,864</u>
Total business-type activities long-term liabilities	<u>\$ 264,651,773</u>

The claims payable for employee insurance and workers' compensation are related to the internal service fund allocations. The internal service funds serve governmental funds as well as the two enterprise funds, therefore, the claims allocations are applied to governmental and business-type activities as applicable. For governmental activities, the General Fund generally liquidates claims and compensated absences.

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 liquidates OPEB liabilities.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Changes in long-term liabilities for the year ended December 31, 2018 for the major enterprise funds were as follows:

	Balance January 1, 2018 (as restated)	Increases	Decreases	Balance December 31, 2018	Amount Due in One Year
Water and Sewer Fund:					
Bonds Payable -					
Revenue bonds	\$ 168,905,000	\$ 130,680,000	\$ 72,430,000	\$ 227,155,000	\$ 6,360,000
Add issuance premium	8,241,166	16,248,445	1,168,890	23,320,721	-
Revenue bonds payable, net	<u>177,146,166</u>	<u>146,928,445</u>	<u>73,598,890</u>	<u>250,475,721</u>	<u>6,360,000</u>
Compensated absences	840,880	30,759	16,532	855,107	51,306
OPEB liabilities	7,795,624	-	4,631,465	3,164,159	-
Other long-term liabilities	8,636,504	30,759	4,647,997	4,019,266	51,306
Total water and sewer fund	<u>\$ 185,782,670</u>	<u>\$ 146,959,204</u>	<u>\$ 78,246,887</u>	<u>\$ 254,494,987</u>	<u>\$ 6,411,306</u>
Sanitation Fund:					
Compensated absences	\$ 209,932	\$ 26,866	\$ -	\$ 236,798	\$ 14,208
OPEB liabilities	2,702,863	-	1,605,801	1,097,062	-
Closure/postclosure landfill costs	7,930,886	320,645	-	8,251,531	-
Other long-term liabilities	<u>10,843,681</u>	<u>347,511</u>	<u>1,605,801</u>	<u>9,585,391</u>	<u>14,208</u>
Total sanitation fund	<u>\$ 10,843,681</u>	<u>\$ 347,511</u>	<u>\$ 1,605,801</u>	<u>\$ 9,585,391</u>	<u>\$ 14,208</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	Sanitation Fund
Current Liabilities		
Revenue bonds payable	\$ 6,360,000	\$ -
Accrued vacation and sick leave	51,306	14,208
Noncurrent Liabilities:		
Landfill closure and postclosure care	-	8,251,531
Revenue bonds, net	244,115,721	-
Accrued vacation and sick leave	803,801	222,590
OPEB liabilities	<u>3,164,159</u>	<u>1,097,062</u>
Total long-term liabilities for major enterprise funds	<u>\$ 254,494,987</u>	<u>\$ 9,585,391</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Changes in long-term liabilities for the year ended December 31, 2018, for the component units were as follows:

	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2018	Amount Due in One Year
Component Units:					
Business-type activities					
Parking Authority:					
Compensated absences	\$ 661	\$ -	\$ 119	\$ 542	\$ 33
Airport Commission:					
Bonds payable - revenue bonds	2,110,000	-	200,000	1,910,000	210,000
Total business-type activities	<u>\$ 2,110,661</u>	<u>\$ -</u>	<u>\$ 200,119</u>	<u>\$ 1,910,542</u>	<u>\$ 210,033</u>
Governmental activities					
Public Library					
Net pension liabilities	\$ 1,742,013	\$ -	\$ (103,231)	\$ 1,638,782	\$ -
Total governmental activities	<u>\$ 1,742,013</u>	<u>\$ -</u>	<u>\$ (103,231)</u>	<u>\$ 1,638,782</u>	<u>\$ -</u>
Total Component Units	<u>\$ 3,852,674</u>	<u>\$ -</u>	<u>\$ 96,888</u>	<u>\$ 3,549,324</u>	<u>\$ 210,033</u>

Operating Leases

The City leases office space under a noncancelable operating lease. Total costs for the lease to the General Fund were \$310,000 for the year ended December 31, 2018. The future minimum lease payments for the lease is \$362,000 with \$310,000 due in 2019 and \$52,000 due in 2020.

Capital Leases

In accordance with Amendment 78 of the Arkansas Constitution, Arkansas state statutes limit the amount of short-term financing, including capital leases, the City may have in any fiscal year 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 no capital leases payable considered short-term financing as of December 31, 2018. The limit as of December 31, 2018 was \$74.0 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2018.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Sales and Use Tax Bonds- Governmental Activities

On May 22, 2012, the City issued \$110,660,000 Sales and Use Tax Refunding and Improvement Bonds, Series 2012. The bonds were issued to advance refund the outstanding Sales and Use Tax Refunding and Improvement Bonds, Series 2006, Sales and Use Tax Bonds, Series 2008, and Sales and Use Tax & Water and Sewer Revenue Bonds, Series 2009. The 2006 and 2008 Bonds were redeemed on September 1, 2013 and the 2009 Bonds were redeemed September 1, 2014. The reacquisition price exceeded the carrying amount of the old debt by \$1,483,000. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The bonds were also issued to fund \$39.4 million in wastewater improvements; \$20.7 million in water system improvements; \$8.6 million in fire improvements; and \$4 million in aquatic center improvements. The bonds are due May 1, 2013 through May 1, 2027 in varying amounts with interest ranging from 1% to 5%, payable semiannually. The effective interest rate on the 2012 bonds is 3.05%. On March 13, 2012, voters approved the reauthorization of two ½% sales and use taxes for these bonds and for operation costs. The bonds are supported by .75% sales and use tax. The bonds are subject to mandatory redemption in inverse order from surplus tax collections on any payment date. During 2014, \$1,555,000 of the 2012 bonds was called. The remaining .25% sales and use tax is used for fire and park operations.

On February 27, 2014, the city issued \$34.295 million in Sales and Use Tax Bonds, Series 2014. Citizens approved the bonds in a referendum on March 13, 2012. These are additional bonds for water and wastewater improvements. A total of \$6 million is allocated to water improvements including transmission lines, water storage and pump stations. A total of \$28 million is allocated to wastewater improvements including wet weather sewer improvements. The 2014 Bonds are supported by the ¾% local sales and use tax that supports the 2012 Sales and Use Tax Bonds and were issued on parity with the 2012 Bonds. The 2014 Bonds carry interest ranging from 2% to 5% through May 1, 2029. The bonds are subject to mandatory redemption in inverse order on any interest payment date from the collection of excess sales taxes. During 2014, \$1,555,000 of the 2012 bonds were called.

Bond Retirement - The City is required to maintain a debt service reserve equal to \$5,533,000 during the life of the 2012 Bonds and \$1,714,750 during the life of the 2014 Bonds. The City held U.S. Treasury Bills at a carrying amount of \$5,495,820 at December 31, 2018 for the 2012 Bonds and \$1,713,733 for the 2014 Bonds. The U.S. Treasury Bills for the 2012 Bonds and 2014 Bonds met requirements once interest was considered.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Maturity Schedule – The debt service requirements for the Sales Tax Bonds at December 31, 2018 is as follows:

Sales Tax Bonds Maturity Schedule

	Principal	Interest
2019	\$ 7,670,000	\$ 2,758,475
2020	7,960,000	2,459,550
2021	8,270,000	2,142,450
2022	8,590,000	1,812,750
2023	8,930,000	1,421,450
2024-2028	30,245,000	2,040,035
Total	71,665,000	\$ 12,634,710
Add unamortized bond premium	4,029,781	
Net bonds outstanding at December 31, 2018	\$ 75,694,781	

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Revenue Bonds - Business-Type Activities

Revenue bonds outstanding at December 31, 2018, are comprised of the following individual issues:

Water and Sewer:

\$18,920,000 of Series 2011 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2023 with interest ranging from 2% to 4.5% payable semiannually	\$ 8,120,000
\$13,250,000 of Series 2012 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2019 with interest ranging from 2% to 3.807% payable semiannually	2,070,000
\$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	32,340,000
\$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	53,945,000
\$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>130,680,000</u>
Bonds outstanding, December 31, 2018	227,155,000
Unamortized bond premium	<u>23,320,721</u>
Net bonds outstanding, December 31, 2018	<u><u>\$ 250,475,721</u></u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Water and Sewer-

On August 6, 2008, the City issued \$117,420,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2008. The 2008 Bonds were issued to advance refund the 2002A Bonds and to provide funding for improvements to the water and sewer facilities. The sewer improvements include extensions in growth areas of the City and the water improvements include the Mountainburg water treatment plant rehabilitation and expansion, the replacement of neighborhood water lines, and the Howard Hill elevated water storage tank. The 2008 Bonds advance refunded \$66.475 million of the outstanding Series 2002A Bonds. The carrying amount of the old debt exceeded the reacquisition price by \$440,770. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The 2008 Bonds were issued as additional bonds on a parity of security with the 2005B and 2007 bonds. In December 2016, the City partially refunded the outstanding Series 2008 Bonds with the issuance of the Water and Sewer Refunding Revenue Bonds, Series 2016. In September 2018, the City fully refunded the outstanding Series 2008 Bonds with the issuance of the Water and Sewer Refunding and Construction Revenue Bonds, Series 2018.

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 netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$31,209 as of December 31, 2018. The City completed the refunding to obtain an economic gain of \$1,372,849 over the remaining life of the bonds.

On February 23, 2012, the City issued \$13,250,000 Water and Sewer Revenue Refunding Bonds, Series 2012, to refund the outstanding 2005A Water and Sewer Revenue Refunding Bonds. The bonds are due in varying amounts on October 1, 2012 through 2019 with interest rates ranging from 2% to 3.807%, payable semiannually. The reacquisition price exceeded the carrying amount of the old debt by \$265,391. The unamortized amount is netted against the new debt 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, 2018. The City completed the refunding to reduce its total debt service payments over the next seven (7) years by \$1,803,168 and to obtain an economic gain of \$1,115,323.

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, 2015 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 netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$41,735 as of December 31, 2018. 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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 exceeded by \$3,092,522. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$2,530,346 as of December 31, 2018. 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 exceeded by \$29,338. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$18,135 as of December 31, 2018. The City completed the refunding to reduce its total debt service payments over the next fifteen (14) years by \$14,835,319 and to obtain an economic gain of \$9,837,592.

The Series 2011, 2012, 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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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, 2018, the City is in compliance with all applicable requirements.

However, the City may not authorize or issue any such additional bonds ranking on a parity of security with outstanding Bonds, unless and until either: (1) there shall have been procured and filed with the Trustee a statement by an Accountant reciting that, based upon necessary investigation, the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the average annual principal and interest requirements on the System Bonds then outstanding and the additional bonds proposed to be issued; or (2) there shall have been procured and filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that the net revenues of the system for the next ensuing fiscal year as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City and approved by the Trustee, and taking into consideration any rate increase, shall be equal to not less than 130% of the average annual principal and interest requirements on all of the System Bonds then outstanding and the additional bonds then proposed to be issued.

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 \$1,892,000 related to the 2011 Bonds, \$1,325,000 related to the 2012 Bonds, \$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 \$1,892,000, \$1,325,000, \$2,329,768, \$5,695,500 and \$13,068,000 at December 31, 2018 for this purpose, respectively. The surety bond for the 2015 Bonds met requirements once accrued interest was considered.

Asset Replacement- The City is required to deposit 3% of the gross revenues of the water and sewer system for the then preceding month plus \$5,000 per month until the sum of \$500,000 has been accumulated 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, 2018. Amounts are reported in restricted investments in the fund level and government-wide financial statements.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Maturity Schedule

Aggregate debt service requirements at December 31, 2018 for business-type activity related bonds were as follows:

	Total Business-Type Activities Water and Sewer	
	Principal	Interest
2019	\$ 6,360,000	\$ 10,468,180
2020	7,930,000	9,958,090
2021	9,070,000	9,680,213
2022	10,375,000	9,263,263
2023	10,680,000	8,961,000
2024-2028	60,860,000	37,341,250
2029-2033	75,630,000	21,973,650
2034-2038	41,860,000	4,403,450
2039-2042	4,390,000	265,000
Total	227,155,000	<u>\$ 112,314,096</u>
Add unamortized bond premium	<u>23,320,721</u>	
Net bonds outstanding as of December 31, 2018	<u>\$ 250,475,721</u>	

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Pledged Revenues for the City

The following is a summary of pledged revenues for the City for the year ended December 31, 2018.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees	Period Revenue Will Not Be Available for Other Purposes
Governmental Activities:						
Sales and Use Tax Refunding and Improvement Bonds - Series 2012	3/4 Cent City Sales Tax	\$ 16,127,517	\$ 8,880,000	55.1%	\$ 61,742,438	Until 2027
Sales and Use Tax Bonds - Series 2014	3/4 Cent City Sales Tax	16,127,517	3,855,000	23.9%	<u>22,557,272</u>	Until 2028
					84,299,710	
Business-Type Activities:						
Water and Sewer Refunding Revenue Bonds, Series 2011	Revenues of the Enterprise Fund	59,882,546	1,485,000	2.5%	\$ 9,051,876	Until 2023
Water and Sewer Refunding Revenue Bonds, Series 2012	Revenues of the Enterprise Fund	59,882,546	2,000,000	3.3%	2,148,800	Until 2019
Water and Sewer Refunding and Construction Revenue Bonds, Series 2015	Revenues of the Enterprise Fund	59,882,546	865,000	1.4%	51,239,800	Until 2040
Water and Sewer Refunding Revenue Bonds, Series 2016	Revenues of the Enterprise Fund	59,882,546	1,820,000	3.0%	74,474,200	Until 2032
Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	Revenues of the Enterprise Fund	59,882,546	-	0.0%	<u>202,554,420</u>	Until 2035
					339,469,096	

Component Units Revenue Bonds-Business-Type Activities

Airport Commission-

On August 2, 2011, the Airport Commission issued \$3,205,000 of City of Fort Smith, Arkansas Airport Refunding and Improvement Revenue Bonds, Series 2011, to refund the remaining outstanding Series 1999 Bonds. The bonds bear interest at 1.5% to 5.35%, payable semi-annually and the bonds are payable in annual installments through October 1, 2026. All the bonds still outstanding may be redeemed at the Airport's option on or after October 1, 2020. At December 31, 2018, bonds payable were \$1,910,000.

Maturities of revenue bonds payable for succeeding years are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 210,000	\$ 94,567
2020	215,000	85,328
2021	225,000	75,330
2022	240,000	64,530
2023	250,000	52,770
2024-2026	<u>770,000</u>	<u>79,853</u>
Total Payments	<u>\$ 1,910,000</u>	<u>\$ 452,378</u>

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2018

The bond covenants require the maintenance of the following restricted account:

Bond Retirement - The Airport Commission is required to maintain funds for the payment of principal, interest and trustee and paying agents' fees of \$383,758 , which are classified as restricted assets on the balance sheet, as of December 31, 2018. The Airport Commission held cash and investments equal to this amount at December 31, 2018.

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, 2018, 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, 2018, there were fourteen series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$461,906,067, one series of Fair and Exhibition Facilities Bonds outstanding with an aggregate principal amount payable of \$446,611, and one series of Residential Housing Facilities Board Multi-Family Housing Revenue Bonds outstanding with an aggregate principal payable of \$6,375,000.

Prior year defeasance of debt. In prior years, the government defeased general obligation public improvement bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At December 31, 2018, none of the defeased bonds remain outstanding.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Note 5: 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, 2018, the net position (deficit) was \$5,756,892 and \$(77,321) in the Employee Insurance and Workers’ Compensation Funds, respectively. The claims liability balances of \$723,415 and \$1,014,849 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 2018 are detailed below:

	Employee Insurance	Workers' Compensation
Self-insurance liability, December 31, 2016	\$ 856,356	\$ 609,885
Current year claims and changes in estimate	8,795,729	1,156,274
Claim payments	(8,791,271)	(976,558)
Self-insurance liability, December 31, 2017	860,814	789,601
Current year claims and changes in estimate	7,140,176	1,114,467
Claim payments	(7,277,575)	(889,219)
Self-insurance liability, December 31, 2018	\$ 723,415	\$ 1,014,849

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Note 6: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. International City Management Association Retirement Corporation (ICMARC) 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 permanent City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$17,500. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 7: 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	\$ 20,213,584	\$ 21,284,607	\$ 28,851,157	\$ 103,956	\$ 70,453,304
Deferred outflows of resources	9,895	11,455	8,874,994	13,807	8,910,151
Deferred outflows of resources - contributions	1,439,040	1,334,976	3,284,942	6,851	6,065,809
Deferred inflows of resources	-	-	3,024,791	12,642	3,037,433
Pension expense	3,503,902	4,612,574	5,385,741	15,775	13,517,992

(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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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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 \$2,706,837 for 2018.

(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 defined benefit plan. The employer contribution rate was 14.50% of covered payroll 2018. The Clerk's contribution rate was 4.7% of covered payroll for 2018. The City's contributions to the Plan for the year ended December 31, 2018 were \$13,702 .

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.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 is included in the current benefits.

Covered payroll for the clerk was \$91,675 for the fiscal year ended December 31, 2018. There is one retired clerk receiving benefits from APERS.

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

At December 31, 2018, the City reported a liability of \$103,956 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employee contributions to the Plan of the year for the measurement period. At June 30, 2018, the City's proportion was 0.00471258%, which is a decrease of .00001294% from its proportion as of June 30, 2017, of .00484195%.

For the year ended December 31, 2018, the City recognized pension expense of \$15,775. At December 31, 2018, 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	\$ 1,653	\$ 1,091
Change of assumptions	11,828	6,429
Changes in proportion and differences between City contributions and share of contributions	-	2,491
Changes in proportion	326	-
Net difference between projected and actual earnings on pension plan investments	-	2,631
Contributions subsequent to the measurement date	<u>6,851</u>	<u>-</u>
Total	<u>\$ 20,658</u>	<u>\$ 12,642</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 6,851 will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. 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</u> <u>December 31,</u>		
2019	\$	7,526
2020		3,321
2021		(5,219)
2022		<u>(4,463)</u>
Total	<u>\$</u>	<u>1,165</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50 percent (3.25 percent in prior year)
Discount rate	7.15 percent (7.15 percent in prior year)
Salary increases	3.25 to 9.85 percent, including inflation (3.95 to 9.85 percent, including inflation, in prior year)
Investment rate of return	7.15 percent, net of pension plan investment expense, including inflation (7.15 percent, including inflation, in prior year)

Mortality rates were based on the RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service as applicable. 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, 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:

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.07%
Real Estate Related Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fund	18%	0.83%
Total	100%	

Discount Rate

In the June 30, 2018 actuarial valuation, a single discount rate of 7.15% (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 on pension plan investments of 7.15%. 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
City's proportionate share of the net pension liability	\$ 169,964	\$ 103,956	\$ 49,506

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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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 14.75% of annual covered payroll at December 31, 2018. Contributions made by the Organization were \$ \$189,784 and \$ \$189,225 for the years ended December 31, 2018 and 2017, respectively. 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 6. 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.

City of Fort Smith, Arkansas
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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 14.50% of compensation for the fiscal year ended December 31, 2018. 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Library's proportion at June 30, 2018, was 0.0064893% which is a decrease of 0.00063572% from its proportion as of June 30, 2017 of .007284649%.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Actuarial Assumptions

The total pension liability in the June 30, 2018 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, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (9.6 years for District Judges New Plan/Paid Off Old Plan and 19 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 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 (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. 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 valuation were based on an experience study covering the period July 1, 2012 through June 30, 2017.

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 2018 to 2027 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, 2018, these best estimates are summarized in the following table:

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.07%
Real Estate Related Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fund	18%	0.83%
Total	100%	

Single Discount Rate

A single discount rate of 7.15% 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 7.15%. 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 7.15%, 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 (6.15 percent) or 1-percentage point higher (8.15 percent):

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
City's proportionate share of the net pension liability	\$ 2,679,326	\$ 1,638,782	\$ 780,416

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

At December 31, 2018, the Library reported a liability of \$1,638,782 for its proportionate share of the net pension liability.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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The Organization had a pension contribution liability of \$10,380 accrued at December 31, 2018. The Organization's proportionate share of pension expense was \$269,593 for the year ended December 31, 2018. At December 31, 2018, the Organization reported deferred outflows or resources and deferred inflows of resources related to pensions from the following resources:

Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,063	\$ 17,203
Change of assumptions	186,459	101,346
Net difference between projected and actual earnings on pension plan investments	-	41,469
Changes in proportion	126,847	81,006
Organization contributions subsequent to the measurement date	100,174	-
Total	\$ 439,543	\$ 241,024

\$100,174 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, 2019, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Net Reduction in Pension Expense
2019	\$ 124,458
2020	59,144
2021	(53,576)
2022	(31,681)
	\$ 98,345

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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(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 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 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 requirement 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, 2017 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	106	
DROP members	1	1
Total		107

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

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 2018 plan year were based upon the December 31, 2017, actuarial report. Contributions to the Plan by the City were \$1,439,040 for the year ended December 31, 2018.

Net Pension Liability

The City's net pension liability of \$20,213,584 as of December 31, 2018 was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions

The total pension liability in the December 31, 2017 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, 2017
Cost method	Entry age normal
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	21 years beginning January 1, 2017

Assumptions:

Inflation rate – price	2.75 percent (3.00 percent in prior year)
Wage inflation	3.75 percent (4.00 percent in prior year)
Investment rate of return	7.75 percent (7.75 percent in prior year)

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender distinct RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for males. For disabled members, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

City of Fort Smith, Arkansas
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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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	27%	0.78%
Domestic Equity	42%	5.58%
Foreign Equity	18%	7.38%
Alternative Investments	10%	6.23%
Cash	3%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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, 2018	\$ 32,284,383	\$ 13,109,268	\$ 19,175,115
Changes for the year:			
Interest	2,387,422	-	2,387,422
Differences between expected and actual experience	138,769	-	138,769
Assumption changes	1,767,387	-	1,767,387
Contributions - employer	-	1,540,550	(1,540,550)
Contributions - employee	-	-	-
Net investment income	-	1,736,826	(1,736,826)
Benefit payments, including refunds of employee contributions	(2,957,863)	(2,957,863)	-
Administrative expense	-	(22,267)	22,267
Net Changes	1,335,715	297,246	1,038,469
Balance at December 31, 2018	\$ 33,620,098	\$ 13,406,514	\$ 20,213,584

City of Fort Smith, Arkansas
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There were no benefit changes during the year. The assumed investment rate of return remained 7.75%, the wage inflation assumption decreased from 4.00% to 3.75% and the price inflation assumption was decreased from 3.00% to 2.75%.

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 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's Net Pension Liability	\$ 23,356,755	\$ 20,213,584	\$ 17,535,364

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

For the year ended December 31, 2018, the City recognized pension expense of \$ 3,503,902 . At December 31, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 9,895
Contributions subsequent to the measurement date	1,439,040
Total	\$ 1,448,935

City of Fort Smith, Arkansas
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The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 1,439,040 will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2019	\$ 148,240
2020	123,667
2021	(106,683)
2022	(155,329)
Total	\$ 9,895

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 plans 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.

City of Fort Smith, Arkansas
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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 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 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, 2017 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	85
Total	85

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 2018 plan year were based upon the December 31, 2017, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2018 were \$ 1,334,976 .

Net Pension Liability

The City's net pension liability of \$21,284,607 as of December 31, 2018 was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

City of Fort Smith, Arkansas
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Actuarial Assumptions

The total pension liability in the December 31, 2017 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, 2017
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	21 years beginning January 1, 2017
Assumptions:	
Inflation rate – price	2.75 percent (3.00 percent in prior year)
Wage inflation	3.75 percent (4.00 percent in prior year)
Investment rate of return	7.75 percent (7.75 percent in prior year)

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender distinct RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for males. For disabled members, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Actuarial assumptions used in the December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2017 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	27%	0.78%
Domestic Equity	42%	5.58%
Foreign Equity	18%	7.38%
Alternative Investments	10%	6.23%
Cash	3%	0.00%
Total	<u>100%</u>	

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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, 2018	\$ 26,513,645	\$ 7,879,029	\$ 18,634,616
Changes for the year:			
Interest	1,940,131	-	1,940,131
Differences between expected and actual experience	1,495,866	-	1,495,866
Assumption changes	1,627,412	-	1,627,412
Contributions - employer	-	1,429,779	(1,429,779)
Contributions - employee	-	-	-
Net investment income	-	996,413	(996,413)
Benefit payments, including refunds of employee contributions	(2,959,388)	(2,959,388)	-
Administrative expense	-	(12,774)	12,774
Net Changes	2,104,021	(545,970)	2,649,991
Balance at December 31, 2018	\$ 28,617,666	\$ 7,333,059	\$ 21,284,607

There were no benefit changes during the year. The assumed investment rate of return remained 7.75%, the wage inflation assumption decreased from 4.00% to 3.75% and the price inflation assumption was decreased from 3.00% to 2.75%.

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 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's Net Pension Liability	\$ 24,277,838	\$ 21,284,607	\$ 18,794,188

City of Fort Smith, Arkansas
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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, 2018, the City recognized pension expense of \$ 4,612,574 .

At December 31, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 11,455
Contributions subsequent to the measurement date	1,334,976
Total	\$ 1,346,431

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 1,334,976 will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2019	\$	87,250
2020		73,692
2021		(60,375)
2022		(89,112)
Total	\$	11,455

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.

City of Fort Smith, Arkansas
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(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.

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 (FAP). 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 22.51% of covered employee salaries' to the new plan for firefighters and 16.29% of covered employee salaries' to the new plan for police officers. Employees contributed \$1,415,802 to the contributory plan for the year ended December 31, 2018. City contributions to the new plans for the year ended December 31, 2018, were \$3,284,942 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, 2018, the City reported a liability of \$28,851,157 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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, 2017, the City's proportion was 4.0601% which is a decrease 0.2585% from the City's proportion of 4.3186% at December 31, 2016.

City of Fort Smith, Arkansas
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For the year ended, December 31, 2018, the City recognized pension expense of \$ 5,385,741 . At December 31, 2018, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,444,405	\$ 2,496
Changes of assumptions	7,376,073	-
Net difference between projected and actual earnings on pension plan investments	-	673,722
Changes in proportion	54,516	2,348,573
Contributions subsequent to the measurement date	3,284,942	-
Total	\$ 12,159,936	\$ 3,024,791

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 3,284,942 will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. 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:

Year Ending December 31,			
2019	\$	2,429,897	
2020		2,294,102	
2021		1,142,198	
2022		(15,994)	
Total	\$	5,850,203	

City of Fort Smith, Arkansas
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Actuarial Assumptions

The total pension liability in the December 31, 2017 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	2.75 percent (3.00 percent in prior year)
Wage Inflation	3.75 percent (3.75 percent in prior year)
Salary increases	4.25 to 18.75 percent, including inflation (4.50 to 19.00 percent, including inflation, in prior year)
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation (7.75 percent, including inflation, in prior year)

Mortality rates were based on the RP-2000 Combined Health Mortality Table Projected to 2017 Table, set forward two years for men. Disability post-retirement mortality was assumed to be the same as standard post-retirement mortality set forward an additional 10 years.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial study for the period January 1, 2017 to December 31, 2017. As a result of the 2017 actuarial study, the expectation of life after disability was adjusted in the December 31, 2017 actuarial evaluation to more closely reflect actual experience.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	27%	0.78%
Domestic Equity	42%	5.58%
Foreign Equity	18%	7.38%
Alternative Investments	10%	6.23%
Cash	3%	0.00%
Total	<u>100%</u>	

City of Fort Smith, Arkansas
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Discount Rate

In the December 31, 2017 actuarial valuation, a single discount rate of 7.00% (7.75% 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 7.00% (7.75% 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 7.00 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 1-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	\$ 45,442,309	\$ 28,851,157	\$ 15,480,052

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 8: 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.

City of Fort Smith, Arkansas
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Contributions: The contribution requirements of plan members are established by 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 the 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 1012 active participants and 41 retirees and beneficiaries receiving benefits who pay monthly premiums between \$431 for single coverage and \$869 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 Comprehensive Annual Financial Report (CAFR) 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, 2018 is as follows:

Active members	1,012
Inactive members receiving benefits	41
Inactive members not yet receiving benefits	-
	1,053
	1,053

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 2018 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	13.00%	6.00%
Fixed income	59.00%	3.00%
Money market	28.00%	-0.40%
Total	100.00%	

The long-term rate of return also included an expected 2.5% inflation for 2018. The long-term expected rate of return at December 31, 2018 was 4.0%.

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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 4.11% was used to measure the total OPEB liability as of December 31, 2018. 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, 2018, 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:	4.11 percent at 12/31/18 (4.00 percent at 12/31/17)
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 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2016 – December 31, 2016.

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, 2018 was 3.64%-4.11%. 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.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) -(b)
Balance at January 1, 2018 (as restated)	\$29,935,757	\$ 1,484,573	\$28,451,184
Changes for the year:			
Service cost	688,122	-	688,122
Interest	1,219,581	-	1,219,581
Contributions - employer	-	271,381	(271,381)
Changes of assumptions	(18,537,237)	-	(18,537,237)
Net investment income	-	27,907	(27,907)
Administrative fees	-	(25,666)	25,666
Benefit payments	(271,381)	(271,381)	-
Net Changes	<u>(16,900,915)</u>	<u>2,241</u>	<u>(16,903,156)</u>
Balance at December 31, 2018	<u>\$ 13,034,842</u>	<u>\$ 1,486,814</u>	<u>\$ 11,548,028</u>

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

	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	0.15%

Sensitivity of the total 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, 2018. 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	Current Single Rate Assumption	1% Increase
	3.11%	4.11%	5.11%
Net OPEB liability	<u>\$ 12,869,771</u>	<u>\$ 11,548,028</u>	<u>\$ 10,360,967</u>

City of Fort Smith, Arkansas
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Sensitivity of the total 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, 2018. 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		
	1% Decrease 7.00%-3.50%	Current Single Rate Assumption 8.00%-4.50%	1% Increase 9.00%-5.50%
Net OPEB liability	\$ 10,037,886	\$ 11,548,028	\$ 13,330,125

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

For the year ended December 31, 2018, the City recognized a reduction in OPEB expense of \$(167,444). At December 31, 2018, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$(16,477,544)
Net difference between projected and actual earnings on OPEB plan investments	13,212	-
	\$ 13,212	\$(16,477,544)

City of Fort Smith, Arkansas
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Amounts reported as deferred outflows of resources and deferred inflows or resources at December 31, 2018, related to OPEB will be recognized as OPEB expense as follows:

<u>Year ending December 31,</u>	
2019	\$ (2,056,390)
2020	(2,056,390)
2021	(2,056,390)
2022	(2,056,390)
2023	(2,059,693)
Thereafter	<u>(6,179,079)</u>
	<u>\$ (16,464,332)</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.

The fair value of individual investments that represented 5% or more of the Plan's net position restricted for postemployment benefits other than pensions was as follows:

<u>December 31, 2018</u>	
<u>Investment</u>	<u>Fair Value</u>
Federated Treasury Obligations Fd 68	\$ 424,592
ISHARES AGENCY BOND ETF	179,408
ISHARES 1-3 YEAR TREASURY BOND ETF	159,714
ISHARES 3-7 YEAR TREASURY BOND ETF	131,719
ISHARES 7-10 YEAR TREASURY BOND ETF	109,410
ISHARES CORE U.S. AGGREGATE BOND ETF	149,086
ISHARES SHORT TREASURY BOND ETF	84,821
ISHARES TIPS BOND ETF	101,844
BMO HARRIS BANK NA DEATH PUT FDIC CERT	149,946

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Note 9: 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, 2018, 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. There have been no penalties associated with the Consent Decree assessed in 2018.

Note 10: Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2018 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General Fund	\$ 127,836	\$ -
Special Revenue Funds	-	301,292
Proprietary Funds:		
Water and Sewer	<u>173,456</u>	<u>-</u>
Total	<u>\$ 301,292</u>	<u>\$ 301,292</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Interfund transfers in (out) for the year ended December 31, 2018, is as follows:

<u>Fund</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Primary Government -		
Governmental Funds:		
Major funds:		
General Fund	\$ 2,524,814	\$ 1,017,000
Special revenue -		
Street Maintenance Fund	-	115,000
Sales Tax Fund	-	1,831,814
LOPFI Contribution	150,000	-
Non-major funds:		
Special revenue	<u>777,000</u>	<u>-</u>
Total governmental funds	<u>3,451,814</u>	<u>2,963,814</u>
Proprietary Funds:		
Water and Sewer Fund	-	215,000
Sanitation Fund	<u>90,000</u>	<u>363,000</u>
Total proprietary funds	<u>90,000</u>	<u>578,000</u>
Total primary government	<u>\$ 3,541,814</u>	<u>\$ 3,541,814</u>

The transfers out from the General Fund include \$777,000 to the Convention Center Fund for the annual revenue estimate. The transfers out from the Sales Tax Fund include \$1,831,814 to the General Fund is for the funding allocation of expenses based on the City's 2018 Budget.

Note 11: 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 (MSWLF) 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.

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2018

The City's permitted landfill capacity is 60,222,935 cubic yards. The life of the landfill is projected at 125 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2018, is \$ 8,251,531 . The remaining estimated closure and postclosure care costs of approximately \$37.2 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 20.7% at December 31, 2018. 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, 2018. 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, 2018, is \$8,152,348. In order to comply with this requirement, BancorpSouth issued an irrevocable standby letter of credit that is pledged to the Arkansas Department of Environmental Quality in the amount of \$8,325,000 at December 31, 2018. The City has also pledged a certificate of deposit investment as collateral for the letter of credit. The City will increase the value of the letter of credit and certificate of deposit held as collateral to meet the required level of financial assurance during 2018.

Note 12: New Applicable GASB Standards

GASB Statement No. 83 – Certain Asset Retirement Obligations

This statement addresses issues in accounting and financial reporting for certain asset retirement obligations (AROs), including establishing criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2019, with earlier application encouraged.

GASB Statement No. 84 – Fiduciary Activities

This statement provides for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for periods beginning after December 15, 2019, with earlier application encouraged.

GASB Statement No. 87 – Leases

This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provision of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for reporting periods beginning after June 15, 2021, with earlier application encouraged.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established and requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement is effective for reporting periods beginning after June 15, 2019, with earlier application encouraged.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement is effective for periods beginning after December 15, 2020, with earlier application encouraged.

GASB Statement No. 90 – Majority Equity Interests

The objective of this statement is to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. This statement is effective for periods beginning after December 15, 2019, with earlier application encouraged.

GASB Statement No. 91 – Conduit Debt Obligations

The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, with earlier application encourage

The City has not yet determined the potential impact of implementing the statements above.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Note 13: Condensed Financial Statements-Discretely Presented Component Units

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

Statement of Net Position
December 31, 2018

	Governmental			Business-Type		
	Advertising and Promotion Commission	Public Library	Total	Parking Authority	Airport Commission	Total
Assets						
Current assets	\$ 396,975	\$ 1,277,413	\$ 1,674,388	\$ 473,187	\$ 4,713,245	\$ 5,186,432
Sales taxes receivable from the City	-	253,254	253,254	-	-	-
Capital assets, net of accumulated depreciation, as applicable	-	756,771	756,771	1,388,916	37,520,677	38,909,593
Noncurrent assets	-	-	-	-	957,659	957,659
Total assets	<u>396,975</u>	<u>2,287,438</u>	<u>2,684,413</u>	<u>1,862,103</u>	<u>43,191,581</u>	<u>45,053,684</u>
Deferred Outflows of Resources						
Deferred outflow related to pension	-	439,543	439,543	-	-	-
Deferred amount on refunding	-	-	-	-	70,807	70,807
Total deferred outflows of resources	<u>-</u>	<u>439,543</u>	<u>439,543</u>	<u>-</u>	<u>70,807</u>	<u>70,807</u>
Liabilities						
Current liabilities	31,733	143,036	174,769	73,219	1,026,433	1,099,652
Noncurrent liabilities	-	1,638,782	1,638,782	542	1,700,000	1,700,542
Total liabilities	<u>31,733</u>	<u>1,781,818</u>	<u>1,813,551</u>	<u>73,761</u>	<u>2,726,433</u>	<u>2,800,194</u>
Deferred Inflows of Resources						
Deferred inflow related to pension	-	241,024	241,024	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>241,024</u>	<u>241,024</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position						
Net investment in capital assets	-	756,771	756,771	1,388,916	35,681,484	37,070,400
Restricted	365,242	-	365,242	-	441,523	441,523
Unrestricted (deficit)	-	(52,632)	(52,632)	399,426	4,412,948	4,812,374
Total net position	<u>\$ 365,242</u>	<u>\$ 704,139</u>	<u>\$ 1,069,381</u>	<u>\$ 1,788,342</u>	<u>\$ 40,535,955</u>	<u>\$ 42,324,297</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
				Advertising and Promotion	Public Library	Total
Advertising/Promotion	\$ 905,209	\$ -	\$ 4,600	\$ (900,609)	\$ -	\$ (900,609)
Public Library	2,983,639	200,354	165,613	-	(2,617,672)	(2,617,672)
Total	<u>\$ 3,888,848</u>	<u>\$ 200,354</u>	<u>\$ 170,213</u>	<u>(900,609)</u>	<u>(2,617,672)</u>	<u>(3,518,281)</u>
General revenues						
Property taxes				-	1,483,569	1,483,569
Sales taxes				-	1,008,320	1,008,320
Hospitality hotel/motel taxes				799,364	-	799,364
Unrestricted investments earnings				2,168	2,425	4,593
Other				6,754	184,678	191,432
Total general revenues				<u>808,286</u>	<u>2,678,992</u>	<u>3,487,278</u>
Change in net position				<u>(92,323)</u>	<u>61,320</u>	<u>(31,003)</u>
Net position, beginning, as previously stated				<u>457,565</u>	<u>642,819</u>	<u>1,100,384</u>
Net position, ending				<u>\$ 365,242</u>	<u>\$ 704,139</u>	<u>\$ 1,069,381</u>

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Business-Type Activities		
				Parking Authority	Airport Commission	Total
Parking Authority	\$ 259,793	\$ 183,484	\$ -	\$ (76,309)	\$ -	\$ (76,309)
Airport Commission	4,675,033	2,908,921	3,437,563	-	1,671,451	1,671,451
Total	<u>\$ 4,934,826</u>	<u>\$ 3,092,405</u>	<u>\$ 3,437,563</u>	<u>(76,309)</u>	<u>1,671,451</u>	<u>1,595,142</u>
General revenues						
Unrestricted investment earnings				2,543	48,325	50,868
Total general revenues				<u>2,543</u>	<u>48,325</u>	<u>50,868</u>
Change in net position				<u>(73,766)</u>	<u>1,719,776</u>	<u>1,646,010</u>
Net position, beginning				<u>1,862,108</u>	<u>38,816,179</u>	<u>40,678,287</u>
Net position, ending				<u>\$ 1,788,342</u>	<u>\$ 40,535,955</u>	<u>\$ 42,324,297</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2018

Note 14: Subsequent Events

Subsequent events have been evaluated through June 15, 2020, the date at which the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The City invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fort Smith, Arkansas
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,	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	2,387,422	2,458,896	2,531,326	2,601,031
Benefit Changes	-	-	-	-
Difference between expected and actual experience	138,769	(151,195)	116,585	385,846
Assumption Changes	1,767,387	-	680,689	-
Benefit Payments, including refunds of employee contributions	<u>(2,957,863)</u>	<u>(3,502,026)</u>	<u>(2,982,945)</u>	<u>(4,733,419)</u>
Net Change in Total Pension Liability	1,335,715	(1,194,325)	345,655	(1,746,542)
Total Pension Liability - Beginning	<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>\$ 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*	\$ 1,540,550	\$ 1,666,114	\$ 1,866,654	\$ 1,741,331
Contributions - Member	-	747	4,708	5,118
Net Investment Income	1,736,826	784,066	26,779	1,131,513
Benefit Payments, including refunds of employee contributions	(2,957,863)	(3,502,026)	(2,982,945)	(4,733,419)
Administrative Expense	(22,267)	(25,264)	(33,915)	(26,887)
Deferred Retirement Option Distributions	-	-	-	-
Reconciliation Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	297,246	(1,076,363)	(1,118,719)	(1,882,344)
Plan Fiduciary Net Position - Beginning	<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>\$ 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>\$ 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	39.88%	40.61%	42.37%	46.19%
Covered Payroll	\$ 74,302	\$ 86,657	\$ 156,943	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	27204.63%	22127.60%	12293.05%	N/A

* Includes assets reported as State Insurance Tax Turnback Money

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.

City of Fort Smith, Arkansas
Required Supplementary Information
Agent Multiple-Employer Plan
Schedule of the City's Pension
Contributions – FRPF (the Old Fire Plan)

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 1,439,040	\$ 1,439,040	\$ -	\$ 86,750	1658.84%
2017	1,835,156	1,835,156	-	74,302	2469.86%
2016	1,418,363	1,418,363	-	84,626	1676.04%
2015	1,609,084	1,609,084	-	156,943	1025.27%

Key Assumptions for ADC:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	20 years beginning January 1, 2019
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.75%
Salary Increases	3.75%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes	There were no benefit changes during the year.
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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.

City of Fort Smith, Arkansas
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,	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	1,940,131	1,962,715	1,968,295	1,944,283
Benefit Changes	-	-	-	-
Difference Between Actual & Expected Experience	1,495,866	385,696	652,213	614,152
Assumption Changes	1,627,412	-	396,928	-
Benefit Payments, including refunds of employee contributions	<u>(2,959,388)</u>	<u>(2,320,229)</u>	<u>(2,271,315)</u>	<u>(2,245,252)</u>
Net Change in Total Pension Liability	2,104,021	28,182	746,121	313,183
Total Pension Liability - Beginning	<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>\$ 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*	\$ 1,429,779	\$ 1,509,135	\$ 1,596,703	\$ 1,554,845
Contributions - Member	-	-	-	490
Net Investment Income	996,413	463,067	15,584	624,174
Benefit Payments, including refunds of employee contributions	(2,959,388)	(2,320,229)	(2,271,315)	(2,245,252)
Administrative Expense	(12,774)	(15,173)	(19,925)	(14,832)
Deferred Retirement Option Distributions	-	-	-	-
Reconciliation Adjustment	-	-	-	-
Net Change in Plan Fiduciary Net Position	(545,970)	(363,200)	(678,953)	(80,575)
Plan Fiduciary Net Position - Beginning	<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>\$ 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>\$ 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	25.62%	29.72%	31.12%	34.66%
Covered Payroll	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

* Includes assets reported as State Insurance Tax Turnback Money

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.

City of Fort Smith, Arkansas
Required Supplementary Information
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
2018	\$ 1,334,976	\$ 1,334,976	\$ -	\$ -	N/A
2017	\$ 1,069,269	\$ 1,069,269	\$ -	\$ -	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:

Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	20 years beginning January 1, 2019
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.75%
Salary Increases	3.75%, which is the portion of the individual pay increase assumptions
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for men. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes	There were no benefit changes during the year.
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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.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net
Pension Liability – LOPFI (the New Plans)

Plan Fiscal Year Ended December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	4.0601%	4.3186%	4.9028%	4.9183%
City's proportionate share of the net pension liability	\$ 28,851,157	\$ 24,639,054	\$ 25,717,186	\$ 17,804,470
City's covered payroll	\$ 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	173.20%	158.09%	158.49%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	72.87%	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.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of City's Contributions – LOPFI (the New Plans)

Plan Fiscal Year Ended December 31,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 3,284,942	\$ 2,904,425	\$ 2,674,571	\$ 3,043,184
Contributions in relation to the actuarially required contribution	<u>(3,284,942)</u>	<u>(2,904,425)</u>	<u>(2,674,571)</u>	<u>(3,043,184)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346	\$ 17,203,371
Contributions as a percentage of covered payroll	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.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net
Pension Liability – APERS

Plan Fiscal Year Ended June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0047%	0.0048%	0.0048%	0.0049%
City's proportionate share of the net pension liability	\$ 103,956	\$ 125,123	\$ 115,180	\$ 90,125
City's covered payroll	\$ 91,675	\$ 87,267	\$ 92,221	\$ 87,267
City's proportionate share of the net pension liability as a percentage of its covered payroll	113.40%	143.38%	124.90%	103.27%
Plan fiduciary net position as a percentage of the total pension liability	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.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of City's Contributions – APERS

Plan Fiscal Year Ended June,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 13,702	\$ 12,872	\$ 12,654	\$ 12,815
Contributions in relation to the actuarially required contribution	<u>(13,702)</u>	<u>(12,872)</u>	<u>(12,654)</u>	<u>(12,815)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 91,675	\$ 87,267	\$ 92,221	\$ 87,267
Contributions as a percentage of covered payroll	14.95%	14.75%	13.72%	14.68%

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.

City of Fort Smith, Arkansas

Required Supplementary Information

Fort Smith Public Library - APERS

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Organization's proportion of the net pension liability(asset)	0.07428966%	0.06648929%	0.07284649%	0.07559378%	0.07345205%
Organization's proportionate share of the net pension liability	\$ 1,638,782	\$ 1,718,177	\$ 1,742,013	\$ 1,392,236	\$ 1,042,220
Organization's covered payroll	\$ 1,286,673	\$ 1,304,997	\$ 1,319,906	\$ 1,345,315	\$ 1,298,642
Organization's proportionate share of the net pension liability as a percentage of its covered payroll	127.37%	131.66%	131.98%	103.49%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	75.65%	75.50%	80.39%	84.15%

Schedule of Library Contributions Last Fiscal Year

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially required contribution	\$ 189,784	\$ 189,225	\$ 191,379	\$ 198,569	\$ 193,238
Contributions in relation to the actuarially required contribution	<u>(205,249)</u>	<u>(173,760)</u>	<u>(191,379)</u>	<u>(198,569)</u>	<u>(193,238)</u>
Contribution deficiency (excess)	<u>\$ (15,465)</u>	<u>\$ 15,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Organization's covered payroll	\$ 1,286,673	\$ 1,304,997	\$ 1,319,906	\$ 1,345,315	\$ 1,298,642
Contributions as a percentage of covered payroll	14.75%	14.50%	14.50%	14.76%	14.88%

Notes to Schedules:

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

City of Fort Smith, Arkansas
Required Supplementary Information
Other Postemployment Benefit Plan
Schedule of Changes in the City's Net OPEB Liability and Related Ratios
Year Ended December 31, 2018

Total OPEB Liability	
Service Cost	\$ 688,122
Interest	1,219,581
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(18,537,237)
Benefit Payments	<u>(271,381)</u>
Net Change in Total OPEB Liability	(16,900,915)
Total OPEB Liability - Beginning	<u>29,935,757</u>
Total OPEB Liability - Ending (a)	<u>\$ 13,034,842</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 271,381
Net Investment Income	27,907
Benefit Payments	(271,381)
Administrative Expense	<u>(25,666)</u>
Net change in Fiduciary Net Position	2,241
Plan Fiduciary Net Position - Beginning	<u>1,484,573</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,486,814</u>
City's Net OPEB Liability - Ending (a) - (b)	<u>\$ 11,548,028</u>
Plan fiduciary net position as a percentage of the total OPEB liability	11.41%
Covered-employee payroll	\$ 45,273,921
City's Net OPEB Liability as a Percentage of covered-employee payroll	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 one year is shown. Additional years' information will be added as it becomes available.

Changes in assumption. In 2018, the assumed single discount rate was increased from 4.00 to 4.11 percent. The inflation rate remained 2.50 percent between years. 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.

City of Fort Smith, Arkansas
Required Supplementary Information
Other Postemployment Benefit Plan
Schedule of City Contributions
Year Ended December 31, 2018

Actuarially determined contribution	\$	1,923,660
Contributions in relation to the actuarially determined contribution		<u>(271,381)</u>
Contribution deficiency (excess)	\$	<u>1,652,279</u>
City's covered-employee payroll	\$	45,273,921
Contributions as a percentage of covered-employee payroll		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:	8.0 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent (7.5 percent initial, decreasing 0.5 percent per year to an ultimate in the prior year) rate of 4.5 percent
Single discount rate:	4.11 percent (4.0 percent in the prior year)
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 one year is shown. Additional years' information will be added as it becomes available.

City of Fort Smith, Arkansas
Required Supplementary Information
Other Postemployment Benefit Plan
Schedule of Investment Returns
Year Ended December 31, 2018

Annual money-weighted rate of return, net of investment expense	0.15%
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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 one year is shown. Additional years' information will be added as it becomes available.

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
Revenues				
Taxes	\$ 7,087,000	\$ 7,087,000	\$ 7,331,663	\$ 244,663
Sales taxes	22,569,000	22,065,000	22,419,834	354,834
Licenses and permits	2,194,225	2,094,225	1,881,334	(212,891)
Utility franchise fees	6,654,000	6,654,000	6,840,478	186,478
Intergovernmental	5,043,656	5,046,819	3,961,754	(1,085,065)
Fines and forfeitures	2,300,000	2,300,000	2,037,330	(262,670)
Fees for services	599,663	596,500	570,311	(26,189)
Interest	80,000	80,000	924,037	844,037
Contributions	-	-	1,203,126	1,203,126
Miscellaneous	100,000	115,026	498,239	383,213
Total revenues	<u>46,627,544</u>	<u>46,038,570</u>	<u>47,668,106</u>	<u>1,629,536</u>
Expenditures				
Current:				
General government				
Administration	3,576,688	3,540,610	3,156,542	(384,068)
Legal	2,080,630	2,055,030	2,024,888	(30,142)
Finance	1,753,950	1,712,881	1,598,545	(114,336)
Public safety				
Police	16,676,834	16,219,515	14,218,898	(2,000,617)
Fire	12,961,577	13,043,293	12,912,611	(130,682)
Community services				
Health and social services	140,610	140,610	118,441	(22,169)
Parks and recreation	2,493,889	3,335,540	2,835,221	(500,319)
Transit	2,252,521	2,194,052	2,147,988	(46,064)
Other	2,511,331	2,577,770	1,854,140	(723,630)
Capital outlay	4,714,060	7,373,087	4,861,702	(2,511,385)
Total expenditures	<u>49,162,090</u>	<u>52,192,388</u>	<u>45,728,976</u>	<u>(6,463,412)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,534,546)</u>	<u>(6,153,818)</u>	<u>1,939,130</u>	<u>(4,833,876)</u>
Other Financing Sources (Uses):				
Transfers in	2,835,339	2,766,419	2,524,814	(241,605)
Transfers out	<u>(1,017,000)</u>	<u>(1,017,000)</u>	<u>(1,017,000)</u>	<u>-</u>
Total other financing sources and uses	<u>1,818,339</u>	<u>1,749,419</u>	<u>1,507,814</u>	<u>(241,605)</u>
Net change in fund balances	(716,207)	(4,404,399)	3,446,944	(5,075,481)
Fund Balances, beginning of year	<u>14,439,056</u>	<u>17,295,168</u>	<u>17,295,168</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 13,722,849</u>	<u>\$ 12,890,769</u>	<u>\$ 20,742,112</u>	<u>\$ (5,075,481)</u>

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Street Maintenance Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
Revenues				
Taxes	\$ 2,128,402	\$ 2,342,500	\$ 2,199,821	\$ (142,679)
Licenses and permits	223,100	200,000	203,424	3,424
Intergovernmental	6,007,593	5,990,000	6,064,275	74,275
Interest	12,000	5,200	15,716	10,516
Miscellaneous	35,000	61,150	73,123	11,973
Total revenues	<u>8,406,095</u>	<u>8,598,850</u>	<u>8,556,359</u>	<u>(42,491)</u>
Expenditures				
Current:				
General government				
Administration	255,823	258,987	221,670	(37,317)
Legal	114,000	114,000	129,052	15,052
Finance	583,903	570,267	516,481	(53,786)
Public works				
Operations	557,615	568,665	517,467	(51,198)
Streets	4,026,598	3,687,098	3,316,514	(370,584)
Traffic control	2,056,169	2,041,349	1,917,819	(123,530)
Community services				
Parks and recreation	209,050	300,832	281,906	(18,926)
Other	593,500	683,614	-	(683,614)
Capital Outlay	-	228,000	261,929	33,929
Total expenditures	<u>8,396,658</u>	<u>8,452,812</u>	<u>7,162,838</u>	<u>(1,289,974)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,437</u>	<u>146,038</u>	<u>1,393,521</u>	<u>(1,332,465)</u>
Other Financing Uses:				
Transfers out	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>
Total Other Financing Uses	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>-</u>
Net Change in Fund Balances	(105,563)	31,038	1,278,521	(1,332,465)
Fund Balances, beginning of year	<u>2,516,637</u>	<u>3,292,536</u>	<u>3,249,570</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 2,411,074</u>	<u>\$ 3,323,574</u>	<u>\$ 4,528,091</u>	<u>\$ (1,332,465)</u>

City of Fort Smith, Arkansas
Notes to Required Supplementary Information
December 31, 2018

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 budgets 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 SECTION**

City of Fort Smith, Arkansas
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

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.

Special Grants- To account for federal, state, and local grants received by the City. Current grants include: Department of Justice grants for personnel and equipment, Arkansas historic preservation grants, and a local grant from Sebastian County for drug law enforcement projects. These funds are restricted to expenditures for approved projects of the various agencies.

Economic Development- To account for State grants provided as pass-through funding to local entities for infrastructure improvements.

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.

Capital Projects Fund:

Sales and Use Tax Construction Fund- To account for the proceeds of the Sales and Use Tax Refunding and Construction Bonds and the projects funded thereby.

City of Fort Smith, Arkansas
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2018

	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	Convention Center	Sales & Use Tax Construction	
Assets							
Cash	\$ 9,251	\$ -	\$ 27,184	\$ 2,059	\$ 163,385	\$ -	\$ 201,879
Investments	-	25,667	-	168,307	530,798	-	724,772
Receivables, net of allowance for uncollectibles							
Accounts	-	-	-	-	7,173	-	7,173
Due from other governments	37,159	-	16,505	7,746	-	-	61,410
Deposits	-	-	-	-	-	504,041	504,041
Total assets	\$ 46,410	\$ 25,667	\$ 43,689	\$ 178,112	\$ 701,356	\$ 504,041	\$ 1,499,275
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 49,390	\$ -	\$ 16,505	\$ 1,450	\$ 76,529	\$ -	\$ 143,874
Due to other funds	127,836	-	-	-	-	173,456	301,292
Unearned revenues	-	-	-	85,122	-	-	85,122
Other	2,323	-	-	-	369	-	2,692
Total liabilities	179,549	-	16,505	86,572	76,898	173,456	532,980
Fund Balances:							
Nonspendable	-	-	-	-	-	504,041	504,041
Restricted for:							
Construction projects	-	-	-	91,540	-	-	91,540
Parks & recreation	-	25,667	-	-	-	-	25,667
Housing and rehabilitation	-	-	27,184	-	-	-	27,184
Assigned to:							
Convention center	-	-	-	-	624,458	-	624,458
Unassigned (deficit)	(133,139)	-	-	-	-	(173,456)	(306,595)
Total Fund Balances	(133,139)	25,667	27,184	91,540	624,458	330,585	966,295
Total liabilities and fund balances	\$ 46,410	\$ 25,667	\$ 43,689	\$ 178,112	\$ 701,356	\$ 504,041	\$ 1,499,275

City of Fort Smith, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance –
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue					Capital Projects	Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	Convention Center	Sales & Use Tax Construction	
Revenues							
Intergovernmental	\$ 1,070,051	\$ -	\$ 800,892	\$ 132,936	\$ -	\$ -	\$ 2,003,879
Fees for services	-	-	-	-	782,643	-	782,643
Interest	-	136	-	925	2,808	17,228	21,097
Miscellaneous	57	-	-	-	1,114	-	1,171
Total revenues	<u>1,070,108</u>	<u>136</u>	<u>800,892</u>	<u>133,861</u>	<u>786,565</u>	<u>17,228</u>	<u>2,808,790</u>
Expenditures							
Current:							
Public safety							
Police	-	-	-	143,834	-	-	143,834
Community services							
Parks and Recreation	-	-	-	140	-	-	140
Convention Center	-	-	-	-	1,535,760	-	1,535,760
Housing and Rehabilitation	1,208,586	-	773,708	-	-	-	1,982,294
Capital Outlay	-	-	-	-	83,173	1,942,853	2,026,026
Total expenditures	<u>1,208,586</u>	<u>-</u>	<u>773,708</u>	<u>143,974</u>	<u>1,618,933</u>	<u>1,942,853</u>	<u>5,688,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(138,478)</u>	<u>136</u>	<u>27,184</u>	<u>(10,113)</u>	<u>(832,368)</u>	<u>(1,925,625)</u>	<u>(2,879,264)</u>
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	777,000	-	777,000
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777,000</u>	<u>-</u>	<u>777,000</u>
Net Change in Fund Balances	<u>(138,478)</u>	<u>136</u>	<u>27,184</u>	<u>(10,113)</u>	<u>(55,368)</u>	<u>(1,925,625)</u>	<u>(2,102,264)</u>
Fund Balances, beginning of year	<u>5,339</u>	<u>25,531</u>	<u>-</u>	<u>101,653</u>	<u>679,826</u>	<u>2,256,210</u>	<u>3,068,559</u>
Fund Balances, end of year	<u>\$ (133,139)</u>	<u>\$ 25,667</u>	<u>\$ 27,184</u>	<u>\$ 91,540</u>	<u>\$ 624,458</u>	<u>\$ 330,585</u>	<u>\$ 966,295</u>

City of Fort Smith, Arkansas
Internal Service Funds
For the Fiscal Year Ended December 31, 2018

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.

City of Fort Smith, Arkansas
Combining Statement of Net Position
Internal Service Funds
December 31, 2018

	<u>Working Capital</u>	<u>Employee Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Assets				
Current Assets				
Cash	\$ 182,180	\$ 2,546,666	\$ 365,496	\$ 3,094,342
Investments	-	4,088,277	577,789	4,666,066
Receivables, net of allowance for uncollectibles				
Accounts	-	28,435	-	28,435
Inventory	29,813	-	-	29,813
Prepaid items & deposits	-	-	15,000	15,000
	<u>211,993</u>	<u>6,663,378</u>	<u>958,285</u>	<u>7,833,656</u>
Total Current Assets				
	<u>211,993</u>	<u>6,663,378</u>	<u>958,285</u>	<u>7,833,656</u>
Total Assets				
	<u>211,993</u>	<u>6,663,378</u>	<u>958,285</u>	<u>7,833,656</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	49,578	183,071	20,757	253,406
Claims and judgments	-	723,415	1,014,849	1,738,264
	<u>49,578</u>	<u>906,486</u>	<u>1,035,606</u>	<u>1,991,670</u>
Total Current Liabilities				
	<u>49,578</u>	<u>906,486</u>	<u>1,035,606</u>	<u>1,991,670</u>
Total Liabilities				
	<u>49,578</u>	<u>906,486</u>	<u>1,035,606</u>	<u>1,991,670</u>
Net Position				
Unrestricted (deficit)	<u>162,415</u>	<u>5,756,892</u>	<u>(77,321)</u>	<u>5,841,986</u>
Net Position	<u>\$ 162,415</u>	<u>\$ 5,756,892</u>	<u>\$ (77,321)</u>	<u>\$ 5,841,986</u>

City of Fort Smith, Arkansas
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2018

	Working Capital	Employee Insurance	Workers' Compensation	Total
Operating Revenues				
Charges for services - internal	\$ 777,041	\$ 9,548,612	\$ 643,467	\$ 10,969,120
Charges for services - external	-	397,876	-	397,876
Total Operating Revenues	<u>777,041</u>	<u>9,946,488</u>	<u>643,467</u>	<u>11,366,996</u>
Operating Expenses				
Contractual services	-	464,534	264,456	728,990
Materials and supplies	753,898	-	-	753,898
Insurance claims and expenses	-	7,277,575	889,219	8,166,794
Total Operating Expenses	<u>753,898</u>	<u>7,742,109</u>	<u>1,153,675</u>	<u>9,649,682</u>
Operating Income (Loss)	<u>23,143</u>	<u>2,204,379</u>	<u>(510,208)</u>	<u>1,717,314</u>
Nonoperating Revenues				
Investment earnings	-	21,630	3,058	24,688
Total Nonoperating Revenues	<u>-</u>	<u>21,630</u>	<u>3,058</u>	<u>24,688</u>
Income	23,143	2,226,009	(507,150)	1,742,002
Change in Net Position	23,143	2,226,009	(507,150)	1,742,002
Net position, beginning of year	<u>139,272</u>	<u>3,530,883</u>	<u>429,829</u>	<u>4,099,984</u>
Net position, ending of year	<u>\$ 162,415</u>	<u>\$ 5,756,892</u>	<u>\$ (77,321)</u>	<u>\$ 5,841,986</u>

City of Fort Smith, Arkansas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2018

	Working Capital	Employee Insurance	Workers' Compensation	Total
Cash Flows from Operating Activities:				
Cash received from service users	\$ 776,905	\$ 409,974	\$ -	\$ 1,186,879
Cash received from city and employee contributions	-	9,548,612	731,695	10,280,307
Cash payments for goods and services	(746,614)	-	-	(746,614)
Cash payments for premiums and other operating expenses	-	(464,534)	-	(464,534)
Cash payments for claims paid	-	(7,237,171)	(889,219)	(8,126,390)
Net cash provided by (used for) operating activities	<u>30,291</u>	<u>2,256,881</u>	<u>(157,524)</u>	<u>2,129,648</u>
Cash Flows from Investing Activities				
Outlays for purchases of investment securities	-	(22,400)	(3,197)	(25,597)
Interest on investments	-	22,400	3,197	25,597
Net cash provided by (used for) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	30,291	2,256,881	(157,524)	2,129,648
Cash, beginning of year	<u>151,889</u>	<u>289,785</u>	<u>523,020</u>	<u>964,694</u>
Cash, ending of year	<u>\$ 182,180</u>	<u>\$ 2,546,666</u>	<u>\$ 365,496</u>	<u>\$ 3,094,342</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ 23,143	\$ 2,204,379	\$ (510,208)	\$ 1,717,314
Change in assets and liabilities				
Accounts receivable	-	12,098	1,246	13,344
Due from other funds	(136)	-	-	(136)
Inventory	6,712	-	-	6,712
Prepaid items	-	4,117	105,433	109,550
Accounts payable and accrued liabilities	572	173,686	20,757	195,015
Liability for claims and judgments	-	(137,399)	225,248	87,849
Total adjustments	<u>7,148</u>	<u>52,502</u>	<u>352,684</u>	<u>412,334</u>
Net cash provided by (used for) operating activities	<u>\$ 30,291</u>	<u>\$ 2,256,881</u>	<u>\$ (157,524)</u>	<u>\$ 2,129,648</u>

City of Fort Smith, Arkansas
Discretely Presented Component Units
For the Fiscal Year Ended December 31, 2018

Governmental Fund Types – Special Revenue Funds

Advertising and Promotion- 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 Types – Enterprise Funds

Parking Authority- To account for the provision of parking facilities within the City. All services necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing, and related debt service.

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.

City of Fort Smith, Arkansas
Combining Statement of Net Position
Governmental Component Units
December 31, 2018

	Advertising and Promotion Commission	Public Library	Total
Assets			
Cash	\$ -	\$ 745,142	\$ 745,142
Investments	396,975	301,879	698,854
Receivables, net of allowance for uncollectibles			
Sales taxes	-	253,254	253,254
Accounts	-	175,808	175,808
Prepaid items	-	54,584	54,584
Capital assets			
Nondepreciable	-	427,132	427,132
Depreciable	-	329,639	329,639
Total Assets	396,975	2,287,438	2,684,413
Deferred outflows of resources			
Deferred outflow related to pension	-	439,543	439,543
Total deferred outflows of resources	-	439,543	439,543
Liabilities			
Accounts payable and accrued liabilities	31,733	143,036	174,769
Net pension liability	-	1,638,782	1,638,782
Total Liabilities	31,733	1,781,818	1,813,551
Deferred inflows of resources			
Deferred inflow related to pension	-	241,024	241,024
Total deferred inflows of resources	-	241,024	241,024
Net Position			
Net investment in capital assets	-	756,771	756,771
Restricted for:			
Tourism & promotion	365,242	-	365,242
Unrestricted (deficit)			
Library	-	(52,632)	(52,632)
Total Net Position	\$ 365,242	\$ 704,139	\$ 1,069,381

City of Fort Smith, Arkansas
Combining Statement of Activities – Governmental Component Units
For the Year Ended December 31, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
				Advertising & Promotion Commission	Public Library	Total
Advertising and Promotion Commission	\$ 905,209	\$ -	\$ 4,600	\$ (900,609)	\$ -	\$ (900,609)
Public Library	2,983,639	200,354	165,613	-	(2,617,672)	(2,617,672)
Total	\$ 3,888,848	\$ 200,354	\$ 170,213	(900,609)	(2,617,672)	(3,518,281)
General revenues						
Property taxes				-	1,483,569	1,483,569
Sales taxes				-	1,008,320	1,008,320
Hospitality taxes				799,364	-	799,364
Unrestricted investment earnings				2,168	2,425	4,593
Other				6,754	184,678	191,432
Total general revenues				808,286	2,678,992	3,487,278
Change in net position				(92,323)	61,320	(31,003)
Net position, beginning of year				457,565	642,819	1,100,384
Net position, ending of year				\$ 365,242	\$ 704,139	\$ 1,069,381

City of Fort Smith, Arkansas
Balance Sheet – Advertising and Promotion
Governmental Component Unit
December 31, 2018

Assets:	
Investments	<u>\$ 396,975</u>
 Total Assets	 <u><u>\$ 396,975</u></u>
 Liabilities and Fund Balance:	
Current:	
Accounts payable and accrued liabilities	<u>\$ 31,733</u>
 Total Liabilities	 31,733
 Fund Balance:	
Restricted for:	
Tourism & promotion	<u>365,242</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 396,975</u></u>

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balance
Advertising and Promotion - Governmental Component Unit
For the Year Ended December 31, 2018

Revenues	
Taxes	\$ 799,364
Interest	2,168
Contributions	4,600
Other	6,754
	<hr/>
Total revenues	812,886
	<hr/>
Expenditures	
Other	834,581
Capital outlay	70,628
	<hr/>
Total Expenditures	905,209
	<hr/>
Deficiency of revenues over expenditures	(92,323)
	<hr/>
Net change in fund balance	(92,323)
Fund Balance, beginning of year	457,565
	<hr/>
Fund Balance, end of year	\$ 365,242
	<hr/> <hr/>

City of Fort Smith, Arkansas
Combining Statement of Net Position
Business-Type Component Units
December 31, 2018

	Parking Authority	Airport Commission	Total
Assets			
Current Assets			
Cash	\$ -	\$ 2,369,577	\$ 2,369,577
Investments	463,906	1,412,627	1,876,533
Receivables, net of allowance for uncollectibles			
Accounts	7,600	153,713	161,313
Accrued interest	-	18,149	18,149
Restricted			
Cash	-	78,100	78,100
Grants and other governments	-	551,931	551,931
Prepaid items and deposits	1,681	67,284	68,965
Inventory	-	61,864	61,864
	<u>473,187</u>	<u>4,713,245</u>	<u>5,186,432</u>
Total Current Assets			
Noncurrent Assets			
Restricted			
Cash	-	1,766	1,766
Investments	-	955,893	955,893
Capital assets			
Nondepreciable	1,359,160	10,986,876	12,346,036
Depreciable	29,756	26,533,801	26,563,557
	<u>1,388,916</u>	<u>38,478,336</u>	<u>39,867,252</u>
Total Noncurrent Assets			
Total Assets	<u>1,862,103</u>	<u>43,191,581</u>	<u>45,053,684</u>
Deferred Outflows of Resources			
Deferred amount on refunding	-	70,807	70,807
	<u>-</u>	<u>70,807</u>	<u>70,807</u>
Total deferred outflows of resources			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	73,219	816,433	889,652
Payable from restricted assets:			
Revenue bonds payable, current	-	210,000	210,000
	<u>73,219</u>	<u>1,026,433</u>	<u>1,099,652</u>
Total Current Liabilities			
Noncurrent liabilities			
Due within one year	5	-	5
Due in more than one year	537	1,700,000	1,700,537
	<u>542</u>	<u>1,700,000</u>	<u>1,700,542</u>
Total Noncurrent Liabilities			
Total Liabilities	<u>73,761</u>	<u>2,726,433</u>	<u>2,800,194</u>
Net Position			
Net investment in capital assets	1,388,916	35,681,484	37,070,400
Restricted for bond retirement	-	383,758	383,758
Restricted for capital projects	-	57,765	57,765
Unrestricted	399,426	4,412,948	4,812,374
	<u>1,788,342</u>	<u>40,535,955</u>	<u>42,324,297</u>
Total Net Position			

City of Fort Smith, Arkansas
Combining Statement of Activities – Business-Type Component Units
For the Year Ended December 31, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Parking Authority	Airport Commission	Total
Parking Authority	\$ 259,793	\$ 183,484	\$ -	\$ (76,309)	\$ -	\$ (76,309)
Airport Commission	4,675,033	2,908,921	3,437,563	-	1,671,451	1,671,451
Total	\$ 4,934,826	\$ 3,092,405	\$ 3,437,563	(76,309)	1,671,451	1,595,142
General revenues						
Unrestricted investment earnings				2,543	48,325	50,868
Total general revenues				2,543	48,325	50,868
Change in net position				(73,766)	1,719,776	1,646,010
Net position, beginning of year				1,862,108	38,816,179	40,678,287
Net position, ending of year				\$ 1,788,342	\$ 40,535,955	\$ 42,324,297

City of Fort Smith, Arkansas
Combining Statement of Cash Flows – Business-Type Component Units
For the Year Ended December 31, 2018

	Parking Authority	Airport Commission	Total
Operating Activities			
Cash received from customers	\$ 176,538	\$ 2,919,987	\$ 3,096,525
Cash payments for goods and services	(119,493)	(1,292,198)	(1,411,691)
Cash paid to employees	(70,297)	(790,093)	(860,390)
Net cash provided by (used for) operating activities	(13,252)	837,696	824,444
Capital and Related Financing Activities			
Proceeds from capital grants	-	2,672,972	2,672,972
Passenger facility charges received	-	346,760	346,760
Acquisition and construction of capital assets	(30,025)	(3,443,267)	(3,473,292)
Principal paid on bonds	-	(200,000)	(200,000)
Interest paid on bonds	-	(98,468)	(98,468)
Net cash used for capital and related financing activities	(30,025)	(722,003)	(752,028)
Investing Activities			
Proceeds from sales and maturities of investment securities	32,833	2,200,044	2,232,877
Outlays for purchases of investment securities	-	(2,168,519)	(2,168,519)
Interest on investments	2,628	38,959	41,587
Net cash provided by investing activities	35,461	70,484	105,945
Net increase (decrease) in cash and restricted cash	(7,816)	186,177	178,361
Cash and restricted cash, January 1	7,816	2,263,266	2,271,082
Cash and restricted cash, December 31	\$ -	\$ 2,449,443	\$ 2,449,443
Reconciliation of cash and restricted cash at December 31 to statement of net position			
Cash	\$ -	\$ 2,369,577	\$ 2,369,577
Restricted cash	-	79,866	79,866
Total	\$ -	\$ 2,449,443	\$ 2,449,443

City of Fort Smith, Arkansas
Combining Statement of Cash Flows – Business-Type Component Units
(Continued)
For the Year Ended December 31, 2018

	Parking Authority	Airport Commission	Total
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (76,309)	\$(1,648,179)	\$ (1,724,488)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation	250	2,456,533	2,456,783
Change in assets and liabilities			
Accounts receivable	(6,946)	11,066	4,120
Inventory	-	(7,683)	(7,683)
Prepaid items	-	(2,493)	(2,493)
Accounts payable and accrued liabilities	69,872	28,452	98,324
Liabilities for accrued vacation and sick leave	(119)	-	(119)
Total adjustments	<u>63,057</u>	<u>2,485,875</u>	<u>2,548,932</u>
Net cash provided by (used for) operating activities	<u>\$ (13,252)</u>	<u>\$ 837,696</u>	<u>\$ 824,444</u>

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STATISTICAL SECTION

City of Fort Smith, Arkansas

Statistical Section

This section of the City of Fort Smith comprehensive annual financial report (CAFR) 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.

Contents	Page
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	165
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	171
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	177
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	181
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 performs	183
Continuing Disclosure Requirement Information (Tables 21-22)	
These schedules provide information required to be disseminated for investors of City debt. By including this data, the CAFR may be used as the document that provides all debt covenant required reports and information	186

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

Table 1

City of Fort Smith, Arkansas
Net Position by Component
Last Ten Years
(Accrual Basis of Accounting)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 294,746,494	\$ 305,663,999	\$ 323,022,637	\$ 323,907,222	\$ 315,027,429	\$ 301,383,411	\$ 301,292,326	\$ 310,422,734	\$ 326,142,910	\$ 337,638,439
Restricted	24,205,366	23,050,850	39,016,328	45,995,375	41,087,435	46,649,301	50,358,284	49,252,066	48,938,954	58,722,663
Unrestricted (deficit)	38,763,651	34,297,504	15,010,176	11,588,210	11,619,202	8,929,780	(41,489,044)	(38,495,788)	(28,509,210)	(35,881,319)
Total governmental activities net position	\$ 357,715,511	\$ 363,012,353	\$ 377,049,141	\$ 381,490,807	\$ 367,734,066	\$ 356,962,492	\$ 310,161,566	\$ 321,179,012	\$ 346,572,654	\$ 360,479,783
Business-Type activities										
Net investment in capital assets	\$ 293,549,646	\$ 314,941,959	\$ 324,215,779	\$ 329,000,477	\$ 359,247,688	\$ 378,186,724	\$ 350,202,002	\$ 397,064,645	\$ 385,564,986	\$ 391,608,271
Restricted	24,102,177	24,385,436	18,608,798	18,173,298	18,623,298	19,073,298	20,677,094	23,582,119	23,581,225	8,736,608
Unrestricted (deficit)	(3,057,942)	(7,596,655)	2,270,311	8,023,382	5,289,216	649,154	34,468,082	12,571,307	18,695,478	43,171,676
Total business-type activities net position	\$ 314,593,881	\$ 331,730,740	\$ 345,094,888	\$ 355,197,157	\$ 383,160,202	\$ 397,909,176	\$ 405,347,178	\$ 433,218,071	\$ 427,841,689	\$ 443,516,555
Primary government										
Net investment in capital assets	\$ 588,296,140	\$ 620,605,958	\$ 647,238,416	\$ 652,907,699	\$ 674,275,117	\$ 679,570,135	\$ 651,494,328	\$ 707,487,379	\$ 711,707,896	\$ 729,246,710
Restricted	48,307,543	47,436,286	57,625,126	64,168,673	59,710,733	65,722,599	71,035,378	72,834,185	65,808,092	67,459,271
Unrestricted (deficit)	35,705,709	26,700,849	17,280,487	19,611,592	16,908,418	9,578,934	(7,020,962)	(25,924,481)	(9,813,732)	7,290,357
Total primary government net position	\$ 672,309,392	\$ 694,743,093	\$ 722,144,029	\$ 736,687,964	\$ 750,894,268	\$ 754,871,668	\$ 715,508,744	\$ 754,397,083	\$ 767,702,256	\$ 803,996,338

Table 2

City of Fort Smith, Arkansas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General government	\$ 8,783,548	\$ 9,464,539	\$ 9,874,051	\$ 9,373,912	\$ 10,566,809	\$ 11,782,229	\$ 10,540,138	\$ 9,334,980	\$ 9,813,976	\$ 9,487,201
Public safety	31,836,140	32,350,902	34,009,318	37,263,101	40,463,203	37,468,682	40,059,753	39,229,896	37,685,158	46,794,625
Public works	12,169,873	13,226,363	14,541,350	14,541,430	16,688,875	16,828,138	16,228,119	15,992,699	16,485,834	16,116,687
Community services	13,438,158	12,165,578	10,732,048	11,633,976	11,431,562	17,875,559	11,598,167	10,593,837	10,813,088	11,373,604
Interest on long-term debt	3,917,534	3,838,008	2,933,735	4,099,571	4,958,960	4,948,763	4,702,341	4,390,585	4,528,084	2,991,999
Total governmental activities expenses	<u>70,145,253</u>	<u>71,045,390</u>	<u>72,090,502</u>	<u>76,911,990</u>	<u>84,109,410</u>	<u>88,903,371</u>	<u>83,128,518</u>	<u>79,541,996</u>	<u>79,326,140</u>	<u>86,764,116</u>
Business-Type Activities:										
Water and Sewer	34,198,511	37,974,129	38,875,863	41,283,645	42,203,035	42,807,102	43,775,895	49,436,840	56,118,174	51,098,433
Sanitation	11,403,090	11,670,602	11,287,956	12,361,032	12,185,883	13,298,931	12,160,733	11,623,625	14,930,172	12,462,283
Total business-type activities expenses	<u>45,601,601</u>	<u>49,644,731</u>	<u>50,163,819</u>	<u>53,644,677</u>	<u>54,388,918</u>	<u>56,106,033</u>	<u>55,936,628</u>	<u>61,060,465</u>	<u>71,048,346</u>	<u>63,560,716</u>
Total primary government expenses	<u>\$ 115,746,854</u>	<u>\$ 120,690,121</u>	<u>\$ 122,254,321</u>	<u>\$ 130,556,667</u>	<u>\$ 138,498,328</u>	<u>\$ 145,009,404</u>	<u>\$ 139,065,146</u>	<u>\$ 140,602,461</u>	<u>\$ 150,374,486</u>	<u>\$ 150,324,832</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 3,644,887	\$ 3,874,758	\$ 3,935,526	\$ 3,864,179	\$ 4,011,708	\$ 3,590,637	\$ 3,984,533	\$ 4,138,125	\$ 3,697,496	\$ 4,035,492
Public safety	245,863	312,543	325,298	358,888	1,430,302	183,031	166,741	174,925	206,292	212,218
Public works	1,200	4,605	9,535	261,792	421,635	266,627	254,686	335,684	346,439	389,717
Community services	1,003,750	1,153,674	994,444	1,099,960	1,657,307	1,210,185	1,199,131	1,170,521	1,322,074	1,207,071
Operating grants and contributions	12,754,491	13,142,881	12,269,135	10,982,501	12,914,448	13,925,772	15,087,846	13,482,510	13,072,923	13,983,299
Capital grants and contributions	1,763,263	1,357,800	1,796,754	3,394,792	3,388,287	3,197,429	3,540,688	12,349,015	3,343,621	2,962,846
Total governmental activities program revenues	<u>19,413,454</u>	<u>19,846,261</u>	<u>19,330,692</u>	<u>19,962,112</u>	<u>23,823,687</u>	<u>22,373,681</u>	<u>24,233,625</u>	<u>31,650,780</u>	<u>21,988,845</u>	<u>22,790,643</u>
Business-Type Activities:										
Charges for services										
Water and sewer	35,652,828	38,509,851	40,818,042	41,049,517	37,805,650	35,918,255	43,606,954	53,271,406	54,902,198	57,858,066
Sanitation	12,560,096	13,246,801	12,337,186	12,640,422	15,068,421	13,291,198	13,756,356	14,791,432	14,757,545	16,812,701
Capital grants and contributions	3,683,324	512,378	638,698	1,245,672	1,968,216	-	-	-	-	-
Total business-type activities program revenues	<u>51,896,248</u>	<u>52,269,030</u>	<u>53,793,926</u>	<u>54,935,611</u>	<u>54,842,287</u>	<u>49,209,453</u>	<u>57,363,310</u>	<u>68,062,838</u>	<u>69,659,743</u>	<u>74,670,767</u>
Total primary government program revenues	<u>\$ 71,309,702</u>	<u>\$ 72,115,291</u>	<u>\$ 73,124,618</u>	<u>\$ 74,897,723</u>	<u>\$ 78,665,974</u>	<u>\$ 71,583,134</u>	<u>\$ 81,596,935</u>	<u>\$ 99,713,618</u>	<u>\$ 91,648,588</u>	<u>\$ 97,461,410</u>
Net (expense) revenue										
Governmental activities	\$ (50,731,799)	\$ (51,199,129)	\$ (52,759,810)	\$ (56,949,878)	\$ (60,285,723)	\$ (60,285,723)	\$ (66,529,690)	\$ (58,894,893)	\$ (57,337,295)	\$ (63,973,473)
Business-Type activities	6,294,647	2,624,299	3,630,107	1,290,934	453,369	453,369	(6,896,580)	1,426,682	(1,388,602)	11,110,051
Total primary government net expense	<u>\$ (44,437,152)</u>	<u>\$ (48,574,830)</u>	<u>\$ (49,129,703)</u>	<u>\$ (55,658,944)</u>	<u>\$ (59,832,354)</u>	<u>\$ (59,832,354)</u>	<u>\$ (73,426,270)</u>	<u>\$ (57,468,211)</u>	<u>\$ (58,725,897)</u>	<u>\$ (52,863,422)</u>

Table 2 (Continued)

City of Fort Smith, Arkansas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 12,267,731	\$ 10,623,101	\$ 13,143,979	\$ 10,927,877	\$ 11,514,707	\$ 11,447,651	\$ 11,715,689	\$ 12,255,857	\$ 12,674,326	\$ 12,929,340
Sales taxes	52,601,763	52,091,471	53,838,552	54,489,254	54,291,940	55,823,661	56,850,299	58,893,332	59,100,140	60,050,705
Utility franchise fees	5,990,452	6,492,100	6,571,993	6,071,893	6,478,637	6,780,156	6,388,844	5,974,790	6,304,008	6,840,478
Unrestricted grants and contributions	226,195	10,085	-	55,357	-	-	-	-	-	-
Unrestricted investment earnings	538,627	163,172	18,480	474	364,291	85,627	152,888	64,861	317,642	1,220,764
Insurance proceeds from hail storm	1,778,572	-	-	-	-	-	-	-	-	-
Other	1,318,649	1,199,332	1,539,449	527,041	3,462,503	2,108,585	1,397,078	2,043,676	1,618,293	2,158,371
Transfers	(34,020,953)	(14,083,290)	(8,315,855)	(12,190,491)	(27,638,513)	(20,487,564)	(16,408,142)	(20,323,854)	(3,995,559)	(1,255,595)
Total governmental activities	40,701,036	56,495,971	66,796,598	59,881,405	48,473,565	55,758,116	60,096,656	58,908,662	76,018,850	81,944,063
Business-type activities:										
Unrestricted investment earnings	343,471	89,914	14,459	61,383	68,600	87,230	80,875	193,749	401,542	1,219,925
Other	1,116,923	339,356	1,403,727	609,901	1,403,727	1,403,727	138,309	350,917	762,982	1,099,816
Transfers	34,020,953	14,083,290	8,315,855	12,190,491	27,638,513	20,487,564	16,408,142	20,323,854	3,995,559	1,255,595
Total business-type activities	35,481,347	14,512,560	9,734,041	12,861,775	29,110,840	21,978,521	16,627,326	20,868,520	5,160,083	3,575,336
Total primary government	\$ 76,182,383	\$ 71,008,531	\$ 76,530,639	\$ 72,743,180	\$ 77,584,405	\$ 77,736,637	\$ 76,723,982	\$ 79,777,182	\$ 81,178,933	\$ 85,519,399
Changes in Net Position										
Governmental activities	\$ (10,030,763)	\$ 5,296,842	\$ 14,036,788	\$ 2,931,527	\$ (11,812,158)	\$ (10,771,574)	\$ 1,201,763	\$ 11,017,446	\$ 18,681,555	\$ 17,970,590
Business-type activities	41,775,994	17,136,859	13,364,148	14,152,709	27,963,029	14,748,974	18,054,008	27,870,893	3,771,481	14,685,387
Total primary government	\$ 31,745,231	\$ 22,433,701	\$ 27,400,936	\$ 17,084,236	\$ 16,150,871	\$ 3,977,400	\$ 19,255,771	\$ 38,888,339	\$ 22,453,036	\$ 32,655,977

Table 3

City of Fort Smith, Arkansas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes (1)	\$ 69,476,528	\$ 69,689,304	\$ 71,868,941	\$ 72,036,723	\$ 72,257,168	\$ 74,337,156	\$ 74,880,735	\$ 77,077,945	\$ 78,253,489	\$ 79,356,524
Licenses and permits	1,559,950	1,489,526	1,628,157	1,553,688	1,612,104	1,623,061	1,609,554	1,991,228	1,829,600	2,084,758
Intergovernmental	13,117,444	12,881,250	12,552,267	12,672,787	13,423,088	15,018,681	15,109,545	22,571,712	14,075,150	13,742,046
Fines and forfeitures	2,098,901	2,299,274	2,356,809	2,408,231	2,570,173	2,121,646	2,508,139	2,362,403	2,086,363	2,147,268
Charges for services	1,172,312	1,237,853	1,108,213	1,277,269	1,333,228	1,340,413	1,317,163	1,287,951	1,452,156	1,352,954
Investment earnings	566,378	166,106	18,480	141,141	383,964	185,589	262,136	168,689	442,148	1,380,801
Contributions	1,511,328	1,338,330	1,341,458	1,395,068	2,707,215	2,046,589	3,518,989	3,259,813	2,341,394	3,204,099
Miscellaneous	189,946	341,329	470,997	343,630	769,159	367,470	303,595	741,307	585,585	603,372
Total revenues	89,692,787	89,442,972	91,345,322	91,828,537	95,056,099	97,040,605	99,509,856	109,461,048	101,065,885	103,871,822
Expenditures										
General government	8,226,444	7,879,961	7,969,047	7,972,590	8,316,034	8,544,169	8,346,483	7,714,771	8,012,962	7,647,178
Public safety	30,697,704	30,032,414	31,659,461	31,596,228	34,497,803	33,985,035	36,145,342	33,527,587	32,844,745	36,906,576
Public works	5,254,628	5,870,159	6,450,755	5,734,913	7,461,123	7,341,039	6,645,539	6,291,652	5,983,213	5,751,800
Community services	9,338,549	7,987,136	7,144,380	7,236,525	7,199,963	8,404,310	9,091,293	8,155,214	7,947,477	8,901,750
Other	1,830,124	2,335,524	2,368,766	1,812,324	1,772,276	1,636,526	1,760,379	1,448,839	1,543,680	1,909,145
Capital outlay	31,766,713	34,187,241	31,670,727	30,928,218	49,788,131	41,638,644	39,788,772	50,789,749	30,415,836	19,644,191
Debt service										
Principal	17,785,000	16,805,000	17,495,000	1,940,000	12,905,000	11,315,000	11,240,000	11,425,000	12,320,000	12,735,000
Interest	2,917,861	3,040,386	2,367,651	2,688,400	3,575,061	4,217,236	4,247,774	3,938,833	4,138,267	2,589,697
Issuance costs	259,839	75,892	-	349,650	-	400,062	-	-	-	-
Total expenditures	108,076,862	108,213,713	107,125,787	90,258,848	125,515,391	117,482,021	117,265,582	123,291,645	103,206,180	96,085,337
Excess (deficiency) of revenues over (under) expenditures	(18,384,075)	(18,770,741)	(15,780,465)	1,569,689	(30,459,292)	(20,441,416)	(17,755,726)	(13,830,597)	(2,140,295)	7,786,485
Other financing sources and (uses)										
Transfers in	29,689,472	6,809,336	3,531,999	77,142,266	3,632,186	36,885,129	1,833,771	1,060,810	2,881,246	3,451,814
Transfers out	(64,000,227)	(6,269,982)	(3,077,367)	(76,972,738)	(3,849,710)	(36,937,129)	(1,775,248)	(962,881)	(1,959,000)	(2,963,814)
Insurance proceeds from hail storm	1,778,572	-	-	-	-	-	-	-	-	-
Premiums on bond issuance	236,307	16,217	-	6,269,913	-	1,028,741	-	-	-	-
Bond issuance	29,150,000	3,595,000	-	110,660,000	-	34,295,000	-	-	-	-
Escrow deposits	-	-	-	(53,700,952)	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(3,145,876)	4,150,571	454,632	63,398,489	(217,524)	35,271,741	58,523	97,929	922,246	488,000
Net change in fund balances	\$ (21,529,951)	\$ (14,620,170)	\$ (15,325,833)	\$ 64,968,178	\$ (30,676,816)	\$ 14,830,325	\$ (17,697,203)	\$ (13,732,668)	\$ (1,218,049)	\$ 8,274,485
Debt service as a % of noncapital expenditures	27.1%	26.8%	26.3%	7.8%	21.8%	20.5%	20.0%	21.2%	22.6%	20.0%

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

Table 4

City of Fort Smith, Arkansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 2,772,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,772,601	-	-	-	-	-	-	-	-	-
Nonspendable	-	126,037	66,707	264,783	44,106	73,340	56,438	190,121	190,100	312,081
Restricted	-	1,467,461	283,616	-	-	-	-	-	-	-
Assigned	-	1,910,794	1,407,063	4,450,203	1,205,979	1,406,631	1,701,712	1,319,552	1,121,752	967,846
Unassigned	-	4,938,318	5,983,015	4,269,917	10,435,252	10,197,081	7,712,281	13,383,861	15,983,316	19,462,185
Total general fund	<u>8,545,513</u>	<u>8,442,610</u>	<u>7,740,401</u>	<u>8,984,903</u>	<u>11,685,337</u>	<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>
All other governmental funds										
Reserved	68,080,708	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	12,771,282	-	-	-	-	-	-	-	-	-
Capital projects funds	709,966	-	-	-	-	-	-	-	-	-
Nonspendable	-	343,606	526,015	673,709	701,931	339,952	179,311	194,052	641,036	641,036
Restricted	-	62,360,676	51,037,382	114,702,230	79,671,763	95,030,923	79,584,620	59,530,245	52,846,439	58,722,663
Committed	-	508,840	443,933	-	-	-	-	-	-	-
Assigned	-	3,781,567	363,735	453,802	2,078,797	1,920,226	2,036,588	2,923,499	5,537,590	4,795,502
Unassigned (deficit)	-	-	-	-	-	-	-	(3,048)	-	(306,595)
Total all other governmental funds	<u>81,561,956</u>	<u>66,994,689</u>	<u>52,371,065</u>	<u>115,829,741</u>	<u>82,452,491</u>	<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>
Total governmental fund balances	<u>\$ 90,107,469</u>	<u>\$ 75,437,299</u>	<u>\$ 60,111,466</u>	<u>\$ 124,814,644</u>	<u>\$ 94,137,828</u>	<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>

The City of Fort Smith adopted GASB 54 for fiscal year ending 12/31/2010. In the schedule above all years prior to 2011 are stated in its original form and therefore are not directly comparable to 2011 or later.

Table 5

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues	\$ 36,683,453	\$ 37,014,019	\$ 37,744,298	\$ 38,056,106	\$ 43,930,416	\$ 43,702,563	\$ 44,355,055	\$ 44,912,352	\$ 45,290,927	\$ 47,668,106
Expenditures	41,671,672	39,433,872	40,670,109	38,750,928	42,663,082	45,643,048	45,169,301	38,905,420	41,298,295	45,728,976
Excess (deficiency) of revenues over (under) expenditures	(4,988,219)	(2,419,853)	(2,925,811)	(694,822)	1,267,334	(1,940,485)	(814,246)	6,006,932	3,992,632	1,939,130
Other financing sources (uses)	2,777,499	2,366,950	2,223,602	1,634,238	1,738,186	1,932,200	(1,392,375)	(583,829)	(1,590,998)	1,507,814
Net change in fund balances	(2,210,720)	(52,903)	(702,209)	939,416	3,005,520	(8,285)	(2,206,621)	5,423,103	2,401,634	3,446,944
Fund balance, January 1	10,706,233	8,495,513	8,442,610	7,740,401	8,679,817	11,685,337	11,677,052	9,470,431	14,893,534	17,295,168
Fund balance, December 31	\$ 8,495,513	\$ 8,442,610	\$ 7,740,401	\$ 8,679,817	\$ 11,685,337	\$ 11,677,052	\$ 9,470,431	\$ 14,893,534	\$ 17,295,168	\$ 20,742,112

Table 6

City of Fort Smith, Arkansas
General Governmental Taxes by Source
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Ad Valorem Taxes	Sales Taxes (1)	Utility Franchise Fees	Total
2009	\$ 10,884,313	\$ 52,601,763	\$ 5,990,452	\$ 69,476,528
2010	11,105,733	52,091,471	6,492,100	69,689,304
2011	11,458,396	53,838,552	6,571,993	71,868,941
2012	11,475,576	54,489,254	6,071,893	72,036,723
2013	11,486,591	54,291,940	6,478,637	72,257,168
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

(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

City of Fort Smith, Arkansas
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)	1% or 3/4% City Sales & Use Tax Allocated for Bonds (3)	1/4% City Sales & Use Tax Allocated Fire & Parks (3)	Total	Direct City Tax Rate	Overlapping Sebastian County Tax Rate
2009	\$ 18,777,493	\$ 15,046,777	\$ 18,777,493	\$ -	\$ 52,601,763	2.00%	1.00%
2010	18,599,727	14,892,017	18,599,727	-	52,091,471	2.00%	1.00%
2011	19,341,760	15,155,032	19,341,760	-	53,838,552	2.00%	1.00%
2012	19,605,123	15,279,008	18,836,899	768,224	54,489,254	2.00%	1.00%
2013	19,468,975	15,353,991	14,601,731	4,867,243	54,291,940	2.00%	1.00%
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%
Total	<u>\$ 200,135,893</u>	<u>\$ 157,759,800</u>	<u>\$ 168,414,884</u>	<u>\$ 31,720,540</u>	<u>\$ 558,031,117</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) Prior to May 2006, the City assessed two 1/2 % City sales and use taxes to total 1% for bond redemption. The first 1/2% was allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 1997. The 1997 Bonds were issued to fund the construction for the convention center, public library facilities, and riverfront park projects. The tax became effective January 1, 1998. The second 1/2% was allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 2001. The 2001 Bonds were issued to fund a portion of the Lake Fort Smith water supply expansion project and to fund wastewater improvements. The tax for the 2001 Bonds became effective May 1, 2001. The 1997 Bonds were redeemed in June 2004 and now the entire 1% tax is allocated to the repayment of the 2001 Bonds. In May 2006, the 1% sales and use tax was approved to support the issuance of City of Fort Smith Sales and Use Tax Refunding and Construction Bonds, Series 2006. The 2006 Bonds were issued to refund the outstanding 2001 Bonds, acquire a public safety and utility radio communication system, and provide wastewater improvements in accordance with an EPA administrative order. In November 2008, additional sales and use tax bonds were issued to provide more funding for the radio project and the wastewater projects. In September 2009, additional sales and use tax bonds were issued for more wastewater projects. The 2009 Bonds will be paid with the sales and use tax once the 2006 and 2008 Bonds are redeemed. The 2009 Bonds interest payments are currently being supported by a temporary sewer rate that is in effect until the 2006 and 2008 Bonds are redeemed. In January 2010, the City issued additional sales and use tax bonds for even more wastewater projects. The 2006, 2008, and 2010 Bonds are supported by the 1% sales and use tax. Once these bonds are redeemed, the 1% sales and use tax will support the 2009 Bonds and the temporary sewer rate will be discontinued. The 2010 were redeemed in full during 2010. 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. The outstanding 2006, 2008 and 2009 bonds were called by the 2012 bonds. The temporary sewer rate was removed in early July 2012. 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.

Table 8

**City of Fort Smith, Arkansas
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
2009	\$ 8,328,466	\$ 7,702,929	92.49%	\$ 305,640	\$ 8,008,569	96.16%	\$ 402,909	4.84%
2010	9,518,247	9,035,518	94.93%	411,376	9,446,894	99.25%	527,023	5.54%
2011	9,730,326	9,299,637	95.57%	344,396	9,644,033	99.11%	453,411	4.66%
2012	10,048,916	9,514,504	94.68%	396,701	9,911,205	98.63%	705,667	7.02%
2013	10,213,111	8,317,052	81.44%	424,158	8,741,210	85.59%	394,097	3.86%
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%

(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

City of Fort Smith, Arkansas
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		
2009	\$ 837,275,432	\$ 4,186,377,160	\$ 335,318,153	\$ 1,676,590,765	\$ 1,172,593,585	\$ 5,862,967,925	20.00%	0.70
2010	873,592,440	4,367,962,200	336,466,947	1,682,334,735	1,210,059,387	6,050,296,935	20.00%	0.70
2011	941,388,230	4,706,941,150	353,247,975	1,766,239,875	1,294,636,205	6,473,181,025	20.00%	0.70
2012	968,690,035	4,843,450,175	357,156,805	1,785,784,025	1,325,846,840	6,629,234,200	20.00%	0.70
2013	980,472,019	4,902,360,095	367,266,450	1,836,332,250	1,347,738,469	6,738,692,345	20.00%	0.70
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

(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.

City of Fort Smith, Arkansas
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	
2009	\$ 0.70	\$ 0.70	\$ 0.80	\$ 0.80	\$ 3.65	\$ 3.65	\$ 0.10	\$ 0.10	\$ 5.25	\$ 5.25
2010	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2011	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2012	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2013	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
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

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	
2009	\$ 7.00	\$ 7.00	\$ 8.00	\$ 8.00	\$ 36.50	\$ 36.50	\$ 1.00	\$ 1.00	\$ 52.50	\$ 52.50
2010	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2011	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2012	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2013	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2014	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2015	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2016	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2017	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2018	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50

(1) Fiscal year is year of levy.

Table 11

City of Fort Smith, Arkansas
Principal Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Name of Taxpayer (1)	2018			2009		
	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation
Oklahoma Gas & Electric Co.	\$ 41,804,915	1	2.90%			
Wal-Mart Sam's Club	20,430,555	2	1.42%	\$ 9,999,012	5	0.80%
Cox Communications	21,586,830	3	1.50%			
Mars Petcare US, Inc.	19,831,595	4	1.38%			
Mercy Medical Center	18,844,255	5	1.31%			
ABB (formerly Baldor Electric Company)	18,548,165	6	1.29%	28,890,033	1	2.31%
Cellco Partnership	18,259,260	7	1.27%			
Gerber Products Company	17,778,560	8	1.23%	4,712,701	10	0.38%
Dixie Consumer Products	17,013,250	9	1.18%			
OK Farms, Inc	14,621,595	10	1.01%	22,364,015	3	1.79%
Stephens Production				25,802,974	2	2.06%
Whirlpool Corporation				19,940,197	4	1.59%
Southwestern Electric Power				9,051,710	6	0.72%
FS Mall Partners (Central Mall)				8,471,442	7	0.68%
Farmers Bank				6,772,921	8	0.54%
Southwestern Bell Telephone				5,768,694	9	0.46%
	\$ 208,718,980		14.47%	\$ 141,773,699		11.34%

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2018 are based upon 2017 assessed valuation of \$1,441,985,722. Property taxes collected in 2009 were based upon the 2008 assessed valuation of \$1,250,202,816.

Table 12

City of Fort Smith, Arkansas
Computation of Direct and Estimated Overlapping Debt
December 31, 2018
(Unaudited)

Taxing Jurisdiction	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Fort Smith	\$ 78,963,653	100%	\$ 78,963,653
Overlapping:			
Fort Smith Special School District	149,945,118	100%	149,945,118
Greenwood School District	42,325,000	5%	2,116,250
Sebastian County	-	76%	-
Total Overlapping	<u>192,270,118</u>		<u>152,061,368</u>
Total direct and estimated overlapping bonded debt	<u>\$ 271,233,771</u>		<u>\$ 231,025,021</u>
Ratio, direct and estimated overlapping debt to fiscal 2017 assessed valuation (3)			16.0%
Per capita direct and estimated overlapping bonded debt (4)			<u>\$ 2,642</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, \$1,480,064,863

(4) Based on the estimated population for 2018 in Table 16.

Table 13

**City of Fort Smith, Arkansas
Computation of Legal Debt Margin
Last Ten Fiscal Years
(Unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net assessed value (1)	\$ 872,593,585	\$ 1,210,059,387	\$ 1,294,636,205	\$ 1,325,846,840	\$ 1,347,738,469	\$ 1,350,856,242	\$ 1,369,259,673	\$ 1,423,347,462	\$ 144,985,722	\$ 1,480,064,863
Plus exempt property (2)	-	-	-	-	-	-	-	-	-	-
Total assessed value	\$ 1,134,811,514	\$ 1,210,059,387	\$ 1,294,636,205	\$ 1,325,846,840	\$ 1,347,738,469	\$ 1,325,846,840	\$ 1,347,738,469	\$ 1,350,856,242	\$ 1,350,856,242	\$ 1,480,064,863
Debt limit - 25% of total assessed value (3)	\$ 218,148,396	\$ 302,514,847	\$ 323,659,051	\$ 331,461,710	\$ 336,934,617	\$ 337,714,061	\$ 342,314,918	\$ 355,836,866	\$ 360,496,431	\$ 370,016,216
Amount of debt applicable to limit (4)	-	-	-	-	-	-	-	-	-	-
Debt Margin	\$ 218,148,396	\$ 302,514,847	\$ 323,659,051	\$ 331,461,710	\$ 336,934,617	\$ 337,714,061	\$ 342,314,918	\$ 355,836,866	\$ 360,496,431	\$ 370,016,216

(1) From Table 7.

(2) Not available

(3) Limitation is established by state statute.

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

Table 14

City of Fort Smith, Arkansas
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	Notes Payable	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases			
2009	\$ 83,108,248	\$ 970,000	\$ 96,209	\$ 193,336,746	\$ -	\$ 759,641	\$ 278,270,844	3.1%	3,245
2010	70,142,001	495,000	49,134	186,251,924	-	514,572	257,452,631	2.7%	2,986
2011	52,894,533	-	-	179,222,398	-	677,219	232,794,150	2.4%	2,671
2012	115,161,914	-	294,355	174,755,817	-	910,196	291,122,282	3.1%	3,329
2013	101,838,920	-	160,439	168,766,139	-	1,066,493	230,042,219	2.4%	2,631
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	3.2%	3,452
2016	101,722,935	-	88,100	184,391,017	-	-	286,202,052	2.9%	3,245
2017	88,916,358	-	-	177,146,166	-	-	266,062,524	2.7%	3,004
2018	75,694,781	-	-	250,475,721	-	-	326,170,502	3.1%	3,713

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.

Table 15

City of Fort Smith, Arkansas
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	2009	\$ 37,118,841	\$ 21,489,095	\$ 15,629,746	\$ 5,665,000	\$ 9,335,000	\$ 15,000,000	104%
	2010	38,661,437	20,872,208	17,789,229	5,910,000	9,089,126	14,999,126	119%
	2011	40,820,838	20,759,793	20,061,045	6,170,000	8,828,313	14,998,313	134%
	2012	41,080,985	22,019,792	19,061,193	4,045,000	7,968,048	12,013,048	159%
	2013	37,841,132	22,867,856	14,973,276	5,705,000	7,896,016	13,601,016	110%
	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 (5)	7,567,304	13,652,304	143%
	2016	53,684,097	26,705,909	26,978,188	6,675,000 (6)	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)	7,720,005	13,890,005	222%
Solid Waste System	2009	\$ 12,675,503	\$ 10,058,856	\$ 4,304,150	\$ 945,000	\$ 113,716	\$ 1,058,716	405%
	2010	13,390,293	10,476,471	2,616,647	1,020,000	83,220	1,103,220	247%
	2011	12,675,503	10,142,163	2,913,822	1,060,000	21,465	1,081,465	264%
	2012	12,927,934	10,925,530	2,533,340	-	-	-	N/A
	2013	15,278,747	10,820,344	4,458,403	-	-	-	N/A
	2014 (4)	13,638,922	11,598,608	4,458,403	-	-	-	N/A
	2015 (4)	13,827,406	10,846,954	2,980,452	-	-	-	N/A
	2016 (4)	14,857,037	10,181,649	4,675,388	-	-	-	N/A
	2017 (4)	14,972,614	11,868,266	3,104,348	-	-	-	N/A
	2018 (4)	17,107,962	10,977,441	6,130,521	-	-	-	N/A

(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.

2018 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	\$ 7,720,005
Bond expenses	(959,902)
Accrued interest - 12/31/17	(1,918,103)
Accrued interest - 12/31/18	2,691,963
	<u>\$ 7,533,963</u>
Interest expense and fiscal charges - statement of revenues, expenses, and changes in fund net position	<u>\$ 7,533,963</u>

(4) The solid waste system revenue bonds were redeemed in full during 2011. There are no revenue bonds outstanding at December 31, 2012 - 2017 for the solid waste system.

(5) For the purposes of this schedule, the principle amount was adjusted for the 2005B bond refunding and the amount that was expected to be retired in 2015 relating to these bonds.

(6) For the purposes of this schedule, the principle amount was adjusted for the 2007 full bond refunding and 2008 partial bond refunding and the amount that was expected to be retired in 2016 relating to these bonds.

(7) For the purposes of this schedule, the principle amount was adjusted for the 2008 full bond refunding and the amount that was expected to be retired in 2018 relating to these bonds.

Table 16

**City of Fort Smith, Arkansas
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)
2009	85,747	123,597	9,054,458	30,896	35.4	12	13,792	8.2%
2010	86,209	125,744	9,395,000	31,266	35.0	12	14,109	8.5%
2011	87,155	126,948	9,537,232	31,891	35.0	12	13,896	8.6%
2012	87,443	127,304	9,503,067	33,876	35.0	12	14,048	7.7%
2013	87,443	127,304	9,469,141	34,892	35.0	12	14,313	8.1%
2014	87,215	127,463	9,478,220	34,711	35.7	12	14,317	5.5%
2015	87,443	126,716	9,546,448	37,340	35.0	12	14,918	5.4%
2016	88,194	127,793	9,778,769	34,065	37.8	12	14,341	4.3%
2017	88,570	128,107	9,964,566	35,956	38.1	12	14,407	4.1%
2018	87,845	127,753	10,491,067	37,047	35.0	12	14,181	3.6%

Data Sources:

- (1) Bureau of the Census
- (2) U.S. Department of Commerce
- (3) Community Development Department's estimate.
- (4) Fort Smith School District
- * Estimate

Table 17

City of Fort Smith, Arkansas
Principal Employers
Continuing Disclosure Requirement
Current Year and Nine Years Ago
(Unaudited)

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
O. K. Industries	3,183	1	2.7%	2,200	3	1.6%
Mercy Medical Center	3,100	2	2.6%	1,774	6	1.3%
Fort Smith Public Schools	2,200	3	1.9%	2,170	4	1.6%
Baptist Health	1,806	4	1.5%	4,748	1	3.5%
ArcBest Corp.	1,662	5	1.4%	898	9	0.7%
ABB (Formerly Baldor Electric Co)	1,614	6	1.4%	2,262	2	1.7%
University of Arkansas at Fort Smith	1,162	7	1.0%	946	8	0.7%
City of Fort Smith	1,064	8	0.9%	904	10	0.7%
Bost, Inc.	1,000	9	0.9%			
Rheem Manufacturing	900	10	0.8%	1,702	7	1.3%
Whirlpool Corporation				1,800	5	1.3%
Total	<u>17,691</u>		<u>15.0%</u>	<u>19,404</u>		<u>14.5%</u>

Data Sources:

Chamber of Commerce

U.S. Department of Labor, employment totals:

2019	117,573
2009	134,200

Table 18

**City of Fort Smith, Arkansas
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)**

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	125	127	127	126	126	125	126	132	134	138
Public safety:										
Police										
Officers	168	170	170	163	163	163	162	164	163	163
Civilians	52	59	59	59	59	59	59	55	55	52
Fire										
Firefighters and officers	129	129	129	129	149	149	149	149	149	149
Civilians	3	3	3	3	3	3	3	3	3	4
Public works:										
Operations	5	5	5	5	5	5	5	5	5	5
Streets	46	46	46	46	54	54	53	53	54	52
Traffic control	13	13	13	13	13	13	13	14	13	14
Parks and recreation	58	58	58	58	64	64	63	61	64	58
Transit	36	36	36	36	35	34	33	33	33	34
Water and sewer	191	192	189	191	192	196	223	264	270	302
Sanitation	78	78	78	78	78	78	79	88	86	91
Total	904	916	913	907	941	943	968	1,021	1,029	1,062

Table 19

City of Fort Smith, Arkansas
Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	12	12	12	12	12	10
Fire:										
Stations	10	10	10	10	11	11	11	11	11	11
Apparatus	21	21	21	18	17	17	17	30	27	27
Streets										
Streets (miles)	590	590	590	590	590	590	590	503	505	505
Streetlights	6,029	6,029	6,053	6,053	6,053	6,053	6,600	6,778	6,053	6,200
Traffic signals	146	146	149	149	149	149	150	151	149	154
Parks and recreation										
Parks acreage (square feet)	273	273	273	273	273	276	286	325	325	536
Parks	25	25	25	25	25	26	28	28	28	28
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	1	1	1	1	2	2	2	4
Tennis courts	12	12	12	12	12	12	12	12	12	12
Skatepark	1	1	1	1	1	1	1	1	1	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	20	20	20	20	20	19	16	16	16	16
Water and sewer										
Water mains (miles)	626	626	626	626	626	626	702	702	720	721
Average daily production capacity										
(thousands of gallons)	59,000	41,999	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400
Average daily consumption (thousands of gallons)										
	37,004	26,473	30,532	30,532	21,267	22,137	20,862	20,878	20,878	29,182
Sanitary sewers (miles)	516	516	500	500	545	545	516	522	500	562
Sanitation										
Collection trucks	52	53	53	45	45	45	45	44	44	44
Landfill capacity (in cubic yards)	66,151,721	65,872,831	65,585,500	65,343,244	65,023,707	64,998,995	63,895,067	61,612,281	50,314,801	49,952,321

NA - not available

Table 20

**City of Fort Smith, Arkansas
Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)**

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Physical arrest	9,776	10,073	8,820	9,324	8,781	8,155	9,026	9,854	9,521	8,621
Parking violations	5,702	7,622	5,984	5,649	5,312	4,320	5,197	4,904	1,991	1,723
Traffic violations	19,593	16,296	14,841	14,841	14,946	11,343	14,165	11,657	18,389	16,777
Fire										
Number of calls answered	7,825	8,026	8,158	8,793	8,688	10,148	10,071	10,223	10,763	11,337
Transit										
Passenger trips	177,991	191,221	198,165	206,329	215,591	204,097	194,869	190,418	191,124	204,695
Water and sewer										
New connections	345	450	371	299	314	269	246	325	283	305
Average daily production (thousands of gallons)	23,934	26,473	30,532	28,554	26,850	22,137	26,859	28,767	26,859	29,182
Average daily sewage flow (thousands of gallons)	19,473	16,844	17,421	15,200	14,684	17,100	21,040	15,030	15,010	16,660
Sanitation										
Waste disposal (cubic yards/day)	1,040	1,137	1,052	1,352	1,024	1,024	1,024	1,533	2,368	1,169

Table 21

City of Fort Smith, Arkansas
Solid Waste System Statistics
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Annual # Sanitation System Customers	Cubic Yardage of Waste at Landfill	Useful Life of Landfill Remaining (1)	Remaining Storage Capacity at Landfill
2009	312,972	1,124,130	39 yrs	66,151,721 cubic yards
2010	317,124	1,229,905	39 yrs	65,872,831 cubic yards
2011	321,048	1,137,597	21 yrs	65,585,500 cubic yards
2012	323,988	1,466,643	19 yrs	65,343,244 cubic yards
2013	327,036	1,107,403	16 yrs	65,023,707 cubic yards
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

- (1) This is the remaining life of the current cell being filled at the landfill. The entire landfill has a remaining life of 125 years.

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Table 22

City of Fort Smith, Arkansas
Water and Sewer Statistics
Continuing Disclosure Requirement
(Unaudited)

Fiscal Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons	Average Daily Sewage Flow in Gallons
2014	22,137,000	38,157,000	8,079,966,000	17,100,000
2015	26,859,000	36,791,000	9,803,481,000	21,040,000
2016	28,767,000	40,783,000	10,528,668,000	15,029,524
2017	20,434,686	36,791,000	7,458,660,308	15,010,000
2018	21,643,923	39,341,000	7,900,031,920	16,660,000

Water Customers Fiscal Year	Residential	Commercial	Wholesale	Other	Total
2014	29,346	4,222	13	151	33,732
2015	29,474	4,205	13	158	33,850
2016	29,789	4,296	13	165	34,263
2017	29,915	4,238	13	168	34,334
2018	29,976	4,341	13	176	34,506

Sewer Customers Fiscal Year	Residential	Commercial	Government	Total
2015	27,185	3,664	94	30,943
2016	27,526	3,696	92	31,314
2017	27,633	3,628	90	31,351
2017	27,633	3,628	90	31,351
2018	27,697	3,693	90	31,480

Table 22 (Continued)

**City of Fort Smith, Arkansas
Water and Sewer Statistics (Continued)
Continuing Disclosure Requirement
(Unaudited)**

For 2017:

Entity	Water	Sewer	Total	% of Gross Revenues
City of Van Buren	\$ 3,371,913	\$ -	\$ 3,371,913	6.14%
OK Foods	2,588,258	195,955	2,784,213	5.07%
Gerber Products	712,288	-	712,288	1.30%
Gerdau Macsteel	414,188	1,719,453	2,133,641	3.89%
Sparks Medical Center	219,674	345,986	565,660	1.03%
Mars Petcare US	259,644	138,143	397,787	0.72%
St. Edward Mercy Medical Center	150,659	-	150,659	0.27%
The Links Fort Smith	-	190,587	190,587	0.35%
Twin River	141,780	427,094	568,874	1.04%
Pernod Ricard (Hiram Walker)	73,581	-	73,581	0.13%
James River Dixie	88,171	293,849	382,020	0.70%
Simmons	-	225,494	225,494	0.41%
Owens Corning	-	168,773	168,773	0.31%
Sebastian County Park/Jail	-	182,994	182,994	0.33%
Top Ten Users	<u>\$ 8,020,156</u>	<u>\$ 3,888,328</u>	<u>\$ 11,908,484</u>	<u>21.69%</u>

For 2018:

Entity	Water	Sewer	Total	% of Gross Revenues
OK Foods	\$ 1,986,076	\$ 191,382	\$ 2,177,458	3.76%
Gerber Products	591,672	-	591,672	1.02%
Gerdau Macsteel	305,017	1,207,552	1,512,569	2.61%
Sparks Medical Center	165,134	264,092	429,226	0.74%
Mars Petcare US	162,353	34,902	197,255	0.34%
St. Edward Mercy Medical Center	132,319	302,160	434,479	0.75%
The Links Fort Smith	-	144,380	144,380	0.25%
Twin River	117,772	314,071	431,843	0.75%
Pernod Ricard (Hiram Walker)	45,829	-	45,829	0.08%
James River Dixie	135,207	292,695	427,902	0.74%
Simmons	74,442	195,902	270,344	0.47%
Glatfelter	-	32,753	32,753	0.06%
Top Ten Users	<u>\$ 3,715,821</u>	<u>\$ 2,979,889</u>	<u>\$ 6,695,710</u>	<u>11.57%</u>