#### Comprehensive Annual Financial Report

Year Ended December 31, 2019

**Prepared By the** 

City of Fort Smith, Arkansas Finance Department

#### **City Board of Directors**

George B. McGill, Mayor

Keith Lau Andre' Good Lavon Morton George Catsavis Robyn Dawson Kevin Settle Neal Martin

City Administrator Carl Geffken

## Year Ended December 31, 2019

#### Contents

Introductory Section	
Letter of Transmittal	9
Organizational Structure	15
List of Elected and Appointed Officials	16
Financial Section	
Independent Auditor's Report	19
Management's Discussion and Analysis	22
Basic Financial Statements	
Governmental-Wide Financial Statements:	
Statement of Net Position	32
Statement of Activities	34
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	36
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4(
Proprietary Funds:	
Statement of Net Position	42
Statement of Revenues, Expenses and Changes in Net Position	43
Statement of Cash Flows	44
Fiduciary Funds:	
Statement of Fiduciary Net Position	48
Statement of Changes in Fiduciary Net Position	49
Notes to Financial Statements	50

### Year Ended December 31, 2019

### **Contents (Continued)**

Agent Multiple-Employer Plans	
Schedule of the City's Net Pension Liability and Related Ratios – FRPF (the Old Fire Plan)	130
Schedule of the City's Pension Contributions – FRPF (the Old Fire Plan)	131
Schedule of the City's Net Pension Liability and Related Ratios – PRPF (the Old Police Plan)	132
Schedule of the City's Pension Contributions – PRPF (the Old Police Plan)	133
Cost-Sharing Plans	
Schedule of the City's Proportionate Share of the Net Pension Liability – LOPFI (the New Plans)	134
Schedule of City's Contributions – LOPFI (the New Plans)	135
Schedule of the City's Proportionate Share of the Net Pension Liability - APERS	136
Schedule of City's Contributions – APERS	137
Fort Smith Public Library - APERS	138
Other Postemployment Benefit (OPEB) Plan	
Schedule of Changes in the City's Net OPEB Liability and Related Ratios  - OPEB Plan	139
Schedule of City Contributions – OPEB Plan	140
Schedule of Investment Returns - OPEB Plan	141
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	142
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Street Maintenance Fund	143
Notes to Required Supplementary Information	144
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet	147
Combining Statement of Revenues Expenditures and Changes in Fund Balances	149

## Year Ended December 31, 2019

## **Contents (Continued)**

Internal Service Funds:	
Combining Statement of Net Position	150
Combining Statement of Revenues, Expenses and Changes in Net Position	151
Combining Statement of Cash Flows	152
Discretely Presented Component Units:	
Governmental Activities:	
Combining Statement of Net Position	154
Combining Statement of Activities	155
Balance Sheet – Advertising and Promotion	156
Statement of Revenues, Expenditures and Changes in Fund Balance – Advertising and Promotion	157
Business Type Activities:	
Statement of Net Position	158
Statement of Activities	159
Statement of Cash Flows	160
Statistical Section (Unaudited)	
Net Position by Component – Table 1	165
Changes in Net Position – Table 2	166
Changes in Fund Balances of Governmental Funds – Table 3	168
Fund Balances of Governmental Funds – Table 4	169
General Fund Revenues, Expenditures and Fund Balance – Table 5	170
General Governmental Taxes by Source - Table 6	171
Local Sales and Use Tax Collections – Table 7	172
Property Tax Levies and Collections – Table 8	173
Assessed and Estimated Actual Value of Taxable Property - Table 9	174
Property Tax Rates and Tax Levies – All Direct and Overlapping Governments – Table 10	175
Principal Taxpayers – Table 11	176
Computation of Direct and Estimated Overlapping Debt – Table 12	177
Computation of Legal Debt Margin – Table 13	178

#### Year Ended December 31, 2019

### **Contents (Continued)**

Ratios of Outstanding Debt by Type – Table 14	179
Revenue Bonds Debt Service Coverage – Table 15	180
Demographic Statistics – Table 16	181
Principal Employers – Table 17	182
Full-time Equivalent City Government Employees by Function – Table 18	183
Capital Asset Statistics by Function – Table 19	184
Operating Indicators by Function – Table 20	185
Solid Waste System Statistics – Table 21	186
Water and Sewer Statistics – Table 22	188
Other Required Reports	
Independent Accountant's Report on Compliance With Certain State Acts	190

(This Page Intentionally Left Blank)

# INTRODUCTORY SECTION

(This Page Intentionally Left Blank)



April 15, 2021

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 of the City of Fort Smith for the fiscal year ended December 31, 2019.

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, 2019 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, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

623 Garrison Avenue
P.O. Box 1908
Fort Smith, Arkansas 72902
(479) 785-2801
Administrative Offices FAX (479) 784-2430

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 2019 increased 1.1% over 2018. This was compared to a 1.6% increase in 2018 over 2017. Sales tax rates have not changed since 2012.

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, and Georgia-Pacific Dixie Products.

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). The ACHE campus has become a center of development in the River Valley. In 2020, ACHE announced the purchase of the former headquarters of Golden Living. This space will become the new home of the ACHE Wellness Institute and Research Center.

After years of preparation, the 53,000 square foot U.S. Marshalls Museum was dedicated on September 24, 2019, along the banks of the Arkansas River. Featuring an iconic design, the Museum will tell the stories of justice, integrity, and service of the Marshals who have bravely served our nation. The museum's complete interactive guest experience is expected to be complete and open to the public in the summer of 2021.

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 downtown building formerly housing The Shipley Baking Company was renovated and is currently known as The Bakery District. Phase I of The Bakery District was completed and celebrated with a grand opening in June 2020 with two tenants and a food truck. The courtyard space is large enough to add additional food trucks. Outdoor space is also available for various other activities. A catering kitchen is available as well as various sized rooms for meetings, weddings or other special events.

Phase II of the development is to develop office space and residential apartments. Phase III will be for office space and professional development. University of Arkansas Fort Smith has committed to occupy this space for the Family Enterprise Center and the Center for Business for Professional Development.

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 11 employers have approximately 18,000 employees with OK Foods being the number one employer in Fort Smith with over 3,100 employees. The top 11 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 2018. 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. In September 2020, the City met with the Department of Justice and the Environmental Protection Agency in Washington D.C. to discuss the details of the City's request for a modification. The City has sent documentation asserting force majeure for the historic 2019 flood and the COVID pandemic. The City is requesting additional time to complete the consent decree due to both events.

#### Other Information

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

We also acknowledge the thorough and professional manner in which the annual audit was conducted and assistance with the annual report 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,

Carl Geffken

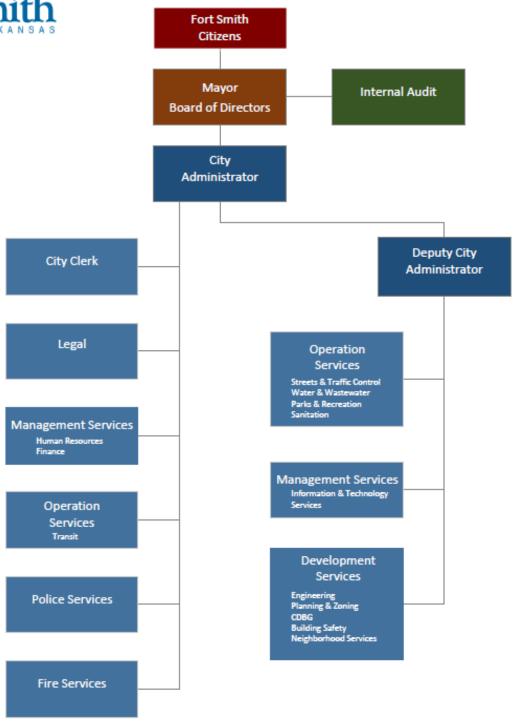
City Administrator

Andrew Richards

Director of Finance



# City of Fort Smith Plan of Organization



# List of Elected and Appointed Officials December 31, 2019

#### **Elected Officials**

Mayor George B. McGill

Director-Ward 1 Keith Lau Director-Ward 2 Andre' Good Director-Ward 3 Lavon Morton Director-Ward 4 George Catsavis Director at Large Robyn Dawson Director at Large/Vice Mayor Kevin Settle Director at Large Neal Martin District Court Judge Jim O'Hern

District Court Judge Claire Borengasser

District Court Judge Sam Terry

#### **Appointed Officials**

City Administrator
Deputy City Administrator
Advertising and Promotion
Airport
City Clerk
Development/Planning
District Court

Carl Geffken
Jeff Dingman
Claude Legris
Michael Griffin
Sherri Gard
Maggie Rice
Packed Sizes

District Court

Engineering

Finance

Rachel Sims

Stan Snodgrass

Lori Hopkins

Fire Phil Christensen, Fire Chief

Boyd Waters, Assistant Fire Chief

Human Resources
Information and Technology
Internal Audit
Library
Parks and Recreation
Police
Sanitation

Rick Lolley
Russell Gibson
Tracey Shockley
Jennifer Goodson
Doug Reinert
Danny Baker
Kyle Foreman

Streets and Traffic Control George Allen
Transit Ken Savage
Utilities Lance McAvoy

# FINANCIAL SECTION

(This Page Intentionally Left Blank)



#### **Independent Auditor's Report**

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2019, 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, a discretely presented component unit of the City of Fort Smith, Arkansas, which represent 86%, 66% and 77% 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of Matter

As discussed in *Note 15* to the financial statements, the 2019 beginning net position has been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

As discussed in *Note 16* to the financial statements, in 2019 the City changed its reporting entity to remove the Fort Smith Parking Authority as a discretely presented component unit. 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.

The Honorable Mayor and Board of Directors City of Fort Smith, Arkansas Page 3

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Fort Smith, Arkansas April 15, 2021

BKD, LLP

# Management's Discussion and Analysis December 31, 2019

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, 2019. 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 9-14 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 2019 by \$828.8 million (net position). Of this amount, \$745.3 million was invested in capital assets, net of related debt; \$75.8 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 \$7.7 million. The City's governmental activities have a deficit in unrestricted net position of \$37.5 million. The City's business-type activities have unrestricted net position of \$45.2 million. The negative unrestricted net position of the governmental activities is due primarily to the \$81.2 million balance in net pension liabilities at year-end.
- The City's total net position increased by \$27.3 million in 2019. Net position of the governmental activities increased by \$24.9 million in 2019 compared to a net increase of \$18.0 million in 2018. The City's net position of the business-type activities increased by \$2.5 million in 2019 compared to a net increase of \$14.7 million in 2018.
- As of the close of 2019, the City's governmental funds reported combined ending fund balances of \$93.7 million, an increase of \$9.1 million from the prior year. The restricted portion of the fund balances is \$67.0 million. The remaining fund balances is classified as nonspendable of \$1.0 million; assigned of \$6.7 million; and unassigned of \$19.0 million.
- At the end of 2019, the unassigned fund balance for the General Fund was \$19.2 million or 41.8% of total General Fund expenditures and transfers out. There was an increase of \$3.7 million in total general fund balance between years.
- The City's total bonded indebtedness decreased \$20.0 million during the current year to \$278.9 million.
- The City's governmental component units reported net position of \$1.1 million at December 31, 2019 which was the same for 2018.
- The City's business-type component units reported net position of \$40.3 million at December 31, 2019 which was a \$207 thousand decrease from 2018.

#### **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:

- 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 32-35 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 11 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 36-40 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 42-47 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 48-49 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 50-127 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 129-143 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 2018 financial statements were not restated for the 2019 prior period adjustment or change in reporting entity. Additional information for the effect of the prior period adjustment can be found in *Note 15* on pages 125-126 of this report. Additional information for the effect of the change in reporting entity can be found in *Note 16* on page 127 of this report.

City of Fort Smith
Net Position

	Governmental			vities	Business-Type Activities					Total			
	2019		2018		2019		2018		2019		2018		
Current and other assets Capital assets	\$	119,936,830 417,417,331	\$	107,594,106 413,816,878	\$	139,339,661 573,961,419	\$	158,137,579 564,055,005	\$	259,276,491 991,378,750	\$	265,731,685 977,871,883	
Total assets		537,354,161		521,410,984	_	713,301,080		722,192,584		1,250,655,241	_	1,243,603,568	
Total deferred outflows of resources		20,969,931		14,984,297		2,654,192		2,733,027		23,624,123		17,717,324	
Long-term liabilities Other liabilities		144,254,557 17,516,537		147,772,516 14,708,221		248,375,732 18,215,295		257,654,864 17,421,263		392,630,289 35,731,832		405,427,380 32,129,484	
Total liabilities		161,771,094		162,480,737		266,591,027		275,076,127		428,362,121		437,556,864	
Total deferred inflows of resources		11,215,329		13,434,761		5,890,320		6,332,929		17,105,649		19,767,690	
Net position:													
Net investment in capital assets		353,386,437		337,638,439		391,949,443		391,608,271		745,335,880		729,246,710	
Restricted		69,471,463		58,722,663		6,319,596		8,736,608		75,791,059		67,459,271	
Unrestricted		(37,520,231)		(35,881,319)		45,204,886		43,171,676		7,684,655		7,290,357	
Total net position	\$	385,337,669	\$	360,479,783	\$	443,473,925	\$	443,516,555	\$	828,811,594	\$	803,996,338	

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 \$828.8 million at the close of 2019.

The largest portion of the City's net position \$745.3 million or 89.9% 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 (9.1%) represents resources that are subject to restrictions as to how they may be used. Of the total \$75.8 million restricted net position, \$22.9 million is restricted for bond retirement, \$45.5 million is restricted for construction projects, \$2.7 million is restricted for police and fire retirement contribution, \$3.7 million is restricted for parks and recreation and \$1.0 million is restricted for other purposes. The remaining balance of net position is \$7.7 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 \$81.2 million.

The City's net position increased by \$27.3 million during 2019. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

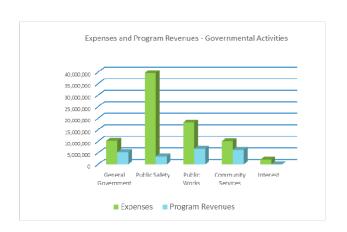
#### City of Fort Smith Changes in Net Position

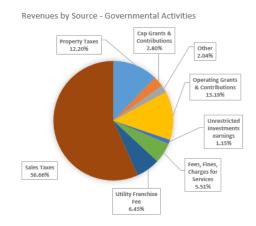
	Government	al Activities	Business-Ty	Business-Type Activities To		otal		
	2019	2018	2019	2018	2019	2018		
Revenues								
Program revenues								
Fees, fines, and charges								
for services	\$ 6,467,549	\$ 5,844,498	\$ 68,386,004	\$ 74,670,767	\$ 74,853,553	\$ 80,515,265		
Operating grants								
and contributions	10,574,220	13,983,299	-	-	10,574,220	13,983,299		
Capital grants								
and contributions	4,873,533	2,962,846	517,991	=	5,391,524	2,962,846		
	21,915,302	22,790,643	68,903,995	74,670,767	90,819,297	97,461,410		
General revenues								
Property taxes	13,006,891	12,929,340	=	-	13,006,891	12,929,340		
Sales taxes	60,725,266	60,050,705	=	-	60,725,266	60,050,705		
Utility franchise fees	6,630,438	6,840,478	=	-	6,630,438	6,840,478		
Unrestricted investment								
earnings	1,419,241	1,220,764	1,668,005	1,219,925	3,087,246	2,440,689		
Other	396,549	2,158,371	116,099	1,099,816	512,648	3,258,187		
Total revenues	104,093,687	105,990,301	70,688,099	76,990,508	174,781,786	182,980,809		
Expenses								
General government	10,237,381	9,487,201	=	=	10,237,381	9,487,201		
Public safety	39,614,609	46,794,625	=	=	39,614,609	46,794,625		
Public works	18,193,845	16,116,687	=	=	18,193,845	16,116,687		
Community services	10,057,816	11,373,604	=	=	10,057,816	11,373,604		
Interest on long-term debt	2,142,150	2,991,999	=	=	2,142,150	2,991,999		
Water and sewer	· · ·	=	53,201,329	51,098,433	53,201,329	51,098,433		
Sanitation	=	=	13,708,100	12,462,283	13,708,100	12,462,283		
Parking			308,030	<u>-</u> _	308,030			
Total expenses	80,245,801	86,764,116	67,217,459	63,560,716	147,463,260	150,324,832		
Change in net position before transfers	23,847,886	19,226,185	3,470,640	13,429,792	27,318,526	32,655,977		
Transfers	1,010,000	(1,255,595)	(1,010,000)	1,255,595				
Increase (decrease) in								
net position	24,857,886	17,970,590	2,460,640	14,685,387	27,318,526	32,655,977		
Net Position – beginning of year	360,479,783	342,509,193	443,516,555	428,831,168	803,996,338	771,340,361		
Prior Period Adjustment (Note15)	-	-	(4,291,612)	-	(4,291,612)	-		
Change in Report Entity (Note 16)			1,788,342		1,788,342			
Net Position - beginning of year, as Restated	360,479,783	342,509,193	441,013,285	428,831,168	801,493,068	771,340,361		
Net Position – end of year	\$ 385,337,669	\$ 360,479,783	\$ 443,473,925	\$ 443,516,555	\$ 828,811,594	\$ 803,996,338		

**Governmental Activities.** During the current year, net position for governmental activities increased \$24.9 million from the prior year for an ending balance of \$385.3 million. The increase in the overall net position of governmental activities is the primarily result of \$6.5 million (7.5%) decrease in expense during 2019, while total revenues only decreased \$1.9 million (1.8%).

- Revenues from sales taxes increased \$.7 million to \$60.7 million or 1.1%.
- Revenues from property taxes (\$13.0 million) increased .6%.
- Unrestricted investment earnings increased \$.2 million from the prior year primarily due to improved interest rates on investments.
- Operating grants and contributions decreased \$3.4 million or 24.4% to \$10.6 million in 2019, primarily due to \$1.2 million decrease in private contributions as well as \$.5 decrease in U.S. Dept. of Housing and Administration program revenues.

Total expenses decreased \$6.5 million to \$80.2 million or 7.5% from prior year. The decrease in total expenses is primarily caused by a decrease of public safety expenses of \$7.2 million from the prior year.



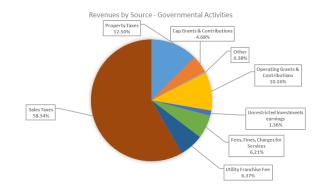


**Business-Type Activities.** Net position for City's business-type activities increased the by \$2.5 million during the current year, reaching an ending balance of \$443.5 million. Key elements of the increase are as follows:

- The water and sewer system net position decreased by less than \$0.1 million. The operating income for the system totaled \$8.2 million in 2019.
- The solid waste system added \$2.7 million to the increase in total net position. The operating income for the system in 2019 totaled \$2.3 million.
- Water and sewer system service charges contribute 76.4% of the revenue to business-type activities.
- The solid waste system service charges accounted for 23.3% of the revenue to business-type activities.
- Current year operating revenues for the business-type activities exceeded operating expenses by \$10.4 million. Water and Sewer and Sanitation operating expenses decreased from 2018 by \$6.3 million or 8.2%.

Program Revenue and Expenses - Business-Type Activities





#### Financial Analysis of the Government's Funds

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

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

As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$93.7 million, an increase of \$9.1 million in comparison with the prior year. Of this amount, \$67.0 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, \$6.7 million, is assigned for specific uses by the City. The remainder of the balance, \$19.0 million, is unassigned and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At December 31, 2019, unassigned fund balance of the General Fund was \$19.2 million, while the total fund balance was \$24.5 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 41.8% of total General Fund expenditures, including transfers out, while total fund balances represent 53.2% of that same amount. There was an increase of \$3.7 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 \$5.7 million of total fund balance, an increase of \$1.2 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 \$4.3 million assigned for street construction and \$1.4 million assigned for other purposes. This fund accounts for 6.1% of the total governmental fund balances.

The Sales Tax Fund, a special revenue fund, is presented as a major fund and accounts for 45.4% of the total governmental fund balances to \$44.0 million. Revenues include a one percent (1%) local sales tax dedicated to streets, bridges and associated drainage. Fund balance increased \$4.9 million during the year. Expenditures increased \$4.4 over the prior year and are primarily related with street construction.

The Sales & Use Tax Bond Fund had an increase in fund balance of \$0.3 million during the year to \$17.1 million. The City exercised an extraordinary redemption of \$5.9 million from bonds outstanding during the year from surplus tax receipts. This fund accounts for 18.2% of the total governmental fund balances.

LOPFI Contribution Fund, a special revenue fund, is presented as a major fund and accounts for 2.9% 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 \$1.2 million during the year as the City's annual required pension contributions continued to increase at a faster rate than the increase in dedicated property tax and state insurance turnback revenues.

**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 \$409.4 million and \$30.9 million for the Water and Sewer Fund and the Sanitation Fund, respectively. The change in net position was less than a \$0.1 million decrease for the Water and Sewer Fund and a \$2.7 million increase 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 original and final amended General Fund budget had total appropriations of \$49.2 million (total expenditures plus transfers out).

Revenue estimates for the General Fund (\$47.8 million) remained consistent with the original budget of \$47.8 million (total revenues plus transfers in).

Total actual revenue, including transfers in, for the General Fund was \$49.7 million or \$1.9 million more than the final budget estimates primarily due to better than expected return on investments.

Total actual expenditures, including transfers out, was \$3.1 million less than final budget primarily due to the timing of planned capital expenditures.

The budget and actual schedule for the General Fund may be found on page 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, 2019 amounts to \$991.4 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 1.4%, a 0.9% increase for governmental activities and a 1.8% increase for business-type activities.

# City of Fort Smith Capital Assets, Net of Accumulated Depreciation

	Governmental Activities					Business-Type Activities				Total				
		2019		2019		2019 2018		2019		2018	2019		2018	
Land	\$	27,696,139	\$	27,371,491	\$	15,819,179	\$	14,460,019	\$	43,515,318	\$	41,831,510		
Buildings		54,283,776		55,780,632		5,774,457		5,416,433		60,058,233		61,197,065		
Water System		-		-		275,169,296		279,650,547		275,169,296		279,650,547		
Sewer System		-		-		222,040,583		223,917,310		222,040,583		223,917,310		
Improvement other than buildings		12,411,100		12,501,212		1,800,725		2,069,433		14,211,825		14,570,645		
Infrastructure		279,659,836		285,317,770		-		-		279,659,836		285,317,770		
Machinery and equipment		21,179,842		20,916,231		20,306,879		15,399,908		41,486,721		36,316,139		
Construction in progress		22,186,638		11,929,542		33,050,300		23,141,355		55,236,938		35,070,897		
Total	\$	417,417,331	\$	413,816,878	\$	573,961,419	\$	564,055,005	\$	991,378,750	\$	977,871,883		

Major capital asset events during 2019 included the following:

- Net increase to construction in progress totaled \$20.2 million. Of this amount, water and wastewater improvements accounted for an increase of \$9.9 million, sanitation increased \$0.1 million and the general government and streets increased by \$10.3 million.
- Net reductions to infrastructure totaled \$5.7 million due to annual depreciation (\$10.8 million) exceeding the amount of completed of several street projects (\$5.1 million) during 2019.
- Net reductions to the sewer system totaled \$4.5 million and to the water system totaled \$1.9 million in 2019.
- Depreciation expense totaled \$34.2 million.

Additional information on the City's capital assets can be found in *Note 3* on pages 68-76 of this report.

**Long-term debt**. At December 31, 2019, the City had \$278.9 million of long-term bonds outstanding, including \$220.8 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

	 Governmen	tal Act	ivities		Business-Ty	pe A	ctivities
	 2019		9 2018 2019				2018
Sales and Use Tax Bonds Revenue Bonds	\$ 58,055,000	\$	71,665,000	\$	220,795,000	\$	227,155,000
Total	\$ 58,055,000	\$	71,665,000	\$	220,795,000	\$	227,155,000

The City's total bonded debt decreased by \$20.0 million or 6.7% during 2019. Key factors in this decrease were the regularly scheduled bond redemptions as well as \$5.9 million is extraordinary redemptions of the City's sales and use tax bonds. 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 \$373.1 million. The City has no general obligation debt at December 31, 2019. 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 76-88 of this report.

#### **Economic Factors and the Next Year's Budget and Rates**

- The year-end unemployment rate for the City was 3.2%, compared to 3.4% in 2018. The state unemployment rate for 2019 was 3.6% and the national was 3.5%. 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 2020.

These factors were considered when the City prepared its 2020 Budget.

The Board of Directors considered these factors when the making spending priorities going into the 2020 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 2020 was approved at \$43.7 million for regular programs and \$7.8 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.

# Statement of Net Position December 31, 2019

		Primar	y Government			Component Units				
	vernmental Activities		siness-Type Activities	Total		Governmental Activities		Business-Type Activities		
Assets										
Cash and cash equivalents	\$ 30,445,367	\$	7,127,385	\$	37,572,752	\$	863,001	\$	1,687,709	
Investments	52,036,037		46,990,292		99,026,329		697,243		2,672,700	
Receivables, net										
Property taxes and utility franchise fees	14,588,085		-		14,588,085		-		-	
Sales taxes	3,902,818		-		3,902,818		176,071		-	
Accounts	461,280		10,210,453		10,671,733		242,269		192,683	
Interest	-		1		1		-		42,146	
Due from other governments	2,046,908		483,994		2,530,902		-		-	
Internal balances	(1,621,700)		1,621,700		-		-		-	
Inventories	16,145		1,320,611		1,336,756		-		38,186	
Prepaids and deposits	1,001,851		1,681		1,003,532		60,257		72,663	
Restricted assets										
Cash	225,621		217,588		443,209		-		168,938	
Investments	15,399,380		71,215,042		86,614,422		-		1,105,658	
Accounts receivable, net	-		-		-		-		157,988	
Sales tax receivable	1,435,038		-		1,435,038		-		-	
Prepaid items and deposits	-		150,914		150,914		-		_	
Capital assets, net										
Nondepreciable	49,882,777		48,869,479		98,752,256		427,132		7,831,515	
Depreciable	367,534,554		525,091,940		892,626,494		284,007		28,341,632	
Total Assets	 537,354,161		713,301,080		1,250,655,241		2,749,980		42,311,818	
Deferred Outflows of Resources										
Deferred amounts on refunding	-		2,434,382		2,434,382		-		55,665	
Deferred outflows-pension	14,063,201		-		14,063,201		216,650		-	
Deferred outflows-pension contributions	6,530,850		-		6,530,850		95,945		-	
Deferred outflows-OPEB	375,880		219,810		595,690				-	
Total deferred outflows of resources	 20,969,931		2,654,192		23,624,123		312,595		55,665	

# Statement of Net Position (Continued) December 31, 2019

		Primary Government						Component Units				
	Gov	e rnme ntal	Bus	iness-Type			Gov	e rnme ntal	Business-Type			
	A	ctivities	Activities			Total	A	ctivities	Activities			
Liabilities												
Accounts payable and												
accrued expenses	\$	7,076,121	\$	7,274,848	\$	14,350,969	\$	150,055	\$	338,497		
Other		228,106		1,669		229,775		-		-		
Accrued interest		402,170		2,501,688		2,903,858		-		-		
Deposits		-		449,303		449,303		-		-		
Unearned revenue		84,293		-		84,293		-		-		
Noncurrent liabilities												
Other long-term liabilities												
due within one year		1,765,847		57,787		1,823,634		-		-		
Current portion of long-term debt		7,960,000		7,930,000		15,890,000		-		215,000		
Due in more than one year		144,254,557		248,375,732		392,630,289		1,587,725		1,485,000		
Total liabilities		161,771,094		266,591,027		428,362,121		1,737,780		2,038,497		
Deferred Inflows of Resources												
Deferred amounts on refunding		-		217,561		217,561		-		-		
Deferred inflows-pension		1,514,756		-		1,514,756		255,326		-		
Deferred inflows-OPEB		9,700,573		5,672,759		15,373,332		-				
Total deferred inflows of resources		11,215,329		5,890,320		17,105,649		255,326				
Net Position												
Net investment in capital assets		353,386,437		391,949,443		745,335,880		711,139		34,528,812		
Restricted for:		333,300,137		371,7 17,113		7 15,555,000		711,135		5 1,520,012		
Construction projects		45,028,764		500,000		45,528,764		_		62,475		
Debt service		17,060,039		5,819,596		22,879,635		_		393,015		
Public safety		860,413		-		860,413		_		-		
Courts		129,416		_		129,416		_		_		
Parks & recreation		3,670,242		_		3,670,242		_		_		
Housing and rehabilitation		11,596		_		11,596		_		_		
Police & fire retirement contributions		2,710,993		-		2,710,993		_		-		
Tourism & promotion		-		-		-		357,659		-		
Unrestricted (deficit)		(37,520,231)		45,204,886		7,684,655		671		5,344,684		
Total net position	\$	385,337,669	\$	443,473,925	\$	828,811,594	\$	1,069,469	\$	40,328,986		

#### **Statement of Activities**

#### For the Year Ended December 31, 2019

Program Revenues

Net (Exper	ıse	) Re	venue	and
Changes	in	Net	Positi	on

			Program Revenues															
	Fees, Fine		Fees, Fines, and		Operating		Capital	Primary Government							Compon	ent Units		
		(	Charges for		Grants and		Grants and	•	Governmental	Bu	siness-Type			Ge	overnmental	Bus	iness-Type	
	 Expenses		Services		Contributions		Contributions		Activities		Activities		Total		Activities	A	ctivities	
Functions/Programs																		
Primary Government:																		
Governmental Activities																		
General Government																		
Administration	\$ 5,374,646	\$	834,644	\$	1,345,159	\$	237,532	\$	(2,957,311)			\$	(2,957,311)					
Legal and courts	2,008,276		1,880,339		-		-		(127,937)				(127,937)					
Finance	2,854,459		1,068,307		-		-		(1,786,152)				(1,786,152)					
Public safety																		
Police	18,794,221		993,826		201,312		170,451		(17,428,632)				(17,428,632)					
Fire	20,820,387		99,740		1,861,352		115,472		(18,743,823)				(18,743,823)					
Public works																		
Operations	539,859		-		-		-		(539,859)				(539,859)					
Streets	15,266,770		198,326		4,177,336		2,409,319		(8,481,789)				(8,481,789)					
Traffic Control	2,387,216		-		-		-		(2,387,216)				(2,387,216)					
Community services																		
Health and Social Services	161,816		-		-		-		(161,816)				(161,816)					
Parks and Recreation	3,867,257		309,409		58,610		748,354		(2,750,884)				(2,750,884)					
Convention Center	2,214,239		873,802		-				(1,340,437)				(1,340,437)					
Transit	2,484,555		209,156		1,550,126		1,192,405		467,132				467,132					
Housing and Rehabilitation	1,329,950		,		1,380,325		-,		50,375				50,375					
Debt service	1,020,000				1,500,525				30,573				20,272					
Interest	2,142,150		_		_		_		(2,142,150)				(2,142,150)					
merest	 2,1-12,130	-		-					(2,1-12,130)				(2,142,130)					
Total Governmental Activities	80,245,801		6,467,549		10,574,220		4,873,533		(59 220 400)				(59 220 400)					
Total Governmental Activities	 60,243,601		0,407,349	. —	10,374,220		4,673,333		(58,330,499)				(58,330,499)					
Business-Type Activities:																		
Water and Sewer	53,201,329		52,223,647				517.001			\$	(450 601)		(450 601)					
					-		517,991			3	(459,691)		(459,691)					
Sanitation	13,708,100		15,973,017		-		-				2,264,917		2,264,917					
Parking	 308,030		189,340								(118,690)		(118,690)					
m · In · · · · · · · · · · · · · · · · ·	(7.217.450		60.206.004				515.001				1.606.526		1.606.526					
Total Business-Type Activities	 67,217,459		68,386,004				517,991				1,686,536		1,686,536					
Total Primary Government	\$ 147,463,260	\$	74,853,553	\$	10,574,220	\$	5,391,524	\$	(58,330,499)	\$	1,686,536	\$	(56,643,963)					
·		-						-			· · ·							
Component Units:																		
Governmental																		
Advertising & Promotion	\$ 944,466	\$	-	\$	900	\$	-							\$	(943,566)			
Public Library	 3,082,416		181,861		162,130										(2,738,425)			
Subtotal	 4,026,882		181,861		163,030		-								(3,681,991)			
Business-Type																		
Airport	 4,722,674		2,985,599				1,429,031									\$	(308,044)	
Total Component Units	\$ 8,749,556	\$	3,167,460	\$	163,030	\$	1,429,031								(3,681,991)		(308,044)	
*	 	_				_	<del></del>										<u> </u>	

# Statement of Activities (Continued) For the Year Ended December 31, 2019

#### Net (Expense) Revenue and Changes in Net Position

	<del></del>		Prin	nary Government		Component Units					
	Governmental Activities			Business-Type		Go	vernmental	Business-Type Activities			
				Activities	Total		Activities				
General revenues											
Property taxes	\$	13,006,891	\$	-	\$ 13,006,891	\$	1,506,381	\$	-		
Sales taxes		60,725,266		-	60,725,266		1,035,911		-		
Gross receipts utility franchise fees		6,630,438		-	6,630,438		-		-		
Hospitality taxes		-		-	-		904,081		-		
Unrestricted investment earnings		1,419,241		1,668,005	3,087,246		1,190		101,075		
Other		396,549		116,099	512,648		234,516		-		
Transfers		1,010,000		(1,010,000)	 				-		
Total general revenues and transfers		83,188,385		774,104	83,962,489		3,682,079		101,075		
Change in net position		24,857,886		2,460,640	 27,318,526		88		(206,969)		
Net position, beginning of year,											
as previously reported		360,479,783		443,516,555	 803,996,338		1,069,381		42,324,297		
Change in reporting entity ( <i>Note 16</i> )		_		1,788,342	1,788,342		_		(1,788,342)		
Prior period adjustment (Note 15)		-		(4,291,612)	 (4,291,612)				-		
Net position, beginning of year, as restated		360,479,783		441,013,285	801,493,068		1,069,381		40,535,955		
Net position, end of year	_\$_	385,337,669	\$	443,473,925	\$ 828,811,594	\$	1,069,469	\$	40,328,986		

#### Balance Sheet – Governmental Funds December 31, 2019

	G	eneral	Street Maintenance			Sales Tax	Co	LOPFI ontribution	a	Sales nd Use Tax Bond	Go	Other vernmental Funds	Total Governmental Funds		
Assets															
Cash		11,164,232	\$	2,297,859	\$	12,677,939	\$	-	\$	-	\$	581,201	\$	26,721,231	
Investments		11,126,381		2,947,726		29,282,369		3,330,051		-		719,215		47,405,742	
Receivables, net of allowance for uncollectibles															
Property taxes and utility franchise fees		9,238,359		2,292,740		-		3,056,986		-		-		14,588,085	
Sales taxes		1,989,434		-		1,913,384		-		-		-		3,902,818	
Accounts		378,574		1,200		-		-		-		25,300		405,074	
Due from other governments		1,257,711		600,238		-		_		-		188,959		2,046,908	
Restricted assets:															
Cash		-		-		-		_		225,621		-		225,621	
Investments		-		-		-		_		15,399,380		-		15,399,380	
Sales taxes receivable		_		_		_		_		1,435,038		_		1,435,038	
Prepaid items		332,252		_		_		_		-		9,738		341,990	
Deposits		3,825		_		136,995		_		_		504,041		644,861	
1					_										
Total Assets	\$	35,490,768	\$	8,139,763	\$	44,010,687	\$	6,387,037	\$	17,060,039	\$	2,028,454	\$	113,116,748	
Liabilities, Deferred Inflows of Resources, and Fund B Liabilities:	Salances														
Accounts payable and accrued liabilities	\$	3,375,242	\$	252,727	\$	1,161,424	\$	781,138	\$	_	\$	564,664	\$	6,135,195	
Retainage payable		111,411		· -		275,690		_		_		_		387,101	
Due to other funds		_		_		· -		_		_		173,456		173,456	
Unearned revenue		_		_		_		_		_		84,293		84,293	
Other		227,737		_		_		_		_		369		228,106	
				-						·					
Total Liabilities		3,714,390	-	252,727		1,437,114		781,138				822,782		7,008,151	
Deferred Inflows of Resources															
Unavailable property taxes	-	7,311,943	-	2,171,180	-	-		2,894,906						12,378,029	
Total deferred inflows of resources	-	7,311,943		2,171,180		-		2,894,906		-		<del>-</del>		12,378,029	
Fund Balances:															
Nonspendable		336,077		-		136,995		-		-		513,779		986,851	
Restricted for:															
Construction projects		-		-		42,436,578		-		-		159,496		42,596,074	
Debt service		-		-		-		-		17,060,039		-		17,060,039	
Public safety		860,413		-		-		-		-		-		860,413	
Courts		129,416		-		-		-		-		-		129,416	
Parks & recreation		3,644,772		-		-		-		-		25,470		3,670,242	
Housing and rehabilitation		-		-		-		-		-		11,596		11,596	
Police & fire retirement contributions		-		-		-		2,710,993		-		-		2,710,993	
Assigned to:															
Convention center		-		-		-		_		-		668,787		668,787	
Construction projects		286,284		4,321,226		-		_		_		_		4,607,510	
Other purposes		7,792		1,394,630		_		_		_		_		1,402,422	
Unassigned (deficit)		19,199,681		-		-						(173,456)		19,026,225	
Total Fund Balances		24,464,435		5,715,856		42,573,573		2,710,993	_	17,060,039		1,205,672		93,730,568	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$	35,490,768	\$	8,139,763	\$	44,010,687	\$	6,387,037	\$	17,060,039	\$	2,028,454	\$	113,116,748	

# Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2019

Total fund balances - governmental funds

93,730,568

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	\$ 27,696,139	
Buildings	87,064,005	
Improvements other than buildings	25,042,730	
Machinery and equipment	53,972,126	
Infrastructure	431,886,982	
Accumulated depreciation	(230,431,289)	
	395,230,693	
Construction in progress	22,186,638	
m . 1	¢ 415 415 001	415 415 221
Total	\$ 417,417,331	417,417,331

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.

12,378,029

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.

9,754,602

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

4,871,952

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	\$ 1,926,426	
Claims payable	82,500	
Sales tax bonds payable, net	61,598,204	
Interest payable	402,170	
Net pension liability	81,199,159	
Net OPEB liability	7,606,354	
Total	\$ 152,814,813	(152,814,813)

Net position of governmental activities

385,337,669

### Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2019

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 7,674,292	\$ 2,274,582	\$ -	\$ 3,033,159	\$ -	\$ -	\$ 12,982,033
Sales taxes	22,697,309	-	21,730,261	-	16,297,696	-	60,725,266
Licenses and permits	1,899,316	198,326	-	-	-	-	2,097,642
Utility franchise fees	6,630,438	-	-	-	-	-	6,630,438
Intergovernmental	5,683,608	6,261,583	-	1,861,352	-	1,720,646	15,527,189
Fines and forfeitures	1,887,931	-	-	96,808	-	-	1,984,739
Fees for services	642,061	-	-	-	-	873,802	1,515,863
Interest	1,443,275	-	-	-	279,412	-	1,722,687
Increase (decrease) in fair value of investments	-	(22,772)	(226,215)	(30,020)	16,887	(5,556)	(267,676)
Contributions	65,170	-	325,072	366,676	-	-	756,918
Miscellaneous	968,260	68,640	3	<u> </u>		2,821	1,039,724
Total Revenues	49,591,660	8,780,359	21,829,121	5,327,975	16,593,995	2,591,713	104,714,823
Expenditures							
Current:							
General government							
Administration	1,768,281	219,305	1,475,560	-	-	-	3,463,146
Legal and courts	1,919,506	111,059	-	-	-	-	2,030,565
Finance	1,673,169	597,640	542,278	-	-	-	2,813,087
Public safety							
Police	13,792,169	-	-	2,882,991	-	269,060	16,944,220
Fire	13,128,744	-	-	3,646,339	-	2,842	16,777,925
Public works							
Operations	-	496,809	-	-	-	-	496,809
Streets	-	3,126,914	1,636,715	-	-	-	4,763,629
Traffic Control	_	1,939,112	-	-	-	_	1,939,112
Community services		, ,					, ,
Health and Social Services	155,394	-	_	_	_	_	155,394
Parks and Recreation	2,116,179	196,719		_	-	_	2,312,898
Convention Center	_,,		_	_	_	1,594,984	1,594,984
Transit	2,145,914	_	_	_	-	-,5,7,701	2,145,914
Housing and Rehabilitation	-,,	_	_	_	-	1,262,450	1,262,450
Other	1,727,620	_	48,516	_	22,800	-,202,100	1,798,936
Capital Outlay	6,675,361	905,036	13,189,292	_	22,000		20,769,689
Debt Service:	0,073,301	703,030	13,107,292	-	-	-	20,707,009
Principal					13,610,000	_	13,610,000
Interest				<u> </u>	2,710,215		2,710,215
	45,102,337	7,592,594	16,892,361	6,529,330	16,343,015	3,129,336	95,588,973
Excess (deficiency) in revenues							
over (under) expenditures	4,489,323	1,187,765	4,936,760	(1,201,355)	250,980	(537,623)	9,125,850

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued) For the Year Ended December 31, 2019

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses) Transfers in Transfers out	\$ 100,000 (867,000)	\$ - -	\$ - -	\$ - -	\$ - -	\$ 777,000	\$ 877,000 (867,000)
Total Other Financing Sources and Uses	(767,000)					777,000	10,000
Net Change in Fund Balances	3,722,323	1,187,765	4,936,760	(1,201,355)	250,980	239,377	9,135,850
Fund Balances, beginning of year	20,742,112	4,528,091	37,636,813	3,912,348	16,809,059	966,295	84,594,718
Fund Balances, end of year	\$ 24,464,435	\$ 5,715,856	\$ 42,573,573	\$ 2,710,993	\$ 17,060,039	\$ 1,205,672	\$ 93,730,568

# 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, 2019

Net change in fund balances – total governmental funds	\$ 9,135,850
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.	20,769,689
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.	(17,009,095)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(160,141)
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.	14,096,577
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	24,858
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.	(2,569,504)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fuel, to individual funds. The net revenues of the internal service funds is reported with governmental activities	569,652

Change in net position of governmental activities

\$ 24,857,886

(This Page Intentionally Left Blank)

# Statement of Net Position – Proprietary Funds December 31, 2019

		Governmental Activities					
	Water and		Nonmajor-	Total	Internal Service		
	Sewer	Sanitation	Parking	Enterprise Funds	Funds		
Current Assets							
Cash	\$ 404,196	\$ 6,723,189	\$ -	\$ 7,127,385	\$ 3,724,136		
Investments	24,324,156	22,272,064	394,072	46,990,292	4,630,295		
Receivables	,- ,	, , ,, ,	/	-,,-	,,		
Accounts, net of uncollectibles of \$1,215,435; \$249,943, \$-0- and \$-0-	7,825,689	2,371,290	13,474	10,210,453	56,206		
Accrued interest	1	-	-	1	-		
Due from other governments	483,994	-	-	483,994	-		
Restricted							
Cash	217,588	-	-	217,588	-		
Investments	71,215,042	-	-	71,215,042	-		
Inventories	1,217,277	103,334	-	1,320,611	16,145		
Prepaid items	-	· -	1,681	1,681	15,000		
Due from other funds	173,456			173,456			
Total Current Assets	105,861,399	31,469,877	409,227	137,740,503	8,441,782		
Noncurrent Assets Restricted							
Prepaid items and deposits	150,914	-	-	150,914	-		
Capital assets			4.000.450	4.5.4.5.4.5.4			
Land	14,086,247	373,772	1,359,160	15,819,179	-		
Buildings	2,503,363	5,208,689	2,490,458	10,202,510	-		
Improvements other than buildings	-	23,253,316	-	23,253,316	-		
Leasehold improvements	-	709,952	-	709,952	-		
Machinery and equipment	26,756,269	18,934,734	103,531	45,794,534	-		
Water system	414,328,765	-	-	414,328,765	-		
Sewer system	326,041,485	-	-	326,041,485	-		
Construction in progress	32,915,802	134,498	-	33,050,300	-		
Accumulated depreciation	(256,223,322)	(36,448,066)	(2,567,234)	(295,238,622)			
Total Noncurrent Assets	560,559,523	12,166,895	1,385,915	574,112,333			
Total Assets	666,420,922	43,636,772	1,795,142	711,852,836	8,441,782		
Deferred outflows of resources							
Deferred amount on refunding	2,434,382	_	_	2,434,382	_		
Deferred outflows of resources - OPEB	163,219	56,591		219,810			
Total deferred outflows of resources	2,597,601	56,591		2,654,192			

## Statement of Net Position – Proprietary Funds (Continued) December 31, 2019

Business-Type Activiti										Governmental Activities		
	Water and Sewer		Nonmajor- Sanitation Parking			Nonmajor- Parking	Total Enterprise Funds			Internal Service Funds		
Current liabilities												
Accounts payable and accrued liabilities	\$	5,038,988	\$	1,409,095	\$	128,383	\$	6,576,466	\$	471,325		
Retainage payable		698,382				_		698,382		-		
Accrued vacation and sick leave		44,541		13,207		39		57,787		-		
Accrued interest		2,489,524		12,164		-		2,501,688		1 650 261		
Claims and judgments		7.020.000		-		-		7.020.000		1,650,261		
Revenue bonds payable		7,930,000		-		-		7,930,000		-		
Deposits		449,303		-		-		449,303		-		
Other		1,669						1,669				
Total Current Liabilities		16,652,407		1,434,466		128,422		18,215,295		2,121,586		
Noncurrent liabilities												
Accrued vacation and sick leave		697,808		206,903		616		905,327		-		
Landfill closure and postclosure care		· -		8,497,087		-		8,497,087		-		
Revenue bonds, net		234,525,231		-		-		234,525,231		-		
OPEB liabilities		3,302,916		1,145,171				4,448,087				
Total Noncurrent Liabilities		238,525,955		9,849,161		616		248,375,732		_		
Total Liabilities		255,178,362		11,283,627		129,038		266,591,027		2,121,586		
Deferred inflows of resources												
Deferred amount on refunding		217,561		-		-		217,561		-		
Deferred inflows of resources - OPEB		4,212,293		1,460,466				5,672,759				
Total deferred inflows of resources		4,429,854		1,460,466				5,890,320				
Net Position												
Net investment in capital assets		378,861,417		11,702,111		1,385,915		391,949,443		-		
Restricted for bond retirement		5,819,596		-		- ·		5,819,596		-		
Restricted for asset replacement		500,000		-		-		500,000		-		
Unrestricted		24,229,294		19,247,159		280,189		43,756,642		6,320,196		
Total Net Position	\$	409,410,307	\$	30,949,270	\$	1,666,104		442,025,681	\$	6,320,196		
Reconciliation to government - wide statement of n	net position:											
Adjustment to reflect the cumulative internal balance			vity					1 449 244				

between the internal service funds and the enterprise funds over time

Net position of business-type activities

\$ 443,473,925

1,448,244

See accompanying notes to basic financial statements.

### Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds For the Year Ended December 31, 2019

		Business-T	ype Activities		Governmental Activities
	Water and		Nonmajor-	Total	Internal Service
	Sewer	Sanitation	Parking	Enterprise Funds	Funds
Operating Revenues					
Water service	\$ 23,384,654	\$ -	\$ -	\$ 23,384,654	\$ -
Sewer service	28,070,111	-	-	28,070,111	-
Other charges for services	649,468	15,825,418	189,340	16,664,226	9,893,572
Other	119,414	147,599		267,013	
Total Operating Revenues	52,223,647	15,973,017	189,340	68,386,004	9,893,572
Operating Expenses					
Personnel services	15,366,222	5,442,617	63,552	20,872,391	-
Contractual services	4,940,795	3,506,615	10,489	8,457,899	841,904
Materials and supplies	6,060,090	3,048,929	219,092	9,328,111	765,166
Heat, light, and power	1,961,708	115,607	11,896	2,089,211	-
Depreciation	15,655,766	1,574,107	3,001	17,232,874	-
Insurance claims and expenses		· <u> </u>			8,772,522
Total Operating Expenses	43,984,581	13,687,875	308,030	57,980,486	10,379,592
Operating Income (Loss)	8,239,066	2,285,142	(118,690)	10,405,518	(486,020)
Nonoperating Revenues (Expenses)					
Net investment earnings	1,434,731	236,830	(3,556)	1,668,005	(35,770)
Interest expense and fiscal charges	(8,873,498)	(12,164)	-	(8,885,662)	-
Intergovernmental revenue	517,991		_	517,991	
Other nonoperating revenues (expenses)	(259,869)	116,091	8_	(143,770)	
Net Nonoperating Revenues (Expenses)	(7,180,645)	340,757	(3,548)	(6,843,436)	(35,770)
Income (Loss) Before Contributions and					
Transfers	1,058,421	2,625,899	(122,238)	3,562,082	(521,790)
Transfers in	-	90,000	-	90,000	1,000,000
Transfers out	(1,100,000)			(1,100,000)	
Change in Net Position	(41,579)	2,715,899	(122,238)	2,552,082	478,210
Net position, beginning of year, as previously reported	412,838,277	29,138,592	-		5,841,986
Change in reporting entity (Note 16)	-	-	1,788,342		-
Prior period adjustment (Note 15)	(3,386,391)	(905,221)			
Net position, beginning of year, as restated	409,451,886	28,233,371	1,788,342		5,841,986
Net position, end of year	\$ 409,410,307	\$ 30,949,270	\$ 1,666,104		\$ 6,320,196
Reconciliation to government - wide statement of activities:					
Adjustment for the net effect of the current year activity be	tween				
the internal service funds and the enterprise funds				(91,442)	
Change in net position of business-type activities for government	ment-wide statement of activ	vities		\$ 2,460,640	

(This Page Intentionally Left Blank)

### Statement of Cash Flows – Proprietary Funds For the Year Ended December 31, 2019

	Business-Type Activities					G	overnmental Activities		
	 Water and		Nonmajor-			Total		Int	ernal Service
	 Sewer		Sanitation		Parking	En	terprise Funds		Funds
Cash Flows from Operating Activities									
Cash received from customers	\$ 53,795,763	\$	16,137,446	\$	183,958	\$	70,117,167	\$	-
Cash received from service users	-		-		-		-		1,183,403
Cash received from city and employee contributions	-		-		-		-		8,682,398
Cash payments for goods and services	(13,367,935)		(6,685,896)		(187,911)		(20,241,742)		(766,819)
Cash paid to employees	(15,749,201)		(5,567,193)		(62,334)		(21,378,728)		-
Cash payments for premiums and other operating expenses	-		-		-		-		(1,365,709)
Cash payments for claims paid	-		-		-		-		(8,103,479)
Cash received from other operating revenues	 119,414		147,599				267,013		-
Net cash provided by (used in) operating activities	 24,798,041		4,031,956		(66,287)		28,763,710		(370,206)
Cash Flows from Noncapital Financing Activities									
Transfers in from other funds	-		90,000		-		90,000		1,000,000
Transfers out to other funds	 (1,100,000)	_					(1,100,000)		-
Net cash provided by (used in) noncapital									
financing activities	 (1,100,000)	_	90,000		<u> </u>		(1,010,000)		1,000,000
Cash Flows from Capital and Related Financing Activities									
Proceeds from sale of capital assets	-		49,277		-		49,277		-
Acquisition and construction of capital assets	(25,590,457)		(1,863,169)		-		(27,453,626)		-
Proceeds from insurance recoveries	78,420		74,405		-		152,825		-
Intergovernmental receipts for capital projects	33,997		-		-		33,997		-
Principal paid on bonds	(6,360,000)		-		-		(6,360,000)		-
Interest paid on bonds	 (10,477,811)			_			(10,477,811)		-
Net cash used in capital and									
related financing activities	 (42,315,851)		(1,739,487)				(44,055,338)		-
Cash Flows from Investing Activities									
Proceeds from sales and maturities of investment securities	36,214,735		6,639,991		66,278		42,921,004		-
Outlays for purchases of investment securities	(18,690,004)		(6,933,542)		-		(25,623,546)		-
Interest on investments	 1,491,488		171,136		9		1,662,633		-
Net cash provided by (used in) investing activities	 19,016,219		(122,415)		66,287		18,960,091		-
Net Increase in Cash	398,409		2,260,054		_		2,658,463		629,794
Cash, beginning of year	 223,375		4,463,135		-		4,686,510		3,094,342
Cash, end of year	\$ 621,784	\$	6,723,189	\$		\$	7,344,973	\$	3,724,136

## Statement of Cash Flows – Proprietary Funds (Continued) For the Year Ended December 31, 2019

							G	overnmental
		Business-Ty	pe Ac	tivities				Activities
	Water and	Nonmajor-				Total	Internal Service	
	 Sewer	 Sanitation		Parking	En	terprise Funds		Funds
Reconciliation of cash and restricted cash at December 31								
to statement of net position								
Cash	\$ 404,196	\$ 6,723,189	\$	-	\$	7,127,385	\$	3,724,136
Restricted cash	 217,588	 		-		217,588	_	<u> </u>
Total	\$ 621,784	\$ 6,723,189	\$		\$	7,344,973	\$	3,724,136
Reconciliation of operating income to net cash								
provided by operating activities								
Operating income (loss)	\$ 8,239,066	\$ 2,285,142	\$	(118,690)	\$	10,405,518	\$	(486,020)
Adjustments to reconcile operating income								
to net cash provided by operating activities								
Depreciation	15,655,766	1,574,107		3,001		17,232,874		-
Change in assets, deferred outflows of resources, liabilities								
and deferred inflows of resources								
Accounts receivable	1,781,395	66,472		(5,875)		1,841,992		(27,773)
Inventory	45,669	12		-		45,681		13,667
Prepaid items	9,178	16,366		-		25,544		
Deferred outflows of resources - OPEB	(159,599)	(55,336)		-		(214,935)		-
Accounts payable and accrued liabilities	(519,772)	(43,571)		55,277		(508,066)		217,920
Deposits	(89,865)	-		· -		(89,865)		
Liability for claims and judgments	-	-		-		-		(88,000)
OPEB liabilities	138,757	48,109		-		186,866		-
Deferred inflows of resources - OPEB	(302,554)	(104,901)		-		(407,455)		-
Other liabilities	 	 245,556				245,556		
Total adjustments	 16,558,975	 1,746,814		52,403		18,358,192		115,814
Net cash provided by (used in) operating activities	\$ 24,798,041	\$ 4,031,956	\$	(66,287)	\$	28,763,710	\$	(370,206)
Noncash investing, capital and financing activities:								
Capital-related accounts payable	\$ 3,516,321	\$ 464,784	\$	-	\$	3,981,105	\$	-

# Statement of Fiduciary Net Position OPEB Trust Fund December 31, 2019

#### **Assets**

Current Assets	
Investments:	
Government money market funds	\$ 12,357
Equities - agency bonds	1,530,793
Total Investments	1,543,150
Total Current Assets	1,543,150
Total Assets	1,543,150
Liabilities Current Liabilities	
Accounts payable	3,891
Total Current Liabilities	3,891
Total Liabilities	3,891
Net Position	
Net position restricted for postemployment benefits	
other than pensions	1,539,259
Total Net Position	\$ 1,539,259

### Statement of Changes in Fiduciary Net Position OPEB Trust Fund

### For the Year Ended December 31, 2019

Add		

Auditions.	
Contributions	
Employer	\$ 293,091
Total contributions	 293,091
Investment Earnings	
Net increase in fair value of investments	67,719
Total investment earnings	67,719
Total additions	 360,810
Deductions:	
Benefits paid directly to participants	293,091
Management fees	15,274
Total deductions	 308,365
Change in Net Position	52,445
Net Position Restricted for Postemployment	
<b>Benefits Other Than Pensions</b>	
Beginning of year	 1,486,814
End of year	\$ 1,539,259

## Notes to Basic Financial Statements December 31, 2019

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

#### **Nature of Operations**

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

#### Reporting Entity

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

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

## Notes to Basic Financial Statements December 31, 2019

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 2019.

#### Discretely Presented Component Units

#### Business-Type

Airport Commission - The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. 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 123-124 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* of these notes for condensed financial statements.

## Notes to Basic Financial Statements December 31, 2019

**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 123-124 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.

## Notes to Basic Financial Statements December 31, 2019

#### **Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

The Sales Tax Fund is a special revenue fund that accounts for resources from the City's one percent (1%) local sales and use tax dedicated to the major street, bridge, and associated drainage projects.

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.

## Notes to Basic Financial Statements December 31, 2019

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.

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.

## Notes to Basic Financial Statements December 31, 2019

#### **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

General government fund inventories are accounted for on the purchase method.

#### 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.

## Notes to Basic Financial Statements December 31, 2019

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
Parking:	
Buildings	30
Machinery and equipment	3 to 10
Discretely presented component units:	
Public Library	
Fixtures and equipment	5 to 10
Transportation equipment	5
Airport Commission:	
Buildings and improvements	10 to 30
Improvements other than buildings	5 to 20
Machinery and equipment	3 to 15
Furniture and fixtures	3 to 10
Ramps, runways, taxiways and improvements	3 to 50

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

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

## Notes to Basic Financial Statements December 31, 2019

#### 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 2019 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 \$7.5 million of additional taxes could be raised per year based on the current year's assessed value of \$1,087,909,815 for real property and \$404,309,870 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.

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.

## Notes to Basic Financial Statements December 31, 2019

#### 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 \$9,254,233 in 2019, 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.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$360,193 in 2019 to fund this program. There have been no significant reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

#### Sales Taxes

In November 1985, the City began assessing 1% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled \$21,730,261 for fiscal year 2019, 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 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 \$17,264,744 for fiscal year 2019. 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 <sup>3</sup>/<sub>4</sub>% for the repayment of the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and 2014, and <sup>1</sup>/<sub>4</sub>% 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 \$21,730,261 for fiscal year 2019, of which \$5,432,565 is included in the General Fund's sales tax revenue and \$16,297,696 is included in the Sales and Use Tax Bond Fund's sales tax revenue.

## Notes to Basic Financial Statements December 31, 2019

#### 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	15,399,380
Sales taxes receivable	 1,435,038
Total restricted assets - governmental activities	\$ 17,060,039

## Notes to Basic Financial Statements December 31, 2019

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 Cash - water and sewer bond construction account	\$ 84,724 132,864
Investments - water and sewer bond account	8,309,121
Investments - water and sewer bond construction account	62,905,921
Total current assets - restricted	71,432,630
Noncurrent assets:	
Prepaid items and deposits - water and sewer operating account	595
Prepaid items and deposits - water and sewer bond construction account	150,319
Total noncurrent assets	150,914
Total restricted assets - enterprise funds	\$ 71,583,544

#### **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.

## Notes to Basic Financial Statements December 31, 2019

#### **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.

## Notes to Basic Financial Statements December 31, 2019

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, 2019. 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 inflowspension are amortized over future periods as shown within *Note* 7.

## Notes to Basic Financial Statements December 31, 2019

#### Note 2: Cash and Investments

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

The City follows GASB Statement 3, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended by GASB Statement 40, Deposit and Investment Risk Disclosure and GASB Statement 79, Certain External Investment Pools and Pool Participants. The investments and deposits of the primary government are stated at quoted fair values. As a result, a net unrealized loss of \$267,676 is recorded as a decrease in fair value of investments for the primary government in 2019 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, 2019, none of the City's bank balances were uninsured and uncollateralized and, therefore, not exposed to custodial credit risk. Independent third parties held securities in the City's name as collateral at December 31, 2019. The bank balances and carrying amount of the City's deposits held as of December 31, 2019 were as follows:

#### **Pooled and Nonpooled Funds**

	Bank	Carrying
Description	Balance	Amount
Demand deposits	\$ 113,618,474	\$ 112,952,440

#### **Component Units**

At year-end, the carrying amount of the Public Library's deposits was \$861,900 and the bank balance was \$919,967. At December 31, 2019, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission's deposits was \$5,547,648 and the bank balance was \$5,737,425. At December 31, 2019, none of the balances were exposed to custodial credit risk.

## Notes to Basic Financial Statements December 31, 2019

#### 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, 2019, were as follows:

#### **Pooled and Nonpooled Funds**

	Fair	Investment Maturities	Investment Maturities
Description	Value	Less than 1 Year	1-5 Years
U.S. Treasury obligations U.S. Agency obligations	\$ 30,915,491 2,100,089	\$ 16,160,708 	\$ 14,754,783 2,100,089
	\$ 33,015,580	\$ 16,160,708	\$ 16,854,872

## Notes to Basic Financial Statements December 31, 2019

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, 2019:

- U.S. government obligations of \$33,015,580 are valued using the option-adjusted discounted cash flow model (Level 1 inputs).
- Money market funds of \$77,505,284 are valued using quoted market prices (Level 1 inputs).

#### **Component Units**

At year-end, the Advertising & Promotion Commission held \$393,931 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 \$393,931 are valued using the option-adjusted discount cash flow model (Level 1 inputs).

At year-end, the Public Library held \$313,312 in money market funds. The Public Library reports investments at fair value.

At year-end, the Airport Commission held \$87,357 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, 2019, 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.

## Notes to Basic Financial Statements December 31, 2019

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	\$	112,952,440
Deposits classified as investments		(74,936,479)
	\$	38,015,961
Cash as reported on the government-wide statement of net position  Restricted cash as reported on the government-wide	\$	37,572,752
statement of net position		443,209
	\$	38,015,961
Carrying value of investments -		
Debt securities	\$	33,015,580
Money market mutual funds	•	77,505,284
Accrued income		183,408
Deposits classified as investments		74,936,479
	\$	185,640,751
As reported on the government-wide statement of net position:		
Investments	\$	99,026,329
Restricted investments		86,614,422
	\$	185,640,751

## Notes to Basic Financial Statements December 31, 2019

#### **Component Units:**

Governmental Activities		
Carrying value of deposits -		
Public Library	\$	861,900
Advertising and Promotion		
Commission		1,101
Carrying value of investments -		
Public Library		303,312
Advertising and Promotion		
Commission		393,931
	\$	1,560,244
As reported on the government-wide		
statement of net position:		
Cash	\$	863,001
Investments		697,243
	\$	1,560,244
Business-type Activities		
Carrying value of deposits -		
Airport Commission	\$	5,547,648
Carrying value of investments -		
Airport Commission		87,357
	<b>A</b>	
	\$	5,635,005
As reported on the government-wide		
statement of net position:		
Cash	\$	1,687,709
Investments	Ψ	2,672,700
Restricted cash		168,938
Restricted investments	-	1,105,658
	\$	5,635,005

## Notes to Basic Financial Statements December 31, 2019

### Note 3: Capital Assets

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

#### **Primary Government:**

	January 1, 2019	Additions	Deletions/ Transfers	December 31, 2019
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 27,371,491	\$ 324,648	\$ -	\$ 27,696,139
Construction in progress	11,929,542	17,315,702	(7,058,606)	22,186,638
Total capital assets				
not being depreciated	39,301,033	17,640,350	(7,058,606)	49,882,777
Capital assets being depreciated				
Buildings	86,677,706	82,817	303,482	87,064,005
Improvements other than				
buildings	24,167,271	87,960	787,499	25,042,730
Infrastructure	426,782,436	-	5,104,546	431,886,982
Machinery and equipment	52,656,267	2,958,562	(1,642,703)	53,972,126
Total depreciable capital				
assets at historical cost	590,283,680	3,129,339	4,552,824	597,965,843
Less accumulated depreciation for				
Buildings	30,897,074	1,883,155	-	32,780,229
Improvements other than				
buildings	11,666,059	965,571	-	12,631,630
Infrastructure	141,464,666	10,762,480	-	152,227,146
Machinery and equipment	31,740,036	3,397,889	(2,345,641)	32,792,284
Total accumulated depreciation	215,767,835	17,009,095	(2,345,641)	230,431,289
Capital assets being				
depreciated, net	374,515,845	(13,879,756)	6,898,465	367,534,554
Governmental activities				
capital assets, net	\$ 413,816,878	\$ 3,760,594	\$ (160,141)	\$ 417,417,331

## Notes to Basic Financial Statements December 31, 2019

### **Primary Government:**

	As Restated January 1, 2019	Additions	Deletions/ Transfers	December 31, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 15,819,179	\$ -	\$ -	\$ 15,819,179
Construction in progress	23,141,355	22,959,606	(13,050,661)	33,050,300
Total capital assets				
not being depreciated	38,960,534	22,959,606	(13,050,661)	48,869,479
Capital assets being depreciated:				
Water system	411,525,519	357,979	2,445,268	414,328,766
Sewer system	322,106,840	327,007	3,607,638	326,041,485
Buildings	7,133,791	-	578,260	7,712,051
Improvements other than				
buildings	25,743,774	-	-	25,743,774
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	39,325,613	4,322,113	2,146,808	45,794,534
Total depreciable capital				
assets at historical cost	806,545,489	5,007,099	8,777,974	820,330,562
Less accumulated depreciation for:				
Water system	131,874,972	7,284,498	-	139,159,470
Sewer system	98,189,530	5,811,372	-	104,000,902
Buildings	1,717,358	220,236	-	1,937,594
Improvements other than				
buildings	23,674,341	268,708	-	23,943,049
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	23,895,949	3,648,060	(2,056,354)	25,487,655
Total accumulated depreciation	280,062,102	17,232,874	(2,056,354)	295,238,622
Capital assets being				
depreciated, net	526,483,387	(12,225,775)	10,834,328	525,091,940
Business-type activities				
capital assets, net	\$ 565,443,921	\$ 10,733,831	\$ (2,216,333)	\$ 573,961,419

## Notes to Basic Financial Statements December 31, 2019

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

Governmental activities:

in fund balances - governmental funds

Governmental activities.		
General government -		
Administration	\$	43,580
Legal		544
Finance		73,120
Public safety -		
Police		1,329,442
Fire		1,235,987
Public works -		
Streets		10,795,791
Traffic Control		515,703
Community services -		
Health and social services		6,422
Parks and recreation		1,915,429
Convention center		687,792
Transit		392,194
Housing and rehabilitation		13,091
C	-	,
Total governmental activities depreciation expense		17,009,095
Business type activities:		
Water and Sewer		15,655,766
Sanitation		1,574,107
Parking		3,001
Total business-type activities depreciation expense		17,232,874
Total depreciation expense	\$	34,241,969
	Ψ	0 1,2 11,2 02
Reconciliation of capital asset additions to the capital outlay in the Staten Expenditures and Changes in Fund Balances-Governmental Funds:	nent of Rev	enues,
Capital asset activity (on page 69):		
Additions for capital assets not being		
depreciated	\$	17,640,350
Additions for capital assets being		2 120 220
depreciated		3,129,339
Capital outlay reported on the statement		
of revenues, expenditures and changes	¢	20.760.690

20,769,689

## Notes to Basic Financial Statements December 31, 2019

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

### **Primary Government:**

	January 1, 2019	Additions/ Transfers	Deletions/ Transfers	December 31, 2019
Water and Sewer Fund: Capital assets not being depreciated:				
Land	\$ 14,086,247	\$ -	\$ -	\$ 14,086,247
Construction in progress	23,141,355	22,825,108	(13,050,661)	32,915,802
Total capital assets				
not being depreciated:	37,227,602	22,825,108	(13,050,661)	47,002,049
Capital assets being depreciated:	1 025 102		570.260	2.502.262
Buildings	1,925,102	257.070	578,260	2,503,362
Water system Sewer system	411,525,519 322,106,840	357,979 327,007	2,445,268 3,607,638	414,328,766 326,041,485
Machinery and equipment	20,636,321	2,128,658	3,991,290	26,756,269
iviacilinery and equipment	20,030,321	2,120,030	3,991,290	20,730,209
Total depreciable capital				
assets at historical cost	756,193,782	2,813,644	10,622,456	769,629,882
Less accumulated depreciation for:				
Buildings	120,410	78,977	-	199,387
Water system	131,874,972	7,284,498	-	139,159,470
Sewer system	98,189,530	5,811,372	<u>-</u>	104,000,902
Machinery and equipment	10,602,107	2,480,919	(219,463)	12,863,563
Total accumulated depreciation	240,787,019	15,655,766	(219,463)	256,223,322
Capital assets				
being depreciated, net	515,406,763	(12,842,122)	10,841,919	513,406,560
Total Water and Sewer Fund				
capital assets, net	\$ 552,634,365	\$ 9,982,986	\$ (2,208,742)	\$ 560,408,609

## Notes to Basic Financial Statements December 31, 2019

	January 1, 2019		Additions		Deletions/ Transfers		December 31, 2019	
Sanitation Fund:								
Capital assets not being depreciated:								
Land	\$	373,772	\$	-	\$	-	\$	373,772
Construction in progress				134,498				134,498
Total capital assets								
not being depreciated:		373,772		134,498		-		508,270
Capital assets being depreciated:								
Buildings		5,208,689		-		-		5,208,689
Improvements other than buildings		23,253,316		-		-		23,253,316
Leasehold improvements		709,952		-		-		709,952
Machinery and equipment		18,585,761		2,193,455		(1,844,482)		18,934,734
Total depreciable capital								
assets at historical cost		47,757,718		2,193,455		(1,844,482)		48,106,691
Less accumulated depreciation for:								
Buildings		1,596,948		141,259		-		1,738,207
Improvements other								
than buildings		21,183,883		268,708		-		21,452,591
Leasehold improvements		709,952		-		-		709,952
Machinery and equipment		13,220,067		1,164,140		(1,836,891)		12,547,316
Total accumulated depreciation		36,710,850		1,574,107		(1,836,891)		36,448,066
Capital assets								
being depreciated, net		11,046,868		619,348		(7,591)		11,658,625
Total Sanitation fund								
capital assets, net	\$	11,420,640	\$	753,846	\$	(7,591)	\$	12,166,895

# Notes to Basic Financial Statements December 31, 2019

### **Component Units:**

	J	anaury 1, 2019	A	dditions	Delet Tran	tions/ sfers	Dec	cember 31, 2019
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		427,132						427,132
Capital assets being depreciated:								
Equipment		1,458,081		-		-		1,458,081
Transportation equipment		139,952		-		-		139,952
Total depreciable capital								
assets at historical cost		1,598,033		-		-		1,598,033
Less accumulated depreciation		1,268,394		45,632				1,314,026
Capital assets being depreciated, net		329,639		(45,632)				284,007
Governmental activities								
capital assets, net Public Library	2	756,771	\$	(45,632)	\$		\$	711,139
i done Library	φ	130,111	Ф	(43,032)	Φ		φ	/11,139

# Notes to Basic Financial Statements December 31, 2019

	January 1, 2019	Additions	Deletions/ Transfers	December 31, 2019
Airport Commission:				
Capital assets				
not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	4,155,196	764,328	(3,919,689)	999,835
Total capital assets not				
being depreciated	10,986,876	764,328	(3,919,689)	7,831,515
Capital assets being depreciated:				
Buildings	22,159,231	267,401	3,919,689	26,346,321
Runways & other airport				
infrastructure	55,412,227	-	-	55,412,227
Equipment, furniture &				
fixtures, and other	12,572,234	95,396	(149,765)	12,517,865
Total depreciable capital				
assets at historical cost	90,143,692	362,797	3,769,924	94,276,413
Less accumulated				
depreciation for:				
Buildings	13,983,843	614,614	-	14,598,457
Runways & other airport				
infrastructure	39,442,533	1,538,285	-	40,980,818
Equipment, furniture &				
fixtures, and other	10,183,515	320,867	(148,876)	10,355,506
Total accumulated				
depreciation	63,609,891	2,473,766	(148,876)	65,934,781
Capital assets				
being depreciated, net	26,533,801	(2,110,969)	3,918,800	28,341,632
Business-type activities	20,333,601	(2,110,909)	3,710,000	20,341,032
capital assets, net				
Airport Commission	\$ 37,520,677	\$ (1,346,641)	\$ (889)	\$ 36 173 147
Airport Collillission	φ 31,320,011	\$ (1,340,041)	φ (009)	\$ 36,173,147

# Notes to Basic Financial Statements December 31, 2019

Construction-in-progress is composed of the following:

		Expended to	
	Primary	December 31,	
	<b>Appropriation</b>	2019	Committed
Primary government:			
Governmental activities	\$ 82,515,913	\$ 22,186,638	\$ 60,329,275
Business-type activities			
Water and sewer capital improvements	36,609,816	32,915,802	3,694,014
Total	\$ 119,125,729	\$ 55,102,440	\$ 64,023,289

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

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

		Business-Type				
	Governmental	Water and Sewer	Sanitation	Parking	Total	
Primary Government:						
Net book value	\$ 417,417,331	\$ 560,408,609	\$ 12,166,895	\$ 1,385,915	\$ 573,961,419	
Current and noncurrent debt	(61,598,204)	(240,238,410)	-	-	(240,238,410)	
Capital related accounts payable	(2,045,589)	(3,516,321)	(464,784)	-	(3,981,105)	
Retainage payable	(387,101)	(698,382)	-	-	(698,382)	
Restricted assets - unspent bond/net proceeds		62,905,921			62,905,921	
Net investment in capital assets	\$ 353,386,437	\$ 378,861,417	\$ 11,702,111	\$ 1,385,915	\$ 391,949,443	
	Governmental	Business-Type				
Component Units:						
Net book value	\$ 711,139	\$ 36,173,147				
Current and noncurrent debt		(1,644,335)				
Net investment in capital assets	\$ 711,139	\$ 34,528,812				

## Notes to Basic Financial Statements December 31, 2019

#### **Capital Asset Impairments and Insurance Recoveries**

In 2019, the City experienced a flood event which caused damage to several capital assets of the City's water system. An impairment loss has been recorded for the damage to the capital assets in the amount of \$2,194,448. The City also received \$1,870,453 in insurance proceeds for repairs and replacements of the damaged capital assets. The impairment loss and the insurance proceeds have been netted and are included in other nonoperating expenses on the statement of revenues, expenses and changes in fund net position for the Water and Sewer Fund and water and sewer expenses on the statement of activities for the business-type activities.

### Note 4: Long-Term Liabilities

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

### **Primary Government:**

	Balance January 1, 9, as restated	1	Increases	Ι	Decreases	D	Balance ecember 31, 2019	nount Due One Year
Governmental Activities:								
Bonds Payable -								
Sales tax bonds	\$ 71,665,000	\$	-	\$	13,610,000	\$	58,055,000	\$ 7,960,000
Issuance premium	 4,029,781				486,577		3,543,204	 -
Sales tax bonds payable, net	 75,694,781				14,096,577		61,598,204	 7,960,000
Compensated Absences	2,135,770		77,543		286,887		1,926,426	115,586
Employee insurance/workers'								
compensation	1,738,264		8,684,519		8,772,522		1,650,261	1,650,261
Net OPEB liability*	7,286,807		319,547		-		7,606,354	-
Net pension liability	70,453,304		10,745,855		-		81,199,159	-
Total other long-term liabilities	81,614,145		19,827,464		9,059,409		92,382,200	1,765,847
Total governmental								
activities long-term liabilities	\$ 157,308,926	\$	19,827,464	\$	23,155,986	\$	153,980,404	\$ 9,725,847
Business-Type Activities								
Bonds Payable -								
Revenue bonds	\$ 227,155,000	\$	-	\$	6,360,000	\$	220,795,000	\$ 7,930,000
Add issuance premium	 23,320,721				1,660,490		21,660,231	 7,020,000
Revenue bonds payable, net	 250,475,721				8,020,490		242,455,231	 7,930,000
Compensated absences	1,092,447		91,089		220,422		963,114	57,787
Net OPEB liability*	4,261,221		186,866		-		4,448,087	-
Closure/postclosure landfill costs	 8,251,531		245,556				8,497,087	
Total other long-term liabilities	 13,605,199		523,511		220,422		13,908,288	57,787
Total business-type activities								
long-term liabilities	\$ 264,080,920	\$	523,511	\$	8,240,912	\$	256,363,519	\$ 7,987,787

<sup>\*</sup> Net increase is shown.

# Notes to Basic Financial Statements December 31, 2019

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

Current Liabilities:	
Current portion of long-term debt	\$ 7,960,000
Noncurrent liabilities:	
Due within one year	1,765,847
Due in more than one year	 144,254,557
Total governmental activities long-term liabilities	\$ 153,980,404
Reconciliation of business-type activities to the government-wide statement of net assets:  Current Liabilities:	
Current portion of long-term debt	\$ 7,930,000
Noncurrent liabilities:	. , ,
Due within one year	57,787
Due in more than one year	248,375,732
Total business-type activities long-term liabilities	\$ 256,363,519

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

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

# Notes to Basic Financial Statements December 31, 2019

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

		Balance						Balance		
		January 1,					Do	ecember 31,	Ar	nount Due
		2019	In	creases	D	ecreases		2019	in	One Year
Water and Sewer Fund:										
Bonds Payable -										
Revenue bonds	\$	227,155,000	\$	-	\$	6,360,000	\$	220,795,000	\$	7,930,000
Add issuance premium		23,320,721				1,660,490		21,660,231		
Revenue bonds payable, net		250,475,721				8,020,490		242,455,231		7,930,000
Compensated absences		855,107		71,162		183,920		742,349		44,541
Net OPEB liability*		3,164,159		138,757		_		3,302,916		_
Other long-term liabilities	-	4,019,266		209,919		183,920		4,045,265		44,541
Total water and sewer fund	\$	254,494,987	\$	209,919	\$	8,204,410	\$	246,500,496	\$	7,974,541
Sanitation Fund:										
Compensated absences	\$	236,798	\$	17,053	\$	33,741	\$	220,110	\$	13,207
Net OPEB liability*		1,097,062		48,109		-		1,145,171		-
Closure/postclosure landfill costs		8,251,531		245,556		-		8,497,087		-
Other long-term liabilities		9,585,391		310,718		33,741		9,862,368		13,207
Total sanitation fund	\$	9,585,391	\$	310,718	\$	33,741	\$	9,862,368	\$	13,207

<sup>\*</sup> Net increase is shown

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

	Water and		Sanitation		
		Sewer Fund	Fund		
Current Liabilities					
Revenue bonds payable	\$	7,930,000	\$	-	
Accrued vacation and sick leave		44,541		13,207	
Noncurrent Liabilities:					
Landfill closure and					
postclosure care		-		8,497,087	
Revenue bonds, net		234,525,231		-	
Accrued vacation and sick leave		697,808		206,903	
Net OPEB liability		3,302,916		1,145,171	
Total long-term liabilities for					
major enterprise funds	\$	246,500,496	\$	9,862,368	

## Notes to Basic Financial Statements December 31, 2019

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

		Balance					Balance		
	J	anuary 1,				De	cember 31,	Am	ount Due
	2019	, as restated	Increases	D	ecreases		2019	in (	One Year
Component Units:									
Business-type activities									
Airport Commission:									
Bonds payable - revenue bonds	\$	1,910,000	\$ -	\$	210,000	\$	1,700,000	\$	215,000
Total business-type activities	\$	1,910,000	\$ -	\$	210,000	\$	1,700,000	\$	215,000
Governmental activities									
Public Library									
Net pension liability	\$	1,638,782	\$ -	\$	51,057	\$	1,587,725	\$	
Total governmental activities	\$	1,638,782	\$ -	\$	51,057	\$	1,587,725	\$	
Total Component Units	\$	3,548,782	\$ -	\$	261,057	\$	3,287,725	\$	215,000

### **Operating Leases**

The City leases office space under a noncancelable operating lease. Total costs for the lease to the General Fund were \$325,174 for the year ended December 31, 2019. The future minimum lease payments for the lease is \$412,218 with \$353,044 due in 2020 and \$59,174 due in 2021.

#### 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, 2019. The limit as of December 31, 2019 was \$74.6 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2019.

## Notes to Basic Financial Statements December 31, 2019

#### 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 2019, \$2,970,000 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 3/4% 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 2019, \$2,970,000 of the 2014 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 \$5,612,123 at December 31, 2019 for the 2012 Bonds and \$1,717,357 for the 2014 Bonds.

# Notes to Basic Financial Statements December 31, 2019

**Maturity Schedule** – The debt service requirements for the Sales Tax Bonds at December 31, 2019 is as follows:

### **Sales Tax Bonds Maturity Schedule**

ares Tax Bonus Maturity Schedure	<u>Principal</u>	Interest				
2020 2021 2022 2023 2024 2025-2027	\$ 7,960,000 8,270,000 8,590,000 8,930,000 9,375,000 14,930,000	\$ 2,257,575 1,940,475 1,610,775 1,219,475 765,613 654,173				
Total	58,055,000	\$ 8,448,086				
Add unamortized bond premium	3,543,204					
Net bonds outstanding at December 31, 2019	\$ 61,598,204					

# Notes to Basic Financial Statements December 31, 2019

### Revenue Bonds - Business-Type Activities

Revenue bonds outstanding at December 31, 2019, 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	\$ 6,600,000
\$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	31,440,000
\$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	52,075,000
\$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	130,680,000
Bonds outstanding, December 31, 2019 Unamortized bond premium	220,795,000 21,660,231
Net bonds outstanding, December 31, 2019	\$ 242,455,231

## Notes to Basic Financial Statements December 31, 2019

#### Water and Sewer:

On November 10, 2011, the City issued \$18,920,000 Water and Sewer Refunding Revenue Bonds, Series 2011, to refund the outstanding \$2,325,000 of 2002B Series Bonds and to refund the outstanding \$16,595,000 of 2002C Series Bonds. The reacquisition price exceeded the carrying amount of the old debt by \$93,625. The unamortized amount is 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 \$23,407 as of December 31, 2019. 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, 2019. 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. The bonds were fully redeemed during 2019.

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 \$35,773 as of December 31, 2019. 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.

## Notes to Basic Financial Statements December 31, 2019

On December 1, 2016, the City issued \$56,955,000 Water and Sewer Refunding Revenue Bonds, Series 2016, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2007 and partial refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2017 through 2032 with interest rates ranging from 1.7% to 4.4%, payable semiannually. The reacquisition price exceeded the old amount of debt by \$3,092,522. The unamortized amount is 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 \$2,249,108 as of December 31, 2019. 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 \$26,893 as of December 31, 2019. 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, 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.

## Notes to Basic Financial Statements December 31, 2019

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, 2019, 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, \$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, \$2,334,694, \$5,695,500 and \$13,068,000 at December 31, 2019 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, 2019. Amounts are reported in restricted investments in the fund level and government-wide financial statements.

# Notes to Basic Financial Statements December 31, 2019

### Maturity Schedule

Aggregate debt service requirements at December 31, 2019 for business-type activity related bonds were as follows:

	Total Business-Type Activities Water and Sewer				
	Principal	Interest			
2020	\$ 7,930,000	\$ 9,958,090			
2021	9,070,000	9,680,213			
2022	10,375,000	9,263,262			
2023	10,680,000	8,961,000			
2024	11,160,000	8,477,300			
2025-2029	63,085,000	34,530,400			
2030-2034	79,750,000	18,441,050			
2035-2039	26,510,000	2,445,200			
2040	2,235,000	89,400			
Total	220,795,000	\$ 101,845,915			
Add unamortized bond premium	21,660,231				
Net bonds outstanding					
as of December 31, 2019	\$ 242,455,231				

## Notes to Basic Financial Statements December 31, 2019

### Pledged Revenues for the City

The following is a summary of pledged revenues for the City for the year ended December 31, 2019.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining incipal, 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	\$ 16,297,696	\$ 9,405,000	57.7%	\$ 49,593,438	Until 2026
Sales and Use Tax Bonds - Series 2014	3/4 Cent City Sales Tax	16,297,696	4,205,000	25.8%	16,909,648	Until 2027
					66,503,086	
Business-Type Activities:						
Water and Sewer Refunding Revenue Bonds, Series 2011	Revenues of the Enterprise Fund	53,658,378	1,520,000	2.8%	\$ 7,242,565	Until 2023
Water and Sewer Refunding and Construction Revenue Bonds, Series 2015	Revenues of the Enterprise Fund	53,658,378	900,000	1.7%	48,912,650	Until 2040
Water and Sewer Refunding Revenue Bonds, Series 2016	Revenues of the Enterprise Fund	53,658,378	1,870,000	3.5%	70,224,350	Until 2032
Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	Revenues of the Enterprise Fund	53,658,378	-	0.0%	 196,261,350	Until 2035
					322,640,915	

### 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, 2019, bonds payable were \$1,700,000.

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

	<u>Pri</u>	<u>Principal</u>		Interest	
2020	\$	215,000	\$	85,328	
2021		225,000		75,330	
2022		240,000		64,530	
2023		250,000		52,770	
2024		260,000		40,270	
2025-2026		510,000		39,582	
Total Payments	\$ 1	,700,000	\$	357,810	

## Notes to Basic Financial Statements December 31, 2019

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 \$393,015, which are classified as restricted assets on the balance sheet, as of December 31, 2019. The Airport Commission held cash and investments equal to this amount at December 31, 2019.

### 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, 2019, 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, 2019, there were nine series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$436,509,867 and one series of Fair and Exhibition Facilities Bonds outstanding with an aggregate principal amount payable of \$225,000.

**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, 2019, none of the defeased bonds remain outstanding.

## Notes to Basic Financial Statements December 31, 2019

### 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, 2019, the net position (deficit) was \$4,949,008 and \$1,229,364 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$894,404 and \$755,857 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 2019 are detailed below:

	Employee Insurance	Workers' Compensation	
Self-insurance liability, December 31, 2017	\$ 860,814	\$ 789,601	
Current year claims and changes in estimate Claim payments	7,140,176 (7,277,575)	1,114,467 (889,219)	
Self-insurance liability, December 31, 2018	723,415	1,014,849	
Current year claims and changes in estimate Claim payments	8,771,118 (8,600,129)	(86,599) (172,393)	
Self-insurance liability, December 31, 2019	\$ 894,404	\$ 755,857	

## Notes to Basic Financial Statements December 31, 2019

### 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 \$19,000. 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>	PRPF	<u>LOPFI</u>	<u>APERS</u>	Total
\$21,176,316	\$ 21,946,213	\$ 37,963,091	\$ 113,539	\$ 81,199,159
904,745	508,407	12,640,638	9,411	14,063,201
1,440,972	1,542,372	3,540,551	6,955	6,530,850
-	-	1,507,737	7,019	1,514,756
2,704,140	2,799,145	7,114,178	22,153	12,639,616
	\$21,176,316 904,745 1,440,972	\$21,176,316 \$21,946,213 904,745 508,407 1,440,972 1,542,372	\$21,176,316 \$21,946,213 \$37,963,091 904,745 508,407 12,640,638 1,440,972 1,542,372 3,540,551 - 1,507,737	\$21,176,316 \$21,946,213 \$37,963,091 \$113,539 904,745 508,407 12,640,638 9,411 1,440,972 1,542,372 3,540,551 6,955 - 1,507,737 7,019

#### (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.

## Notes to Basic Financial Statements December 31, 2019

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

#### Benefits Provided

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

#### Contributions

Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 5% of each covered employees' earnings. Employer contributions to the PERS plan totaled \$1,445,713 for 2019.

#### (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 2019. The Clerk's contribution rate was 4.7% of covered payroll for 2019. The City's contributions to the Plan for the year ended December 31, 2019 were \$13,910.

#### 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.

## Notes to Basic Financial Statements December 31, 2019

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 \$94,221 for the fiscal year ended December 31, 2019. 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, 2019, the City reported a liability of \$113,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019, the City's proportion was 0.00476210%, which is a decrease of .000006370% from its proportion as of June 30, 2018, of 0.00471258%.

For the year ended December 31, 2019, the City recognized pension expense of \$22,153. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 3,090	\$	169	
Change of assumptions	6,163		4,365	
Changes in proportion and differences between City contributions and share of contributions Net difference between projected and actual	158		1,623	
earnings on pension plan investments	-		862	
Contributions subsequent to the measurement date	 6,955		<del>-</del>	
Total	\$ 16,366	\$	7,019	

## Notes to Basic Financial Statements December 31, 2019

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 6,955 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. 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,	
2020	\$ 5,474
2021	(3,054)
2022	(136)
2023	 108
Total	\$ 2,392

#### **Actuarial Assumptions**

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

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

Mortality rates were based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females. Mortality rates for District Judges based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017 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.

# Notes to Basic Financial Statements December 31, 2019

#### **Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. The long-term expected rates of return are shown in the table below:

Long-term Ex	pected Real	Rate of Return
--------------	-------------	----------------

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
Total	100%	

#### **Discount Rate**

In the June 30, 2019 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%		nt Single Rate ssumption 7.15%	1%	Increase 8.15%	
City's proportionate share of the net pension liability	\$	181,974	\$	113,539	\$	57,076	

## Notes to Basic Financial Statements December 31, 2019

## <u>Fort Smith Public Library – Arkansas Public Employees' Retirement System (Component Unit)</u>

#### 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, 2019. Contributions made by the Organization were \$192,940 for the year ended December 31, 2019. Employees are not required to contribute to the plan.

#### Benefits Provided

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

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory, on or after 7/1/2017	2.00%
Non-Contributory	1.72%

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

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

## Notes to Basic Financial Statements December 31, 2019

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 14.75% of compensation for the fiscal year ended December 31, 2019. 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Library's proportion at June 30, 2019, was 0.065811% which is an increase of 0.000918% from its proportion as of June 30, 2018 of 0.064893%.

### **Notes to Basic Financial Statements December 31, 2019**

#### Actuarial Assumptions

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

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed (Level Dollar, Closed

for District Judges New Plan and Paid Off Old Plan and

District Judges Still Paying Old Plan)

30 years (8.6 years for District Judges New Plan/Paid Off Remaining Amortization Period

Old Plan and 17 years for District Judges Still Paying Old

Plan)

Asset Valuation Method 4-Year smoothed market; 25% corridor (Market Value for

Still Paying Old Plan)

3.25% wage inflation; 2.50% price inflation 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

Based on RP-2000 Combined Healthy mortality table, Mortality Table

> projected to 2020 using Projection Scale BB, set forward two years for males and one year for females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational

mortality improvements using Scale MP-2017

The actuarial assumptions used in the 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 2019 to 2028 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, 2019, these best estimates are summarized in the following table:

## Notes to Basic Financial Statements December 31, 2019

Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
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					
	19	% Decrease 6.15%		ent Single Rate ssumption 7.15%		Increase 8.15%
City's proportionate share of the net pension liability	\$	2,544,726	\$	1,587,725	\$	798,154

## Notes to Basic Financial Statements December 31, 2019

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

At December 31, 2019, the Library reported a liability of \$1,587,725 for its proportionate share of the net pension liability.

The Organization had a pension contribution liability of \$10,548 accrued at December 31, 2019. The Organization's proportionate share of pension expense was \$283,278 for the year ended December 31, 2019. At December 31, 2019, the Organization reported deferred outflows or resources and deferred inflows of resources related to pensions from the following resources:

	 ed Outflows lesources	 rred Inflows Resources
Differences between expected and actual experience	\$ 43,211	\$ 2,359
Change of assumptions	86,177	61,035
Net difference between projected and actual earnings on pension plan investments	-	12,060
Changes in proportion	82,887	179,872
Organization contributions subsequent to the measurement date	 100,320	 <u> </u>
Total	\$ 312,595	\$ 255,326

\$100,320 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 ended December 31, 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	in	Reduction Pension xpense
2020	\$	39,685
2021		(57,691)
2022		(40,785)
2023		15,740
	\$	(43,051)

## Notes to Basic Financial Statements December 31, 2019

### (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, 2018 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	103
DROP members	1
Total	104

## Notes to Basic Financial Statements December 31, 2019

#### **Contributions**

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Plans. The contributions for the 2019 plan year were based upon the December 31, 2018, actuarial report. Contributions to the Plan by the City were \$1,440,972 for the year ended December 31, 2019.

### Net Pension Liability

The City's net pension liability of \$21,176,316 as of December 31, 2019 was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

#### **Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the Old Fire Plan:

Valuation date December 31, 2018
Cost method Entry age normal

Asset valuation method Smooth market over a period of 5 years

Amortization method Level percentage

Amortization period 19 years beginning January 1, 2019

Assumptions:

Inflation rate – price 2.50 percent (2.75 percent in prior year)
Wage inflation 3.25 percent (3.75 percent in prior year)
Investment rate of return 7.00 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 2018 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, 2018, 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 2018 valuation.

## Notes to Basic Financial Statements December 31, 2019

#### **Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The long-term expected rates of return are shown in the table below:

Long-term Expected Real Rate of Return			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
Fixed Income	28%	0.9%	
Domestic Equity	42%	5.3%	
Foreign Equity	20%	7.0%	
Alternative Investments	10%	6.2%	
Total	100%		

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. 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**

	 otal Pension Liability (a)	an Fiduciary et Position (b)	N	let Pension Liability (a) - (b)
Balance at January 1, 2019	\$ 33,620,098	\$ 13,406,514	\$	20,213,584
Changes for the year:				
Interest	2,250,013	-		2,250,013
Differences between expected and actual experience	946,549	-		946,549
Assumption changes	-	-		-
Contributions - employer	-	2,636,258		(2,636,258)
Contributions - employee	-	-		-
Net investment income	-	(377,407)		377,407
Benefit payments, including refunds of employee				
contributions	(2,954,113)	(2,954,113)		-
Administrative expense		 (25,021)		25,021
Net Changes	 242,449	 (720,283)		962,732
Balance at December 31, 2019	\$ 33,862,547	\$ 12,686,231	\$	21,176,316

## Notes to Basic Financial Statements December 31, 2019

There were no benefit changes during the year. The assumed investment rate of return was 7.0% (7.75% in the prior year), 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				
	19	Current Single Rate 1% Decrease Assumption 1% Increase				% Increase
		6.00%		7.00%		8.00%
City's Net Pension Liability	\$	24,308,817	\$	21,176,316	\$	18,503,186

### **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, 2019, the City recognized pension expense of \$ 2,704,140 . At December 31, 2019, the City reported deferred outflows of resources related to pensions from the following sources:

		rred Outflows Resources
Net difference between projected and actual		
earnings on pension plan investments	\$	904,745
Contributions subsequent to the measurement date		1,440,972
	·	
Total	\$	2,345,717

## Notes to Basic Financial Statements December 31, 2019

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 1,440,972 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2020	\$ 384,439
2021	154,089
2022	105,443
2023	 260,774
Total	\$ 904,745

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.

## Notes to Basic Financial Statements December 31, 2019

#### Benefits

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

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

At the December 31, 2018 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	84
Total	84

#### **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 2019 plan year were based upon the December 31, 2018, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2019 were \$1,542,372.

#### Net Pension Liability

The City's net pension liability of \$21,946,213 as of December 31, 2019 was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

## Notes to Basic Financial Statements December 31, 2019

#### **Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement for the Old Police Plan.

Valuation date	December 31, 2018
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	19 years beginning January 1, 2019
Assumptions:	
Inflation rate – price	2.50 percent (2.75 percent in prior year)
Wage inflation	3.25 percent (3.75 percent in prior year)
Investment rate of return	7.00 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, 2018 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 2018 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:

Target Allocation	Long-Term Expected Real Rate of Return
28%	0.9%
42%	5.3%
20%	7.0%
10%	6.2%
100%	
	28% 42% 20% 10%

## Notes to Basic Financial Statements December 31, 2019

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.00% (7.75% in the prior year). The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

### **Changes in the Net Pension Liability**

		Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)	
Balance at January 1, 2019	\$	28,617,666	\$	7,333,059	\$	21,284,607	
Changes for the year:		_		_			
Interest		1,917,084		-		1,917,084	
Differences between expected and actual experience		1,153,626		-		1,153,626	
Assumption changes		-		-		-	
Contributions - employer		-		2,634,491		(2,634,491)	
Contributions - employee		-		-		-	
Net investment income		-		(211,373)		211,373	
Benefit payments, including refunds of employee							
contributions		(2,461,495)		(2,461,495)		-	
Administrative expense				(14,014)		14,014	
Net Changes		609,215		(52,391)		661,606	
Balance at December 31, 2019	\$	29,226,881	\$	7,280,668	\$	21,946,213	

There were no benefit changes during the year. The assumed investment rate of return was 7.0% (7.75% in the prior year), 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		ent Single Rate ssumption	1	% Increase	
		6.00%		7.00%		8.00%	
City's Net Pension Liability	\$	24,962,485	\$	21,946,213	\$	19,429,822	

## Notes to Basic Financial Statements December 31, 2019

#### **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, 2019, the City recognized pension expense of \$2,799,145.

At December 31, 2019, 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  Contributions subsequent to the measurement date	\$	508,407 1,542,372	
Total	\$	2,050,779	

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 1,542,372 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2020	\$ 219,742
2021	85,675
2022	56,938
2023	 146,052
Total	\$ 508,407

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.

# Notes to Basic Financial Statements December 31, 2019

#### (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 3<sup>rd</sup> 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 \$1,454,257 to the contributory plan for the year ended December 31, 2019. City contributions to the new plans for the year ended December 31, 2019, were \$3,540,551 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, 2019, the City reported a liability of \$37,963,091 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2018, the City's proportion was 4.2070% which is an increase 0.1469% from the City's proportion of 4.0601% at December 31, 2017.

# Notes to Basic Financial Statements December 31, 2019

For the year ended, December 31, 2019, the City recognized pension expense of \$ 7,114,178 . At December 31, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	rred Outflows Resources	eferred Inflows of Resources
Differences between expected and actual		
experience	\$ 2,016,863	\$ -
Changes of assumptions	5,196,143	-
Net difference between projected and actual		
earnings on pension plan investments	4,857,205	-
Changes in proportion	570,427	1,507,737
Contributions subsequent to the measurement date	3,540,551	 
Total	\$ 16,181,189	\$ 1,507,737

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$ 3,540,551 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. 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,	
2020	\$ 4,400,911
2021	3,198,637
2022	1,981,791
2023	 1,551,562
Total	\$ 11,132,901

# Notes to Basic Financial Statements December 31, 2019

#### **Actuarial Assumptions**

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

Actuarial cost method	Entry age normal
Price Inflation	2.50 percent (2.75 percent in prior year)
Wage Inflation	3.25 percent (3.75 percent in prior year)
Salary increases	4.25 to 18.75 percent, including inflation
	(4.25 to 18.75 percent, including inflation, in prior year)
Investment rate of return	7.00 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, 2018 valuation were based on the results of an actuarial study for the period January 1, 2018 to December 31, 2018. As a result of the 2018 actuarial study, the expectation of life after disability was adjusted in the December 31, 2018 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
Fixed Income	28%	0.9%
Domestic Equity	42%	5.3%
Foreign Equity	20%	7.0%
Alternative Investments	10%	6.2%
Total	100%	

# Notes to Basic Financial Statements December 31, 2019

#### **Discount Rate**

In the December 31, 2018 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%		ent Single Rate Assumption 7.00%	1	% Increase 8.00%
City's proportionate share of the net pension liability	\$	56,028,731	\$	37,963,091	\$	23,405,679

#### **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.

# Notes to Basic Financial Statements December 31, 2019

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 1537 active participants and 71 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 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, 2019 is as follows:

Active members	1,537
Inactive members receiving benefits	71
	1,608

#### **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 2019 is as follows:

		Long-term
	Target	<b>Expected Real</b>
Asset Class	Allocation	Rate of Return
Equities - agency bonds	100.00%	6.00%

The long-term rate of return also included an expected 2.5% inflation for 2019. The long-term expected rate of return at December 31, 2019 was 4.0%.

# Notes to Basic Financial Statements December 31, 2019

#### 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, 2019. 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, 2019, 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: 7.50 percent initial, decreasing 0.5 percent per year to an ultimate

rate of 4.5 percent

Single discount rate: 3.57 percent at 12/31/19 (4.11 percent at 12/31/18)

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:

• 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, 2019 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, 2019 was 2.74%-3.26%. 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.

# Notes to Basic Financial Statements December 31, 2019

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

	Increase (Decrease)			
	Total OPEB Plan Fiduciary Net			
	Liability	<b>Net Position</b>	Liability	
	(a)	<b>(b)</b>	(a) -(b)	
Balance at January 1, 2019	\$13,034,842	\$1,486,814	\$11,548,028	
Changes for the year:				
Service cost	701,561	-	701,561	
Interest	558,604	-	558,604	
Contributions - employer	-	293,091	(293,091)	
Differences between expected				
and actual experience	(1,074,914)	-	(1,074,914)	
Changes of assumptions	666,698	-	666,698	
Net investment income	-	67,719	(67,719)	
Administrative fees	-	(15,274)	15,274	
Benefit payments	(293,091)	(293,091)		
Net Changes	558,858	52,445	506,413	
Balance at December 31, 2019	\$ 13,593,700	\$ 1,539,259	\$ 12,054,441	

The schedule of investment return for the City's OPEB Plan is as follows for the years ended December 31, 2019:

Annual money-weighted rate of return, net of investment expense

3.53%

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, 2019. 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:

#### 

# Notes to Basic Financial Statements December 31, 2019

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, 2019. 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				
	% Decrease 5.50%-3.50%	ı	ent Single Rate Assumption 1.50%-4.50%		% Increase 3.50%-5.50%
Net OPEB liability	\$ 10,381,662	\$	12,054,441	\$	14,041,164

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

For the year ended December 31, 2019, the City recognized a reduction in OPEB expense of \$(167,444). At December 31, 2019, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2019		
	_	Deferred	Deferred
	•	utflows of esources	Inflows of Resources
Changes of assumptions	\$	592,620	\$ 14,417,851
Difference between expected and actual experience		_	955,479
Net difference between projected and actual earnings on OPEB plan			
investments		3,070	
	\$	595,690	\$ 15,373,330

# Notes to Basic Financial Statements December 31, 2019

Amounts reported as deferred outflows of resources and deferred inflows or resources at December 31, 2019, related to OPEB will be recognized as OPEB expense as follows:

2020	\$ (2,103,457)
2021	(2,103,457)
2022	(2,103,457)
2023	(2,106,759)
2024	(2,105,050)
Thereafter	(4,255,460)
	\$ (14,777,640)

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:

Dagamban	21	2010
December	31,	2019

Investment	Fair Value		
ISHARES AGENCY BOND ETF	\$	219,602	
ISHARES 1-3 YEAR TREASURY BOND ETF		311,438	
ISHARES 3-7 YEAR TREASURY BOND ETF		136,439	
ISHARES 7-10 YEAR TREASURY BOND ETF		214,378	
ISHARES CORE U.S. AGGREGATE BOND ETF		306,208	
ISHARES SHORT TREASURY BOND ETF		134,651	
ISHARES TIPS BOND ETF		208,077	

#### 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, 2019, the City has accrued a liability in the amount of \$82,500.

# Notes to Basic Financial Statements December 31, 2019

#### **Contingencies**

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

In 2015, the City entered into a Consent Decree with the United States Environmental Protection Agency (EPA), the United States Department of Justice (DOJ), and the Arkansas Department of Environmental Quality (ADEQ). The Consent Decree addresses the City's compliance with the Federal Clean Water Act involving dry and wet weather overflows from the sanitary sewer system and ongoing maintenance. Beginning in September 2016, the City began the process to request a modification to the consent decree. The request was initially denied in November 2019. However, in May 2020, the City was granted an additional five-years, with conditions, to complete the consent decree per section nine of the consent decree. In September 2020, the City met with the Department of Justice and the Environmental Protection Agency in Washington D.C. to discuss the details of the City's request for a modification. The City has sent documentation asserting force majeure for the historic 2019 flood and the COVID pandemic. The City is requesting additional time to complete the consent decree due to both events. There have been no penalties associated with the Consent Decree assessed in 2019.

#### Note 10: Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2019 are as follows:

Fund	Re	P	Payables		
Governmental Funds: Sales and Use Tax Construction Fund	\$	_	\$	173.456	
Proprietary Funds:	φ	-	Ф	173,430	
Water and Sewer		173,456		-	
Total	\$	173,456	\$	173,456	

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

# Notes to Basic Financial Statements December 31, 2019

Interfund transfers in (out) for the year ended December 31, 2019, is as follows:

	Transfers							
Fund	<u>In</u>	Out						
Primary Government -								
Governmental Funds:								
Major funds:								
General Fund	\$ 100,000	\$ 867,000						
Special revenue -								
Street Maintenance Fund	-	-						
Sales Tax Fund	-	-						
LOPFI Contribution	-	-						
Non-major funds:								
Convention Center Fund	777,000							
Total governmental funds	877,000	867,000						
Proprietary Funds:								
Water and Sewer Fund	-	1,100,000						
Sanitation Fund	90,000	-						
Internal Service Funds	1,000,000							
Total proprietary funds	1,090,000	1,100,000						
Total primary government	\$ 1,967,000	\$ 1,967,000						

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 water and sewer fund include \$1,000,000 to the internal service funds to provide additional funds for potential workers' compensation claims.

#### 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.

# Notes to Basic Financial Statements December 31, 2019

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, 2019, is \$8,497,087. 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 21.3% at December 31, 2019. 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, 2019. 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, 2019, is \$8,262,267. 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, 2019. The City has also pledged a certificate of deposit investment as collateral for the letter of credit.

#### 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 recourses 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.

# Notes to Basic Financial Statements December 31, 2019

## 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

#### GASB Statement No. 93 - Replacement of Interbank Offered Rates

The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). This statement is effective for periods beginning after June 15, 2020, with earlier application encouraged.

# Notes to Basic Financial Statements December 31, 2019

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

The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership agreements (PPPs). The statement also provides guidance for accounting and financial reporting for availability payment arrangement (APAs). This statement is effective for periods beginning after June 15, 2022, with earlier application encouraged.

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

This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement is effective for periods beginning after June 15, 2022, with earlier application encouraged.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of certain fiduciary component units, (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for various reporting periods.

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

# Notes to Basic Financial Statements December 31, 2019

# Note 13: Condensed Financial Statements-Discretely Presented Component Units

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

# Statement of Net Position December 31, 2019

			Gov	/ernmental			Bus	siness-Type
	Advertising		- Covernmental					
		Promotion						Airport
	Coi	mmission	Pul	olic Library		Total	Co	ommission
Assets								
Current assets	\$	395,235	\$	1,467,535	\$	1,862,770	\$	4,951,432
Sales taxes receivable from								
the City		-		176,071		176,071		-
Capital assets, net of accumulated								
depreciation, as applicable		-		711,139		711,139		36,173,147
Noncurrent assets							_	1,187,239
Total assets		395,235		2,354,745		2,749,980		42,311,818
Deferred Outflows of Resources								
Deferred outflow related to pension		-		312,595		312,595		-
Deferred amount on refunding								55,665
Total deferred outflows of resources				312,595		312,595		55,665
Liabilities								
Current liabilities		37,576		112,479		150,055		553,497
Noncurrent liabilities				1,587,725		1,587,725	_	1,485,000
Total liabilities		37,576		1,700,204		1,737,780		2,038,497
Deferred Inflows of Resources								
Deferred inflow related to pension				255,326		255,326		
Total deferred inflows of resources				255,326		255,326		
Net Position								
Net investment in capital assets		-		711,139		711,139		34,528,812
Restricted		357,659		-		357,659		455,490
Unrestricted (deficit)				671		671		5,344,684
Total net position	\$	357,659	\$	711,810	\$	1,069,469	\$	40,328,986

# Notes to Basic Financial Statements December 31, 2019

# Statement of Activities For the Year Ended December 31, 2019

				Program R	evenu	ies		-	-	nse) Revenue s in Net Posit		
	<del>-</del>		Charge		es, Fines, and Operating Charges for Grants and			ertising and	vernr	nental Activit	ies	Total
Advertising/Promotion	\$	944,466	\$	Services	\$	tributions 900	\$	(943,566)	\$	Library	\$	(943,566)
Public Library	<b></b>	3,082,416	•	181,861	٠ -	162,130	<u> </u>	(943,300)	<u> </u>	(2,738,425)	<b>.</b>	(2,738,425)
Total	\$	4,026,882	\$	181,861	\$	163,030		(943,566)		(2,738,425)		(3,681,991)
		eral revenues								1.506.201		1.506.201
		operty taxes						-		1,506,381		1,506,381
		les taxes ospitality hotel/	motel t	ovec				904,081		1,035,911		1,035,911 904,081
		restricted inve						(3,043)		4,233		1,190
		her	stincitis	carnings				34,945		199,571		234,516
		Total general	revenu	es				935,983		2,746,096		3,682,079
	Change in net position						(7,583)		7,671		88	
	Net position, beginning, as previously stated							365,242		704,139		1,069,381
	Net j	position, ending	g				\$	357,659	\$	711,810	\$	1,069,469
								Not (	Evno	nsa) Pavanua	and	
	Program Revenues				ies	Net (Expense) Revenue and Changes in Net Position						
		-	Fees	, Fines, and		Capital	Business-Type Activities					
			Ch	arges for	Gr	ants and				Airport		
		xpenses		Services	Cor	tributions			Co	mmission		
Airport Commission	\$	4,722,674	\$	2,985,599	\$	1,429,031			\$	(308,044)		
Total	\$	4,722,674	\$	2,985,599	\$	1,429,031				(308,044)		
	Gene	eral revenues										
	Ur	nrestricted inve	stment	earnings						101,075		
		Total general	revenu	es						101,075		
	Chai	nge in net posit	ion							(206,969)		
	Net j	position, begin	ning							40,535,955		
	Net j	position, ending	g						\$	40,328,986		

# Notes to Basic Financial Statements December 31, 2019

#### **Note 14: Subsequent Events**

Subsequent events have been evaluated through April 15, 2021, the date at which the financial statements were available to be issued.

#### **Note 15: Prior Period Adjustment**

As a result of converting to a new financial management system in the prior year, the City inadvertently recorded accounts receivable and charges for water, sewer and sanitation services for accounts that had been previously written-off prior to the conversion. The City recorded a prior period adjustment in 2019 to exclude these accounts from the financial statements. Beginning net position of the City was restated for the prior period adjustment as follows:

	Bu	siness-type Activities	<u> </u>	
	As Originally Reported	As Restated	Effect of Change	
Statement of Net Position				
Assets				
Accounts receivable, net	\$ 14,266,995	\$ 9,975,383	\$ (4,291,612)	
Total Assets	\$ 722,192,584	\$ 717,900,972	\$ (4,291,612)	
Net Position				
Unrestricted	\$ 43,171,676	\$ 38,880,064	\$ (4,291,612)	
Total Net Position	\$ 443,516,555	\$ 441,013,285	\$ (4,291,612)	

# Notes to Basic Financial Statements December 31, 2019

	P	roprietary Funds							
		Water and Sewer							
	As Originally Reported	As Restated	Effect of Change						
Statement of Net Position									
Assets									
Accounts receivable, net	\$ 11,123,022	\$ 7,736,631	\$ (3,386,391)						
Total current Assets	\$ 125,903,486	\$ 122,517,095	\$ (3,386,391)						
Total Assets	\$ 678,697,943	\$ 675,311,552	\$ (3,386,391)						
Net Position									
Unrestricted	\$ 24,039,509	\$ 20,653,118	\$ (3,386,391)						
Total Net Position	\$ 412,838,277	\$ 409,451,886	\$ (3,386,391)						
	P	roprietary Funds							
		Sanitation							
	As Originally Reported	As Restated	Effect of Change						
Statement of Net Position									
Assets									
Accounts receivable, net	\$ 3,133,480	\$ 2,228,259	\$ (905,221)						
Total current Assets	\$ 29,838,649	\$ 28,933,428	\$ (905,221)						
Total Assets	\$ 41,259,289	\$ 42,164,510	\$ (905,221)						
Net Position									
Unrestricted	\$ 17,592,481	\$ 16,687,260	\$ (905,221)						
Total Net Position	\$ 29,138,592	\$ 28,233,371	\$ (905,221)						

The net effect of the prior period adjustment on the prior year change in net position for the business-type activities, Water and Sewer Fund and the Sanitation Fund is a decrease of \$4,291,612, \$3,386,391 and \$905,221, respectively.

# Notes to Basic Financial Statements December 31, 2019

#### Note 16: Change in Reporting Entity

Effective January 17, 2019, the City Board of Directors abolished the Parking Authority which previously was a discretely presented component unit of the City. The Authority was abolished due to the inactivity of the Authority's Board of Directors as the original purpose of the Authority was to issue parking revenue bonds, which have fully matured. The City continued the parking operations under the governance of the City Board of Directors. For 2019, the activities of the former Parking Authority are reported as a nonmajor enterprise fund of the City. The change resulted in an adjustment to increase the beginning net position of the City's primary government business-type activities in the government-wide statement of activities of \$1,788,342, and to decrease the beginning net position of the City's discretely presented component unit business-type activities by \$1,788,342.

The amounts recognized as of the merger date are as follows:

Assets		
Current assets	\$	473,187
Capital assets		1,388,916
Total assets		1,862,103
Liabilities		
Current liabilites		73,219
Noncurrent liabilities		542
Total liabilities		73,761
Net position		
Net investment in capital assets		1,388,916
Unrestricted	-	399,426
Total net position	\$	1,788,342

(This Page Intentionally Left Blank)

# REQUIRED SUPPLEMENTARY INFORMATION

# 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,	2019	2018	2017	2016	2015
Total Pension Liability Service Cost	\$ -	s -	\$ -	\$ -	\$ -
Interest	2,250,013	2,387,422	2,458,896	2,531,326	2,601,031
Benefit Changes	-	-	-	-	-
Difference between expected and actual experience	946,549	138,769	(151,195)	116,585	385,846
Assumption Changes Benefit Payments, including refunds	-	1,767,387	-	680,689	-
of employee contributions	(2,954,113)	(2,957,863)	(3,502,026)	(2,982,945)	(4,733,419)
Net Change in Total Pension Liability	242,449	1,335,715	(1,194,325)	345,655	(1,746,542)
Total Pension Liability - Beginning	33,620,098	32,284,383	33,478,708	33,133,053	34,879,595
Total Pension Liability - Ending (a)	\$ 33,862,547	\$ 33,620,098	\$ 32,284,383	\$ 33,478,708	\$ 33,133,053
Plan Fiduciary Net Position					
Contributions - Employer*	\$ 2,636,258	\$ 1,540,550	\$ 1,666,114	\$ 1,866,654	\$ 1,741,331
Contributions - Member Net Investment Income	(277.407)	1.724.024	747	4,708	5,118
Net Investment Income Benefit Payments, including refunds	(377,407)	1,736,826	784,066	26,779	1,131,513
of employee contributions	(2,954,113)	(2,957,863)	(3,502,026)	(2,982,945)	(4,733,419)
Administrative Expense	(25,021)	(22,267)	(25,264)	(33,915)	(26,887)
Deferred Retirement Option Distributions Reconciliation Adjustment	-	-	-	-	-
Recolemation Adjustment					
Net Change in Plan Fiduciary Net Position	(720,283)	297,246	(1,076,363)	(1,118,719)	(1,882,344)
Plan Fiduciary Net Position - Beginning	13,406,514	13,109,268	14,185,631	15,304,350	17,186,694
Plan Fiduciary Net Position - Ending (b)	\$ 12,686,231	\$ 13,406,514	\$ 13,109,268	\$ 14,185,631	\$ 15,304,350
City's Net Pension Liability (a) - (b)	\$ 21,176,316	\$ 20,213,584	\$ 19,175,115	\$ 19,293,077	\$ 17,828,703
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.46%	39.88%	40.61%	42.37%	46.19%
Covered Payroll ^	\$ 86,750	\$ 74,302	\$ 86,657	\$ 156,943	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	24410.74%	27204.63%	22127.60%	12293.05%	N/A

<sup>\*</sup> Includes assets reported as Premium Tax 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.

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

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

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

# 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	
2019	\$	1,440,972	\$	1,440,972	\$	_	\$	26,646	5407.84%	
2018		1,439,040		2,439,040		(1,000,000)		86,750	2811.57%	
2017		1,835,156		1,835,156		_		86,750	2115.45%	
2016		1,418,363		1,418,363		-		84,626	1676.04%	
2015		1,609,084		1,609,084		-		75,302	2136.84%	

#### **Key Assumptions for ADC:**

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

remous and rissumptions esec to bete	inne contribution faces.
Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	19 years beginning January 1, 2019
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility
M A Pa	condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	PR-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables
	for males and females. The tables applied credibility adjustments of 135% for males and 125% for females were adjusted for fully generational mortality
Other Information:	

Other Information:

Notes There were no benefit changes during the year.

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

# 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,	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,917,084	1,940,131	1,962,715	1,968,295	1,944,283
Benefit Changes	-	-	-	-	-
Difference Between Actual & Expected Experience	1,153,626	1,495,866	385,696	652,213	614,152
Assumption Changes Benefit Payments, including refunds	-	1,627,412	-	396,928	-
of employee contributions	(2,461,495)	(2,959,388)	(2,320,229)	(2,271,315)	(2,245,252)
of employee contributions	(2,401,493)	(2,939,366)	(2,320,229)	(2,2/1,313)	(2,243,232)
Net Change in Total Pension Liability	609,215	2,104,021	28,182	746,121	313,183
Total Pension Liability - Beginning	28,617,666	26,513,645	26,485,463	25,739,342	25,426,159
Total Pension Liability - Ending (a)	\$ 29,226,881	\$ 28,617,666	\$ 26,513,645	\$ 26,485,463	\$ 25,739,342
Plan Fiduciary Net Position					
Contributions - Employer*	\$ 2,634,491	\$ 1,429,779	\$ 1,509,135	\$ 1,596,703	\$ 1,554,845
Contributions - Member	- 2,031,171	ψ 1,125,775 -	-	ψ 1,570,705 -	490
Net Investment Income	(211,373)	996,413	463,067	15,584	624,174
Benefit Payments, including refunds	. , ,			· ·	
of employee contributions	(2,461,495)	(2,959,388)	(2,320,229)	(2,271,315)	(2,245,252)
Administrative Expense	(14,014)	(12,774)	(15,173)	(19,925)	(14,832)
Deferred Retirement Option Distributions	-	-	-	-	-
Reconciliation Adjustment					
Net Change in Plan Fiduciary Net Position	(52,391)	(545,970)	(363,200)	(678,953)	(80,575)
Plan Fiduciary Net Position - Beginning	7,333,059	7,879,029	8,242,229	8,921,182	9,001,757
Plan Fiduciary Net Position - Ending (b)	\$ 7,280,668	\$ 7,333,059	\$ 7,879,029	\$ 8,242,229	\$ 8,921,182
City's Net Pension Liability (a) - (b)	\$ 21,946,213	\$ 21,284,607	\$ 18,634,616	\$ 18,243,234	\$ 16,818,160
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	24.91%	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	N/A

<sup>\*</sup> Includes assets reported as Premium Tax 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.

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

<sup>^</sup> Beginning in 2016, Covered Payroll is the amount for which contributions were based. Prior to 2016, Covered Payroll was based on active valuation payroll.

## **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 ontribution (ADC)	d		_	contribution Deficiency (Excess)	Covere	ed Payroll	Actual Contribution as a % of Covered Payroll
2019	\$ 1,542,372	\$	1,542,372	\$	_	\$	_	N/A
2018	1,334,976		2,334,976		(1,000,000)		_	N/A
2017	1,256,207		1,256,207		-		-	N/A
2016	1,256,207		1,256,207		-		-	N/A
2015	1,372,907		1,372,907		-		-	N/A

#### **Key Assumptions for ADC:**

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

remous and ressumptions esecute Dete	inine Contribution Rates.
Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	19 years beginning January 1, 2019
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility
	condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	PR-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables
Wortanty	for males and females. The tables applied credibility adjustments of 135% for
	males and 125% for females were adjusted for fully generational mortality
other Information:	maies and 12570 for females were adjusted for fully generational mortality
ther into mation.	

Otl

Notes There were no benefit changes during the year.

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

# 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,	2019	2018	2017	2016	2015
City's proportion of the net pension liability	4.2070%	4.0601%	4.3186%	4.9028%	4.9183%
City's proportionate share of the net pension liability	\$ 37,963,091	\$ 28,851,157	\$ 24,639,054	\$ 25,717,186	\$ 17,804,470
City's covered payroll	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346	\$ 17,203,371
City's proportionate share of the net pension liability as a percentage of its covered payroll	214.70%	173.20%	158.09%	158.49%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	66.09%	71.48%	72.87%	72.92%	79.14%

Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

# Required Supplementary Information Schedule of City's Contributions – LOPFI (the New Plans)

Plan Fiscal Year Ended December 31,	2019	2018	2017	2016	2015
City's proportion of the net pension liability	4.2070%	4.0601%	4.3186%	4.9028%	4.9183%
City's proportionate share of the net pension liability	\$ 37,963,091	\$ 28,851,157	\$ 24,639,054	\$ 25,717,186	\$ 17,804,470
City's covered payroll	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346	\$ 17,203,371
City's proportionate share of the net pension liability as a percentage of its covered payroll	214.70%	173.20%	158.09%	158.49%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	66.09%	71.48%	72.87%	72.92%	79.14%

Note: A full 10 year schedule will be completed as information is available

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

# Required Supplementary Information Schedule of the City's Proportionate Share of the Net Pension Liability – APERS

Plan Fiscal Year Ended June 30,	2019	2018	2017	2016	2015	
Actuarially required contribution	\$ 13,910	\$ 13,702	\$ 12,872	\$ 12,654	\$ 12,815	
Contributions in relation to the actuarially required contribution	(13,910)	(13,702)	(12,872)	(12,654)	(12,815)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221	\$ 87,267	
Contributions as a percentage of covered payroll	14.76%	14.95%	14.75%	13.72%	14.68%	

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.

### Required Supplementary Information Schedule of City's Contributions – APERS

Plan Fiscal Year Ended June 30,	2019	2018	2017	2016	2015	
Actuarially required contribution	\$ 13,910	\$ 13,702	\$ 12,872	\$ 12,654	\$ 12,815	
Contributions in relation to the actuarially required contribution	(13,910)	(13,702)	(12,872)	(12,654)	(12,815)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221	\$ 87,267	
Contributions as a percentage of covered payroll	14.76%	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.

# Required Supplementary Information Fort Smith Public Library - APERS

	2019		2018		2017		2016		2015		2014	
Organization's proportion of the net pension liability(asset)	(	0.06581163%		0.07428966%		06648929%	0.07284649%		0.07559378%		0.07345205%	
Organization's proportionate share of the net pension liability	\$	1,587,725	\$	1,638,782	\$	1,718,177	\$	1,742,013	\$	1,392,236	\$	1,042,220
Organization's covered payroll	\$	1,259,399	\$	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		126.07%		127.37%		131.66%		131.98%		103.49%		80.25%
Plan fiduciary net position as a percentage of the total pension liability		78.55%		79.59%		75.65%		75.50%		80.39%		84.15%
Schedule of Library Contributions Last Fiscal Year												
	_	2019		2018	2017		2016			2015		2014
Actuarially required contribution	\$	192,940	\$	189,784	\$	189,225	\$	191,379	\$	198,569	\$	193,238
Contributions in relation to the actuarially required contribution		(192,940)		(205,249)		(173,760)		(191,379)		(198,569)		(193,238)
Contribution deficiency (excess)	\$	-	\$	(15,465)	\$	15,465	\$	<u>-</u>	\$		\$	<u>-</u>
Organization's covered payroll	\$	1,259,399	\$	1,286,673	\$	1,304,997	\$	1,319,906	\$	1,345,315	\$	1,298,642
Contributions as a percentage of covered payroll		15.32%		14.75%		14.50%		14.50%		14.76%		14.88%

Notes to Schedules:

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

# Required Supplementary Information Other Postemployment Benefit Plan Schedule of Changes in the City's Net OPEB Liability and Related Ratios Year Ended December 31, 2019

	2019	2018
Total OPEB Liability		
Service Cost	\$ 701,561	\$ 688,122
Interest	558,604	1,219,581
Changes of Benefit Terms	· -	-
Differences Between Expected		
and Actual Experience	(1,074,914)	-
Changes of Assumptions	666,698	(18,537,237)
Benefit Payments	(293,091)	(271,381)
Net Change in Total OPEB Liability	558,858	(16,900,915)
Total OPEB Liability - Beginning	13,034,842	29,935,757
Total OPEB Liability - Ending (a)	\$ 13,593,700	\$ 13,034,842
Plan Fiduciary Net Position		
Contributions - Employer	\$ 293,091	\$ 271,381
Net Investment Income	67,719	27,907
Benefit Payments	(293,091)	(271,381)
Administrative Expense	(15,274)	(25,666)
Net change in Fiduciary Net Position	52,445	2,241
Plan Fiduciary Net Position - Beginning	1,486,814	1,484,573
Plan Fiduciary Net Position - Ending (b)	\$ 1,539,259	\$ 1,486,814
City's Net OPEB Liability - Ending (a) - (b)	\$ 12,054,441	\$ 11,548,028
Plan fiduciary net position as a percentage of the total OPEB		
liability	11.32%	11.41%
Covered-employee payroll	\$ 46,933,607	\$ 45,273,921
City's Net OPEB Liability as a Percentage of covered-employee payroll	25.68%	25.51%
or covered-emproyee payron	25.0070	23.3170

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 two years are 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 health care cost trend increased from 7.5 to 8.0 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent. In 2019, the assumed single discount rate was decreased from 4.11 to 3.57 percent.

### Required Supplementary Information Other Postemployment Benefit Plan Schedule of City Contributions Year Ended December 31, 2019

Plan Fiscal Year Ended December 31,	2019	2018			
Actuarially determined contribution	\$ 1,233,440	\$ 1,923,660			
Contributions in relation to the actuarially determined contribution	(293,091)	(271,381)			
Contribution deficiency (excess)	\$ 940,349	\$ 1,652,279			
City's covered-employee payroll	\$ 46,933,607	\$ 45,273,921			
Contributions as a percentage of covered-employee payroll	0.62%	0.60%			

**Notes to Schedule:** 

Valuation Date: Actuarially determined contributions are calculated as of

December 31

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal Inflation: 2.5 percent per year

Health care cost trend rates: 8.0 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: 3.57 percent (4.11 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 two years are shown. Additional years' information will be added as it becomes available.

Required Supplementary Information Other Postemployment Benefit Plan Schedule of Investment Returns Year Ended December 31, 2019

	2019	2018
Annual money-weighted rate of return,		
net of investment expense	3.53%	0.15%

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

# Required Supplementary Information Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund For the Year Ended December 31, 2019

	Budgeted Amounts					Actual GAAP	Variance with		
	Original			Final	Basis		F	inal Budget	
Revenues									
Taxes	\$	7,800,000	\$	7,800,000	\$	7,674,292	\$	(125,708)	
Sales taxes		22,198,000		22,198,000		22,697,309		499,309	
Licenses and permits		1,886,750		1,886,750		1,899,316		12,566	
Utility franchise fees		6,676,325		6,676,325		6,630,438		(45,887)	
Intergovernmental		6,123,000		6,123,000		5,683,608		(439,392)	
Fines and forfeitures		2,093,500		2,093,500		1,887,931		(205,569)	
Fees for services		558,190		558,190		642,061		83,871	
Interest		50,000		50,000		1,443,275		1,393,275	
Contributions		13,500		13,500		65,170		51,670	
Miscellaneous	-	182,975		226,980	-	968,260		741,280	
Total revenues		47,582,240		47,626,245		49,591,660		1,965,415	
Expenditures									
Current:									
General government									
Administration		2,138,613		1,678,732		1,768,281		89,549	
Legal		2,099,038		1,997,390		1,919,506		(77,884)	
Finance		1,692,840		1,965,881		1,673,169		(292,712)	
Public safety									
Police		16,049,510		14,669,310		13,792,169		(877,141)	
Fire		13,265,347		13,592,575		13,128,744		(463,831)	
Community services									
Health and social services		143,435		175,395		155,394		(20,001)	
Parks and recreation		2,629,694		2,311,431		2,116,179		(195,252)	
Transit		2,309,073		2,237,382		2,145,914		(91,468)	
Other		1,559,655		1,662,605		1,727,620		65,015	
Capital outlay		6,418,044		8,006,826		6,675,361		(1,331,465)	
Total expenditures		48,305,249		48,297,527		45,102,337		(3,195,190)	
Excess (deficiency) of revenues over (under) expenditures		(723,009)		(671,282)		4,489,323		(1,229,775)	
Other Financing Sources (Uses):									
Transfers in		125,000		125,000		100,000		(25,000)	
Transfers out		(867,000)		(867,000)		(867,000)			
Total other financing sources and uses		(742,000)		(742,000)		(767,000)		(25,000)	
Net change in fund balances		(1,465,009)		(1,413,282)		3,722,323		(1,254,775)	
Fund Balances, beginning of year		20,742,112		20,742,112		20,742,112			
Fund Balances, end of year	\$	19,277,103	\$	19,328,830	\$	24,464,435	\$	(1,254,775)	

# Required Supplementary Information Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Street Maintenance Fund For the Year Ended December 31, 2019

	Budgeted Amounts				Actual GAAP		Variance with	
	Original		Final		Basis		Final Budget	
Revenues								
Taxes	\$	2,342,500	\$	2,342,500	\$	2,274,582	\$	(67,918)
Licenses and permits		200,000		200,000		198,326		(1,674)
Intergovernmental		6,030,000		6,030,000		6,261,583		231,583
Interest		5,500		5,500		-		(5,500)
Decrease in fair value of investments		-		-		(22,772)		(22,772)
Miscellaneous		31,200		31,200		68,640		37,440
Total revenues		8,609,200		8,609,200		8,780,359		171,159
Expenditures								
Current:								
General government								
Administration		232,495		232,495		219,305		(13,190)
Legal		128,500		128,500		111,059		(17,441)
Finance		595,877		595,877		597,640		1,763
Public works								
Operations		618,145		536,508		496,809		(39,699)
Streets		3,636,234		3,234,317		3,126,914		(107,403)
Traffic control		2,082,075		1,953,715		1,939,112		(14,603)
Community services								
Parks and recreation		70,151		70,151		196,719		126,568
Capital Outlay		1,750,000		940,642		905,036		(35,606)
Total expenditures		9,113,477		7,692,205		7,592,594		(99,611)
Excess (deficiency) of revenues								
over (under) expenditures		(504,277)		916,995		1,187,765		71,548
Net Change in Fund Balances		(504,277)		916,995		1,187,765		71,548
Fund Balances, beginning of year		4,528,091		4,528,091		4,528,091		
Fund Balances, end of year	\$	4,023,814	\$	5,445,086	\$	5,715,856	\$	71,548

# Notes to Required Supplementary Information December 31, 2019

#### **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

#### Nonmajor Governmental Funds For the Year Ended December 31, 2019

#### **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.

**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.

#### Combining Balance Sheet – Nonmajor Governmental Funds December 31, 2019

						ial Revenue						Capital Projects		
	Dev	mmunity velopment ock Grant	Ti	lles Park	In	HOME avestment artnership Act			onvention Center	Sales & Use Tax Construction		Total Nonmajor Governmental Funds		
Assets Cash	\$	11,844	s		\$	209,885	s	131,213	\$	228,259	\$		\$	581,201
Cash Investments	2	11,844	3	25,470	3	209,885	2	167,016	2	526,729	3	-	3	719,215
Receivables, net of allowance		-		23,470		-		167,016		326,729		-		/19,213
for uncollectibles														
Taxes		_		_		_		_		_		_		_
Accounts		_		_		_		_		25,300		_		25,300
Interest		_		_		_		_		-		_		-
Due from other governments		126,472		_		7,523		54,964		_		_		188,959
Prepaid items		398		-		-		_		9,340		-		9,738
Deposits												504,041		504,041
Total assets	\$	138,714	\$	25,470		217,408	\$	353,193	\$	789,628	\$	504,041	\$	2,028,454
Liabilities and Fund Balances Liabilities:														
Accounts payable and														
accrued liabilities	\$	131,953	\$	-		212,175	\$	109,404	\$	111,132	\$	-	\$	564,664
Due to other funds		-		-		-		-		-		173,456		173,456
Unearned revenues		-		-		-		84,293		-		-		84,293
Other										369				369
Total liabilities		131,953		<u> </u>		212,175		193,697		111,501		173,456		822,782
Fund Balances:														
Nonspendable		398		_		-		_		9,340		504,041		513,779
Restricted for:														
Construction projects		-		-		-		159,496		-		-		159,496
Parks & recreation		-		25,470		-		_		-		-		25,470
Housing and rehabilitation		6,363		-		5,233		-		-		-		11,596
Convention center		-		-		-		-		668,787		-		668,787
Unassigned (deficit)												(173,456)		(173,456)
Total Fund Balances		6,761		25,470		5,233		159,496		678,127		330,585		1,205,672
Total liabilities and fund balances	\$	138,714	\$	25,470	\$	217,408	\$	353,193	\$	789,628	\$	504,041	\$	2,028,454

### Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds For the Year Ended December 31, 2019

	Community Development Block Grant	Tilles Park	Special Revenue HOME Investment Partnership Act	e Special Grants	Convention Center	Capital Projects  Sales & Use Tax Construction	Total Nonmajor Governmental Funds
Revenues							
Intergovernmental	\$ 873,247	\$ -	\$ 507,078	\$ 340,321	\$ -	\$ -	\$ 1,720,646
Fees for services	-	-	-		873,802	-	873,802
Decrease in fair value of investments	-	(197)	-	(1,290)	(4,069)	-	(5,556)
Miscellaneous	74_			827	1,920		2,821
Total revenues	873,321	(197)	507,078	339,858	871,653		2,591,713
Expenditures							
Current:							
Public safety							
Police	-	-	-	269,060	-	-	269,060
Fire	-	-	-	2,842	-	-	2,842
Community services							
Convention Center	-	-	-	-	1,594,984	-	1,594,984
Housing and Rehabilitation	733,421		529,029				1,262,450
Total expenditures	733,421		529,029	271,902	1,594,984		3,129,336
Excess (deficiency) of revenues over (under) expenditures	139,900	(197)	(21,951)	67,956	(723,331)		(537,623)
Other Financing Sources (Uses) Transfers in					777,000		777,000
Total Other Financing Sources and Uses					777,000		777,000
	139,900	(197)	(21,951)	67,956	53,669	-	239,377
Fund Balances (deficit), beginning of year	(133,139)	25,667	27,184	91,540	624,458	330,585	966,295
Fund Balances, end of year	\$ 6,761	\$ 25,470	\$ 5,233	\$ 159,496	\$ 678,127	\$ 330,585	\$ 1,205,672

### Internal Service Funds For the Fiscal Year Ended December 31, 2019

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

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

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

### Combining Statement of Net Position Internal Service Funds December 31, 2019

	Working Capital		Employee Insurance	Workers' Compensation		Total
Assets	Cap	ortai	insurance	Compe	ensation	Total
Current Assets						
Cash	\$ 1	59,936	\$ 2,167,338	\$ 1,3	396,862	\$ 3,724,136
Investments		-	4,056,936	5	573,359	4,630,295
Receivables, net of allowance for uncollectibles						
Accounts		-	56,206		-	56,206
Inventory		16,145	-		-	16,145
Prepaid items & deposits					15,000	 15,000
Total Current Assets	1	76,081	6,280,480	1,9	985,221	8,441,782
Total Assets	1	76,081	6,280,480	1,9	985,221	 8,441,782
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities		34,257	437,068		-	471,325
Claims and judgments			894,404		755,857	 1,650,261
Total Current Liabilities		34,257	1,331,472		755,857	2,121,586
Total Liabilities		34,257	1,331,472		755,857	 2,121,586
Net Position						
Unrestricted	1	41,824	4,949,008	1,2	229,364	 6,320,196
Net Position	\$ 1	41,824	\$ 4,949,008	\$ 1,2	229,364	\$ 6,320,196

## Combining Statement of Revenues, Expenses and Changes in Net Position Internal Service Funds For the Year Ended December 31, 2019

	Working Capital	Employee Insurance	Workers' Compensation	Total
Operating Revenues				
Charges for services - internal	\$ 744,575	\$ 8,011,091	\$ 671,307	\$ 9,426,973
Charges for services - external		466,599		466,599
Total Operating Revenues	744,575	8,477,690	671,307	9,893,572
Operating Expenses				
Contractual services	-	654,104	187,800	841,904
Materials and supplies	765,166	-	-	765,166
Insurance claims and expenses	-	8,600,129	172,393	8,772,522
Total Operating Expenses	765,166	9,254,233	360,193	10,379,592
Operating Income (Loss)	(20,591)	(776,543)	311,114	(486,020)
Nonoperating Revenues				
Investment earnings (loss)		(31,341)	(4,429)	(35,770)
Total Nonoperating Revenues		(31,341)	(4,429)	(35,770)
Income (Loss)	(20,591)	(807,884)	306,685	(521,790)
Transfers in			1,000,000	1,000,000
Change in Net Position	(20,591)	(807,884)	1,306,685	478,210
Net position (deficit), beginning of year	162,415	5,756,892	(77,321)	5,841,986
Net position, ending of year	\$ 141,824	\$ 4,949,008	\$ 1,229,364	\$ 6,320,196

### Combining Statement of Cash Flows Internal Service Funds For the Year Ended December 31, 2019

	Vorking Capital	Employee Insurance		Workers' Compensation		Total
Cash Flows from Operating Activities:	 <b></b>					
Cash received from service users	\$ 744,575	\$	438,828	\$	-	\$ 1,183,403
Cash received from city and employee contributions	-		8,011,091		671,307	8,682,398
Cash payments for goods and services	(766,819)		-		-	(766,819)
Cash payments for premiums and other operating expenses	-		(1,157,152)		(208,557)	(1,365,709)
Cash payments for claims paid	 		(7,672,095)		(431,384)	 (8,103,479)
Net cash provided by (used for) operating activities	 (22,244)		(379,328)		31,366	 (370,206)
Noncapital Financing Activities						
Transfers in from other funds			-		1,000,000	 1,000,000
Net cash provided by noncapital financing						
activities	 				1,000,000	 1,000,000
Net increase (decrease) in cash	(22,244)		(379,328)		1,031,366	629,794
Cash, beginning of year	 182,180	_	2,546,666		365,496	 3,094,342
Cash, ending of year	\$ 159,936	\$	2,167,338	\$	1,396,862	 3,724,136
Reconciliation of Operating Income (Loss) to Net Cash						
Provided by (Used for) Operating Activities						
Operating income (loss)	\$ (20,591)	\$	(776,543)	\$	311,114	\$ (486,020)
Change in assets and liabilities			(07.773)			(27.772)
Accounts receivable  Due from other funds	-		(27,773)		-	(27,773)
Inventory	13,667		-		-	13,667
Prepaid items	13,007		-		-	13,007
Accounts payable and accrued liabilities	(15,320)		253,997		(20,757)	217,920
Liability for claims and judgments	 -		170,991		(258,991)	 (88,000)
Total adjustments	(1,653)		397,215		(279,748)	115,814
Net cash provided by (used for) operating activities	\$ (22,244)	\$	(379,328)	\$	31,366	\$ (370,206)

### Discretely Presented Component Units For the Fiscal Year Ended December 31, 2019

#### **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 Type - Enterprise Fund

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

### Combining Statement of Net Position Governmental Component Units December 31, 2019

	Advertising and Promotion Commission	Public Library	Total
Assets		212141	Total
Cash	\$ 1,101	\$ 861,900	\$ 863,001
Investments	393,931	303,312	697,243
Receivables, net of allowance for uncollectibles			
Sales taxes	-	176,071	176,071
Accounts	-	242,269	242,269
Prepaid items	203	60,054	60,257
Capital assets Nondepreciable		427,132	427,132
Depreciable	-	284,007	284,007
Deprectable	<del>-</del> _	204,007	204,007
Total Assets	395,235	2,354,745	2,749,980
Deferred outflows of resources			
Deferred outflow related to pension		312,595	312,595
Total deferred outflows of resources		312,595	312,595
Liabilities			
Accounts payable and accrued liabilities	37,576	112,479	150,055
Net pension liability		1,587,725	1,587,725
Total Liabilities	37,576	1,700,204	1,737,780
Deferred inflows of resources			
Deferred inflow related to pension		255,326	255,326
Total deferred inflows of resources		255,326	255,326
Net Position			
Net investment in capital assets	-	711,139	711,139
Restricted for:			
Tourism & promotion	357,659	-	357,659
Unrestricted		(71	(71
Library		671	671
Total Net Position	\$ 357,659	\$ 711,810	\$ 1,069,469

#### Combining Statement of Activities – Governmental Component Units For the Year Ended December 31, 2019

				CI	(Expense) Revenue a hanges in Net Positio	n
	Expenses	Program Fees, Fines, and Charges for Services	Revenues Operating Grants and Contributions	Advertising & Promotion Commission	overnmental Activiti Public Library	es Total
Advertising and Promotion Commission Public Library	\$ 944,466 3,082,416	\$ - 181,861	\$ 900 162,130	\$ (943,566)	\$ - (2,738,425)	\$ (943,566) (2,738,425)
Total	\$ 4,026,882	\$ 181,861	\$ 163,030	(943,566)	(2,738,425)	(3,681,991)
	General revenues Property taxes Sales taxes Hospitality taxes Unrestricted investory	stment earnings (loss)		904,081 (3,043) 34,945	1,506,381 1,035,911 - 4,233 199,571	1,506,381 1,035,911 904,081 1,190 234,516
	Total general re	venues		935,983	2,746,096	3,682,079
	Change in net positi	ion		(7,583)	7,671	88
	Net position, begins	ning of year		365,242	704,139	1,069,381
	Net position, ending	g of year		\$ 357,659	\$ 711,810	\$ 1,069,469

### Balance Sheet – Advertising and Promotion Governmental Component Unit December 31, 2019

Assets:		
Cash	\$	1,101
Investments		393,931
Total Assets	\$	395,235
<b>Liabilities and Fund Balance:</b> Current:		
Accounts payable and accrued liabilities	\$	37,576
12000 mile puly unit unit unorthous randinates	Ψ	
Total Liabilities		37,576
Fund Balance:		
Restricted for:		255 650
Tourism & promotion		357,659
T (17'11'') 1P 1P 1	Ф	205 225
Total Liabilities and Fund Balance	\$	395,235

### Statement of Revenues, Expenditures and Changes in Fund Balance Advertising and Promotion - Governmental Component Unit For the Year Ended December 31, 2019

Revenues	
Taxes	\$ 904,081
Decrease in fair value investments	(3,043)
Contributions	900
Other	 34,945
Total revenues	 936,883
Expenditures	
Other	845,448
Capital outlay	 99,018
Total Expenditures	 944,466
Deficiency of revenues	
over expenditures	(7,583)
Net change in fund balance	(7,583)
Fund Balance, beginning of year	365,242
Fund Balance, end of year	\$ 357,659

## Statement of Net Position Business-Type Component Unit Airport Commission December 31, 2019

Assets		
Current Assets		
Cash	\$	1,687,709
Investments		2,672,700
Receivables, net of allowance for uncollectibles		
Accounts		192,683
Accrued interest		42,146
Restricted		
Cash		87,357
Grants and other governments		157,988
Prepaid items and deposits		72,663
Inventory		38,186
Total Current Assets		4,951,432
Noncurrent Assets		
Restricted		
Cash		81,581
Investments		1,105,658
Capital assets		
Nondepreciable		7,831,515
Depreciable		28,341,632
Total Noncurrent Assets		37,360,386
Total Assets		42,311,818
Deferred Outflows of Resources		
		55 665
Deferred amount on refunding		55,665
Total deferred outflows of resources		55,665
Liabilities		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		338,497
Payable from restricted assets:		
Revenue bonds payable, current		215,000
• •		
Total Current Liabilities		553,497
Noncurrent liabilities		
		1.485.000
Revenue bonds payable		1,485,000
Total Noncurrent Liabilities		1,485,000
Total Liabilities		2,038,497
Total Entollines		2,030,197
Net Position		
Net investment in capital assets		34,528,812
Restricted for bond retirement		393,015
Restricted for capital projects		62,475
Unrestricted		5,344,684
Total Net Position	\$	10 328 084
Total Net I Osition	φ	40,328,986

### Statement of Activities – Business-Type Component Units Airport Commission For the Year Ended December 31, 2019

	<b>Expenses</b>		C	Program s, Fines, and harges for Services	G	s Capital Frants and ntributions	Net (Expense) Revenu and Changes in Net Position		
Airport Commission	\$	4,722,674	\$	2,985,599	\$	1,429,031	\$	(308,044)	
		revenues tricted investment	earnings					101,075	
	Change	in net position						(206,969)	
	Net pos	ition, beginning of	year, as re	estated				40,535,955	
	Net pos	ition, ending of ye	ar				\$	40,328,986	

### Statement of Cash Flows – Business-Type Component Units Airport Commission

### For the Year Ended December 31, 2019

Operating Activities	
Cash received from customers	\$ 2,951,339
Cash payments for goods and services	(1,246,797)
Cash paid to employees	(827,805)
Net cash provided by operating activities	876,737
Capital and Related Financing Activities	
Proceeds from capital grants	1,443,413
Passenger facility charges received	374,851
Acquisition and construction of capital assets	(1,650,468)
Principal paid on bonds	(210,000)
Interest paid on bonds	(94,569)
Net cash used in capital and related financing activities	(136,773)
Investing Activities Proceeds from sales and maturities of investment securities	2,368,520
Outlays for purchases of investment securities	(3,778,358)
Income received on investments and cash equivalents	77,078
1	
Net cash used in investing activities	(1,332,760)
Net decrease in cash and restricted cash	(592,796)
Cash and restricted cash, January 1	2,449,443
Cash and restricted cash, December 31	\$ 1,856,647
Reconciliation of cash and restricted cash at December 31 to statement of net position	<b>*</b> 4 (0 <b>7 7</b> 00
Cash	\$ 1,687,709
Restricted cash	168,938
Total	\$ 1,856,647

## Statement of Cash Flows – Business-Type Component Units Airport Commission (Continued) For the Year Ended December 31, 2019

#### Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Provided by Operating Activities		
Operating loss	\$	(1,628,425)
Adjustments to reconcile operating loss to net		
cash provided by operating activities		
Depreciation		2,473,766
Change in assets and liabilities		
Accounts receivable		(34,260)
Inventory		23,678
Prepaid items		(5,379)
Accounts payable and accrued liabilities	_	47,357
Total adjustments		2,505,162
Net cash provided by operating activities	\$	876,737

(This Page Intentionally Left Blank)

### STATISTICAL SECTION

#### **Statistical Section**

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

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

	2010	_	2011	2012	_	2013	_	2014	2015	2016	2017	_	2018	_	2019
Governmental activities  Net investment in capital assets  Restricted  Unrestricted (deficit)	\$ 305,663,999 23,050,850 34,297,504	\$	323,022,637 39,016,328 15,010,176	\$ 323,907,222 45,995,375 11,588,210	\$	315,027,429 41,087,435 11,619,202	\$	301,383,411 46,649,301 8,929,780	\$ 301,292,326 50,358,284 (41,489,044)	\$ 310,422,734 49,252,066 (38,495,788)	\$ 326,142,910 48,938,954 (28,509,210)	\$	337,628,439 58,722,663 (35,881,319)	\$	353,386,437 69,471,463 (37,520,231)
Total governmental activities net position	\$ 363,012,353	\$	377,049,141	\$ 381,490,807	\$	367,734,066	\$	356,962,492	\$ 310,161,566	\$ 321,179,012	\$ 346,572,654	\$	360,469,783	\$	385,337,669
Business-Type activities															
Net investment in capital assets	\$ 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	\$	391,949,443
Restricted	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		6,319,596
Unrestricted (deficit)	 (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		45,204,886
Total business-type activities net position	\$ 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	\$	443,473,925
Primary government															
Net investment in capital assets	\$ 620,605,958	\$	647,238,416	\$ 652,907,699	\$	674,275,117	\$	679,570,135	\$ 651,494,328	\$ 707,487,379	\$ 711,707,896	\$	729,236,710	\$	745,335,880
Restricted	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		75,791,059
Unrestricted (deficit)	 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		7,684,655
Total primary government net position	\$ 694,743,093	\$	722,144,029	\$ 736,687,964	\$	750,894,268	\$	754,871,668	\$ 715,508,744	\$ 754,397,083	\$ 767,702,256	\$	803,986,338	\$	828,811,594

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

	Fiscal															
		2010		2011		2012		2013		2014	 2015	2016	2017	2018		2019
Expenses													 			
Governmental Activities:																
General government	\$	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	\$	10,237,381
Public safety		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		39,614,609
Public works		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		18,193,845
Community services		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		10,057,816
Interest on long-term debt		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		2,142,150
Total governmental activities expenses		71,045,390		72,090,502		76,911,990		84,109,410		88,903,371	 83,128,518	79,541,996	79,326,140	86,764,116		80,245,801
Business-Type Activities:																
Water and Sewer		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		53,201,329
Sanitation		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		13,708,100
Parking		-		-		-		-		-	-	-	-	-		308,030
Total business-type activities expenses		49,644,731		50,163,819		53,644,677		54,388,918		56,106,033	55,936,628	61,060,465	71,048,346	63,560,716		67,217,459
Total primary government expenses	\$	120,690,121	\$	122,254,321	\$	130,556,667	\$	138,498,328	\$	145,009,404	\$ 139,065,146	\$ 140,602,461	\$ 150,374,486	\$ 150,324,832	\$	147,463,260
Program Revenues																
Governmental Activities:																
Charges for services																
General government	\$	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	\$	3,783,290
Public safety		312,543		325,298		358,888		1,430,302		183,031	166,741	174,925	206,292	212,218		1,093,566
Public works		4,605		9,535		261,792		421,635		266,627	254,686	335,684	346,439	389,717		198,326
Community services		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		1,392,367
Operating grants and contributions		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		10,574,220
Capital grants and contributions		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		4,873,533
Total governmental activities program revenues		19,846,261		19,330,692		19,962,112		23,823,687		22,373,681	24,233,625	31,650,780	 21,988,845	22,790,643		21,915,302
Business-Type Activities:													 			
Charges for services																
Water and sewer		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		52,223,647
Sanitation		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		15,973,017
Parking		-		-		-		-		-	-	-	-	-		189,340
Capital grants and contributions		512,378		638,698		1,245,672		1,968,216				 	 			517,991
Total business-type activities program revenues		52,269,030		53,793,926		54,935,611	_	54,842,287		49,209,453	 57,363,310	 68,062,838	 69,659,743	 74,670,767		68,903,995
Total primary government program revenues	\$	72,115,291	\$	73,124,618	\$	74,897,723	\$	78,665,974	\$	71,583,134	\$ 81,596,935	\$ 99,713,618	\$ 91,648,588	\$ 97,461,410	\$	90,819,297
Net (expense) revenue																
Governmental activities	\$	(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)	\$	(58,330,499)
Business-Type activities		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		1,686,536
Total primary government net expense	\$	(48,574,830)	\$	(49,129,703)	\$	(55,658,944)	\$	(59,832,354)	\$	(59,832,354)	\$ (73,426,270)	\$ (57,468,211)	\$ (58,725,897)	\$ (52,863,422)	\$	(56,643,963)

### Table 2 (Continued)

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

	Fiscal Year																
		2010		2011		2012		2013		2014		2015		2016	2017	2018	2019
General Revenues and Other Changes								<u>.</u>				<u>.</u>					
in Net Position																	
Governmental activities:																	
Taxes																	
Property taxes	\$	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	\$ 13,006,891
Sales taxes		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	60,725,266
Utility franchise fees		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	6,630,438
Unrestricted grants and contributions		10,085		-		55,357		-		-		-		-	-	-	-
Unrestricted investment earnings		163,172		18,480		474		364,291		85,627		152,888		64,861	317,642	1,220,764	1,419,241
Other		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	396,549
Transfers		(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)	1,010,000
Total governmental activities		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	 83,188,385
Business-type activities:																	
Unrestricted investment earnings		89,914		14,459		61,383		68,600		87,230		80,875		193,749	401,542	1,219,925	1,668,005
Other		339,356		1,403,727		609,901		1,403,727		1,403,727		138,309		350,917	762,982	1,099,816	116,099
Transfers		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	(1,010,000)
Total business-type activities		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	774,104
Total primary government	\$	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	\$ 83,962,489
1 7 5		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,.	_					,,,,,	, ,	 ,	 , , ,
Changes in Net Position																	
Governmental activities	\$	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	\$ 24,857,886
Business-type activities		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	 2,460,640
Total primary government	\$	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	\$ 27,318,526

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

(Unau	dited)
-------	--------

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes (1)	\$ 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	\$ 80,337,737
Licenses and permits	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	2,097,642
Intergovernmental	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	15,527,189
Fines and forfeitures	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	1,984,739
Charges for services	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	1,515,863
Investment earnings	166,106	18,480	141,141	383,964	185,589	262,136	168,689	442,148	1,380,801	1,455,011
Contributions	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	756,918
Miscellaneous	341,329	470,997	343,630	769,159	367,470	303,595	741,307	585,585	603,372	1,039,724
Total revenues	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	104,714,823
Expenditures										
General government	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	8,306,798
Public safety	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	33,722,145
Public works	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	7,199,550
Community services	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	7,471,640
Other	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	1,798,936
Capital outlay	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	20,769,689
Debt service										
Principal	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	13,610,000
Interest	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	2,710,215
Issuance costs	75,892		349,650		400,062					
Total expenditures	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	95,588,973
Excess (deficiency) of revenues										
over (under) expenditures	(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	9,125,850
Other financing sources and (uses)										
Transfers in	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	877,000
Transfers out	(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)	(867,000)
Premiums on bond issuance	16,217	-	6,269,913	-	1,028,741	-		-	-	-
Bond issuance	3,595,000	-	110,660,000	-	34,295,000	-	-	-	-	-
Escrow deposits			(53,700,952)		-					
Total other financing sources (uses)	4,150,571	454,632	63,398,489	(217,524)	35,271,741	58,523	97,929	922,246	488,000	10,000
Net change in fund balances	\$ (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	\$ 9,135,850
Debt service as a % of noncapital expenditures	26.8%	26.3%	7.8%	21.8%	20.5%	20.0%	21.2%	22.6%	20.0%	21.8%
•										

<sup>(1)</sup> See Table 6 for detail of tax revenues.

### City of Fort Smith, Arkansas Fund Balances of Governmental Funds

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

	2010	2011	2012		2013	2014	2015	2016	2017	2018	2019
General Fund	 										
Nonspendable	\$ 126,037	\$ 66,707	\$ 264,783	\$	44,106	\$ 73,340	\$ 56,438	\$ 190,121	\$ 190,100	\$ 312,081	\$ 336,077
Restricted	1,467,461	283,616	-		-	-	-	-	-	-	4,634,601
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	294,076
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	 19,199,681
Total general fund	 8,442,610	7,740,401	 8,984,903		11,685,337	 11,677,052	 9,470,431	14,893,534	 17,295,168	20,742,112	 24,464,435
All other governmental funds											
Nonspendable	343,606	526,015	673,709		701,931	339,952	179,311	194,052	641,036	641,036	650,774
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	62,404,172
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	6,384,643
Unassigned (deficit)		-	-					(3,048)		(306,595)	(173,456)
Total all other governmental funds	66,994,689	52,371,065	 115,829,741	_	82,452,491	97,291,101	81,800,519	62,644,748	 59,025,065	63,852,606	 69,266,133
Total governmental fund balances	\$ 75,437,299	\$ 60,111,466	\$ 124,814,644	\$	94,137,828	\$ 108,968,153	\$ 91,270,950	\$ 77,538,282	\$ 76,320,233	\$ 84,594,718	\$ 93,730,568

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.

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

(Unaudited)

-	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues	\$ 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	\$ 49,591,660
Expenditures	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	45,102,337
Excess (deficiency) of revenues over (under) expenditures	(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	4,489,323
Other financing sources (uses)	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	(767,000)
Net change in fund balances	(52,903)	(702,209)	939,416	3,005,520	(8,285)	(2,206,621)	5,423,103	2,401,634	3,446,944	3,722,323
Fund balance, January 1	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
Fund balance, December 31	\$ 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	\$ 24,464,435

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

Fiscal Year			ř	Sales Taxes (1)	Frai	Utility nchise Fees	Total
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
2019		12,982,033		60,725,266		6,630,438	80,337,737

(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)	Sales & Use 1% County Tax Allocated Sales & Use		1/4% City Sales & Use Tax Allocated Fire & Parks (3)	Total	Direct City Tax Rate	Overlapping Sebastian County Tax Rate
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%
2019	21,730,261	17,264,744	16,297,696	5,432,565	60,725,266	2.00%	1.00%
Total	\$ 203,088,661	\$ 159,977,767	\$ 165,935,087	\$ 37,153,105	\$ 566,154,620		

- (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.

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collections	elinquent Tax ollections	Total Tax Collections	Collection Percent of Current Levy	utstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
	•					•		
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%
2019	12,626,404	11,223,820	88.89%	471,394	11,695,214	92.63%	931,190	7.37%

<sup>(1)</sup> 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.

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

	Real Property			Personal Property					To	otal		Ratio of Total Assessed to Total	Direct Tax Rate
Fiscal Year (1)	 Assessed Value	Estimated Actual Value		Assessed Value		Estimated Actual Value		Assessed Value			Estimated Actual Value	Estimate d Actual	(per \$100 assessed value)
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
2019	1,087,909,815		5,439,549,075		404,309,870		2,021,549,350		1,492,219,685		7,461,098,425	20.00%	0.70

<sup>(1)</sup> 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.

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

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

									C	) ve rlapp	ing R	Rates								
		City of F	ort S	mith		Se bas tiai	n Cou	unty		FS Schoo	l Dis	trict		FS Publi	c Lib	rary		Total D Overlapp		
Fiscal	ŀ	Real	Pe	rsonal	]	Real	Pe	rsonal	]	Real	Pe	rsonal		Real	Pe	rsonal	1	Real	Pe	rsonal
Year (1)	Pro	ope rty	Pr	operty	Pr	operty	Pr	operty	Pr	operty	Pr	operty	Pr	operty	Pro	operty	Pre	ope rty	Pr	operty
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	4	3.65	-	0.10	-	0.10	-	5.25	4	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
2019		0.70		0.70		0.80		0.80		3.65		3.65		0.10		0.10		5.25		5.25
																		m		
																		Total D		
									C	) ve rlapp	ing K	tates						) ve rlapp	ing I	tate s
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
2019		7.00		7.00		8.00		8.00		36.50		36.50		1.00		1.00		52.50		52.50

<sup>(1)</sup> Fiscal year is year of levy.

Table 11

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

			2019				2010	
				Percentage				Percentage
		Taxable		of Total		Taxable		of Total
		Assessed		Assessed		Assessed		Assessed
Name of Taxpayer (1)	•	Valuation (2)	Rank	Valuation	V	aluation (2)	Rank	Valuation
Oklahoma Gas & Electric Co.	\$	42,282,890	1	2.83%	\$	18,861,841	1	1.56%
Mars Petcare US, Inc.		22,764,955	2	1.53%				
Cox Communications		22,169,690	3	1.49%				
Wal-Mart Sam's Club		19,485,475	4	1.31%				
Mercy Medical Center		18,951,530	5	1.27%				
ABB (formerly Baldor Electric Company)		18,618,200	6	1.25%		8,116,412	10	0.67%
Gerber Products Company		16,823,045	7	1.13%		8,506,986	8	0.70%
Dixie Consumer Products		16,239,105	8	1.09%				
OK Farms, Inc		13,836,815	9	0.93%		10,006,150	6	0.83%
AT&T Mobility/Southwestern Bell Telephone		13,317,220	10	0.89%		16,894,149	2	1.40%
Whirlpool Corporation						15,669,696	3	1.29%
Fort Smith Health Management Association, LLC						13,458,940	4	1.11%
Alltel Communications, Inc.						11,483,059	5	0.95%
FS Mall Partners (Central Mall)						9,954,945	7	0.82%
Halliburton Energy Services						8,123,485	9	0.67%
	\$	204,488,925		13.70%	\$	121,075,663		10.01%

<sup>(1)</sup> Sebastian County Assessor's Office.

<sup>(2)</sup> Property taxes collected in 2019 are based upon 2018 assessed valuation of \$1,480,064,863. Property taxes collected in 2010 were based upon the 2009 assessed valuation of \$1,172,593,585.

### Computation of Direct and Estimated Overlapping Debt December 31, 2019 (Unaudited)

Taxing Juris diction	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Fort Smith	\$ 61,598,204	100%	\$ 61,598,204
Overlapping:			
Fort Smith Special School District	157,975,118	100%	157,975,118
Greenwood School District	40,420,456	5%	2,021,023
Sebastian County	<u>-</u>	76%	
Total Overlapping	198,395,574		159,996,141
Total direct and estimated overlapping bonded debt	\$ 259,993,778		\$ 221,594,345
Ratio, direct and estimated overlapping debt to fiscal 2019 assessed valuation (3)			15.0%
Per capita direct and estimated overlapping bonded debt (4)			\$ 2,521

- (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, \$1,482,615,335
- (4) Based on the estimated population for 2019 in Table 16.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net assessed value (1) Plus exempt property (2)	\$ 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	\$ 1,441,985,722	\$ 1,480,064,863	\$ 1,492,219,685
Total assessed value	\$ 1,210,059,387	\$ 1,294,636,205	\$ 1,325,846,840	\$ 1,347,738,469	\$ 1,325,846,840	\$ 1,369,259,673	\$ 1,423,347,462	\$ 1,441,985,722	\$ 1,480,064,863	\$ 1,492,219,685
Debt limit - 25% of total assessed value (3) Amount of debt applicable to limit (4)	\$ 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	\$ 373,054,921
Debt Margin	\$ 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	\$ 373,054,921

<sup>(1)</sup> From Table 7.

<sup>(2)</sup> Not available

<sup>(3)</sup> Limitation is established by state statute.

<sup>(4)</sup> Includes general obligation debt net of assets available for bond retirement.

Table 14

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

	Governmental Activities Sales						Bus	iness	-Type Activiti	es				
	Sales								Sales			Total	Percentage	
	Tax		Notes		Capital		Revenue		Tax		Capital	Primary	of Personal	Per
Fiscal Year	Bonds		Payable		Leases		Bonds		Bonds		Leases	Government	Income (1)	Capita (1)
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		2,671
2012	115,161,914		-		294,355		174,755,817		-		910,196	291,122,282		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	3.4%	3,718
2019	61,598,204		-		-		242,455,231		-		-	304,053,435	NA	3,459

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

<sup>(1)</sup> See Table 16 for the personal income and population data.

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

		cal								E	ebt :	Servi	ice Requirement	s		
	Fiscal Year Revenue (1)		Revenue (1)	Direct Operating Expenses (2)		Net Revenue Available for Debt Services		Principal			]	Interest (3)		Total	Coverage	
Water and Sewer System	2010 2011 2012 2013 2014 2015 2016 2017 2018 2019		\$	38,661,437 40,820,838 41,080,985 37,841,132 36,176,568 43,646,523 53,684,097 55,851,653 59,882,546 53,398,509	\$	20,872,208 20,759,793 22,019,792 22,867,856 23,037,349 24,179,774 26,705,909 27,161,854 29,019,604 28,328,815	\$	17,789,229 20,061,045 19,061,193 14,973,276 13,139,219 19,466,749 26,978,188 28,689,799 30,862,942 25,069,694	\$	6,675,000 6,275,000	(5) (6) (7)	\$	9,089,126 8,828,313 7,968,048 7,896,016 7,728,715 7,567,304 7,836,058 7,374,703 7,720,005 10,468,211	\$	14,999,126 14,998,313 12,013,048 13,601,016 13,598,715 13,652,304 14,511,058 13,649,703 13,890,005 16,828,211	119% 134% 159% 110% 97% 143% 186% 210% 222% 149%
Solid Waste System	2010 2011 2012 2013 2014 2015 2016 2017 2018 2019	(4) (4) (4) (4) (4) (4)	\$	13,390,293 12,675,503 12,927,934 15,278,747 13,638,922 13,827,406 14,857,037 14,972,614 17,107,962 16,325,938	\$	10,476,471 10,142,163 10,925,530 10,820,344 11,598,608 10,846,954 10,181,649 11,868,266 10,977,441 12,113,768	\$	2,616,647 2,913,822 2,533,340 4,458,403 2,980,452 4,675,388 3,104,348 6,130,521 4,212,170	\$	1,020,000 1,060,000 - - - - - -		\$	83,220 21,465 - - - -	\$	1,103,220 1,081,465 - - - - - -	247% 264% N/A N/A N/A N/A N/A N/A

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

 $2019\ reconciliation\ of\ interest\ paid\ reported\ on\ this\ schedule\ to\ the\ statement\ of\ revenues,$ 

expenses, and changes in fund net assets for the proprietary funds:

	Water &
	 Sewer
Interest paid - this schedule	\$ 10,468,211
Bond expenses	(1,392,274)
Accrued interest - 12/31/18	(2,691,963)
Accrued interest - 12/31/19	 2,489,524
Interest expense and fiscal charges - statement of revenues,	
expenses, and changes in fund net position	\$ 8,873,498

<sup>(4)</sup> 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.

<sup>(2)</sup> Excludes depreciation expense and amortization expense.

<sup>(3)</sup> 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.

<sup>(5)</sup> 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.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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

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

			Personal			Education Level in	School	
Fiscal	City	County	Income (2)	Per Capita	Median	Years of	Enrollment	Unemployment
Year	Population (1)	Population (1)	(in thousands)	Income (2)	Age (3)	Schooling (3)	(4)	Rate (5)
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	87,667	127,385	8,820,555	35,500	35.0	12	14,918	4.1%
2016	87,561	127,793	8,884,864	35,696	37.8	12	14,341	3.3%
2017	87,834	127,786	9,111,482	36,452	38.1	12	14,407	3.5%
2018	87,720	127,570	9,455,644	37,800	35.0	12	14,181	3.4%
2019	87,891	127,827	NA	NA	35.0	12	14,788	3.2%

#### Data Sources:

- (1) Census.gov Annual Estimates Schedule
- (2) American Community Survey a part of census.gov
- (3) Community Development Department's estimate.
- (4) Fort Smith School District
- (5) Bureau of Labor Statistics

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

		2019			2010	
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
O. K. Industries	3,183	1	2.7%	1,800	3	1.4%
Mercy Medical Center	3,100	2	2.6%	1,487	5	1.1%
Fort Smith Public Schools	2,200	3	1.8%	1,783	4	1.3%
Baptist Health (formally Sparks Health)	1,806	4	1.5%	2,400	1	1.8%
ArcBest Corp.	1,662	5	1.4%	936	9	0.7%
ABB (Formerly Baldor Electric Co)	1,614	6	1.4%	2,393	2	1.8%
University of Arkansas at Fort Smith	1,162	7	1.0%	951	8	0.7%
City of Fort Smith	1,064	8	0.9%	916	10	0.7%
Bost, Inc.	1,000	9	0.8%			
Rheem Manufacturing	900	10	0.8%	1,157	6	0.9%
Whirlpool Corporation				1,130	7	0.8%
					,	
Total	17,691		14.9%	14,953		11.2%

Data Sources:

Chamber of Commerce

U.S. Department of Labor, employment totals:

2019 119,000 2010 133,300

Table 18

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	127	127	126	126	125	126	132	134	138	137
Public safety:										
Police										
Officers	170	170	163	163	163	162	164	163	163	163
Civilians	59	59	59	59	59	59	55	55	52	54
Fire										
Firefighters and officers	129	129	129	149	149	149	149	149	149	149
Civilians	3	3	3	3	3	3	3	3	4	4
Public works:										
Operations	5	5	5	5	5	5	5	5	5	5
Streets	46	46	46	54	54	53	53	54	52	54
Traffic control	13	13	13	13	13	13	14	13	14	14
Parks and recreation	58	58	58	64	64	63	61	64	58	57
Transit	36	36	36	35	34	33	33	33	34	34
Water and sewer	192	189	191	192	196	223	264	270	302	303
Sanitation	78	78	78	78	78	79	88	86	91	91
Total	916	913	907	941	943	968	1,021	1,029	1,062	1,065

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	36	32
Fire:										
Stations	10	10	10	11	11	11	11	11	11	11
Apparatus	21	21	18	17	17	17	30	27	27	27
Streets										
Streets (miles)	590	590	590	590	590	590	503	505	505	505
Streetlights	6,029	6,053	6,053	6,053	6,053	6,600	6,778	6,053	6,200	6,700
Traffic signals	146	149	149	149	149	150	151	149	154	154
Parks and recreation										
Parks acreage (square feet)	273	273	273	273	276	286	325	325	536	690
Parks	25	25	25	25	26	28	28	28	28	29
Trails and greenways	-	-	-	-	-	-	-	-	-	4
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	1	1	1	2	2	2	4	4
Tennis courts	12	12	12	12	12	12	12	12	12	12
Skatepark	1	1	1	1	1	1	1	1	2	2
Community centers	5	5	5	5	5	5	5	5	5	5
Convention center -										
Theater -seats	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Theater -area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Exhibit Hall -area (square feet)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transit buses	20	20	20	20	19	16	16	16	16	16
Water and sewer										
Water mains (miles)	626	626	626	626	626	702	702	720	721	725
Average daily production capacity										
(thousands of gallons)	41,999	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400
Average daily consumption (thousands of gallons)	26,473	30,532	30,532	21,267	22,137	20,862	20,878	20,878	20,434	20,199
Sanitary sewers (miles)	516	500	500	545	545	516	522	500	562	543
Sanitation										
Collection trucks	53	53	45	45	45	45	44	44	44	43
Landfill capacity (in cubic yards)	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	49,581,307
Landin capacity (in cubic yards)	05,074,051	00,565,500	05,545,444	03,023,707	04,770,773	03,073,007	01,012,201	30,314,001	47,734,341	47,301,30/

NA - not available

#### Table 20

### City of Fort Smith, Arkansas Operating Indicators by Function

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

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Physical arrest	10,073	8,820	9,324	8,781	8,155	9,026	9,854	9,521	8,621	7,485
Parking violations	7,622	5,984	5,649	5,312	4,320	5,197	4,904	1,991	1,723	2,254
Traffic violations	16,296	14,841	14,841	14,946	11,343	14,165	11,657	18,389	16,777	13,121
Fire										
Number of calls answered	8,026	8,158	8,793	8,688	10,148	10,071	10,223	10,763	11,337	11,873
Transit										
Passenger trips	191,221	198,165	206,329	215,591	204,097	194,869	190,418	191,124	204,695	207,629
Water and sewer										
New connections	450	371	299	314	269	246	325	283	305	311
Average daily production (thousands of gallons)	26,473	30,532	28,554	26,850	22,137	26,859	28,767	26,859	29,182	29,065
Average daily sewage flow (thousands of gallons	16,844	17,421	15,200	14,684	17,100	21,040	15,030	15,010	16,660	20,530
Sanitation										
Waste disposal (cubic yards/day)	1,137	1,052	1,352	1,024	1,024	1,024	1,533	2,368	1,169	1,197

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

Annual # Sanitation Fiscal System		Cubic Yardage of Waste	Useful Life of Landfill	Remaining Storage Capacity			
Year	Customers	at Landfill	Remaining (1)	at Landfill			
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			
2019	411,997	3,231,027	2 yrs	49,581,307 cubic yards			

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

(This Page Intentionally Left Blank)

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

	Average Daily	Maximum Daily	Total Water Use	Average Daily	
Fiscal	Water Use	Water Use	for Year	Sewage Flow	
Year	in Gallons	in Gallons	in Gallons	in Gallons	
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	
2019	20,118,952	37,886,000 7,343,421,184		20,530,000	
Water Customers					
Fiscal Year	Residential	Commercial	Wholesale	Other	Total
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
2019	29,896	4,378	13	210	34,497
Sewer Customers					
Fiscal Year	Residential	Commercial	Government	Other	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
2018	27,697	3,693	90	-	31,480
2019	27,772	3,675	90	45	31,582

#### **Table 22 (Continued)**

### **City of Fort Smith, Arkansas**

### Water and Sewer Statistics (Continued) Continuing Disclosure Requirement (Unaudited)

For 2019:							% of Gross	
<b>Entity</b>	Water		Sewer		Total		Revenues	
City of Van Buren	\$	3,200,050	\$	-	\$	3,200,050	6.13%	
OK Foods		2,671,334		235,276		2,906,610	5.57%	
Gerdau Macsteel		351,953		2,036,004		2,387,957	4.57%	
Cedarville Water USR		1,121,777		-		1,121,777	2.15%	
Sparks Medical Center		239,805		394,824		634,629	1.22%	
Arkama Water Co		153,472		443,401		596,873	1.14%	
Gerber Products		563,588		-		563,588	1.08%	
HWY 71 Water District No. 1		555,250		-		555,250	1.06%	
Simmons		119,733		417,695		537,428	1.03%	
St. Edward Mercy Medical Center		189,730		312,423		502,153	0.96%	
Top Ten Users	\$	9,166,692	\$	3,839,623	\$	13,006,315	24.91%	



### Independent Accountant's Report on Compliance With Certain State Acts

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

We have examined management's assertions that the City of Fort Smith, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2019:

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-210 et seq.;
- (3) Improvement contracts, §§ 22-9-202-22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds,  $\S\S 19-8-101 19-8-107$ .

Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements above based on our examination.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City of Fort Smith, Arkansas complied with the aforementioned requirements during the year ended December 31, 2019, is fairly stated, in all material respects.

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

Fort Smith, Arkansas April 15, 2021

BKD,LLP

