

# **City of Fort Smith, Arkansas**

## **Comprehensive Annual Financial Report**

Year Ended December 31, 2020

### **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

# City of Fort Smith, Arkansas

## Year Ended December 31, 2020

### Contents

#### Introductory Section

Letter of Transmittal.....	9
Organizational Structure.....	15
List of Elected and Appointed Officials.....	16

#### Financial Section

<b>Independent Auditor’s Report.....</b>	<b>19</b>
--	-----------

<b>Management’s Discussion and Analysis .....</b>	<b>22</b>
---	-----------

#### 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 .....	40

##### Proprietary Funds:

Statement of Net Position.....	42
Statement of Revenues, Expenses and Changes in Net Position .....	44
Statement of Cash Flows.....	46

##### Fiduciary Funds:

Statement of Fiduciary Net Position .....	48
Statement of Changes in Fiduciary Net Position .....	49

Notes to Financial Statements .....	50
-------------------------------------	----

# City of Fort Smith, Arkansas

## Year Ended December 31, 2020

### Contents (Continued)

#### Required Supplementary Information

##### Agent Multiple-Employer Plans

Schedule of the City’s Net Pension Liability and Related Ratios – FRPF (the Old Fire Plan).....	126
Schedule of the City’s Pension Contributions – FRPF (the Old Fire Plan).....	127
Schedule of the City’s Net Pension Liability and Related Ratios – PRPF (the Old Police Plan).....	128
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) .....	130
Schedule of City’s Contributions – LOPFI (the New Plans).....	131
Schedule of the City’s Proportionate Share of the Net Pension Liability – APERS.....	132
Schedule of City’s Contributions – APERS.....	133
Fort Smith Public Library - APERS.....	134

##### Other Postemployment Benefit (OPEB) Plan

Schedule of Changes in the City’s Net OPEB Liability and Related Ratios – OPEB Plan .....	135
Schedule of City Contributions – OPEB Plan .....	136
Schedule of Investment Returns – OPEB Plan .....	137
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	138
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Street Maintenance Fund.....	139
Notes to Required Supplementary Information.....	140

#### Combining and Individual Fund Financial Statements and Schedules

##### Nonmajor Governmental Funds:

Combining Balance Sheet .....	143
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	144

# City of Fort Smith, Arkansas

## Year Ended December 31, 2020

### Contents (Continued)

Internal Service Funds:

Combining Statement of Net Position.....	146
Combining Statement of Revenues, Expenses and Changes in Net Position.....	147
Combining Statement of Cash Flows.....	148

Discretely Presented Component Units:

Governmental Activities:

Combining Statement of Net Position .....	150
Combining Statement of Activities .....	151
Balance Sheet – Advertising and Promotion.....	152
Statement of Revenues, Expenditures and Changes in Fund Balance – Advertising and Promotion.....	153

Business Type Activities:

Statement of Net Position.....	154
Statement of Activities .....	155
Statement of Cash Flows .....	156

### Statistical Section (Unaudited)

Net Position by Component – Table 1 .....	161
Changes in Net Position – Table 2 .....	162
Changes in Fund Balances of Governmental Funds – Table 3 .....	164
Fund Balances of Governmental Funds – Table 4 .....	165
General Fund Revenues, Expenditures and Fund Balance – Table 5.....	166
General Governmental Taxes by Source – Table 6.....	167
Local Sales and Use Tax Collections – Table 7 .....	168
Property Tax Levies and Collections – Table 8 .....	169
Assessed and Estimated Actual Value of Taxable Property – Table 9 .....	170
Property Tax Rates and Tax Levies – All Direct and Overlapping Governments – Table 10.....	171
Principal Taxpayers – Table 11 .....	172
Computation of Direct and Estimated Overlapping Debt – Table 12 .....	173
Computation of Legal Debt Margin – Table 13 .....	174

**City of Fort Smith, Arkansas**  
**Year Ended December 31, 2020**

**Contents (Continued)**

Ratios of Outstanding Debt by Type – Table 14.....	175
Revenue Bonds Debt Service Coverage – Table 15.....	176
Demographic Statistics – Table 16.....	177
Principal Employers – Table 17 .....	178
Full-time Equivalent City Government Employees by Function – Table 18.....	179
Capital Asset Statistics by Function – Table 19.....	180
Operating Indicators by Function – Table 20.....	181
Solid Waste System Statistics – Table 21 .....	182
Water and Sewer Statistics – Table 22.....	184

**Other Required Reports**

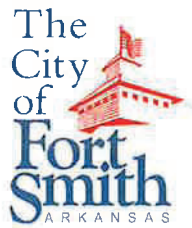
Independent Accountant’s Report on Compliance With Certain State Acts .....	186
---	-----

(This Page Intentionally Left Blank)

# **INTRODUCTORY SECTION**

(This Page Intentionally Left Blank)





September 22, 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 annual comprehensive financial report of the City of Fort Smith for the fiscal year ended December 31, 2020.

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, 2020 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 year ended December 31, 2020. 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 third largest city in the state. The City was incorporated in 1842 and is the county seat for Sebastian County. Fort Smith is 159 miles west of Little Rock and 145 miles southeast of Tulsa, Oklahoma. The City serves as the central focus for a six-county economic and trade region in the west central area of Arkansas and the east central area of Oklahoma. The City encompasses 68 square miles and has a population of approximately 89,000. The City is empowered by state statutes to levy real and personal property taxes within its limits and extend the corporate limit by annexation, which occurs periodically when deemed appropriate by the Board of Directors. State statutes also allow the City to levy local sales and use taxes.

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

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

The Board of Directors adopts an annual budget that serves as the City's financial planning document. Control 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 2020 increased 4% over 2019 revenue. This was compared to a 1.1% increase in 2019 over 2018. 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.

University of Arkansas Fort Smith (UAFS) and Fort Smith Public Schools announced a collaboration for a regional career and technology center. The center will focus on instructional strategies within the STEAM (Science, Technology, Engineering, Art and Math) disciplines. Students attending the center will receive a hands on approach to career focused curriculum and programming taught by UAFS faculty as an extension of the Western Arkansas Technical Center. The center is expected to be completed by the start of the Spring 2022 semester on January 4.

The Arkansas Colleges of Health Education (ACHE) opened its first medical 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 School of Occupational Therapy has been granted candidacy status for the doctor of occupational therapy program. Inaugural class will begin January 2022. The ACHE campus has become a center of development in the River Valley. Part of this development includes the Heritage Community. The Heritage Community is made up of the Village at Heritage, which features both residential and commercial spaces, and The Porches at Heritage, a collection of modern cottages. 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.

A ground breaking celebration was held in the fall of 2020 for a Department of Veterans Affairs (VA) Community Based Outpatient Clinic (CBOC) in Fort Smith. The clinic will be 34,000 square feet and will allow the VA to provide eye care, audiology, laboratory and radiology services to its current services and triple the exam and consult rooms from the current nine to twenty seven rooms. The clinic is currently located within the Baptist Health Hospital.

During 2020, Gerber Products Company, a subsidiary of Nestle S.A., announced an additional product line to its manufacturing facility in Fort Smith. The product line is a \$30 million investment bringing new food manufacturing and food processing equipment and machinery and infrastructure improvements and up to 50 full-time jobs.

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. 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.

In January 2020, Hytrol announced plans to invest more than \$20 million to open a manufacturing operation that will employ up to 250 people within five years.

Mars Petcare announced a \$145 million expansion plan to its current facility. The expansion is expected to create more than 120 jobs

Owens Corning announced its intention to build a new 550,000 square foot manufacturing plant that will replace the existing plant. The project is estimated at \$115 million and is expected to add five jobs.

In June 2020, Fort Smith was selected to host a military pilot training center for the United States military's Foreign Military Sales Mission supporting F-16 and F-35 fighter planes. The training center is predicted to have a \$1 billion economic impact to Fort Smith metro.

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

The Fort Smith Regional Chamber of Commerce continues its work to extoll the virtues of Fort Smith as the fourth lowest cost location in the United States for business. The top 10 employers have approximately 18,000 employees with OK Foods being the number one employer in Fort Smith with over 3,100 employees. The top 10 employers are a healthy mix of private sector companies, healthcare organizations, the University of Arkansas-Fort Smith, the Fort Smith Public School District, and the City of Fort Smith. The Chamber is a regional economic development organization which includes areas of western Arkansas and eastern Oklahoma up to 30 miles from the City. The regional approach enhances relationships with the two states' economic development agencies and offers prospects more choices for potential locations.

**Long-Term Financial Planning.** In 1985, the City began collecting a one percent (1%) local sales and use tax to fund its neighborhood and major street improvements. This sales tax is authorized through 2025.

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

The City's comprehensive plan includes development and planning in and around Fort Smith. Local developers of planned residential areas outside the City limits continue to request City services. This may provide for future annexation that would increase the City's tax base. The comprehensive plan was updated at the end of 2020. 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 (DOJ) regarding dry and wet weather sanitary system overflows requiring sewer rehabilitation and improvements. In May 2015, the Board of Directors approved multi-year sewer rate increases to provide funding for some of the required projects and upgrades to the sewer system. The cumulative rate increase was 167%. Beginning in September 2016, the City began the process to request a modification to the consent decree. The request was initially denied in November 2019. However, in May 2020, the City was granted an additional five-years, with conditions, to complete the consent decree per section nine of the consent decree. In September 2020, the City met with the DOJ and the Environmental Protection Agency (EPA) in Washington D.C. to discuss the details of the City's request for a further modification. The City has also provided to DOJ and EPA 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,

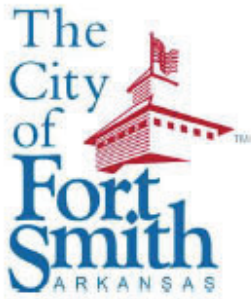


Carl Geffken  
City Administrator

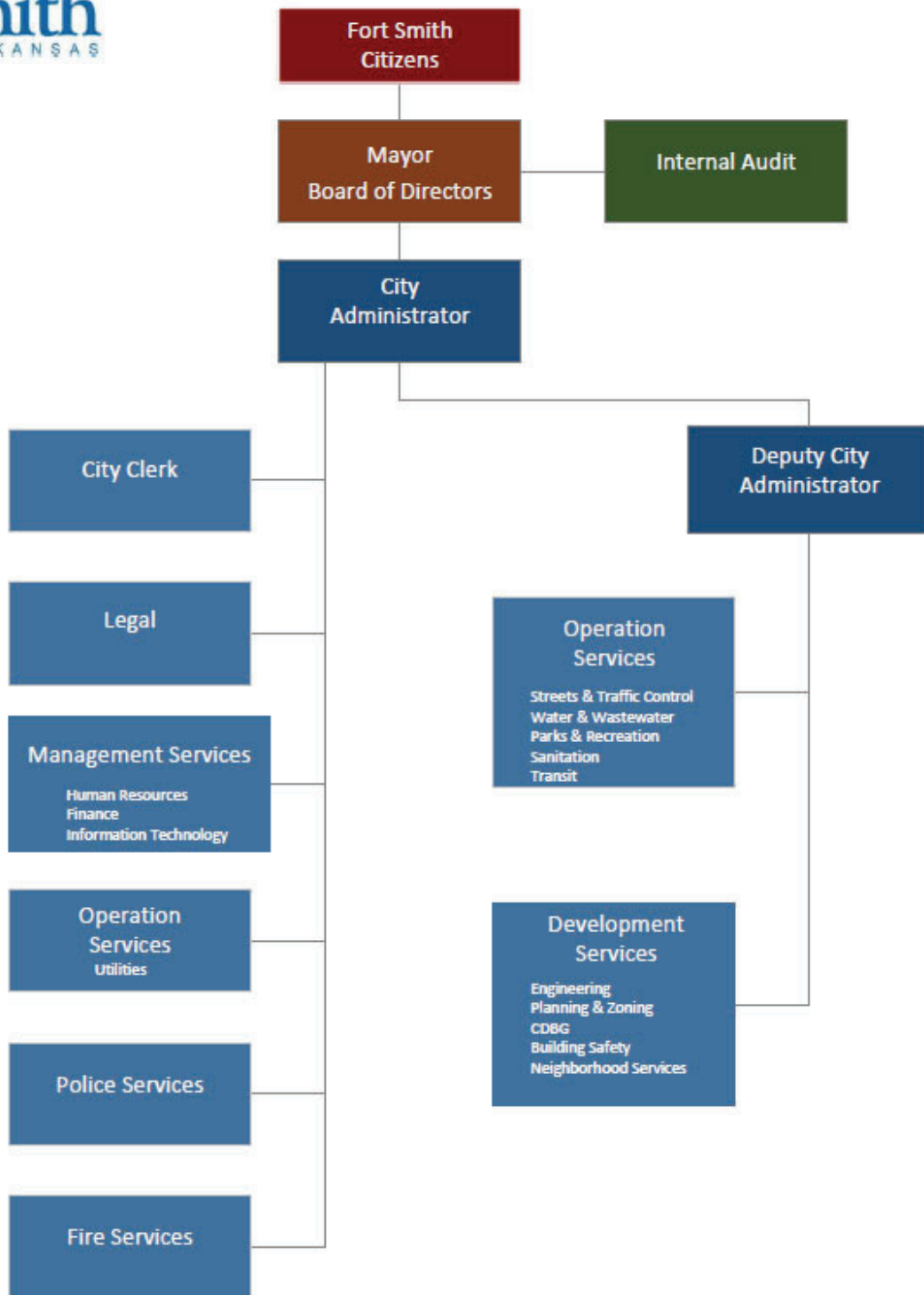


Andrew Richards  
Director of Finance





# City of Fort Smith Plan of Organization



**City of Fort Smith, Arkansas**  
**List of Elected and Appointed Officials**  
**December 31, 2020**

**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	Carl Geffken
Deputy City Administrator	Jeff Dingman
Advertising and Promotion	Timothy Jacobsen
Airport	Michael Griffin
City Clerk	Sherri Gard
Development/Planning	Maggie Rice
District Court	Rachel Sims
Engineering	Stan Snodgrass
Finance	Andrew Richards
Fire	Phil Christensen, Fire Chief
	Boyd Waters, Assistant Fire Chief
Human Resources	Rick Lolley
Information and Technology	Russell Gibson
Internal Audit	Tracey Shockley
Library	Jennifer Goodson
Parks and Recreation	Doug Reinert
Police	Danny Baker
Sanitation	Kyle Foreman
Streets and Traffic Control	Matt Meeker
Transit	Ken Savage
Utilities (Water & Sewer)	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, 2020, 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%, 64% and 81% 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

The combining and individual fund statements listed as other information in the table of contents are the responsibility of management and were derived from and relate 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 September 22, 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.

**BKD, LLP**

Fort Smith, Arkansas  
September 22, 2021

# **City of Fort Smith, Arkansas**

## **Management's Discussion and Analysis**

### **December 31, 2020**

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, 2020. 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 2020 by \$855.8 million (net position). Of this amount, \$764.8 million was invested in capital assets, net of related debt; \$67.9 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 \$23.0 million. The City's governmental activities have a deficit in unrestricted net position of \$27.3 million. The City's business-type activities have unrestricted net position of \$50.3 million. The negative unrestricted net position of the governmental activities is due primarily to the \$72.8 million balance in net pension liabilities at year-end.
- The City's total net position increased by \$26.9 million in 2020. Net position of the governmental activities increased by \$24.7 million in 2020 compared to a net increase of \$24.9 million in 2019. The City's net position of the business-type activities increased by \$2.2 million in 2020 compared to a net increase of \$2.5 million in 2019.
- At the end of 2020, the City's governmental funds reported combined ending fund balances of \$93.9 million, an increase of \$246 thousand from the prior year. The restricted portion of the fund balances is \$58.0 million. The remaining fund balances are classified as nonspendable of \$401 thousand; assigned of \$8.9 million; and unassigned of \$26.6 million.
- At the end of 2020, the unassigned fund balance for the General Fund was \$26.8 million or 60.1% of total General Fund expenditures and transfers out. There was an increase of \$7.0 million in total general fund balance between years.
- The City's total bonded indebtedness decreased \$22.5 million during the current year to \$256.4 million.
- The City's governmental component units reported net position of \$1.1 million at December 31, 2020 which was the same for 2019.
- The City's business-type component units reported net position of \$42.6 million at December 31, 2020 which was a \$2.3 million increase from 2019.

## 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 six (6) 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 50-123 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 126-140 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 143-157 of this report.

## Government-Wide Financial Analysis

City of Fort Smith Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 120,585,740	\$ 119,936,830	\$ 130,437,771	\$ 139,339,661	\$ 251,023,511	\$ 259,276,491
Capital assets	425,856,042	417,417,331	571,227,608	573,961,419	997,083,650	991,378,750
Total assets	546,441,782	537,354,161	701,665,379	713,301,080	1,248,107,161	1,250,655,241
Total deferred outflows of resources	16,857,213	20,969,931	2,913,667	2,654,192	19,770,880	23,624,123
Long-term liabilities	120,231,004	144,254,557	237,850,086	248,375,732	358,081,090	392,630,289
Other liabilities	16,719,208	17,516,537	15,115,512	18,215,295	31,834,720	35,731,832
Total liabilities	136,950,212	161,771,094	252,965,598	266,591,027	389,915,810	428,362,121
Total deferred inflows of resources	16,263,034	11,215,329	5,915,826	5,890,320	22,178,860	17,105,649
Net position:						
Net investment in capital assets	375,642,857	353,386,437	389,203,590	391,949,443	764,846,447	745,335,880
Restricted	61,701,488	69,471,463	6,191,083	6,319,596	67,892,571	75,791,059
Unrestricted	(27,258,596)	(37,520,231)	50,302,949	45,204,886	23,044,353	7,684,655
Total net position	\$ 410,085,749	\$ 385,337,669	\$ 445,697,622	\$ 443,473,925	\$ 855,783,371	\$ 828,811,594

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 \$855.8 million at the close of 2020.

The largest portion of the City’s net position \$764.8 million or 89.4% 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 (7.9%) represents resources that are subject to restrictions as to how they may be used. Of the total \$67.9 million restricted net position, \$22.9 million is restricted for bond retirement, \$40.5 million is restricted for construction projects, \$484 thousand is restricted for police and fire retirement contribution, \$3.3 million is restricted for parks and recreation and \$707 thousand is restricted for other purposes. The remaining balance of net position is \$23.0 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 \$72.8 million.

The City's net position increased by \$26.9 million during 2020. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

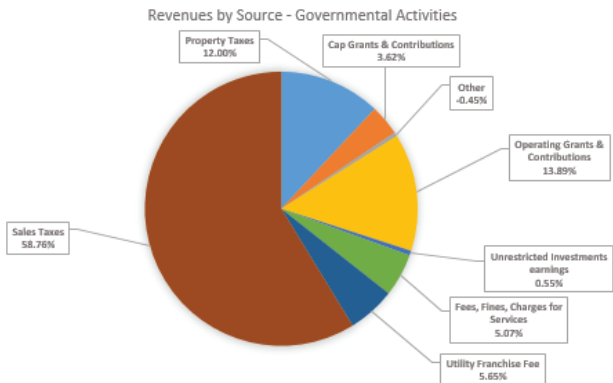
City of Fort Smith Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues						
Fees, fines, and charges for services	\$ 5,480,857	\$ 6,467,549	\$ 68,850,312	\$ 68,386,004	\$ 74,331,169	\$ 74,853,553
Operating grants and contributions	15,032,758	10,574,220	-	-	15,032,758	10,574,220
Capital grants and contributions	3,920,348	4,873,533	166,707	517,991	4,087,055	5,391,524
	<u>24,433,963</u>	<u>21,915,302</u>	<u>69,017,019</u>	<u>68,903,995</u>	<u>93,450,982</u>	<u>90,819,297</u>
General revenues						
Property taxes	12,986,093	13,006,891	-	-	12,986,093	13,006,891
Sales taxes	63,573,016	60,725,266	-	-	63,573,016	60,725,266
Utility franchise fees	6,114,478	6,630,438	-	-	6,114,478	6,630,438
Unrestricted investment earnings	595,603	1,419,241	790,607	1,668,005	1,386,210	3,087,246
Other	(487,200)	396,549	2,341	116,099	(484,859)	512,648
	<u>107,215,953</u>	<u>104,093,687</u>	<u>69,809,967</u>	<u>70,688,099</u>	<u>177,025,920</u>	<u>174,781,786</u>
<b>Total revenues</b>						
<b>Expenses</b>						
General government	10,208,851	10,237,381	-	-	10,208,851	10,237,381
Public safety	38,168,513	39,614,609	-	-	38,168,513	39,614,609
Public works	23,018,234	18,193,845	-	-	23,018,234	18,193,845
Community services	9,487,352	10,057,816	-	-	9,487,352	10,057,816
Interest on long-term debt	1,619,133	2,142,150	-	-	1,619,133	2,142,150
Water and sewer	-	-	53,675,891	53,201,329	53,675,891	53,201,329
Sanitation	-	-	13,699,284	13,708,100	13,699,284	13,708,100
Parking	-	-	176,885	308,030	176,885	308,030
	<u>82,502,083</u>	<u>80,245,801</u>	<u>67,552,060</u>	<u>67,217,459</u>	<u>150,054,143</u>	<u>147,463,260</u>
<b>Total expenses</b>						
Change in net position before transfers	24,713,870	23,847,886	2,257,907	3,470,640	26,971,777	27,318,526
Transfers	34,210	1,010,000	(34,210)	(1,010,000)	-	-
	<u>24,748,080</u>	<u>24,857,886</u>	<u>2,223,697</u>	<u>2,460,640</u>	<u>26,971,777</u>	<u>27,318,526</u>
<b>Increase in net position</b>						
Net Position – beginning of year	385,337,669	360,479,783	443,473,925	441,013,285	828,811,594	801,493,068
<b>Net Position – end of year</b>	<u>\$ 410,085,749</u>	<u>\$ 385,337,669</u>	<u>\$ 445,697,622</u>	<u>\$ 443,473,925</u>	<u>\$ 855,783,371</u>	<u>\$ 828,811,594</u>

**Governmental Activities.** During the current year, net position for governmental activities increased \$24.7 million from the prior year for an ending balance of \$410.1 million. The increase in the overall net position of governmental activities is the primary result of \$25.0 million in capitalized construction projects primarily related to street construction. In addition, the fluxuation of revenues and expenses as compared to the prior year impacted the increase in net position as noted below.

- Revenues from sales taxes increased \$2.8 million to \$63.6 million or 4.7%.
- Revenues from property taxes (\$13.0 million) decreased \$21 thousand or 0.2%.
- Unrestricted investment earnings decreased \$824 thousand or 58.0% from the prior year primarily due to the decline of investment interest rates during 2020.
- Operating grants and contributions increased \$4.5 million or 42.2% to \$15.0 million in 2020, primarily due to \$3.5 million received in Coronavirus Relief Funds and various other COVID-19 related federal funding received during 2020.

Total expenses increased \$2.3 million to \$82.5 million or 2.8% from prior year. The increase in total expenses is primarily attributed to \$4.3 million in expenses related to a cost-sharing agreement with the Arkansas Department of Transportation to repair a state-maintained highway within the City.

Expenses and Program Revenues - Governmental Activities

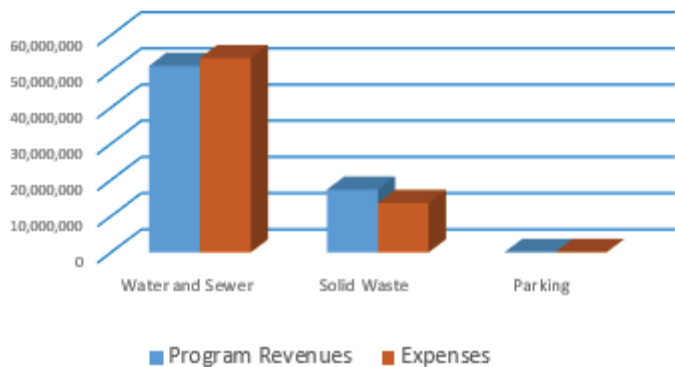


**Business-Type Activities.** Net position for City’s business-type activities increased by \$2.2 million during the current year, reaching an ending balance of \$445.7 million. Key elements of the increase are as follows:

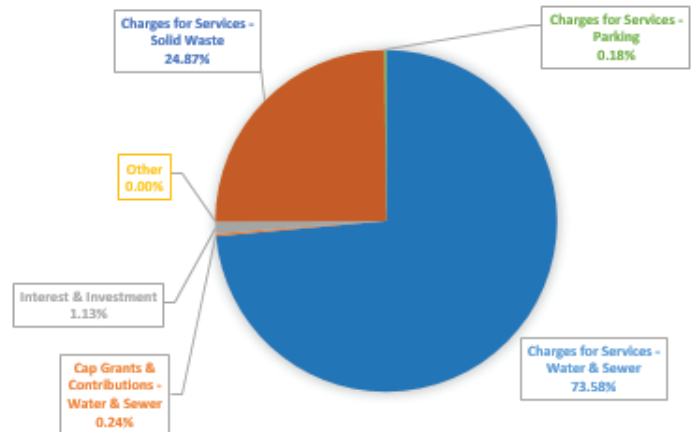
- The water and sewer system net position decreased by \$2.1 million. The operating income for the system totaled \$6.2 million in 2020.
- The solid waste system added \$4.1 million to the increase in total net position. The operating income for the system in 2020 totaled \$3.6 million.
- Water and sewer system service charges contribute 74.6% of the revenue to business-type activities.
- The solid waste system service charges accounted for 25.2% of the revenue to business-type activities.

- Current year operating revenues for the business-type activities exceeded operating expenses by \$9.8 million. Water and Sewer and Solid Waste operating expenses increased from 2019 by \$1.1 million or 1.9%.

Program Revenue and Expenses - Business-Type Activities



Revenues by Source - Business-Type Activities



### Financial Analysis of the Government's Funds

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

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

As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$93.9 million, an increase of \$246 thousand in comparison with the prior year. Of this amount, \$58.0 million represents restricted fund balance for construction projects, debt service coverage, police and fire retirement contributions, and other purposes. Approximately \$401 thousand of the fund balances is non-spendable. A portion of the fund balance, \$8.9 million, is assigned for specific uses by the City. The remainder of the balance, \$26.7 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, 2020, unassigned fund balance of the General Fund was \$26.8 million, while the total fund balance was \$31.5 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 60.1% of total General Fund expenditures, including transfers out, while total fund balances represent 70.6% of that same amount. There was an increase of \$7.0 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 \$8.1 million of total fund balance, an increase of \$2.4 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 \$6.5 million assigned for street construction and \$1.6 million assigned for other purposes. This fund accounts for 8.5% of the total governmental fund balances.

The Sales Tax Fund, a special revenue fund, is presented as a major fund and accounts for 37.6% of the total governmental fund balances to \$35.7 million. Revenues include a one percent (1%) local sales tax dedicated to streets, bridges and associated drainage. Fund balance decreased \$6.9 million during the year. Expenditures increased \$12.4 million over the prior year and are primarily related to street construction.

The Sales & Use Tax Bond Fund had an increase in fund balance of \$130 thousand during the year to \$17.1 million. The City exercised an extraordinary redemption of \$6.6 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 0.5% of the total government fund balances. Revenues include a dedicated Property Tax and Insurance Turnback Revenues for police and fire pension contributions. Fund balance decreased \$2.2 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. In addition, the City elected to contribute an additional \$2 million in police and fire pension contributions beyond the actuarially required contributions to improve the funded status of the City's police and fire pension plans. \$1 million of the additional contribution was funded by the LOPFI Contribution Fund, while the other \$1 million was funded by the City's General Fund.

**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 \$407.3 million and \$35.0 million for the Water and Sewer Fund and the Solid Waste Fund, respectively. The change in net position was a \$2.1 million decrease for the Water and Sewer Fund and a \$4.1 million increase for the Solid Waste Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **Budgetary Highlights**

**General Fund.** The final amended General Fund budget had total appropriations of \$47.2 million (total expenditures plus transfers out).

Revenue estimates for the General Fund (\$51.7 million) exceeded the original budget of \$48.6 million (total revenues plus transfers in).

Total actual revenue, including transfers in, for the General Fund was \$51.6 million which was consistent with the final budget estimates.

Total actual expenditures, including transfers out, was \$2.6 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 138 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, 2020 amounts to \$997.1 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 0.6%, a 2.0% increase for governmental activities and a 0.5% decrease for business-type activities.

### City of Fort Smith

#### Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 27,760,139	\$ 27,696,139	\$ 16,340,850	\$ 15,819,179	\$ 44,100,989	\$ 43,515,318
Buildings	53,982,259	54,283,776	5,550,887	5,774,457	59,533,146	60,058,233
Water System	-	-	269,736,524	275,169,296	269,736,524	275,169,296
Sewer System	-	-	238,382,376	222,040,583	238,382,376	222,040,583
Improvement other than buildings	12,990,920	12,411,100	1,590,174	1,800,725	14,581,094	14,211,825
Infrastructure	277,233,646	279,659,836	-	-	277,233,646	279,659,836
Machinery and equipment	19,648,375	21,179,842	19,316,068	20,306,879	38,964,443	41,486,721
Construction in progress	34,240,703	22,186,638	20,310,729	33,050,300	54,551,432	55,236,938
Total	<u>\$ 425,856,042</u>	<u>\$ 417,417,331</u>	<u>\$ 571,227,608</u>	<u>\$ 573,961,419</u>	<u>\$ 997,083,650</u>	<u>\$ 991,378,750</u>

Major capital asset events during 2020 included the following:

- Net decrease to construction in progress totaled \$685 thousand. Of this amount, water and wastewater improvements accounted for a decrease of \$12.8 million and the general government and streets increased by \$12.1 million.
- Net reductions to infrastructure totaled \$2.4 million due to annual depreciation (\$10.9 million) exceeding the amount of completed of several street projects (\$8.5 million) during 2020.
- Net increase to the sewer system totaled \$16.3 million and net decrease to the water system totaled \$5.4 million in 2020.
- Depreciation expense totaled \$35.4 million.

Additional information on the City's capital assets can be found in *Note 3* on pages 68-75 of this report.

**Long-term debt.** At December 31, 2020, the City had \$256.4 million of long-term bonds outstanding, including \$212.9 million of bonds secured solely by specified revenue sources, (*i.e.* revenue bonds).

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

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Sales and Use Tax Bonds	\$ 43,495,000	\$ 58,055,000	\$ -	\$ -
Revenue Bonds	-	-	212,865,000	220,795,000
Total	<u>\$ 43,495,000</u>	<u>\$ 58,055,000</u>	<u>\$ 212,865,000</u>	<u>\$ 220,795,000</u>

The City's total bonded debt decreased by \$22.5 million or 8.1% during 2020. Key factors in this decrease were the regularly scheduled bond redemptions as well as \$6.6 million in 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 \$379.7 million. The City has no general obligation debt at December 31, 2020. 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 4.5%, compared to 3.2% in 2019. The state unemployment rate for year-end 2020 was 4.4% and the national was 6.0%. The City is recovering from a somewhat weak economy over the past few years. Despite the increase in the City's unemployment rate of 1.3%, the COVID-19 pandemic had less impact on the City's local economy compared to other locales across the nation.
- The City tax revenue for 2021 is expected to remain consistent with 2020.

These factors were considered when the City prepared its 2021 Budget.

The Board of Directors considered these factors when making spending priorities going into the 2021 budget year – critical equipment for the Police Department, pay increases for employees, city-wide, conversion of the City's financial system to SaaS, and the General Fund Capital Improvement Plan. The City's General Fund budget for 2021 was approved at \$42.8 million for regular programs and \$6.6 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.

**City of Fort Smith, Arkansas**  
**Statement of Net Position**  
**December 31, 2020**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
<b>Assets</b>					
Cash and cash equivalents	\$ 34,408,067	\$ 9,342,502	\$ 43,750,569	\$ 1,009,598	\$ 2,014,971
Investments	49,323,522	46,817,539	96,141,061	698,606	-
Receivables, net					
Property taxes and utility franchise fees	14,755,404	-	14,755,404	-	-
Sales taxes	4,070,490	-	4,070,490	188,972	-
Accounts	506,672	10,269,393	10,776,065	191,470	155,707
Interest	-	-	-	-	47,629
Due from other governments	1,631,533	-	1,631,533	-	-
Internal balances	(1,737,309)	1,737,309	-	-	-
Inventories	21,491	1,342,426	1,363,917	-	46,607
Prepays and deposits	415,912	1,681	417,593	66,482	79,663
Restricted assets					
Cash	-	480,495	480,495	-	131,603
Investments	15,708,270	59,656,970	75,365,240	-	5,100,310
Accounts receivable, net	-	-	-	-	243,644
Sales tax receivable	1,481,688	-	1,481,688	-	-
Prepaid items and deposits	-	789,456	789,456	-	-
Capital assets, net					
Nondepreciable	62,000,842	36,651,579	98,652,421	427,132	8,066,937
Depreciable	363,855,200	534,576,029	898,431,229	279,052	27,183,294
<b>Total Assets</b>	<b>546,441,782</b>	<b>701,665,379</b>	<b>1,248,107,161</b>	<b>2,861,312</b>	<b>43,070,365</b>
<b>Deferred Outflows of Resources</b>					
Deferred amounts on refunding	-	2,140,612	2,140,612	-	-
Deferred outflows-pension	6,647,042	-	6,647,042	347,592	-
Deferred outflows-pension contributions	8,774,883	-	8,774,883	106,613	-
Deferred outflows-OPEB	1,435,288	773,055	2,208,343	-	-
<b>Total deferred outflows of resources</b>	<b>16,857,213</b>	<b>2,913,667</b>	<b>19,770,880</b>	<b>454,205</b>	<b>-</b>



**City of Fort Smith, Arkansas**  
**Statement of Net Position (Continued)**  
**December 31, 2020**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 5,752,039	\$ 3,030,560	\$ 8,782,599	\$ 102,024	\$ 425,913
Other	219,280	1,670	220,950	-	-
Accrued interest	310,480	2,420,054	2,730,534	-	-
Deposits	-	533,065	533,065	-	-
Unearned revenue	122,651	-	122,651	-	-
<b>Noncurrent liabilities</b>					
Other long-term liabilities					
due within one year	2,044,758	60,163	2,104,921	-	-
Current portion of long-term debt	8,270,000	9,070,000	17,340,000	-	-
Due in more than one year	120,231,004	237,850,086	358,081,090	1,959,371	-
<b>Total liabilities</b>	<b>136,950,212</b>	<b>252,965,598</b>	<b>389,915,810</b>	<b>2,061,395</b>	<b>425,913</b>
<b>Deferred Inflows of Resources</b>					
Deferred amounts on refunding	-	182,407	182,407	-	-
Deferred inflows-pension	5,618,122	-	5,618,122	138,781	-
Deferred inflows-OPEB	10,644,912	5,733,419	16,378,331	-	-
<b>Total deferred inflows of resources</b>	<b>16,263,034</b>	<b>5,915,826</b>	<b>22,178,860</b>	<b>138,781</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	375,642,857	389,203,590	764,846,447	706,184	35,250,231
<b>Restricted for:</b>					
Construction projects	39,973,137	500,000	40,473,137	-	27,801
Debt service	17,189,958	5,691,083	22,881,041	-	-
Public safety	543,618	-	543,618	-	-
Courts	155,917	-	155,917	-	-
Parks & recreation	3,346,885	-	3,346,885	-	-
Housing and rehabilitation	7,625	-	7,625	-	-
Police & fire retirement contributions	484,348	-	484,348	-	-
Tourism & promotion	-	-	-	399,864	-
Unrestricted (deficit)	(27,258,596)	50,302,949	23,044,353	9,293	7,366,420
<b>Total net position</b>	<b>\$ 410,085,749</b>	<b>\$ 445,697,622</b>	<b>\$ 855,783,371</b>	<b>\$ 1,115,341</b>	<b>\$ 42,644,452</b>

# City of Fort Smith, Arkansas

## Statement of Activities

### For the Year Ended December 31, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines, and Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Total	
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities	
<b>Functions/Programs</b>									
<b>Primary Government:</b>									
Governmental Activities									
General Government									
Administration	\$ 5,299,200	\$ 975,571	\$ 1,618,499	\$ 711,212	\$ (1,993,918)			\$ (1,993,918)	
Legal and courts	1,970,914	1,780,717	31,693	-	(158,504)			(158,504)	
Finance	2,938,738	702,997	-	-	(2,235,741)			(2,235,741)	
Public safety									
Police	18,579,970	1,086,959	3,751,334	28,522	(13,713,155)			(13,713,155)	
Fire	19,588,543	102,221	2,208,789	129,320	(17,148,213)			(17,148,213)	
Public works									
Operations	842,350	-	-	-	(842,350)			(842,350)	
Streets	19,442,840	305,509	4,324,650	2,164,949	(12,647,732)			(12,647,732)	
Traffic Control	2,733,043	-	-	-	(2,733,043)			(2,733,043)	
Community services									
Health and Social Services	178,170	-	-	-	(178,170)			(178,170)	
Parks and Recreation	3,911,878	138,705	10,928	572,208	(3,190,037)			(3,190,037)	
Convention Center	2,401,524	240,476	-	-	(2,161,048)			(2,161,048)	
Transit	2,057,772	147,702	2,077,097	314,137	481,164			481,164	
Housing and Rehabilitation	938,008	-	1,009,768	-	71,760			71,760	
Debt service									
Interest	1,619,133	-	-	-	(1,619,133)			(1,619,133)	
<b>Total Governmental Activities</b>	<b>82,502,083</b>	<b>5,480,857</b>	<b>15,032,758</b>	<b>3,920,348</b>	<b>(58,068,120)</b>			<b>(58,068,120)</b>	
Business-Type Activities:									
Water and Sewer	53,675,891	51,363,114	-	166,707	\$ (2,146,070)			\$ (2,146,070)	
Solid Waste	13,699,284	17,363,969	-	-	3,664,685			3,664,685	
Parking	176,885	123,229	-	-	(53,656)			(53,656)	
<b>Total Business-Type Activities</b>	<b>67,552,060</b>	<b>68,850,312</b>	<b>-</b>	<b>166,707</b>	<b>1,464,959</b>			<b>1,464,959</b>	
<b>Total Primary Government</b>	<b>\$ 150,054,143</b>	<b>\$ 74,331,169</b>	<b>\$ 15,032,758</b>	<b>\$ 4,087,055</b>	<b>\$ (58,068,120)</b>	<b>\$ 1,464,959</b>	<b>\$ (56,603,161)</b>		
<b>Component Units:</b>									
Governmental	\$ 653,377	\$ -	\$ 53,613	\$ -	\$ (599,764)			\$ (599,764)	
Advertising & Promotion	2,973,705	64,689	157,293	-	(2,751,723)			(2,751,723)	
Public Library	3,627,082	64,689	210,906	-	(3,351,487)			(3,351,487)	
Subtotal									
Business-Type	4,672,639	2,232,559	-	4,652,924				\$ 2,212,844	
Airport									
<b>Total Component Units</b>	<b>\$ 8,299,721</b>	<b>\$ 2,297,248</b>	<b>\$ 210,906</b>	<b>\$ 4,652,924</b>	<b>(3,351,487)</b>			<b>2,212,844</b>	

See accompanying notes to basic financial statements.

# City of Fort Smith, Arkansas

## Statement of Activities (Continued)

### For the Year Ended December 31, 2020

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
General revenues					
Property taxes	\$ 12,986,093	\$ -	\$ 12,986,093	\$ 1,533,753	\$ -
Sales taxes	63,573,016	-	63,573,016	1,054,734	-
Gross receipts utility franchise fees	6,114,478	-	6,114,478	-	-
Hospitality taxes	-	-	-	631,550	-
Unrestricted investment earnings	595,603	790,607	1,386,210	2,838	102,622
Other	(487,200)	2,341	(484,859)	174,484	-
Transfers	34,210	(34,210)	-	-	-
Total general revenues and transfers	82,816,200	758,738	83,574,938	3,397,359	102,622
Change in net position	24,748,080	2,223,697	26,971,777	45,872	2,315,466
Net position, beginning of year	385,337,669	443,473,925	828,811,594	1,069,469	40,328,986
Net position, end of year	\$ 410,085,749	\$ 445,697,622	\$ 855,783,371	\$ 1,115,341	\$ 42,644,452

# City of Fort Smith, Arkansas

## Balance Sheet – Governmental Funds

### December 31, 2020

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 16,708,864	\$ 4,731,465	\$ 7,195,637	\$ -	\$ -	\$ 592,769	\$ 29,228,735
Investments	11,258,737	2,957,278	29,377,253	363,459	-	721,496	44,678,223
Receivables, net of allowance for uncollectibles							
Property taxes and utility franchise fees	9,289,207	2,342,485	-	3,123,712	-	-	14,755,404
Sales taxes	2,094,906	-	1,975,584	-	-	-	4,070,490
Accounts	432,418	1,200	-	-	-	4,800	438,418
Due from other governments	556,308	581,857	-	-	-	493,368	1,631,533
Restricted assets:							
Investments	-	-	-	-	15,708,270	-	15,708,270
Sales taxes receivable	-	-	-	-	1,481,688	-	1,481,688
Prepaid items	347,087	-	-	-	-	50,000	397,087
Deposits	3,825	-	-	-	-	-	3,825
<b>Total Assets</b>	<b>\$ 40,691,352</b>	<b>\$ 10,614,285</b>	<b>\$ 38,548,474</b>	<b>\$ 3,487,171</b>	<b>\$ 17,189,958</b>	<b>\$ 1,862,433</b>	<b>\$ 112,393,673</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 1,584,905	\$ 330,188	\$ 2,120,226	\$ 55,986	\$ -	\$ 661,275	\$ 4,752,580
Retainage payable	55,598	-	743,369	-	-	-	798,967
Unearned revenue	-	-	-	-	-	122,651	122,651
Other	218,911	-	-	-	-	369	219,280
<b>Total Liabilities</b>	<b>1,859,414</b>	<b>330,188</b>	<b>2,863,595</b>	<b>55,986</b>	<b>-</b>	<b>784,295</b>	<b>5,893,478</b>
<b>Deferred Inflows of Resources</b>							
Unavailable property taxes	7,367,095	2,210,129	-	2,946,837	-	-	12,524,061
<b>Total deferred inflows of resources</b>	<b>7,367,095</b>	<b>2,210,129</b>	<b>-</b>	<b>2,946,837</b>	<b>-</b>	<b>-</b>	<b>12,524,061</b>
<b>Fund Balances:</b>							
Nonspendable	350,912	-	-	-	-	50,000	400,912
Restricted for:							
Construction projects	-	-	35,684,879	-	-	626,699	36,311,578
Debt service	-	-	-	-	17,189,958	-	17,189,958
Public safety	543,618	-	-	-	-	-	543,618
Courts	155,917	-	-	-	-	-	155,917
Parks & recreation	3,321,333	-	-	-	-	25,552	3,346,885
Housing and rehabilitation	-	-	-	-	-	7,625	7,625
Police & fire retirement contributions	-	-	-	484,348	-	-	484,348
Assigned to:							
Convention center	-	-	-	-	-	368,262	368,262
Construction projects	284,501	6,474,103	-	-	-	-	6,758,604
Other purposes	7,744	1,599,865	-	-	-	-	1,607,609
Unassigned (deficit)	26,800,818	-	-	-	-	-	26,800,818
<b>Total Fund Balances</b>	<b>31,464,843</b>	<b>8,073,968</b>	<b>35,684,879</b>	<b>484,348</b>	<b>17,189,958</b>	<b>1,078,138</b>	<b>93,976,134</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 40,691,352</b>	<b>\$ 10,614,285</b>	<b>\$ 38,548,474</b>	<b>\$ 3,487,171</b>	<b>\$ 17,189,958</b>	<b>\$ 1,862,433</b>	<b>\$ 112,393,673</b>

**City of Fort Smith, Arkansas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2020**

Total fund balances – governmental funds \$ 93,976,134

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	\$ 27,760,139	
Buildings	88,681,780	
Improvements other than buildings	26,654,095	
Machinery and equipment	55,033,992	
Infrastructure	440,409,749	
Accumulated depreciation	<u>(246,924,416)</u>	
	391,615,339	
Construction in progress	<u>34,240,703</u>	
 Total	 <u>\$ 425,856,042</u>	 425,856,042

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. 12,524,061

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. 594,179

Internal service funds are used by management to charge the costs of certain activities, such as fuel and insurance, to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities. 6,150,193

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

Compensated absences	\$ 2,014,605	
Claims payable	82,500	
Sales tax bonds payable, net	46,551,626	
Interest payable	310,480	
Net pension liability	72,777,980	
Net OPEB liability	<u>7,277,669</u>	
 Total	 <u>\$ 129,014,860</u>	 <u>(129,014,860)</u>

Net position of governmental activities \$ 410,085,749

# City of Fort Smith, Arkansas

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

### For the Year Ended December 31, 2020

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property taxes	\$ 7,590,727	\$ 2,249,548	\$ -	\$ 2,999,786	\$ -	\$ -	\$ 12,840,061
Sales taxes	23,911,933	-	22,663,476	-	16,997,607	-	63,573,016
Licenses and permits	1,677,943	231,357	-	-	-	-	1,909,300
Utility franchise fees	6,114,478	-	-	-	-	-	6,114,478
Intergovernmental	8,101,250	6,489,599	-	1,930,377	-	2,658,596	19,179,822
Fines and forfeitures	1,816,377	-	-	97,087	-	-	1,913,464
Fees for services	420,388	-	-	-	-	240,476	660,864
Interest	331,279	9,552	94,884	1,223	140,635	1,789	579,562
Contributions	11,128	-	-	-	-	15,840	26,968
Miscellaneous	1,541,840	74,148	4	-	-	2,776	1,618,768
<b>Total Revenues</b>	<b>51,517,343</b>	<b>9,054,204</b>	<b>22,758,364</b>	<b>5,028,473</b>	<b>17,138,242</b>	<b>2,919,477</b>	<b>108,416,103</b>
<b>Expenditures</b>							
Current:							
General government							
Administration	1,903,378	224,783	1,428,685	-	-	-	3,556,846
Legal and courts	1,907,794	85,684	-	-	-	-	1,993,478
Finance	1,569,446	626,766	565,629	-	-	-	2,761,841
Public safety							
Police	13,412,859	-	-	4,022,743	-	486,313	17,921,915
Fire	13,086,757	-	-	4,232,375	-	778	17,319,910
Public works							
Operations	-	827,397	-	-	-	-	827,397
Streets	-	2,718,135	5,236,789	-	-	711,212	8,666,136
Traffic Control	-	2,015,592	-	-	-	-	2,015,592
Community services							
Health and Social Services	172,821	-	-	-	-	-	172,821
Parks and Recreation	1,842,007	179,906	-	-	-	-	2,021,913
Convention Center	-	-	-	-	-	1,248,740	1,248,740
Transit	2,152,523	-	-	-	-	-	2,152,523
Housing and Rehabilitation	-	-	-	-	-	1,014,137	1,014,137
Other	1,738,497	17,829	4,853	-	27,801	-	1,788,980
Capital Outlay	4,848,551	-	22,104,320	-	-	32,246	26,985,117
Debt Service:							
Principal	-	-	-	-	14,560,001	-	14,560,001
Interest	-	-	-	-	2,197,400	-	2,197,400
<b>Total Expenditures</b>	<b>42,634,633</b>	<b>6,696,092</b>	<b>29,340,276</b>	<b>8,255,118</b>	<b>16,785,202</b>	<b>3,493,426</b>	<b>107,204,747</b>
Excess (deficiency) in revenues over (under) expenditures	8,882,710	2,358,112	(6,581,912)	(3,226,645)	353,040	(573,949)	1,211,356

See accompanying notes to basic financial statements.

**City of Fort Smith, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)**  
**For the Year Ended December 31, 2020**

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>							
Transfers in	\$ 100,000	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 950,456	\$ 2,050,456
Transfers out	(1,982,302)	-	(306,782)	-	(223,121)	(504,041)	(3,016,246)
Total Other Financing Sources and Uses	(1,882,302)	-	(306,782)	1,000,000	(223,121)	446,415	(965,790)
Net Change in Fund Balances	7,000,408	2,358,112	(6,888,694)	(2,226,645)	129,919	(127,534)	245,566
Fund Balances, beginning of year	24,464,435	5,715,856	42,573,573	2,710,993	17,060,039	1,205,672	93,730,568
Fund Balances, end of year	\$ 31,464,843	\$ 8,073,968	\$ 35,684,879	\$ 484,348	\$ 17,189,958	\$ 1,078,138	\$ 93,976,134

**City of Fort Smith, Arkansas**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2020**

Net change in fund balances – total governmental funds	\$ 245,566
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.	26,985,117
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.	(17,388,111)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(1,158,295)
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.	15,046,578
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	146,032
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.	(407,048)
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	<u>1,278,241</u>
Change in net position of governmental activities	<u>\$ 24,748,080</u>



(This Page Intentionally Left Blank)

**City of Fort Smith, Arkansas**  
**Statement of Net Position –**  
**Proprietary Funds**  
**December 31, 2020**

	Business-Type Activities				Governmental
	Water and Sewer	Solid Waste	Nonmajor- Parking	Total Enterprise Funds	Internal Service Funds
<b>Current Assets</b>					
Cash	\$ 929,343	\$ 8,413,159	\$ -	\$ 9,342,502	\$ 5,179,332
Investments	23,818,451	22,776,520	222,568	46,817,539	4,645,299
Receivables					
Accounts, net of uncollectibles of \$1,795,435; \$359,482, \$-0- and \$-0-	7,682,598	2,558,134	28,661	10,269,393	68,254
Restricted					
Cash	480,495	-	-	480,495	-
Investments	59,656,970	-	-	59,656,970	-
Inventories	1,238,604	103,822	-	1,342,426	21,491
Prepaid items	-	-	1,681	1,681	15,000
Total Current Assets	<u>93,806,461</u>	<u>33,851,635</u>	<u>252,910</u>	<u>127,911,006</u>	<u>9,929,376</u>
<b>Noncurrent Assets</b>					
Restricted					
Prepaid items and deposits	789,456	-	-	789,456	-
Capital assets					
Land	14,607,918	373,772	1,359,160	16,340,850	-
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	27,083,369	21,389,834	103,531	48,576,734	-
Water system	416,229,693	-	-	416,229,693	-
Sewer system	348,519,813	-	-	348,519,813	-
Construction in progress	20,127,287	183,442	-	20,310,729	-
Accumulated depreciation	<u>(272,516,876)</u>	<u>(37,828,879)</u>	<u>(2,570,234)</u>	<u>(312,915,989)</u>	<u>-</u>
Total Noncurrent Assets	<u>557,344,023</u>	<u>13,290,126</u>	<u>1,382,915</u>	<u>572,017,064</u>	<u>-</u>
Total Assets	<u>651,150,484</u>	<u>47,141,761</u>	<u>1,635,825</u>	<u>699,928,070</u>	<u>9,929,376</u>
<b>Deferred outflows of resources</b>					
Deferred amount on refunding	2,140,612	-	-	2,140,612	-
Deferred outflows of resources - OPEB	586,549	186,506	-	773,055	-
Total deferred outflows of resources	<u>2,727,161</u>	<u>186,506</u>	<u>-</u>	<u>2,913,667</u>	<u>-</u>

**City of Fort Smith, Arkansas**  
**Statement of Net Position –**  
**Proprietary Funds (Continued)**  
**December 31, 2020**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor- Parking		Internal Service Funds
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 1,932,243	\$ 705,023	\$ 11,182	\$ 2,648,448	\$ 117,992
Retainage payable	382,112	-	-	382,112	-
Accrued vacation and sick leave	45,593	14,525	45	60,163	-
Accrued interest	2,420,054	-	-	2,420,054	-
Claims and judgments	-	-	-	-	1,923,882
Revenue bonds payable	9,070,000	-	-	9,070,000	-
Deposits	533,065	-	-	533,065	-
Other	1,670	-	-	1,670	-
<b>Total Current Liabilities</b>	<b>14,384,737</b>	<b>719,548</b>	<b>11,227</b>	<b>15,115,512</b>	<b>2,041,874</b>
<b>Noncurrent liabilities</b>					
Accrued vacation and sick leave	714,287	227,565	697	942,549	-
Landfill closure and postclosure care	-	9,049,615	-	9,049,615	-
Revenue bonds, net	223,938,123	-	-	223,938,123	-
OPEB liabilities	2,974,113	945,686	-	3,919,799	-
<b>Total Noncurrent Liabilities</b>	<b>227,626,523</b>	<b>10,222,866</b>	<b>697</b>	<b>237,850,086</b>	<b>-</b>
<b>Total Liabilities</b>	<b>242,011,260</b>	<b>10,942,414</b>	<b>11,924</b>	<b>252,965,598</b>	<b>2,041,874</b>
<b>Deferred inflows of resources</b>					
Deferred amount on refunding	182,407	-	-	182,407	-
Deferred inflows of resources - OPEB	4,350,181	1,383,238	-	5,733,419	-
<b>Total deferred inflows of resources</b>	<b>4,532,588</b>	<b>1,383,238</b>	<b>-</b>	<b>5,915,826</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	374,645,258	13,175,417	1,382,915	389,203,590	-
Restricted for bond retirement	5,691,083	-	-	5,691,083	-
Restricted for asset replacement	500,000	-	-	500,000	-
Unrestricted	26,497,456	21,827,198	240,986	48,565,640	7,887,502
<b>Total Net Position</b>	<b>\$ 407,333,797</b>	<b>\$ 35,002,615</b>	<b>\$ 1,623,901</b>	<b>443,960,313</b>	<b>\$ 7,887,502</b>
Reconciliation to government - wide statement of net position:					
Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				1,737,309	
Net position of business-type activities				<u>\$ 445,697,622</u>	

**City of Fort Smith, Arkansas**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Position – Proprietary Funds**  
**For the Year Ended December 31, 2020**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor- Parking		Internal Service Funds
<b>Operating Revenues</b>					
Water service	\$ 24,115,875	\$ -	\$ -	\$ 24,115,875	\$ -
Sewer service	26,433,348	-	-	26,433,348	-
Other charges for services	635,645	17,221,539	123,229	17,980,413	10,126,686
Other	178,246	142,430	-	320,676	-
<b>Total Operating Revenues</b>	<b>51,363,114</b>	<b>17,363,969</b>	<b>123,229</b>	<b>68,850,312</b>	<b>10,126,686</b>
<b>Operating Expenses</b>					
Personnel services	15,645,832	5,183,714	54,719	20,884,265	-
Contractual services	5,530,582	3,472,635	30,508	9,033,725	593,196
Materials and supplies	5,692,189	3,253,261	78,076	9,023,526	482,551
Heat, light, and power	1,983,492	111,228	10,582	2,105,302	-
Depreciation	16,314,946	1,729,511	3,000	18,047,457	-
Insurance claims and expenses	-	-	-	-	8,499,874
<b>Total Operating Expenses</b>	<b>45,167,041</b>	<b>13,750,349</b>	<b>176,885</b>	<b>59,094,275</b>	<b>9,575,621</b>
<b>Operating Income (Loss)</b>	<b>6,196,073</b>	<b>3,613,620</b>	<b>(53,656)</b>	<b>9,756,037</b>	<b>551,065</b>
<b>Nonoperating Revenues (Expenses)</b>					
Net investment earnings	414,162	375,726	719	790,607	16,241
Interest expense and fiscal charges	(8,631,878)	(17,608)	-	(8,649,486)	-
Intergovernmental revenue	166,707	-	-	166,707	-
Other nonoperating revenues (expenses)	(97,364)	(8,393)	10,734	(95,023)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(8,148,373)</b>	<b>349,725</b>	<b>11,453</b>	<b>(7,787,195)</b>	<b>16,241</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(1,952,300)</b>	<b>3,963,345</b>	<b>(42,203)</b>	<b>1,968,842</b>	<b>567,306</b>
Transfers in	1,149,246	90,000	-	1,239,246	1,000,000
Transfers out	(1,273,456)	-	-	(1,273,456)	-
<b>Change in Net Position</b>	<b>(2,076,510)</b>	<b>4,053,345</b>	<b>(42,203)</b>	<b>1,934,632</b>	<b>1,567,306</b>
Net position, beginning of year	409,410,307	30,949,270	1,666,104		6,320,196
Net position, end of year	<u>\$ 407,333,797</u>	<u>\$ 35,002,615</u>	<u>\$ 1,623,901</u>		<u>\$ 7,887,502</u>
Reconciliation to government - wide statement of activities:					
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				<u>289,065</u>	
Change in net position of business-type activities for government-wide statement of activities				<u>\$ 2,223,697</u>	

(This Page Intentionally Left Blank)

**City of Fort Smith, Arkansas**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended December 31, 2020**

	Business-Type Activities				Governmental
	Water and Sewer	Solid Waste	Nonmajor- Parking	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 51,268,631	\$ 17,587,223	\$ 119,333	\$ 68,975,187	\$ -
Cash received from service users	-	-	-	-	975,482
Cash received from city and employee contributions	-	-	-	-	9,139,155
Cash payments for goods and services	(18,576,464)	(6,886,537)	(235,111)	(25,698,112)	(510,233)
Cash paid to employees	(16,423,975)	(5,709,069)	(56,445)	(22,189,489)	-
Cash payments for premiums and other operating expenses	-	-	-	-	(1,205,100)
Cash payments for claims paid	-	-	-	-	(7,943,036)
Cash received from other operating revenues	178,246	142,430	-	320,676	-
Net cash provided by (used in) operating activities	16,446,438	5,134,047	(172,223)	21,408,262	456,268
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in from other funds	508,210	90,000	-	598,210	1,000,000
Transfers out to other funds	(632,420)	-	-	(632,420)	-
Other noncapital financing receipts/payments	76,092	(36,017)	-	40,075	-
Net cash provided by (used in) noncapital financing activities	(48,118)	53,983	-	5,865	1,000,000
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sale of capital assets	-	15,517	-	15,517	-
Acquisition and construction of capital assets	(12,573,273)	(3,379,346)	-	(15,952,619)	-
Proceeds from insurance recoveries	1,982,822	12,107	-	1,994,929	-
Intergovernmental receipts for capital projects	650,701	-	-	650,701	-
Principal paid on bonds	(7,930,000)	-	-	(7,930,000)	-
Interest paid on bonds	(10,218,456)	(17,608)	-	(10,236,064)	-
Net cash used in capital and related financing activities	(28,088,206)	(3,369,330)	-	(31,457,536)	-
<b>Cash Flows from Investing Activities</b>					
Proceeds from sales and maturities of investment securities	102,939,236	3,541,925	171,504	106,652,665	-
Outlays for purchases of investment securities	(90,875,459)	(4,046,381)	-	(94,921,840)	(15,004)
Interest on investments	414,163	375,726	719	790,608	13,932
Net cash provided by (used in) investing activities	12,477,940	(128,730)	172,223	12,521,433	(1,072)
<b>Net Increase in Cash</b>	788,054	1,689,970	-	2,478,024	1,455,196
Cash, beginning of year	621,784	6,723,189	-	7,344,973	3,724,136
Cash, end of year	\$ 1,409,838	\$ 8,413,159	\$ -	\$ 9,822,997	\$ 5,179,332

**City of Fort Smith, Arkansas**  
**Statement of Cash Flows – Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2020**

	Business-Type Activities				Governmental
	Water and Sewer	Solid Waste	Nonmajor- Parking	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of cash and restricted cash at December 31 to statement of net position</b>					
Cash	\$ 929,343	\$ 8,413,159	\$ -	\$ 9,342,502	\$ 5,179,332
Restricted cash	480,495	-	-	480,495	-
Total	<u>\$ 1,409,838</u>	<u>\$ 8,413,159</u>	<u>\$ -</u>	<u>\$ 9,822,997</u>	<u>\$ 5,179,332</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 6,196,073	\$ 3,613,620	\$ (53,656)	\$ 9,756,037	\$ 551,065
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	16,314,946	1,729,511	3,001	18,047,458	-
Miscellaneous expenses (net)	-	-	10,733	10,733	-
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources					
Accounts receivable	(1,727,362)	(186,844)	(15,187)	(1,929,393)	(12,048)
Inventory	(21,327)	(488)	-	(21,815)	(5,346)
Prepaid items and other assets	(638,542)	-	-	(638,542)	-
Deferred outflows of resources - OPEB	(129,560)	(129,915)	-	(259,475)	-
Accounts payable and accrued liabilities	(3,405,484)	(167,652)	(117,200)	(3,690,336)	(353,333)
Deposits	83,762	-	-	83,762	-
Accrued vacation and sick leave	-	-	87	87	-
Liability for claims and judgments	-	-	-	-	275,930
OPEB liabilities	(328,803)	(199,485)	-	(528,288)	-
Deferred inflows of resources - OPEB	102,734	(77,228)	-	25,506	-
Other liabilities	1	552,528	-	552,529	-
Total adjustments	<u>10,250,365</u>	<u>1,520,427</u>	<u>(118,566)</u>	<u>11,652,226</u>	<u>(94,797)</u>
Net cash provided by (used in) operating activities	<u>\$ 16,446,438</u>	<u>\$ 5,134,047</u>	<u>\$ (172,222)</u>	<u>\$ 21,408,263</u>	<u>\$ 456,268</u>
<b>Noncash investing, capital and financing activities:</b>					
Capital-related accounts payable	\$ 1,466,008	\$ 114,709	\$ -	\$ 1,580,717	\$ -

**City of Fort Smith, Arkansas**  
**Statement of Fiduciary Net Position**  
**OPEB Trust Fund**  
**December 31, 2020**

**Assets**

**Current Assets**

Investments:

Government money market funds	\$ 19,235
Equities - agency bonds	<u>1,607,269</u>
Total Investments	<u>1,626,504</u>
Total Current Assets	<u>1,626,504</u>
Total Assets	<u>1,626,504</u>

**Liabilities**

**Current Liabilities**

Accounts payable	<u>4,079</u>
Total Current Liabilities	<u>4,079</u>
Total Liabilities	<u>4,079</u>

**Net Position**

Net position restricted for postemployment benefits other than pensions	<u>1,622,425</u>
Total Net Position	<u><u>\$ 1,622,425</u></u>



**City of Fort Smith, Arkansas**  
**Statement of Changes in Fiduciary Net Position**  
**OPEB Trust Fund**  
**For the Year Ended December 31, 2020**

**Additions:**

Contributions	
Employer	\$ 366,898
Total contributions	366,898
Investment Earnings	
Net increase in fair value of investments	99,308
Total investment earnings	99,308
Total additions	466,206

**Deductions:**

Benefits paid directly to participants	366,898
Management fees	16,142
Total deductions	383,040
Change in Net Position	83,166

**Net Position Restricted for Postemployment**

**Benefits Other Than Pensions**

Beginning of year	1,539,259
End of year	\$ 1,622,425

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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 2020.

**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 121-122 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.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

**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 121-122 of these notes for condensed financial statements.

#### **Related Organizations**

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

#### **Government-Wide and Fund Financial Statements**

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

#### **Government-Wide Financial Statements**

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

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

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

The City reports the following fiduciary fund type:

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

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

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.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

#### **Governmental Fund Financial Statements**

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

#### ***Cash and Investments***

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

#### ***Inventories***

Inventories, consisting primarily of gasoline and waterline materials, are valued on the average cost basis.

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

#### ***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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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

<b>Capital Assets</b>	<b>Useful Life (Years)</b>
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.



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***Property Tax Revenue***

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

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 2020 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 \$7.6 million of additional taxes could be raised per year based on the current year's assessed value of \$1,109,800,557 for real property and \$409,188,080 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.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

#### ***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 \$8,218,602 in 2020, 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 \$872,157 in 2020 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 \$22,663,476 for fiscal year 2020, 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 \$18,246,064 for fiscal year 2020. 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  $\frac{3}{4}$ % for the repayment of the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and 2014, and  $\frac{1}{4}$ % 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 \$22,663,476 for fiscal year 2020, of which \$5,665,869 is included in the General Fund's sales tax revenue and \$16,997,607 is included in the Sales and Use Tax Bond Fund's sales tax revenue.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**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:

Investments	\$	15,708,270
Sales taxes receivable		1,481,688
Total restricted assets - governmental activities	\$	17,189,958

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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	\$ 290,256
Cash - water and sewer bond construction account	190,239
Investments - water and sewer bond account	8,668,241
Investments - water and sewer bond construction account	<u>50,988,729</u>
Total current assets - restricted	<u>60,137,465</u>

Noncurrent assets:

Prepaid items and deposits - water and sewer bond construction account	<u>\$ 789,456</u>
Total noncurrent assets	<u>789,456</u>
Total restricted assets - enterprise funds	<u><u>\$ 60,926,921</u></u>

***Unearned Revenue***

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

***Estimates***

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fire Relief and Pension Plan, the Police Relief and Pension Plan, the Local Police and Fire Retirement System and the Arkansas Public Employee's Retirement System (together, the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Postemployment Benefits Other than Pensions (OPEB)***

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

***Fund Balances – Governmental Funds***

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

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

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

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

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

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

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

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, 2020. The items reported in the statements are unavailable revenues in the governmental funds balance sheet, deferred inflows-pension in the government-wide statement of net position, deferred amounts on refunding and deferred inflows related to OPEB items in the government-wide statement of net position and the proprietary funds statement of net position. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows-pension consists of the difference between the expected and actual experience related to the pension plans as well as the net difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred inflows-pension are amortized over future periods as shown within *Note 7*.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Adoption of GASB Statements**

The City adopted GASB Statement No. 84, *Fiduciary Activities*, and GASB 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 as of January 1, 2020. The adoption of GASB 84 and 97 had no impact on the City’s government-wide governmental or proprietary fund financial statements.

**Note 2: Cash and Investments**

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

The City follows GASB Statement 3, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement 40, *Deposit and Investment Risk Disclosure* and GASB Statement 79, *Certain External Investment Pools and Pool Participants*. The investments and deposits of the primary government are stated at quoted fair values. As a result, a net unrealized gain of \$91,648 is recorded as an increase in fair value of investments for the primary government in 2020 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, 2020, 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, 2020. The bank balances and carrying amount of the City’s deposits held as of December 31, 2020 were as follows:

**Pooled and Nonpooled Funds**

Description	Bank Balance	Carrying Amount
Demand deposits	\$ 117,539,540	\$ 115,725,835



# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

#### **Component Units**

At year-end, the carrying amount of the Public Library's deposits was \$861,900 and the bank balance was \$1,033,314. At December 31, 2020, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission's deposits was \$7,246,884 and the bank balance was \$7,253,073. At December 31, 2020, none of the balances were exposed to custodial credit risk.

#### **Investments**

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



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

The City’s investments, including accrued interest, held as of December 31, 2020, were as follows:

**Pooled and Nonpooled Funds**

Description	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years
U.S. Treasury obligations	\$ 23,651,519	\$ 11,663,546	\$ 11,987,973
U.S. Agency obligations	<u>403,848</u>	<u>-</u>	<u>403,848</u>
	<u>\$ 24,055,367</u>	<u>\$ 11,663,546</u>	<u>\$ 12,391,821</u>

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

The City has the following recurring fair value measurements as of December 31, 2020:

- U.S. government obligations of \$24,055,367 are valued using the option-adjusted discounted cash flow model (Level 1 inputs).
- Money market funds of \$75,923,277 are valued using quoted market prices (Level 1 inputs).

**Component Units**

At year-end, the Advertising & Promotion Commission held \$395,207 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 \$395,207 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.

*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, 2020, 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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	\$ 115,725,835
Deposits classified as investments	<u>(71,494,771)</u>
	<u>\$ 44,231,064</u>
Cash as reported on the government-wide statement of net position	\$ 43,750,569
Restricted cash as reported on the government-wide statement of net position	<u>480,495</u>
	<u>\$ 44,231,064</u>
Carrying value of investments -	
Debt securities	\$ 24,055,367
Money market mutual funds	75,923,277
Accrued income	32,886
Deposits classified as investments	<u>71,494,771</u>
	<u>\$ 171,506,301</u>
As reported on the government-wide statement of net position:	
Investments	\$ 96,141,061
Restricted investments	<u>75,365,240</u>
	<u>\$ 171,506,301</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Component Units:**

Governmental Activities

Carrying value of deposits -		
Public Library	\$	991,587
Advertising and Promotion Commission		18,011
Carrying value of investments -		
Public Library		303,399
Advertising and Promotion Commission		395,207
		<u>\$ 1,708,204</u>

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

Cash	\$	1,009,598
Investments		698,606
		<u>\$ 1,708,204</u>

Business-type Activities

Carrying value of deposits -		
Airport Commission	\$	7,246,884
		<u>\$ 7,246,884</u>

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

Cash	\$	2,014,971
Restricted cash		131,603
Restricted investments		5,100,310
		<u>\$ 7,246,884</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Note 3: Capital Assets**

Capital assets activity for the year ended December 31, 2020 was as follows:

**Primary Government:**

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2020</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 27,696,139	\$ 64,000	\$ -	\$ 27,760,139
Construction in progress	22,186,638	25,065,890	(13,011,825)	34,240,703
Total capital assets not being depreciated	<u>49,882,777</u>	<u>25,129,890</u>	<u>(13,011,825)</u>	<u>62,000,842</u>
Capital assets being depreciated				
Buildings	87,064,005	29,995	1,587,780	88,681,780
Improvements other than buildings	25,042,730	14,400	1,596,965	26,654,095
Infrastructure	431,886,982	11,035	8,511,732	440,409,749
Machinery and equipment	53,972,126	1,799,797	(737,931)	55,033,992
Total depreciable capital assets at historical cost	<u>597,965,843</u>	<u>1,855,227</u>	<u>10,958,546</u>	<u>610,779,616</u>
Less accumulated depreciation for				
Buildings	32,780,229	1,919,292	-	34,699,521
Improvements other than buildings	12,631,630	1,031,545	-	13,663,175
Infrastructure	152,227,146	10,948,957	-	163,176,103
Machinery and equipment	32,792,284	3,488,317	(894,984)	35,385,617
Total accumulated depreciation	<u>230,431,289</u>	<u>17,388,111</u>	<u>(894,984)</u>	<u>246,924,416</u>
Capital assets being depreciated, net	<u>367,534,554</u>	<u>(15,532,884)</u>	<u>11,853,530</u>	<u>363,855,200</u>
Governmental activities capital assets, net	<u>\$ 417,417,331</u>	<u>\$ 9,597,006</u>	<u>\$ (1,158,295)</u>	<u>\$ 425,856,042</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Primary Government:**

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2020</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 15,819,179	\$ 521,671	\$ -	\$ 16,340,850
Construction in progress	33,050,300	8,240,547	(20,980,118)	20,310,729
Total capital assets not being depreciated	<u>48,869,479</u>	<u>8,762,218</u>	<u>(20,980,118)</u>	<u>36,651,579</u>
Capital assets being depreciated:				
Water system	414,328,765	-	1,900,928	416,229,693
Sewer system	326,041,485	3,399,138	19,079,190	348,519,813
Buildings	7,712,052	-	-	7,712,052
Improvements other than buildings	25,743,774	-	-	25,743,774
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	45,794,534	3,152,290	(370,090)	48,576,734
Total depreciable capital assets at historical cost	<u>820,330,562</u>	<u>6,551,428</u>	<u>20,610,028</u>	<u>847,492,018</u>
Less accumulated depreciation for:				
Water system	139,159,470	7,333,699	-	146,493,169
Sewer system	104,000,902	6,136,535	-	110,137,437
Buildings	1,937,594	223,571	-	2,161,165
Improvements other than buildings	23,943,049	210,551	-	24,153,600
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	25,487,655	4,143,101	(370,090)	29,260,666
Total accumulated depreciation	<u>295,238,622</u>	<u>18,047,457</u>	<u>(370,090)</u>	<u>312,915,989</u>
Capital assets being depreciated, net	<u>525,091,940</u>	<u>(11,496,029)</u>	<u>20,980,118</u>	<u>534,576,029</u>
Business-type activities capital assets, net	<u>\$ 573,961,419</u>	<u>\$ (2,733,811)</u>	<u>\$ -</u>	<u>\$ 571,227,608</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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

Governmental activities:	
General government -	
Administration	\$ 40,720
Legal	544
Finance	105,516
Public safety -	
Police	1,387,427
Fire	1,262,903
Public works -	
Streets	10,909,440
Traffic Control	606,701
Community services -	
Health and social services	5,349
Parks and recreation	1,957,275
Convention center	688,166
Transit	412,907
Housing and rehabilitation	11,163
Total governmental activities depreciation expense	17,388,111
Business type activities:	
Water and Sewer	16,314,946
Solid Waste	1,729,511
Parking	3,000
Total business-type activities depreciation expense	18,047,457
Total depreciation expense	\$ 35,435,568

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

Capital asset activity (on page 68):	
Additions for capital assets not being depreciated	\$ 25,129,890
Additions for capital assets being depreciated	1,855,227
Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 26,985,117

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Capital asset activity for the year ended December 31, 2020, for the major enterprise funds was as follows:

**Primary Government:**

	<u>January 1, 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2020</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 14,086,247	\$ 521,671	\$ -	\$ 14,607,918
Construction in progress	<u>32,915,802</u>	<u>8,191,603</u>	<u>(20,980,118)</u>	<u>20,127,287</u>
Total capital assets not being depreciated:	<u>47,002,049</u>	<u>8,713,274</u>	<u>(20,980,118)</u>	<u>34,735,205</u>
Capital assets being depreciated:				
Buildings	2,503,363	-	-	2,503,363
Water system	414,328,765	-	1,900,928	416,229,693
Sewer system	326,041,485	3,399,138	19,079,190	348,519,813
Machinery and equipment	<u>26,756,269</u>	<u>348,492</u>	<u>(21,392)</u>	<u>27,083,369</u>
Total depreciable capital assets at historical cost	<u>769,629,882</u>	<u>3,747,630</u>	<u>20,958,726</u>	<u>794,336,238</u>
Less accumulated depreciation for:				
Buildings	199,387	86,225	-	285,612
Water system	139,159,470	7,333,699	-	146,493,169
Sewer system	104,000,902	6,136,535	-	110,137,437
Machinery and equipment	<u>12,863,563</u>	<u>2,758,487</u>	<u>(21,392)</u>	<u>15,600,658</u>
Total accumulated depreciation	<u>256,223,322</u>	<u>16,314,946</u>	<u>(21,392)</u>	<u>272,516,876</u>
Capital assets being depreciated, net	<u>513,406,560</u>	<u>(12,567,316)</u>	<u>20,980,118</u>	<u>521,819,362</u>
Total Water and Sewer Fund capital assets, net	<u>\$ 560,408,609</u>	<u>\$ (3,854,042)</u>	<u>\$ -</u>	<u>\$ 556,554,567</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2020</u>
Solid Waste Fund:				
Capital assets not being depreciated:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in progress	134,498	48,944	-	183,442
	<u>508,270</u>	<u>48,944</u>	<u>-</u>	<u>557,214</u>
Total capital assets not being depreciated:				
	<u>508,270</u>	<u>48,944</u>	<u>-</u>	<u>557,214</u>
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	18,934,734	2,803,798	(348,698)	21,389,834
	<u>48,106,691</u>	<u>2,803,798</u>	<u>(348,698)</u>	<u>50,561,791</u>
Total depreciable capital assets at historical cost				
	<u>48,106,691</u>	<u>2,803,798</u>	<u>(348,698)</u>	<u>50,561,791</u>
Less accumulated depreciation for:				
Buildings	1,738,207	137,346	-	1,875,553
Improvements other than buildings	21,452,591	210,551	-	21,663,142
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	12,547,316	1,381,614	(348,698)	13,580,232
	<u>36,448,066</u>	<u>1,729,511</u>	<u>(348,698)</u>	<u>37,828,879</u>
Total accumulated depreciation				
	<u>36,448,066</u>	<u>1,729,511</u>	<u>(348,698)</u>	<u>37,828,879</u>
Capital assets being depreciated, net				
	<u>11,658,625</u>	<u>1,074,287</u>	<u>-</u>	<u>12,732,912</u>
Total Solid Waste fund capital assets, net				
	<u>\$ 12,166,895</u>	<u>\$ 1,123,231</u>	<u>\$ -</u>	<u>\$ 13,290,126</u>



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Component Units:**

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2020</u>
Governmental Activities:				
Public Library				
Capital assets not being depreciated:				
Land	\$ 422,132	\$ -	\$ -	\$ 422,132
Rare book collection	5,000	-	-	5,000
Capital assets not being depreciated	<u>427,132</u>	<u>-</u>	<u>-</u>	<u>427,132</u>
Capital assets being depreciated:				
Equipment	1,458,081	41,573	-	1,499,654
Transportation equipment	139,952	-	-	139,952
Total depreciable capital assets at historical cost	1,598,033	-	-	1,639,606
Less accumulated depreciation	<u>1,314,026</u>	<u>46,528</u>	<u>-</u>	<u>1,360,554</u>
Capital assets being depreciated, net	<u>284,007</u>	<u>(4,955)</u>	<u>-</u>	<u>279,052</u>
Governmental activities capital assets, net				
Public Library	<u>\$ 711,139</u>	<u>\$ (4,955)</u>	<u>\$ -</u>	<u>\$ 706,184</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2020</u>
Airport Commission:				
Capital assets				
not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	999,835	338,318	(102,896)	1,235,257
Total capital assets not being depreciated	<u>7,831,515</u>	<u>338,318</u>	<u>(102,896)</u>	<u>8,066,937</u>
Capital assets being depreciated:				
Buildings	26,346,321	117,108	(1,382,392)	25,081,037
Runways & other airport infrastructure	55,412,227	781,034	(161,089)	56,032,172
Equipment, furniture & fixtures, and other	<u>12,517,865</u>	<u>427,285</u>	<u>(447,822)</u>	<u>12,497,328</u>
Total depreciable capital assets at historical cost	<u>94,276,413</u>	<u>1,325,427</u>	<u>(1,991,303)</u>	<u>93,610,537</u>
Less accumulated depreciation for:				
Buildings	14,598,457	637,962	(1,382,392)	13,854,027
Runways & other airport infrastructure	40,980,818	1,519,662	(161,089)	42,339,391
Equipment, furniture & fixtures, and other	<u>10,355,506</u>	<u>332,431</u>	<u>(454,112)</u>	<u>10,233,825</u>
Total accumulated depreciation	<u>65,934,781</u>	<u>2,490,055</u>	<u>(1,997,593)</u>	<u>66,427,243</u>
Capital assets being depreciated, net	<u>28,341,632</u>	<u>(1,164,628)</u>	<u>6,290</u>	<u>27,183,294</u>
Business-type activities capital assets, net				
Airport Commission	<u>\$ 36,173,147</u>	<u>\$ (826,310)</u>	<u>\$ (96,606)</u>	<u>\$ 35,250,231</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Construction-in-progress is composed of the following:

	<b>Primary Appropriation</b>	<b>Expended to December 31, 2020</b>	<b>Committed</b>
Primary government:			
Governmental activities	\$ 96,572,165	\$ 34,240,703	\$ 62,331,462
Business-type activities			
Water and sewer capital improvements	<u>39,628,928</u>	<u>20,310,729</u>	<u>19,318,199</u>
Total	<u>\$ 136,201,093</u>	<u>\$ 54,551,432</u>	<u>\$ 81,649,661</u>

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

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

	<b>Governmental</b>	<b>Business-Type</b>			<b>Total</b>
		<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Parking</b>	
Primary Government:					
Net book value	\$ 425,856,042	\$ 556,554,567	\$ 13,290,126	\$ 1,382,915	\$ 571,227,608
Current and noncurrent debt	(46,551,626)	(231,049,918)	-	-	(231,049,918)
Capital related accounts payable	(2,862,592)	(1,466,008)	(114,709)	-	(1,580,717)
Retainage payable	(798,967)	(382,112)	-	-	(382,112)
Restricted assets - unspent bond/net proceeds	-	50,988,729	-	-	50,988,729
Net investment in capital assets	<u>\$ 375,642,857</u>	<u>\$ 374,645,258</u>	<u>\$ 13,175,417</u>	<u>\$ 1,382,915</u>	<u>\$ 389,203,590</u>
Component Units:					
Net book value	<u>\$ 706,184</u>	<u>\$ 35,250,231</u>			
Net investment in capital assets	<u>\$ 706,184</u>	<u>\$ 35,250,231</u>			

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Note 4: Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2020 were as follows:

**Primary Government:**

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amount Due in One Year
Governmental Activities:					
Bonds Payable -					
Sales tax bonds	\$ 58,055,000	\$ -	\$ 14,560,000	\$ 43,495,000	\$ 8,270,000
Issuance premium	3,543,204	-	486,578	3,056,626	-
Sales tax bonds payable, net	<u>61,598,204</u>	<u>-</u>	<u>15,046,578</u>	<u>46,551,626</u>	<u>8,270,000</u>
Compensated Absences	1,926,426	229,043	140,864	2,014,605	120,876
Employee insurance/workers' compensation	1,650,261	8,773,495	8,499,874	1,923,882	1,923,882
Net OPEB liability	7,606,354	-	328,685	7,277,669	-
Net pension liability	81,199,159	-	8,421,179	72,777,980	-
Total other long-term liabilities	<u>92,382,200</u>	<u>9,002,538</u>	<u>17,390,602</u>	<u>83,994,136</u>	<u>2,044,758</u>
Total governmental activities long-term liabilities	<u>\$ 153,980,404</u>	<u>\$ 9,002,538</u>	<u>\$ 32,437,180</u>	<u>\$ 130,545,762</u>	<u>\$ 10,314,758</u>
Business-Type Activities					
Bonds Payable -					
Revenue bonds	\$ 220,795,000	\$ -	\$ 7,930,000	\$ 212,865,000	\$ 9,070,000
Add issuance premium	21,660,231	-	1,517,108	20,143,123	-
Revenue bonds payable, net	<u>242,455,231</u>	<u>-</u>	<u>9,447,108</u>	<u>233,008,123</u>	<u>9,070,000</u>
Compensated absences	963,114	82,614	43,016	1,002,712	60,163
Net OPEB liability	4,448,087	-	528,288	3,919,799	-
Closure/postclosure landfill costs	8,497,087	552,528	-	9,049,615	-
Total other long-term liabilities	<u>13,908,288</u>	<u>635,142</u>	<u>571,304</u>	<u>13,972,126</u>	<u>60,163</u>
Total business-type activities long-term liabilities	<u>\$ 256,363,519</u>	<u>\$ 635,142</u>	<u>\$ 10,018,412</u>	<u>\$ 246,980,249</u>	<u>\$ 9,130,163</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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

Current Liabilities:	
Current portion of long-term debt	\$ 8,270,000
Noncurrent liabilities:	
Due within one year	2,044,758
Due in more than one year	<u>120,231,004</u>
Total governmental activities long-term liabilities	<u>\$ 130,545,762</u>

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

Current Liabilities:	
Current portion of long-term debt	\$ 9,070,000
Noncurrent liabilities:	
Due within one year	60,163
Due in more than one year	<u>237,850,086</u>
Total business-type activities long-term liabilities	<u>\$ 246,980,249</u>

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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Changes in long-term liabilities for the year ended December 31, 2020, for the major enterprise funds were as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amount Due in One Year
<b>Water and Sewer Fund:</b>					
Bonds Payable -					
Revenue bonds	\$ 220,795,000	\$ -	\$ 7,930,000	\$ 212,865,000	\$ 9,070,000
Add issuance premium	21,660,231	-	1,517,108	20,143,123	-
Revenue bonds payable, net	<u>242,455,231</u>	<u>-</u>	<u>9,447,108</u>	<u>233,008,123</u>	<u>9,070,000</u>
Compensated absences	742,349	58,321	40,790	759,880	45,593
Net OPEB liability	<u>3,302,916</u>	<u>-</u>	<u>328,803</u>	<u>2,974,113</u>	<u>-</u>
Other long-term liabilities	4,045,265	58,321	369,593	3,733,993	45,593
Total water and sewer fund	<u>\$ 246,500,496</u>	<u>\$ 58,321</u>	<u>\$ 9,816,701</u>	<u>\$ 236,742,116</u>	<u>\$ 9,115,593</u>
<b>Solid Waste Fund:</b>					
Compensated absences	\$ 220,110	\$ 24,206	\$ 2,226	\$ 242,090	\$ 14,525
Net OPEB liability	1,145,171	-	199,485	945,686	-
Closure/postclosure landfill costs	<u>8,497,087</u>	<u>552,528</u>	<u>-</u>	<u>9,049,615</u>	<u>-</u>
Other long-term liabilities	9,862,368	576,734	201,711	10,237,391	14,525
Total solid waste fund	<u>\$ 9,862,368</u>	<u>\$ 576,734</u>	<u>\$ 201,711</u>	<u>\$ 10,237,391</u>	<u>\$ 14,525</u>

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

	Water and Sewer Fund	Solid Waste Fund
<b>Current Liabilities</b>		
Revenue bonds payable	\$ 9,070,000	\$ -
Accrued vacation and sick leave	45,593	14,525
<b>Noncurrent Liabilities:</b>		
Landfill closure and postclosure care	-	9,049,615
Revenue bonds, net	223,938,123	-
Accrued vacation and sick leave	714,287	227,565
Net OPEB liability	<u>2,974,113</u>	<u>945,686</u>
<b>Total long-term liabilities for major enterprise funds</b>	<u>\$ 236,742,116</u>	<u>\$ 10,237,391</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Changes in long-term liabilities for the year ended December 31, 2020, for the component units were as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amount Due in One Year
Component Units:					
Business-type activities					
Airport Commission:					
Bonds payable - revenue bonds	\$ 1,700,000	\$ -	\$ 1,700,000	\$ -	\$ -
Total business-type activities	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ -</u>
Governmental activities					
Public Library					
Net pension liability	\$ 1,587,725	\$ 371,646	\$ -	\$ 1,959,371	\$ -
Total governmental activities	<u>\$ 1,587,725</u>	<u>\$ 371,646</u>	<u>\$ -</u>	<u>\$ 1,959,371</u>	<u>\$ -</u>
Total Component Units	<u>\$ 3,287,725</u>	<u>\$ 371,646</u>	<u>\$ 1,700,000</u>	<u>\$ 1,959,371</u>	<u>\$ -</u>

**Operating Leases**

The City leases office space under an operating lease expiring February 28, 2024. The lease is cancelable after February 28, 2023 by providing six months written notice. Total costs for the lease to the General Fund were \$353,044 for the year ended December 31, 2020. The future minimum lease payments for the lease is \$1,193,174 with \$364,174 due in 2021, \$376,000 due in 2022, \$388,000 due in 2023 and \$65,000 in 2024.

**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, 2020. The limit as of December 31, 2020 was \$379.7 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2020.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***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 2020, \$3,300,000 of the 2012 bonds was called. The remaining .25% sales and use tax is used for fire and park operations.

On February 27, 2014, the city issued \$34.295 million in Sales and Use Tax Bonds, Series 2014. Citizens approved the bonds in a referendum on March 13, 2012. These are additional bonds for water and wastewater improvements. A total of \$6 million is allocated to water improvements including transmission lines, water storage and pump stations. A total of \$28 million is allocated to wastewater improvements including wet weather sewer improvements. The 2014 Bonds are supported by the ¾% local sales and use tax that supports the 2012 Sales and Use Tax Bonds and were issued on parity with the 2012 Bonds. The 2014 Bonds carry interest ranging from 2% to 5% through May 1, 2029. The bonds are subject to mandatory redemption in inverse order on any interest payment date from the collection of excess sales taxes. During 2020, \$3,300,000 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, 2020 for the 2012 Bonds and \$1,717,357 for the 2014 Bonds.



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Maturity Schedule** – The debt service requirements for the Sales Tax Bonds at December 31, 2020 is as follows:

**Sales Tax Bonds Maturity Schedule**

	<b>Principal</b>	<b>Interest</b>
2021	\$ 8,270,000	\$ 1,701,225
2022	8,590,000	1,371,525
2023	8,930,000	980,225
2024	9,375,000	526,363
2025	5,865,000	194,093
2026-2027	2,465,000	92,953
Total	43,495,000	\$ 4,866,384
Add unamortized bond premium	3,056,626	
Net bonds outstanding at December 31, 2020	\$ 46,551,626	

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***Revenue Bonds - Business-Type Activities***

Revenue bonds outstanding at December 31, 2020, 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	\$ 5,035,000
\$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	30,500,000
\$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	49,310,000
\$130,680,000 of Series 2018 Water and Sewer Refunding and Construction Revenue Bonds; due in varying amounts through October 1, 2035 with interest ranging from 2% to 5% payable semiannually	<u>128,020,000</u>
Bonds outstanding, December 31, 2020	212,865,000
Unamortized bond premium	<u>20,143,123</u>
Net bonds outstanding, December 31, 2020	<u><u>\$ 233,008,123</u></u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***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 \$15,605 as of December 31, 2020. The City completed the refunding to obtain an economic gain of \$1,372,849 over the remaining life of the bonds.

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 \$29,811 as of December 31, 2020. The City completed the refunding to reduce its total debt service payments over the next ten (10) years by \$547,391 and to obtain an economic gain of \$493,245.

On December 1, 2016, the City issued \$56,955,000 Water and Sewer Refunding Revenue Bonds, Series 2016, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2007 and partial refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2017 through 2032 with interest rates ranging from 1.7% to 4.4%, payable semiannually. The reacquisition price exceeded the old amount of debt by \$3,092,522. The unamortized amount is 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 \$1,967,970 as of December 31, 2020. The City completed the refunding to reduce its total debt service payments over the next fifteen (15) years by \$4,629,701 and to obtain an economic gain of \$3,691,784.

On September 1, 2018, the City issued \$130,680,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2018, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2020 through 2035 with interest rates ranging from 2% to 5%, payable semiannually beginning April 1, 2019 through October 1, 2035. The reacquisition price exceeded the old amount of debt by \$29,338. The unamortized amount is 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 \$35,651 as of December 31, 2020. 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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

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

The ordinances also contain provisions that, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 2020, 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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, 2020 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, 2020. Amounts are reported in restricted investments in the fund level and government-wide financial statements.

***Maturity Schedule***

Aggregate debt service requirements at December 31, 2020 for business-type activity related bonds were as follows:

	<b>Total Business-Type Activities</b>	
	<b>Water and Sewer</b>	
	<b>Principal</b>	<b>Interest</b>
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	11,620,000	8,019,850
2026-2030	65,950,000	31,662,850
2031-2035	83,645,000	14,547,350
2036-2040	10,365,000	1,276,000
Total	212,865,000	<u>\$ 91,887,825</u>
Add unamortized bond premium	<u>20,143,123</u>	
Net bonds outstanding as of December 31, 2020	<u>\$ 233,008,123</u>	

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***Pledged Revenues for the City***

The following is a summary of pledged revenues for the City for the year ended December 31, 2020.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees	Period Revenue Will Not Be Available for Other Purposes
<b>Governmental Activities:</b>						
Sales and Use Tax Refunding and Improvement Bonds - Series 2012	3/4 Cent City Sales Tax	\$ 16,997,607	\$ 9,985,000	58.7%	\$ 37,373,012	Until 2026
Sales and Use Tax Bonds - Series 2014	3/4 Cent City Sales Tax	16,997,607	4,575,000	26.9%	<u>10,988,372</u>	Until 2027
					48,361,384	
<b>Business-Type Activities:</b>						
Water and Sewer Refunding Revenue Bonds, Series 2011	Revenues of the Enterprise Fund	51,777,276	1,565,000	3.0%	\$ 5,427,775	Until 2023
Water and Sewer Refunding and Construction Revenue Bonds, Series 2015	Revenues of the Enterprise Fund	51,777,276	940,000	1.8%	46,581,500	Until 2040
Water and Sewer Refunding Revenue Bonds, Series 2016	Revenues of the Enterprise Fund	51,777,276	2,765,000	5.3%	65,135,600	Until 2032
Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	Revenues of the Enterprise Fund	51,777,276	2,660,000	5.1%	<u>187,607,950</u>	Until 2035
					304,752,825	

***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, 2020, 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, 2020, there were nine series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$533,984,897.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

*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, 2020, none of the defeased bonds remain outstanding.

#### **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, 2020, the net position (deficit) was \$5,400,527 and 2,334,646 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of 913,702 and \$1,010,180 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 2020 are detailed below:

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

	<u>Employee Insurance</u>	<u>Workers' Compensator</u>
Self-insurance liability, December 31, 2018	\$ 723,415	\$ 1,014,849
Current year claims and changes in estimate	8,771,118	(86,599)
Claim payments	<u>(8,600,129)</u>	<u>(172,393)</u>
Self-insurance liability, December 31, 2019	894,404	755,857
Current year claims and changes in estimate	7,863,564	909,931
Claim payments	<u>(7,844,266)</u>	<u>(655,608)</u>
Self-insurance liability, December 31, 2020	<u>\$ 913,702</u>	<u>\$ 1,010,180</u>

**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.



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Aggregate amounts for the four pension plans are as follows:

	<u>FRPF</u>	<u>PRPF</u>	<u>LOPFI</u>	<u>APERS</u>	<u>Total</u>
Net pension liability	\$ 19,613,697	\$ 20,240,406	\$ 32,784,534	\$ 139,343	\$ 72,777,980
Deferred outflows of resources	-	-	6,625,850	21,192	6,647,042
Deferred outflows of resources - contributions	2,490,736	2,588,560	3,688,419	7,168	8,774,883
Deferred inflows of resources	596,424	364,841	4,653,583	3,274	5,618,122
Pension expense	1,639,554	1,060,132	7,539,869	24,825	10,264,380

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

Plan Description

Effective April 1, 1997, the Public Employees' Retirement System (PERS) was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the 401(a) Plan). ICMARC serves as administrator of the 401(a) Plan. All full-time, non-uniformed employees with the exception of the three district judges and the District Court Clerk are covered by the 401(a) Plan. Each participant has a plan account to which the contributions are made, and each participant manages their account by selecting various investments options offered by ICMARC.

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

Benefits Provided

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

Contributions

Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 5% of each covered employees' earnings. Employer contributions to the PERS plan totaled \$1,459,426 for 2020.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**(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 15.32% of covered payroll for 2020. The Clerk's contribution rate was 4.7% of covered payroll for 2020. The City's contributions to the Plan for the year ended December 31, 2020 were \$14,546.

Benefits Provided

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

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

Covered payroll for the clerk was \$96,333 for the fiscal year ended December 31, 2020. 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, 2020, the City reported a liability of \$139,343 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employee contributions to the Plan of the year for the measurement period. At June 30, 2020, the City's proportion was 0.004866030%, which is an increase of .000010393% from its proportion as of June 30, 2019, of 0.00476210%.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

For the year ended December 31, 2020, the City recognized pension expense of \$24,825. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,850	\$ 92
Change of assumptions	1,746	2,387
Changes in proportion and differences between City contributions and share of contributions	2,852	795
Net difference between projected and actual earnings on pension plan investments	14,744	-
Contributions subsequent to the measurement date	7,168	-
Total	\$ 28,360	\$ 3,274

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$7,168 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. 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:

<b><u>Year Ending December 31,</u></b>		
2021	\$	1,231
2022		4,248
2023		6,015
2024		6,424
Total	\$	17,918

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 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, 2020 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**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:

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	

**Discount Rate**

In the June 30, 2020 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:

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.15%</b>	<b>Current Single Rate Assumption 7.15%</b>	<b>1% Increase 8.15%</b>
City's proportionate share of the net pension liability	\$ 212,230	\$ 139,343	\$ 79,195

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Fort Smith Public Library – Arkansas Public Employees’ Retirement System (Component Unit)**

*Plan Description*

The Fort Smith Public Library (the Organization) participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

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

Funding Policy: The Organization contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll at December 31, 2020. Contributions made by the Organization were \$192,940 for the year ended December 31, 2020. 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.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2020

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of actual service.

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

#### Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended December 31, 2020. 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Library's proportion at June 30, 2020, was 0.068423% which is an increase of 0.002612% from its proportion as of June 30, 2019 of 0.065811%.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	30 years (8.6 years for District Judges New Plan/Paid Off Old Plan and 17 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy 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, 2020, these best estimates are summarized in the following table:



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Long-term Expected Real Rate of Return**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
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):

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.15%</b>	<b>Current Single Rate Assumption 7.15%</b>	<b>1% Increase 8.15%</b>
City's proportionate share of the net pension liability	\$ 2,984,267	\$ 1,959,371	\$ 1,113,600

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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

At December 31, 2020, the Library reported a liability of \$1,959,371 for its proportionate share of the net pension liability.

The Organization had a pension contribution liability of \$11,390 accrued at December 31, 2020. The Organization's proportionate share of pension expense was \$324,318 for the year ended December 31, 2020. At December 31, 2020, the Organization reported deferred outflows or resources and deferred inflows of resources related to pensions from the following resources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,011	\$ 1,297
Change of assumptions	24,549	33,571
Net difference between projected and actual earnings on pension plan investments	207,326	-
Changes in proportion	89,706	103,913
Organization contributions subsequent to the measurement date	106,613	-
Total	\$ 454,205	\$ 138,781

\$106,613 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, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>		
2021	\$	17,399
2022		35,924
2023		93,367
2024		62,121
Total	\$	208,811

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**(c) Fire Relief and Pension Plan (“FRPF”) (the Old Fire Plan)**

Plan Description

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

Benefits

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

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

At the December 31, 2019 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	102
Total	102

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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 2020 plan year were based upon the December 31, 2019, actuarial report. Contributions to the Plan by the City were \$2,490,736 for the year ended December 31, 2020.

Net Pension Liability

The City's net pension liability of \$19,613,697 as of December 31, 2020 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019.

**Actuarial Assumptions**

The total pension liability in the December 31, 2019 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, 2019
Cost method	Entry age normal
Asset valuation method	Smooth market over a period of 5 years
	Closed Amortization Period based on
Amortization method	projected future payroll
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 (3.25 percent in prior year)
Investment rate of return	7.50 percent (7.50 percent in prior year)

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Actuarial assumptions used in the December 31, 2019, 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 2019 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:

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	30%	1.3%
Domestic Equity	42%	5.4%
Foreign Equity	18%	7.8%
Alternative Investments	10%	6.7%
Total	100%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. 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**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balance at January 1, 2020</b>	\$ 33,862,547	\$ 12,686,231	\$ 21,176,316
<b>Changes for the year:</b>			
Interest	2,262,194	-	2,262,194
Differences between expected and actual experience	91,150	-	91,150
Assumption changes	-	-	-
Contributions - employer	-	1,701,004	(1,701,004)
Contributions - employee	-	-	-
Net investment income	-	2,234,612	(2,234,612)
Benefit payments, including refunds of employee contributions	(3,090,972)	(3,090,972)	-
Administrative expense	-	(19,653)	19,653
<b>Net Changes</b>	<b>(737,628)</b>	<b>824,991</b>	<b>(1,562,619)</b>
<b>Balance at December 31, 2020</b>	<b>\$ 33,124,919</b>	<b>\$ 13,511,222</b>	<b>\$ 19,613,697</b>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

There were no benefit changes during the year. The assumed investment rate of return was 7.00% (7.00% in the prior year), the wage inflation assumption remained the same at 3.25% and the price inflation assumption remained the same at 2.50%.

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

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

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.00%</b>	<b>Current Single Rate Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
City's Net Pension Liability	\$ 22,592,336	\$ 19,613,697	\$ 17,047,252

**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, 2020, the City recognized pension expense of \$1,639,554. At December 31, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 596,424
Contributions subsequent to the measurement date	2,490,736	-
Total	\$ 2,490,736	\$ 596,424

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,490,736 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>		
2021	\$	(125,094)
2022		(173,740)
2023		(18,409)
2024		<u>(279,181)</u>
Total	\$	<u>(596,424)</u>

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

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

Plan Description

The Police Relief and Pension Plan (“PRPF”) is an agent multiple-employer defined benefit pension 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](http://www.lopfi-prb.com).

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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, 2019 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries		80
Total		80

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 2020 plan year were based upon the December 31, 2019, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2020 were \$2,588,560.

Net Pension Liability

The City's net pension liability of \$20,240,406 as of December 31, 2020 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019.



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Actuarial Assumptions**

The total pension liability in the December 31, 2019 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, 2019
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 (2.50 percent in prior year)
Wage inflation	3.25 percent (3.25 percent in prior year)
Investment rate of return	7.50 percent (7.50 percent in prior year)

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

Actuarial assumptions used in the December 31, 2019 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 2019 valuation.

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

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	30%	1.3%
Domestic Equity	42%	5.4%
Foreign Equity	18%	7.8%
Alternative Investments	10%	6.7%
Total	100%	

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Discount Rate**

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

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balance at January 1, 2020</b>	\$ 29,226,881	\$ 7,280,668	\$ 21,946,213
<b>Changes for the year:</b>			
Interest	1,961,197	-	1,961,197
Differences between expected and actual experience	(478,127)	-	(478,127)
Assumption changes	-	-	-
Contributions - employer	-	1,892,691	(1,892,691)
Contributions - employee	-	-	-
Net investment income	-	1,307,687	(1,307,687)
Benefit payments, including refunds of employee contributions	(2,419,553)	(2,419,553)	-
Administrative expense	-	(11,501)	11,501
<b>Net Changes</b>	<b>(936,483)</b>	<b>769,324</b>	<b>(1,705,807)</b>
<b>Balance at December 31, 2020</b>	<b>\$ 28,290,398</b>	<b>\$ 8,049,992</b>	<b>\$ 20,240,406</b>

There were no benefit changes during the year. The assumed investment rate of return was 7.00% (7.00% in the prior year), the wage inflation assumption remained the same at 3.25% and the price inflation assumption remained the same at 2.50%.

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

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

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.00%</b>	<b>Current Single Rate Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
City's Net Pension Liability	\$ 23,190,802	\$ 20,240,406	\$ 17,773,305

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**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, 2020, the City recognized pension expense of \$1,060,132.

At December 31, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 364,841
Contributions subsequent to the measurement date	2,588,560	-
Total	\$ 2,588,560	\$ 364,841

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,588,560 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>		
2021	\$	(77,702)
2022		(106,439)
2023		(17,325)
2024		(163,375)
Total	\$	(364,841)

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**(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 \$1,515,646 to the contributory plan for the year ended December 31, 2020. City contributions to the new plans for the year ended December 31, 2020, were \$3,688,419 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, 2020, the City reported a liability of \$32,784,534 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2019, the City's proportion was 4.2426% which is an increase 0.03563% from the City's proportion of 4.2070% at December 31, 2018.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

For the year ended, December 31, 2020, the City recognized pension expense of \$7,539,869. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,225,798	\$ -
Changes of assumptions	2,831,073	-
Net difference between projected and actual earnings on pension plan investments	-	3,959,419
Changes in proportion	568,979	694,164
Contributions subsequent to the measurement date	3,688,419	-
Total	\$ 10,314,269	\$ 4,653,583

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,688,419 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. 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:

<b>Year Ending December 31,</b>	
2021	\$ 2,211,469
2022	980,389
2023	537,976
2024	(1,757,567)
Total	\$ 1,972,267

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Actuarial Assumptions**

The total pension liability in the December 31, 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)
Salary increases	3.75 to 18.25 percent, including inflation (4.25 to 18.75 percent, including inflation, in prior year)
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation (7.00 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, 2019 valuation were based on the results of an actuarial study for the period January 1, 2019 to December 31, 2019. As a result of the 2019 actuarial study, the expectation of life after disability was adjusted in the December 31, 2019 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:

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	30%	1.3%
Domestic Equity	42%	5.4%
Foreign Equity	18%	7.8%
Alternative Investments	10%	6.7%
Total	100%	

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Discount Rate**

In the December 31, 2019 actuarial valuation, a single discount rate of 7.00% (7.00% in prior year) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% (7.00% in prior year). The projection of cash flows, based on the assumptions made, found that the pension plan’s net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate**

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00 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:

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.00%</b>	<b>Current Single Rate Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
City's proportionate share of the net pension liability	\$ 52,238,328	\$ 32,784,534	\$ 17,096,632

**Pension Plan Fiduciary Net Position**

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

**Note 8: Other Postemployment Benefits (OPEB)**

*General Information about the OPEB Plan*

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

*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 778 active participants and 31 retirees and beneficiaries receiving benefits who pay monthly premiums between \$485 for single coverage and \$978 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, 2020 is as follows:

Active members	778	
Inactive members receiving benefits	31	
	809	

***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 2020 is as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Equities - agency bonds	100.00%	4.00%

The long-term rate of return also included an expected 2.5% inflation for 2020. The long-term expected rate of return at December 31, 2020 was 4.0%.



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***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 2.78% was used to measure the total OPEB liability as of December 31, 2020. 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5 percent per year
Payroll growth	3.25 percent
Health care cost trend rates:	8.00 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent
Single discount rate:	2.78 percent at 12/31/20 (3.57 percent at 12/31/19)
Cost Method	Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: <ul style="list-style-type: none"> <li>• Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant’s benefit at retirement; and</li> <li>• Annual Service Cost is a constant percentage of the participant’s salary that is assumed to increase according to the Payroll Growth,</li> </ul>
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, 2020 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, 2020 was 1.93% to 2.12%. The Trust maintains a minimal fiduciary net position; therefore, the single discount rate is used that results in a total actuarial present value of all projected benefit payments equal to the sum of the actuarial present values of benefit payments determined through an iterative process as prescribed by GASB.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) -(b)</b>
<b>Balance at January 1, 2020</b>	\$ 13,593,700	\$ 1,539,259	\$ 12,054,441
<b>Changes for the year:</b>			
Service cost	740,528	-	740,528
Interest	505,240	-	505,240
Contributions - employer	-	366,898	(366,898)
Differences between expected and actual experience	(3,549,625)	-	(3,549,625)
Changes of assumptions	1,901,027	-	1,901,027
Net investment income	-	99,308	(99,308)
Administrative fees	-	(12,063)	12,063
Benefit payments	(366,898)	(366,898)	-
<b>Net Changes</b>	<u>(769,728)</u>	<u>87,245</u>	<u>(856,973)</u>
<b>Balance at December 31, 2020</b>	<u>\$ 12,823,972</u>	<u>\$ 1,626,504</u>	<u>\$ 11,197,468</u>

The schedule of investment return for the City's OPEB Plan is as follows for the years ended December 31, 2020:

Annual money-weighted rate of return, net of investment expense	5.40%
--	-------

*Sensitivity of the net OPEB liability to changes in the discount rate:* Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2020. 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:

	<b>Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 1.78%</b>	<b>Current Single Rate Assumption 2.78%</b>	<b>1% Increase 3.78%</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net OPEB liability	<u>\$ 12,460,067</u>	<u>\$ 11,197,468</u>	<u>\$ 10,050,633</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:* Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rates as of December 31, 2020. 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:

	<b>Sensitivity of the Net OPEB Liability to the Health Care Trend Rate</b>		
	<b>1% Decrease 7.00%-3.50%</b>	<b>Current Single Rate Assumption 8.00%-4.50%</b>	<b>1% Increase 9.00%-5.50%</b>
Net OPEB liability	\$ 9,651,940	\$ 11,197,468	\$ 13,038,554

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

For the year ended December 31, 2020, the City recognized an increase in OPEB expense of \$210,542. At December 31, 2020, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 2,208,344	\$ 12,358,160
Difference between expected and actual experience	-	3,991,266
Net difference between projected and actual earnings on OPEB plan investments	-	28,905
	\$ 2,208,344	\$ 16,378,331

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

Amounts reported as deferred outflows of resources and deferred inflows or resources at December 31, 2020, related to OPEB will be recognized as OPEB expense as follows:

<u>Year ending December 31,</u>	
2021	\$ (2,294,230)
2022	(2,294,230)
2023	(2,297,532)
2024	(2,295,825)
2024	(2,288,228)
Thereafter	<u>(2,699,942)</u>
	<u><u>\$ (14,169,987)</u></u>

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

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

<u>December 31, 2020</u>	
<u>Investment</u>	<u>Fair Value</u>
ISHARES AGENCY BOND ETF	\$ 227,145
ISHARES 1-3 YEAR TREASURY BOND ETF	317,878
ISHARES 3-7 YEAR TREASURY BOND ETF	144,283
ISHARES 7-10 YEAR TREASURY BOND ETF	233,303
ISHARES CORE U.S. AGGREGATE BOND ETF	322,068
ISHARES SHORT TREASURY BOND ETF	134,736
ISHARES TIPS BOND ETF	227,855

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**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, 2020, the City has accrued a liability in the amount of \$82,500.

***Contingencies***

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

In 2015, the City entered into a Consent Decree with the United States Environmental Protection Agency (EPA), the United States Department of Justice (DOJ), and the Arkansas Department of Environmental Quality (ADEQ). The Consent Decree addresses the City's compliance with the Federal Clean Water Act involving dry and wet weather overflows from the sanitary sewer system and ongoing maintenance. Beginning in September 2016, the City began the process to request a modification to the consent decree. The request was initially denied in November 2019. However, in May 2020, the City was granted an additional five-years, with conditions, to complete the consent decree per section nine of the consent decree. In September 2020, the City met with the 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 2020.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Note 10: Individual Fund Disclosures**

Interfund transfers in (out) for the year ended December 31, 2020, is as follows:

Fund	Transfers	
	In	Out
<b>Primary Government -</b>		
Governmental Funds:		
Major funds:		
General Fund	\$ 100,000	\$ 1,982,302
Special revenue -		
Sales Tax Fund	-	306,782
LOPFI Contribution	1,000,000	-
Debt service -		
Sales and Use Tax Bond Fund	-	223,121
Non-major funds:		
Sales and Use Tax Construction Fund	173,456	504,041
Convention Center Fund	777,000	-
Total governmental funds	2,050,456	3,016,246
Proprietary Funds:		
Water and Sewer Fund	1,149,246	1,273,456
Solid Waste Fund	90,000	-
Internal Service Funds	1,000,000	-
Total proprietary funds	2,239,246	1,273,456
Total primary government	\$ 4,289,702	\$ 4,289,702

The transfers out from the General Fund include \$777,000 to the Convention Center Fund for the annual revenue estimate and \$1,000,000 transfer to LOPFI Contribution Fund. 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

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

The City's permitted landfill capacity is 60,222,935 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, 2020, is \$9,049,615. The remaining estimated closure and postclosure care costs of approximately \$32.9 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 21.7% at December 31, 2020. 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, 2020. 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, 2020, is \$8,514,997. 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 \$8,575,000 at December 31, 2020. 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. 87 – Leases**

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

***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. 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.

***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.



**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**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, 2020**

	<u>Governmental</u>			<u>Business-Type</u>
	<u>Advertising Promotion Commission</u>	<u>Public Library</u>	<u>Total</u>	<u>Airport Commission</u>
<b>Assets</b>				
Current assets	\$ 413,218	\$ 1,552,938	\$ 1,966,156	\$ 2,588,221
Sales taxes receivable from the City	-	188,972	188,972	-
Capital assets, net of accumulated depreciation, as applicable	-	706,184	706,184	35,250,231
Noncurrent assets	-	-	-	5,231,913
Total assets	<u>413,218</u>	<u>2,448,094</u>	<u>2,861,312</u>	<u>43,070,365</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflow related to pension	-	454,205	454,205	-
Deferred amount on refunding	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>454,205</u>	<u>454,205</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities	13,354	88,670	102,024	425,913
Noncurrent liabilities	-	1,959,371	1,959,371	-
Total liabilities	<u>13,354</u>	<u>2,048,041</u>	<u>2,061,395</u>	<u>425,913</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflow related to pension	-	138,781	138,781	-
Total deferred inflows of resources	<u>-</u>	<u>138,781</u>	<u>138,781</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	-	706,184	706,184	35,250,231
Restricted	399,864	-	399,864	27,801
Unrestricted (deficit)	-	9,293	9,293	7,366,420
Total net position	<u>\$ 399,864</u>	<u>\$ 715,477</u>	<u>\$ 1,115,341</u>	<u>\$ 42,644,452</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Statement of Activities**  
**For the Year Ended December 31, 2020**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
					Advertising and Promotion	Public Library
Advertising/Promotion	\$ 653,377	\$ -	\$ 53,613	\$ (599,764)	\$ -	\$ (599,764)
Public Library	2,973,705	64,689	157,293	-	(2,751,723)	(2,751,723)
Total	<u>\$ 3,627,082</u>	<u>\$ 64,689</u>	<u>\$ 210,906</u>	<u>(599,764)</u>	<u>(2,751,723)</u>	<u>(3,351,487)</u>
General revenues						
Property taxes				-	1,533,753	1,533,753
Sales taxes				-	1,054,734	1,054,734
Hospitality hotel/motel taxes				631,550	-	631,550
Unrestricted investments earnings				1,276	1,562	2,838
Other				9,143	165,341	174,484
Total general revenues				<u>641,969</u>	<u>2,755,390</u>	<u>3,397,359</u>
Change in net position				42,205	3,667	45,872
Net position, beginning, as previously stated				357,659	711,810	1,069,469
Net position, ending				<u>\$ 399,864</u>	<u>\$ 715,477</u>	<u>\$ 1,115,341</u>

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Business-Type Activities
Airport Commission	\$ 4,672,639	\$ 2,232,559	\$ 4,652,924	\$ 2,212,844
Total	<u>\$ 4,672,639</u>	<u>\$ 2,232,559</u>	<u>\$ 4,652,924</u>	<u>2,212,844</u>
General revenues				
Unrestricted investment earnings				102,622
Total general revenues				<u>102,622</u>
Change in net position				2,315,466
Net position, beginning				40,328,986
Net position, ending				<u>\$ 42,644,452</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2020**

**Note 14: Subsequent Events**

Subsequent events have been evaluated through September 22, 2021, the date at which the financial statements were available to be issued.

(This Page Intentionally Left Blank)

# **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Agent Multiple-Employer Plan**  
**Schedule of the City's Net Pension**  
**Liability and Related Ratios – FRPF (the Old Fire Plan)**

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2,262,194	2,250,013	2,387,422	2,458,896	2,531,326	2,601,031
Benefit Changes	-	-	-	-	-	-
Difference between expected and actual experience	91,150	946,549	138,769	(151,195)	116,585	385,846
Assumption Changes	-	-	1,767,387	-	680,689	-
Benefit Payments, including refunds of employee contributions	<u>(3,090,972)</u>	<u>(2,954,113)</u>	<u>(2,957,863)</u>	<u>(3,502,026)</u>	<u>(2,982,945)</u>	<u>(4,733,419)</u>
<b>Net Change in Total Pension Liability</b>	(737,628)	242,449	1,335,715	(1,194,325)	345,655	(1,746,542)
<b>Total Pension Liability - Beginning</b>	<u>33,862,547</u>	<u>33,620,098</u>	<u>32,284,383</u>	<u>33,478,708</u>	<u>33,133,053</u>	<u>34,879,595</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 33,124,919</u>	<u>\$ 33,862,547</u>	<u>\$ 33,620,098</u>	<u>\$ 32,284,383</u>	<u>\$ 33,478,708</u>	<u>\$ 33,133,053</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer*	\$ 1,701,004	\$ 2,636,258	\$ 1,540,550	\$ 1,666,114	\$ 1,866,654	\$ 1,741,331
Contributions - Member	-	-	-	747	4,708	5,118
Net Investment Income	2,234,612	(377,407)	1,736,826	784,066	26,779	1,131,513
Benefit Payments, including refunds of employee contributions	(3,090,972)	(2,954,113)	(2,957,863)	(3,502,026)	(2,982,945)	(4,733,419)
Administrative Expense	(19,653)	(25,021)	(22,267)	(25,264)	(33,915)	(26,887)
Deferred Retirement Option Distributions	-	-	-	-	-	-
Reconciliation Adjustment	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	824,991	(720,283)	297,246	(1,076,363)	(1,118,719)	(1,882,344)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>12,686,231</u>	<u>13,406,514</u>	<u>13,109,268</u>	<u>14,185,631</u>	<u>15,304,350</u>	<u>17,186,694</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 13,511,222</u>	<u>\$ 12,686,231</u>	<u>\$ 13,406,514</u>	<u>\$ 13,109,268</u>	<u>\$ 14,185,631</u>	<u>\$ 15,304,350</u>
<b>City's Net Pension Liability (a) - (b)</b>	<u>\$ 19,613,697</u>	<u>\$ 21,176,316</u>	<u>\$ 20,213,584</u>	<u>\$ 19,175,115</u>	<u>\$ 19,293,077</u>	<u>\$ 17,828,703</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	40.79%	37.46%	39.88%	40.61%	42.37%	46.19%
<b>Covered Payroll <sup>^</sup></b>	\$ 26,646	\$ 86,750	\$ 74,302	\$ 86,657	\$ 156,943	\$ -
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	73608.41%	24410.74%	27204.63%	22127.60%	12293.05%	N/A

\* Includes assets reported as Premium Tax Money.

<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.

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

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

(1): Assumption changes for 2017 include a decrease in the price inflation from 3.75 to 3.00 percent and a salary increase from 3.75 to 4.00 percent. There was no change in investment rate of return 7.75 percent in 2017.

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

(3): Assumption changes for 2019 include a decrease in price inflation from 3.75 to 2.75 percent, a salary decrease from 4.00 to 3.75 percent and a decrease in the investment rate of return of 7.75 to 7.00 percent.

(4): Assumption changes for 2020 include a decrease in price inflation from 2.75 to 2.50 percent.



**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Agent Multiple-Employer Plan**  
**Schedule of the City's Net Pension**  
**Liability and Related Ratios – PRPF (the Old Police Plan)**

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,961,197	1,917,084	1,940,131	1,962,715	1,968,295	1,944,283
Benefit Changes	-	-	-	-	-	-
Difference Between Actual & Expected Experience	(478,127)	1,153,626	1,495,866	385,696	652,213	614,152
Assumption Changes	-	-	1,627,412	-	396,928	-
Benefit Payments, including refunds of employee contributions	<u>(2,419,553)</u>	<u>(2,461,495)</u>	<u>(2,959,388)</u>	<u>(2,320,229)</u>	<u>(2,271,315)</u>	<u>(2,245,252)</u>
<b>Net Change in Total Pension Liability</b>	(936,483)	609,215	2,104,021	28,182	746,121	313,183
<b>Total Pension Liability - Beginning</b>	<u>29,226,881</u>	<u>28,617,666</u>	<u>26,513,645</u>	<u>26,485,463</u>	<u>25,739,342</u>	<u>25,426,159</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 28,290,398</u>	<u>\$ 29,226,881</u>	<u>\$ 28,617,666</u>	<u>\$ 26,513,645</u>	<u>\$ 26,485,463</u>	<u>\$ 25,739,342</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer*	\$ 1,892,691	\$ 2,634,491	\$ 1,429,779	\$ 1,509,135	\$ 1,596,703	\$ 1,554,845
Contributions - Member	-	-	-	-	-	490
Net Investment Income	1,307,687	(211,373)	996,413	463,067	15,584	624,174
Benefit Payments, including refunds of employee contributions	(2,419,553)	(2,461,495)	(2,959,388)	(2,320,229)	(2,271,315)	(2,245,252)
Administrative Expense	(11,501)	(14,014)	(12,774)	(15,173)	(19,925)	(14,832)
Deferred Retirement Option Distributions	-	-	-	-	-	-
Reconciliation Adjustment	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	769,324	(52,391)	(545,970)	(363,200)	(678,953)	(80,575)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>7,280,668</u>	<u>7,333,059</u>	<u>7,879,029</u>	<u>8,242,229</u>	<u>8,921,182</u>	<u>9,001,757</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,049,992</u>	<u>\$ 7,280,668</u>	<u>\$ 7,333,059</u>	<u>\$ 7,879,029</u>	<u>\$ 8,242,229</u>	<u>\$ 8,921,182</u>
<b>City's Net Pension Liability (a) - (b)</b>	<u>\$ 20,240,406</u>	<u>\$ 21,946,213</u>	<u>\$ 21,284,607</u>	<u>\$ 18,634,616</u>	<u>\$ 18,243,234</u>	<u>\$ 16,818,160</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	28.45%	24.91%	25.62%	29.72%	31.12%	34.66%
<b>Covered Payroll ^</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A

\* Includes assets reported as Premium Tax Money.

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

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

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

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

(1): Assumption changes for 2017 include an increase in the price inflation from 3.75 to 3.00 percent and a salary increase from 3.75 to 4.00 percent. There was no change in investment rate of return 7.75 percent in 2017.

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

(3): Assumption changes for 2019 include a decrease in price inflation from 3.75 to 2.75 percent, a salary decrease from 4.00 to 3.75 percent and a decrease in the investment rate of return of 7.75 to 7.00 percent.

(4): No assumption changes for 2020.



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

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

**Key Assumptions for ADC:**

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

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 condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2008-2011.
Mortality	The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2014 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2014 Employee benefit weighted generational mortality tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

**Other Information:**

Notes	There were no benefit changes during the year.
-------	--

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

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

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

Plan Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	4.2426%	4.2070%	4.0601%	4.3186%	4.9028%	4.9183%
City's proportionate share of the net pension liability	\$ 32,784,534	\$ 37,963,100	\$ 28,851,157	\$ 24,639,054	\$ 25,717,186	\$ 17,804,470
City's covered payroll	\$ 17,841,388	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346	\$ 17,203,371
City's proportionate share of the net pension liability as a percentage of its covered payroll	183.76%	214.70%	173.20%	158.09%	158.49%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	73.21%	66.09%	71.48%	72.87%	72.92%	79.14%

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

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

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

Plan Fiscal Year Ended December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 3,688,419	\$ 3,540,551	\$ 3,284,942	\$ 2,904,425	\$ 2,674,571	\$ 3,043,184
Contributions in relation to the actuarially required contribution	<u>(3,688,419)</u>	<u>(3,540,551)</u>	<u>(3,284,942)</u>	<u>(2,904,425)</u>	<u>(2,674,571)</u>	<u>(3,043,184)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 17,841,388	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346	\$ 17,203,371
Contributions as a percentage of covered payroll	20.67%	20.02%	19.72%	18.64%	16.48%	17.69%

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

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

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

<b>Plan Fiscal Year Ended June 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	0.0049%	0.0047%	0.0047%	0.0048%	0.0048%	0.0049%
City's proportionate share of the net pension liability	\$ 139,343	\$ 113,539	\$ 103,956	\$ 125,123	\$ 115,180	\$ 90,125
City's covered payroll	\$ 96,333	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221	\$ 87,267
City's proportionate share of the net pension liability as a percentage of its covered payroll	144.65%	120.50%	113.40%	143.38%	124.90%	103.27%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

Information in this schedule has been determined as of the measurement date (June 30 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

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

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

Plan Fiscal Year Ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 14,546	\$ 13,910	\$ 13,702	\$ 12,872	\$ 12,654	\$ 12,815
Contributions in relation to the actuarially required contribution	<u>(14,546)</u>	<u>(13,910)</u>	<u>(13,702)</u>	<u>(12,872)</u>	<u>(12,654)</u>	<u>(12,815)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 96,333	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221	\$ 87,267
Contributions as a percentage of covered payroll	15.10%	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.

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

# City of Fort Smith, Arkansas

## Required Supplementary Information

### Fort Smith Public Library - APERS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Organization's proportion of the net pension liability(asset)	0.06842373%	0.06581163%	0.07428966%	0.06648929%	0.07284649%	0.07559378%	0.07345205%
Organization's proportionate share of the net pension liability	\$ 1,959,371	\$ 1,587,725	\$ 1,638,782	\$ 1,718,177	\$ 1,742,013	\$ 1,392,236	\$ 1,042,220
Organization's covered payroll	\$ 1,335,065	\$ 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	146.76%	126.07%	127.37%	131.66%	131.98%	103.49%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

**Schedule of Library Contributions Last Fiscal Year**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially required contribution	\$ 204,532	\$ 192,940	\$ 189,784	\$ 189,225	\$ 191,379	\$ 198,569	\$ 193,238
Contributions in relation to the actuarially required contribution	<u>(204,532)</u>	<u>(192,940)</u>	<u>(205,249)</u>	<u>(173,760)</u>	<u>(191,379)</u>	<u>(198,569)</u>	<u>(193,238)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,465)</u>	<u>\$ 15,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Organization's covered payroll	\$ 1,335,065	\$ 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%	15.32%	14.75%	14.50%	14.50%	14.76%	14.88%

Notes to Schedules:

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

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Other Postemployment Benefit Plan**  
**Schedule of Changes in the City's Net OPEB Liability and Related Ratios**  
**Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 740,528	\$ 701,561	\$ 688,122
Interest	505,240	558,604	1,219,581
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(3,549,625)	(1,074,914)	-
Changes of Assumptions	1,901,027	666,698	(18,537,237)
Benefit Payments	<u>(366,898)</u>	<u>(293,091)</u>	<u>(271,381)</u>
<b>Net Change in Total OPEB Liability</b>	(769,728)	558,858	(16,900,915)
<b>Total OPEB Liability - Beginning</b>	<u>13,593,700</u>	<u>13,034,842</u>	<u>29,935,757</u>
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 12,823,972</u>	<u>\$ 13,593,700</u>	<u>\$ 13,034,842</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 366,898	\$ 293,091	\$ 271,381
Net Investment Income	99,308	67,719	27,907
Benefit Payments	(366,898)	(293,091)	(271,381)
Administrative Expense	<u>(12,063)</u>	<u>(15,274)</u>	<u>(25,666)</u>
<b>Net change in Fiduciary Net Position</b>	87,245	52,445	2,241
<b>Plan Fiduciary Net Position - Beginning</b>	<u>1,539,259</u>	<u>1,486,814</u>	<u>1,484,573</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 1,626,504</u>	<u>\$ 1,539,259</u>	<u>\$ 1,486,814</u>
<b>City's Net OPEB Liability - Ending (a) - (b)</b>	<u>\$ 11,197,468</u>	<u>\$ 12,054,441</u>	<u>\$ 11,548,028</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	12.68%	11.32%	11.41%
<b>Covered-employee payroll</b>	\$ 48,622,396	\$ 46,933,607	\$ 45,273,921
<b>City's Net OPEB Liability as a Percentage of covered-employee payroll</b>	23.03%	25.68%	25.51%

Notes to the Schedule

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only three 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. In 2020, the assumed single discount rate was decreased from 3.57 to 2.78 percent.

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Other Postemployment Benefit Plan**  
**Schedule of City Contributions**  
**Year Ended December 31, 2020**

<b>Plan Fiscal Year Ended December 31,</b>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Actuarially determined contribution	\$ 1,311,170	\$ 1,233,440	\$ 1,923,660
Contributions in relation to the actuarially determined contribution	<u>(366,898)</u>	<u>(293,091)</u>	<u>(271,381)</u>
Contribution deficiency (excess)	<u>\$ 944,272</u>	<u>\$ 940,349</u>	<u>\$ 1,652,279</u>
City's covered-employee payroll	\$48,622,396	\$ 46,933,607	\$ 45,273,921
Contributions as a percentage of covered-employee payroll	0.75%	0.62%	0.60%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5 percent per year
Health care cost trend rates:	8.0 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:	2.78 percent (3.57 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 three years are shown. Additional years' information will be added as it becomes available.



**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Other Postemployment Benefit Plan**  
**Schedule of Investment Returns**  
**Year Ended December 31, 2020**

	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	5.40%	3.53%	0.15%

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

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
<b>Revenues</b>				
Taxes	\$ 8,195,200	\$ 7,572,671	\$ 7,590,727	\$ 18,056
Sales taxes	22,750,582	23,386,686	23,911,933	525,247
Licenses and permits	1,889,900	1,836,557	1,677,943	(158,614)
Utility franchise fees	6,517,000	6,471,594	6,114,478	(357,116)
Intergovernmental	4,318,000	9,065,482	8,101,250	(964,232)
Fines and forfeitures	1,776,200	1,762,893	1,816,377	53,484
Fees for services	565,360	413,083	420,388	7,305
Interest	25,000	89,534	331,279	241,745
Contributions	13,500	1,350	11,128	9,778
Miscellaneous	172,500	970,819	1,541,840	571,021
<b>Total revenues</b>	<b>46,223,242</b>	<b>51,570,669</b>	<b>51,517,343</b>	<b>(53,326)</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government				
Administration	2,214,335	1,561,681	1,903,378	(341,697)
Legal	2,186,812	1,894,838	1,907,794	(12,956)
Finance	1,847,486	1,693,049	1,569,446	123,603
Public safety				
Police	17,272,380	13,846,790	13,412,859	433,931
Fire	13,948,630	13,724,845	13,086,757	638,088
Community services				
Health and social services	189,566	198,682	172,821	25,861
Parks and recreation	2,420,784	2,299,033	1,842,007	457,026
Transit	2,466,549	2,400,289	2,152,523	247,766
Other	1,979,208	2,408,057	1,738,497	669,560
Capital outlay	6,167,500	6,361,188	4,848,551	1,512,637
<b>Total expenditures</b>	<b>50,693,250</b>	<b>46,388,452</b>	<b>42,634,633</b>	<b>3,753,819</b>
Excess (deficiency) of revenues over (under) expenditures	(4,470,008)	5,182,217	8,882,710	3,700,493
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,420,788	114,500	100,000	(14,500)
Transfers out	(867,000)	(1,867,000)	(1,982,302)	(115,302)
<b>Total other financing sources and uses</b>	<b>1,553,788</b>	<b>(1,752,500)</b>	<b>(1,882,302)</b>	<b>(129,802)</b>
Net change in fund balances	(2,916,220)	3,429,717	7,000,408	3,570,691
Fund Balances, beginning of year	24,464,435	24,464,435	24,464,435	-
Fund Balances, end of year	\$ 21,548,215	\$ 27,894,152	\$ 31,464,843	\$ 3,570,691

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – Street Maintenance Fund**  
**For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
<b>Revenues</b>				
Taxes	\$ 2,436,200	\$ 2,240,955	\$ 2,249,548	\$ 8,593
Licenses and permits	200,000	182,500	231,357	48,857
Intergovernmental	6,256,855	5,344,828	6,489,599	1,144,771
Interest	5,500	5,500	9,552	4,052
Miscellaneous	30,000	37,356	74,148	36,792
Total revenues	<u>8,928,555</u>	<u>7,811,139</u>	<u>9,054,204</u>	<u>1,243,065</u>
<b>Expenditures</b>				
Current:				
General government				
Administration	261,702	261,702	224,783	36,919
Legal	129,500	129,500	85,684	43,816
Finance	676,336	676,336	626,766	49,570
Public works				
Operations	609,090	538,845	827,397	(288,552)
Streets	3,641,572	2,830,823	2,718,135	112,688
Traffic control	2,191,902	2,040,548	2,015,592	24,956
Community services				
Parks and recreation	72,419	72,419	179,906	(107,487)
Other	524,300	520,050	17,829	502,221
Total expenditures	<u>8,106,821</u>	<u>7,070,223</u>	<u>6,696,092</u>	<u>374,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>821,734</u>	<u>740,916</u>	<u>2,358,112</u>	<u>1,617,196</u>
Net Change in Fund Balances	821,734	740,916	2,358,112	1,617,196
Fund Balances, beginning of year	<u>5,715,856</u>	<u>5,715,856</u>	<u>5,715,856</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 6,537,590</u>	<u>\$ 6,456,772</u>	<u>\$ 8,073,968</u>	<u>\$ 1,617,196</u>

**City of Fort Smith, Arkansas**  
**Notes to Required Supplementary Information**  
**December 31, 2020**

**Budgets and Budget Accounting**

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

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

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

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND  
SCHEDULES SECTION**

**City of Fort Smith, Arkansas**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2020**

**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.

# City of Fort Smith, Arkansas

## Combining Balance Sheet – Nonmajor Governmental Funds December 31, 2020

	Special Revenue				Capital		Total
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	Convention Center	Sales & Use Tax Construction	
<b>Assets</b>							
Cash	\$ 6,410	\$ -	\$ 2,293	\$ 582,562	\$ 1,504	\$ -	\$ 592,769
Investments	-	25,552	-	167,558	528,386	-	721,496
Receivables, net of allowance for uncollectibles	-	-	-	-	4,800	-	4,800
Accounts Due from other governments	67,664	-	175,448	250,256	-	-	493,368
Prepaid items	-	-	-	-	50,000	-	50,000
Deposits	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 74,074</b>	<b>\$ 25,552</b>	<b>\$ 177,741</b>	<b>\$ 1,000,376</b>	<b>\$ 584,690</b>	<b>\$ -</b>	<b>\$ 1,862,433</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 73,488	\$ -	\$ 170,702	\$ 289,450	\$ 127,635	\$ -	\$ 661,275
Unearned revenues	-	-	-	84,227	38,424	-	122,651
Other	-	-	-	-	369	-	369
<b>Total liabilities</b>	<b>73,488</b>	<b>-</b>	<b>170,702</b>	<b>373,677</b>	<b>166,428</b>	<b>-</b>	<b>784,295</b>
Fund Balances:							
Nonspendable	-	-	-	-	50,000	-	50,000
Restricted for:							
Construction projects	-	-	-	626,699	-	-	626,699
Parks & recreation	-	25,552	-	-	-	-	25,552
Housing and rehabilitation Convention center	586	-	7,039	-	-	-	7,625
Unassigned (deficit)	-	-	-	-	368,262	-	368,262
<b>Total Fund Balances</b>	<b>586</b>	<b>25,552</b>	<b>7,039</b>	<b>626,699</b>	<b>418,262</b>	<b>-</b>	<b>1,078,138</b>
<b>Total liabilities and fund balances</b>	<b>\$ 74,074</b>	<b>\$ 25,552</b>	<b>\$ 177,741</b>	<b>\$ 1,000,376</b>	<b>\$ 584,690</b>	<b>\$ -</b>	<b>\$ 1,862,433</b>

# City of Fort Smith, Arkansas

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds For the Year Ended December 31, 2020

	Special Revenue						Capital Projects		Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME			Convention Center	Sales & Use Tax Construction		
			Investment Act	Partnership	Special Grants				
<b>Revenues</b>									
Intergovernmental	\$ 555,419	\$ -	\$ 453,520	\$ 1,649,657	\$ -	\$ -	\$ -	\$ 2,658,596	
Fees for services	-	-	-	-	240,476	-	-	240,476	
Interest incurred	-	82	-	-	1,707	-	-	1,789	
Contributions	-	-	-	15,840	-	-	-	15,840	
Miscellaneous	829	-	-	9	1,938	-	-	2,776	
Total revenues	556,248	82	453,520	1,665,506	244,121	-	-	2,919,477	
<b>Expenditures</b>									
Current:									
Public safety									
Police	-	-	-	486,313	-	-	-	486,313	
Fire	-	-	-	778	-	-	-	778	
Public works									
Other	-	-	-	711,212	-	-	-	711,212	
Community services									
Convention Center	-	-	-	-	1,248,740	-	-	1,248,740	
Housing and Rehabilitation	562,423	-	451,714	-	-	-	-	1,014,137	
Capital Outlay	-	-	-	-	32,246	-	-	32,246	
Total expenditures	562,423	-	451,714	1,198,303	1,280,986	-	-	3,493,426	
	(6,175)	82	1,806	467,203	(1,036,865)	-	-	(573,949)	
Excess (deficiency) of revenues over (under) expenditures									
<b>Other Financing Sources (Uses)</b>									
Transfers in	-	-	-	-	777,000	173,456	950,456	950,456	
Transfers out	-	-	-	-	-	(504,041)	(504,041)	(504,041)	
Total Other Financing Sources and Uses	-	-	-	-	777,000	(330,585)	446,415	446,415	
Fund Balances (deficit), beginning of year	(6,175)	82	1,806	467,203	(259,865)	(330,585)	(127,534)	(127,534)	
Fund Balances (deficit), beginning of year	6,761	25,470	5,233	159,496	678,127	330,585	1,205,672	1,205,672	
Fund Balances, end of year	\$ 586	\$ 25,552	\$ 7,039	\$ 626,699	\$ 418,262	\$ -	\$ 1,078,138	\$ 1,078,138	



**City of Fort Smith, Arkansas**  
**Internal Service Funds**  
**For the Fiscal Year Ended December 31, 2020**

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

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

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

**City of Fort Smith, Arkansas**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**December 31, 2020**

	<u>Working Capital</u>	<u>Employee Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 142,759	\$ 2,255,318	\$ 2,781,255	\$ 5,179,332
Investments	-	4,070,082	575,217	4,645,299
Receivables, net of allowance for uncollectibles				
Accounts	-	68,254	-	68,254
Inventory	21,491	-	-	21,491
Prepaid items & deposits	-	-	15,000	15,000
	<u>164,250</u>	<u>6,393,654</u>	<u>3,371,472</u>	<u>9,929,376</u>
Total Current Assets				
	<u>164,250</u>	<u>6,393,654</u>	<u>3,371,472</u>	<u>9,929,376</u>
Total Assets				
	<u>164,250</u>	<u>6,393,654</u>	<u>3,371,472</u>	<u>9,929,376</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	11,921	79,425	26,646	117,992
Claims and judgments	-	913,702	1,010,180	1,923,882
	<u>11,921</u>	<u>993,127</u>	<u>1,036,826</u>	<u>2,041,874</u>
Total Current Liabilities				
	<u>11,921</u>	<u>993,127</u>	<u>1,036,826</u>	<u>2,041,874</u>
Total Liabilities				
	<u>11,921</u>	<u>993,127</u>	<u>1,036,826</u>	<u>2,041,874</u>
<b>Net Position</b>				
Unrestricted	<u>152,329</u>	<u>5,400,527</u>	<u>2,334,646</u>	<u>7,887,502</u>
	<u>\$ 152,329</u>	<u>\$ 5,400,527</u>	<u>\$ 2,334,646</u>	<u>\$ 7,887,502</u>
Net Position				
	<u>\$ 152,329</u>	<u>\$ 5,400,527</u>	<u>\$ 2,334,646</u>	<u>\$ 7,887,502</u>

**City of Fort Smith, Arkansas**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2020**

	<b>Working Capital</b>	<b>Employee Insurance</b>	<b>Workers' Compensation</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for services - internal	\$ 493,056	\$ 8,163,573	\$ 975,582	\$ 9,632,211
Charges for services - external	-	494,475	-	494,475
Total Operating Revenues	<u>493,056</u>	<u>8,658,048</u>	<u>975,582</u>	<u>10,126,686</u>
<b>Operating Expenses</b>				
Contractual services	-	376,646	216,550	593,196
Materials and supplies	482,551	-	-	482,551
Insurance claims and expenses	-	7,844,266	655,608	8,499,874
Total Operating Expenses	<u>482,551</u>	<u>8,220,912</u>	<u>872,158</u>	<u>9,575,621</u>
Operating Income	<u>10,505</u>	<u>437,136</u>	<u>103,424</u>	<u>551,065</u>
<b>Nonoperating Revenues</b>				
Investment earnings	-	14,383	1,858	16,241
Total Nonoperating Revenues	<u>-</u>	<u>14,383</u>	<u>1,858</u>	<u>16,241</u>
Income	10,505	451,519	105,282	567,306
Transfers in	-	-	1,000,000	1,000,000
Change in Net Position	10,505	451,519	1,105,282	1,567,306
Net position, beginning of year	<u>141,824</u>	<u>4,949,008</u>	<u>1,229,364</u>	<u>6,320,196</u>
Net position, ending of year	<u>\$ 152,329</u>	<u>\$ 5,400,527</u>	<u>\$ 2,334,646</u>	<u>\$ 7,887,502</u>

**City of Fort Smith, Arkansas**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2020**

	Working Capital	Employee Insurance	Workers' Compensation	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from service users	\$ 493,056	\$ 482,426	\$ -	\$ 975,482
Cash received from city and employee contributions	-	8,163,573	975,582	9,139,155
Cash payments for goods and services	(510,233)	-	-	(510,233)
Cash payments for premiums and other operating expenses	-	(1,015,196)	(189,904)	(1,205,100)
Cash payments for claims paid	-	(7,541,751)	(401,285)	(7,943,036)
Net cash provided by (used for) operating activities	(17,177)	89,052	384,393	456,268
<b>Noncapital Financing Activities</b>				
Transfers in from other funds	-	-	1,000,000	1,000,000
Net cash provided by noncapital financing activities	-	-	1,000,000	1,000,000
<b>Cash Flows from Investing Activities</b>				
Outlays for purchases of investment securities	-	(13,146)	(1,858)	(15,004)
Interest on investments	-	12,074	1,858	13,932
Net cash provided by (used for) investing activities	-	(1,072)	-	(1,072)
<b>Net increase (decrease) in cash</b>	(17,177)	87,980	1,384,393	1,455,196
Cash, beginning of year	159,936	2,167,338	1,396,862	3,724,136
Cash, ending of year	\$ 142,759	\$ 2,255,318	\$ 2,781,255	\$ 5,179,332
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating income	\$ 10,505	\$ 437,136	\$ 103,424	\$ 551,065
Change in assets and liabilities				
Accounts receivable	-	(12,048)	-	(12,048)
Inventory	(5,346)	-	-	(5,346)
Accounts payable and accrued liabilities	(22,336)	(357,643)	26,646	(353,333)
Liability for claims and judgments	-	21,607	254,323	275,930
Total adjustments	(27,682)	(348,084)	280,969	(94,797)
Net cash provided by (used for) operating activities	\$ (17,177)	\$ 89,052	\$ 384,393	\$ 456,268

**City of Fort Smith, Arkansas**  
**Discretely Presented Component Units**  
**For the Fiscal Year Ended December 31, 2020**

**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.

**City of Fort Smith, Arkansas**  
**Combining Statement of Net Position**  
**Governmental Component Units**  
**December 31, 2020**

	Advertising and Promotion Commission	Public Library	Total
<b>Assets</b>			
Cash	\$ 18,011	\$ 991,587	\$ 1,009,598
Investments	395,207	303,399	698,606
Receivables, net of allowance for uncollectibles			
Sales taxes	-	188,972	188,972
Accounts	-	191,470	191,470
Prepaid items	-	66,482	66,482
Capital assets			
Nondepreciable	-	427,132	427,132
Depreciable	-	279,052	279,052
<b>Total Assets</b>	<b>413,218</b>	<b>2,448,094</b>	<b>2,861,312</b>
<b>Deferred outflows of resources</b>			
Deferred outflow related to pension	-	454,205	454,205
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>454,205</b>	<b>454,205</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	13,354	88,670	102,024
Net pension liability	-	1,959,371	1,959,371
<b>Total Liabilities</b>	<b>13,354</b>	<b>2,048,041</b>	<b>2,061,395</b>
<b>Deferred inflows of resources</b>			
Deferred inflow related to pension	-	138,781	138,781
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>138,781</b>	<b>138,781</b>
<b>Net Position</b>			
Net investment in capital assets	-	706,184	706,184
Restricted for:			
Tourism & promotion	399,864	-	399,864
Unrestricted			
Library	-	9,293	9,293
<b>Total Net Position</b>	<b>\$ 399,864</b>	<b>\$ 715,477</b>	<b>\$ 1,115,341</b>

**City of Fort Smith, Arkansas**  
**Combining Statement of Activities – Governmental Component Units**  
**For the Year Ended December 31, 2020**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Fees, Fines, and Charges for Services	Operating Grants and Contributions		Advertising & Promotion Commission	Public Library	Total
Advertising and Promotion Commission	\$ 653,377	\$ -	\$ 53,613	\$ (599,764)	\$ -	\$ (599,764)
Public Library	2,973,705	64,689	157,293	-	(2,751,723)	(2,751,723)
<b>Total</b>	<b>\$ 3,627,082</b>	<b>\$ 64,689</b>	<b>\$ 210,906</b>	<b>(599,764)</b>	<b>(2,751,723)</b>	<b>(3,351,487)</b>
General revenues						
Property taxes				-	1,533,753	1,533,753
Sales taxes				-	1,054,734	1,054,734
Hospitality taxes				631,550	-	631,550
Unrestricted investment earnings (loss)				1,276	1,562	2,838
Other				9,143	165,341	174,484
Total general revenues				641,969	2,755,390	3,397,359
Change in net position				42,205	3,667	45,872
Net position, beginning of year				357,659	711,810	1,069,469
Net position, ending of year				\$ 399,864	\$ 715,477	\$ 1,115,341

**City of Fort Smith, Arkansas**  
**Balance Sheet – Advertising and Promotion**  
**Governmental Component Unit**  
**December 31, 2020**

<b>Assets:</b>	
Cash	\$ 18,011
Investments	<u>395,207</u>
Total Assets	<u><u>\$ 413,218</u></u>
<b>Liabilities and Fund Balance:</b>	
Current:	
Accounts payable and accrued liabilities	<u>\$ 13,354</u>
Total Liabilities	<u>13,354</u>
<b>Fund Balance:</b>	
Restricted for:	
Tourism & promotion	<u>399,864</u>
Total Liabilities and Fund Balance	<u><u>\$ 413,218</u></u>



**City of Fort Smith, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Advertising and Promotion - Governmental Component Unit**  
**For the Year Ended December 31, 2020**

<b>Revenues</b>	
Taxes	\$ 631,550
Interest income	1,276
Intergovernmental	53,613
Other	<u>9,143</u>
Total revenues	<u>695,582</u>
<b>Expenditures</b>	
Other	<u>653,377</u>
Total Expenditures	<u>653,377</u>
Excess of revenues over expenditures	<u>42,205</u>
Net change in fund balance	42,205
Fund Balance, beginning of year	<u>357,659</u>
Fund Balance, end of year	<u><u>\$ 399,864</u></u>

**City of Fort Smith, Arkansas**  
**Statement of Net Position**  
**Business-Type Component Unit**  
**Airport Commission**  
**December 31, 2020**

**Assets**

**Current Assets**

Cash	\$ 2,014,971
Receivables, net of allowance for uncollectibles	
Accounts	155,707
Accrued interest	47,629
Restricted	
Grants and other governments	243,644
Prepaid items and deposits	79,663
Inventory	46,607
	2,588,221
Total Current Assets	2,588,221

**Noncurrent Assets**

Restricted	
Cash	131,603
Investments	5,100,310
Capital assets	
Nondepreciable	8,066,937
Depreciable	27,183,294
	40,482,144
Total Noncurrent Assets	40,482,144
Total Assets	43,070,365

**Liabilities**

**Current liabilities**

Accounts payable and accrued liabilities	425,913
	425,913
Total Current Liabilities	425,913
Total Liabilities	425,913

**Net Position**

Net investment in capital assets	35,250,231
Restricted for capital projects	27,801
Unrestricted	7,366,420
	42,644,452
Total Net Position	\$ 42,644,452

**City of Fort Smith, Arkansas**  
**Statement of Activities – Business-Type Component Units**  
**Airport Commission**  
**For the Year Ended December 31, 2020**

	Program Revenues		
Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Airport Commission	\$ 4,672,639	\$ 2,232,559	\$ 4,652,924
			\$ 2,212,844
General revenues			102,622
Unrestricted investment earnings			2,315,466
Change in net position			40,328,986
Net position, beginning of year, as restated			\$ 42,644,452
Net position, ending of year			\$ 42,644,452

**City of Fort Smith, Arkansas**  
**Statement of Cash Flows – Business-Type Component Units**  
**Airport Commission**  
**For the Year Ended December 31, 2020**

<b>Operating Activities</b>	
Cash received from customers	\$ 1,997,888
Cash payments for goods and services	(1,060,136)
Cash paid to employees	<u>(874,737)</u>
Net cash provided by operating activities	<u>63,015</u>
<b>Noncapital Financing Activities</b>	
Noncapital grants and gifts	<u>3,309,613</u>
Net cash provided by noncapital financing activities	<u>3,309,613</u>
<b>Capital and Related Financing Activities</b>	
Proceeds from capital grants	1,336,713
Passenger facility charges received	192,589
Acquisition and construction of capital assets	(1,641,926)
Principal paid on bonds	(1,700,000)
Interest paid on bonds	<u>(45,264)</u>
Net cash used in capital and related financing activities	<u>(1,857,888)</u>
<b>Investing Activities</b>	
Proceeds from sales and maturities of investment securities	3,778,358
Outlays for purchases of investment securities	(5,100,310)
Income received on investments and cash equivalents	<u>97,139</u>
Net cash used in investing activities	<u>(1,224,813)</u>
<b>Net increase in cash and restricted cash</b>	289,927
<b>Cash and restricted cash, January 1</b>	<u>1,856,647</u>
<b>Cash and restricted cash, December 31</b>	<u><u>\$ 2,146,574</u></u>
<b>Reconciliation of cash and restricted cash at December 31 to statement of net position</b>	
Cash	\$ 2,014,971
Restricted cash	<u>131,603</u>
Total	<u><u>\$ 2,146,574</u></u>

**City of Fort Smith, Arkansas**  
**Statement of Cash Flows – Business-Type Component Units**  
**Airport Commission (Continued)**  
**For the Year Ended December 31, 2020**

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

Operating loss	\$	<u>(2,361,733)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		2,490,055
Change in assets and liabilities		
Accounts receivable		(234,671)
Inventory		(8,421)
Prepaid items		(7,000)
Accounts payable and accrued liabilities		<u>184,785</u>
Total adjustments		<u>2,424,748</u>
Net cash provided by operating activities	\$	<u><u>63,015</u></u>

(This Page Intentionally Left Blank)

# **STATISTICAL SECTION**

# City of Fort Smith, Arkansas

## 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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends (Tables 1-5)</b>	
These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time .....	161
<b>Revenue Capacity (Tables 6-11)</b>	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes .....	167
<b>Debt Capacity (Tables 12-15)</b>	
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 .....	173
<b>Demographic and Economic Information (Tables 16-17)</b>	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place .....	177
<b>Operating Information (Tables 18-20)</b>	
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 .....	179
<b>Continuing Disclosure Requirement Information (Tables 21-22)</b>	
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 .....	182

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



Table 1

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental activities</b>										
Net investment in capital assets	\$ 323,022,637	\$ 323,907,222	\$ 315,027,429	\$ 301,383,411	\$ 301,292,326	\$ 310,422,734	\$ 326,142,910	\$ 337,628,439	\$ 353,386,437	\$ 375,642,857
Restricted	39,016,328	45,995,375	41,087,435	46,649,301	50,358,284	49,252,066	48,938,954	58,722,663	69,471,463	61,701,488
Unrestricted (deficit)	15,010,176	11,588,210	11,619,202	8,929,780	(41,489,044)	(38,495,788)	(28,509,210)	(35,881,319)	(37,520,231)	(27,258,596)
<b>Total governmental activities net position</b>	<b>\$ 377,049,141</b>	<b>\$ 381,490,807</b>	<b>\$ 367,734,066</b>	<b>\$ 356,962,492</b>	<b>\$ 310,161,566</b>	<b>\$ 321,179,012</b>	<b>\$ 346,572,654</b>	<b>\$ 360,469,783</b>	<b>\$ 385,337,669</b>	<b>\$ 410,085,749</b>
<b>Business-Type activities</b>										
Net investment in capital assets	\$ 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	\$ 389,203,590
Restricted	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	6,191,083
Unrestricted (deficit)	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	50,302,949
<b>Total business-type activities net position</b>	<b>\$ 345,094,888</b>	<b>\$ 355,197,157</b>	<b>\$ 383,160,202</b>	<b>\$ 397,909,176</b>	<b>\$ 405,347,178</b>	<b>\$ 433,218,071</b>	<b>\$ 427,841,689</b>	<b>\$ 443,516,555</b>	<b>\$ 443,473,925</b>	<b>\$ 445,697,622</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 764,846,447
Restricted	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	67,892,571
Unrestricted (deficit)	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	23,044,353
<b>Total primary government net position</b>	<b>\$ 722,144,029</b>	<b>\$ 736,687,964</b>	<b>\$ 750,894,268</b>	<b>\$ 754,871,668</b>	<b>\$ 715,508,744</b>	<b>\$ 754,397,083</b>	<b>\$ 767,702,256</b>	<b>\$ 803,986,338</b>	<b>\$ 828,811,594</b>	<b>\$ 855,783,371</b>

Table 2

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 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	\$ 10,208,851
Public safety	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	38,168,513
Public works	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	23,018,234
Community services	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	9,487,352
Interest on long-term debt	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	1,619,133
Total governmental activities expenses	72,090,502	76,911,990	84,109,410	88,903,371	83,128,518	79,541,996	79,326,140	86,764,116	80,254,801	82,502,083
Business-Type Activities:										
Water and Sewer	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	53,675,891
Solid Waste	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	13,699,284
Parking	-	-	-	-	-	-	-	-	308,030	176,885
Total business-type activities expenses	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	67,552,060
Total primary government expenses	\$ 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	\$ 150,054,143
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services										
General government	\$ 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	\$ 3,459,285
Public safety	325,298	358,888	1,430,302	183,031	166,741	174,925	206,292	212,218	1,093,566	1,189,180
Public works	9,535	261,792	421,635	266,627	254,686	335,684	346,439	389,717	198,326	305,509
Community services	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	526,883
Operating grants and contributions	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	15,032,758
Capital grants and contributions	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	3,920,348
Total governmental activities program revenues	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	24,433,963
Business-Type Activities:										
Charges for services										
Water and sewer	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	51,363,114
Solid Waste	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	17,363,969
Parking	638,698	1,245,672	1,968,216	-	-	-	-	-	189,340	123,229
Capital grants and contributions	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	166,707
Total business-type activities program revenues	\$ 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	\$ 93,450,982
Total primary government program revenues	\$ 195,379,010	\$ 205,459,835	\$ 217,159,661	\$ 216,656,815	\$ 220,662,560	\$ 240,316,398	\$ 242,637,433	\$ 247,786,253	\$ 238,284,599	\$ 243,504,945
Net (expense) revenue	\$ (27,185,289)	\$ (24,684,655)	\$ (21,334,647)	\$ (28,352,589)	\$ (18,832,513)	\$ (69,885,673)	\$ (29,358,641)	\$ (27,538,579)	\$ (8,238,661)	\$ (6,549,142)
Governmental activities	\$ (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)	\$ (58,068,120)
Business-Type activities	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	1,464,959
Total primary government net expense	\$ (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)	\$ (56,603,161)

Table 2 (Continued)

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 12,986,093
Sales taxes	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	63,573,016
Gross receipts utility franchise fees	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	6,114,478
Unrestricted grants and contributions	-	55,357	-	-	-	-	-	-	-	-
Unrestricted investment earnings	18,480	474	364,291	85,627	152,888	64,861	317,642	1,220,764	1,419,241	595,603
Other	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	(487,200)
Transfers	(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	34,210
Total governmental activities	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	82,816,200
Business-type activities:										
Unrestricted investment earnings	14,459	61,383	68,600	87,230	80,875	193,749	401,542	1,219,925	1,668,005	790,607
Other	1,403,727	609,901	1,403,727	1,403,727	1,38,309	350,917	762,982	1,099,816	116,099	2,341
Transfers	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)	(34,210)
Total business-type activities	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	758,738
Total primary government	\$ 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	\$ 83,574,938
Changes in Net Position										
Governmental activities	\$ 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	\$ 24,748,080
Business-type activities	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	2,223,697
Total primary government	\$ 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	\$ 26,971,777

Table 3

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Taxes (1)	\$ 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	\$ 82,527,555
Licenses and permits	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	1,909,300
Intergovernmental	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	19,179,822
Fines and forfeitures	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	1,913,464
Charges for services	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	660,864
Investment earnings	18,480	141,141	383,964	185,589	262,136	168,689	442,148	1,380,801	1,455,011	579,362
Contributions	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	26,968
Miscellaneous	470,997	343,630	769,159	367,470	303,595	741,307	585,585	603,372	1,039,724	1,618,768
Total revenues	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	108,416,103
<b>Expenditures</b>										
General government	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	8,312,165
Public safety	31,659,461	31,596,228	34,497,803	33,985,035	36,145,342	33,527,587	32,844,745	36,906,576	33,722,154	35,241,825
Public works	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	11,509,125
Community services	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	6,610,134
Other	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	1,788,980
Capital outlay	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	26,985,117
Debt service	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	14,560,001
Principal	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	2,197,400
Interest	-	349,650	-	400,062	-	-	-	-	-	-
Issuance costs	107,125,787	90,258,848	125,515,391	117,482,021	117,265,582	123,291,645	103,206,180	96,085,337	95,588,982	107,204,747
Total expenditures	(15,780,465)	1,569,689	(30,459,292)	(20,441,416)	(17,755,726)	(13,830,597)	(2,140,295)	7,786,485	9,125,841	1,211,356
Excess (deficiency) of revenues over (under) expenditures	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	2,050,456
Other financing sources and (uses)	(3,077,567)	(76,972,738)	(3,849,710)	(36,937,129)	(1,775,248)	(962,881)	(1,959,000)	(2,963,814)	(867,000)	(3,016,246)
Transfers out	-	6,269,913	-	1,028,741	-	-	-	-	-	-
Premiums on bond issuance	-	110,660,000	-	34,295,000	-	-	-	-	-	-
Bond issuance	-	(63,700,952)	-	-	-	-	-	-	-	-
Escrow deposits	454,632	63,398,489	(217,524)	35,271,741	58,523	97,929	922,246	488,000	10,000	(965,790)
Total other financing sources (uses)	(15,325,833)	64,968,178	(50,676,816)	14,830,325	(17,697,203)	(13,732,668)	(1,218,049)	8,274,485	9,135,841	245,566
Net change in fund balances	26.3%	7.8%	21.8%	20.5%	20.0%	21.2%	22.6%	20.0%	21.8%	20.9%
Debt service as a % of noncapital expenditures										

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

Table 4

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 66,707	\$ 264,783	\$ 44,106	\$ 73,340	\$ 56,438	\$ 190,121	\$ 190,100	\$ 312,081	\$ 336,077	\$ 350,912
Restricted	283,616	-	-	-	-	-	-	-	4,634,601	4,020,868
Assigned	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	292,245
Unassigned	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	26,800,818
Total general fund	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	31,464,843
All other governmental funds										
Nonspendable	526,015	673,709	701,931	339,952	179,311	194,052	641,036	641,036	650,774	50,000
Restricted	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	54,019,061
Committed	443,933	-	-	-	-	-	-	-	-	-
Assigned	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	8,442,230
Unassigned (deficit)	-	-	-	-	-	(3,048)	-	(306,595)	(173,456)	-
Total all other governmental funds	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	62,511,291
Total governmental fund balances	\$ 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	\$ 93,976,134

Table 5

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues	\$ 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	\$ 51,517,343
Expenditures	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	42,634,633
Excess (deficiency) of revenues over (under) expenditures	(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	8,882,710
Other financing sources (uses)	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)	(1,882,302)
Net change in fund balances	(702,209)	939,416	3,005,520	(8,285)	(2,206,621)	5,423,103	2,401,634	3,446,944	3,722,323	7,000,408
Fund balance, January 1	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
Fund balance, December 31	\$ 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	\$ 31,464,843

Table 6

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

Fiscal Year	Ad Valorem Taxes	Sales Taxes (1)	Utility Franchise Fees	Total
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
2020	12,840,061	63,573,016	6,114,478	82,527,555

(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)**

<b>Fiscal Year</b>	<b>1% City Sales &amp; Use Tax Allocated for Street (1)</b>	<b>City Share 1% County Sales &amp; Use Tax (2)</b>	<b>1% or 3/4% City Sales &amp; Use Tax Allocated for Bonds (3)</b>	<b>1/4% City Sales &amp; Use Tax Allocated Fire &amp; Parks (3)</b>	<b>Total</b>	<b>Direct City Tax Rate</b>	<b>Overlapping Sebastian County Tax Rate</b>
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%
2020	22,663,476	18,246,064	16,997,607	5,665,869	63,573,016	2.00%	1.00%
<b>Total</b>	<b>\$ 207,152,410</b>	<b>\$ 163,331,814</b>	<b>\$ 164,332,967</b>	<b>\$ 42,818,974</b>	<b>\$ 577,636,165</b>		

(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 bonds were redeemed in full during 2011. 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 aquatic 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.



**City of Fort Smith, Arkansas**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Total Tax Levy (1)		Current Tax Collections		Percent of Levy Collections		Delinquent Tax Collections		Total Tax Collections		Collection Percent of Current Levy		Outstanding Delinquent Taxes		Outstanding Delinquent Taxes as a Percent of Current Levy	
	\$		\$				\$		\$		%		\$		%	
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%	
2020	12,683,867		10,490,424		82.71%		512,519		11,002,943		86.75%		1,680,924		13.25%	

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

**City of Fort Smith, Arkansas**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year (1)	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual	Direct Tax Rate (per \$100 assessed value)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
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
2020	1,109,800,557	5,549,002,785	409,188,080	2,045,940,400	1,518,988,637	7,594,943,185	20.00%	0.70

(1) Fiscal year is year of valuation.

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

**City of Fort Smith, Arkansas**  
**Property Tax Rates and Tax Levies**  
**All Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
**(Unaudited)**

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

Fiscal Year (1)	Overlapping Rates										Total Direct & Overlapping Rates				
	City of Fort Smith			Sebastian County			FS School District			FS Public Library		Real Property	Personal Property		
	Real Property	Personal Property	0.70	Real Property	Personal Property	0.80	Real Property	Personal Property	3.65	Real Property	Personal Property			0.10	0.10
2011	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2012	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2013	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2014	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2015	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2016	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2017	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2018	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2019	0.70	0.70	0.70	0.80	0.80	0.80	3.65	3.65	3.65	0.10	0.10	0.10	0.10	5.25	5.25
2020	0.70	0.70	0.70	0.80	0.80	0.80	4.21	4.21	4.21	0.10	0.10	0.10	0.10	5.81	5.81

(1) Fiscal year is year of levy.

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

Name of Taxpayer (1)	2020			2011		
	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation
Oklahoma Gas & Electric Co.	\$ 32,072,525	1	2.11%	\$ 17,248,550	1	1.33%
Mercy Medical Center	18,584,230	2	1.22%			
ABB (formerly Baldor Electric Company)	17,899,880	3	1.18%	12,485,106	4	0.96%
Gerber Products Company	16,545,850	4	1.09%			
Dixie Consumer Products	16,375,535	5	1.08%			
Wal-Mart/Sam's Club	16,199,735	6	1.07%	12,449,620	5	0.96%
OK Foods, Inc	13,708,490	7	0.90%	9,218,488	10	0.71%
AT&T Mobility/Southwestern Bell Telephone	12,540,590	8	0.83%	12,922,261	3	1.00%
Kraft Heinz Foods Company	12,517,270	9	0.82%			
Arkansas Oklahoma Gas Corp	9,458,120	10	0.62%			
Stephens Production				11,689,084	7	0.90%
Whirlpool Corporation				10,095,695	9	0.78%
Fort Smith Health Management Assoc., LLC				16,395,252	2	1.27%
Quanex Corporation				12,971,163	6	1.00%
Cellco Partnership				10,975,591	8	0.85%
	<u>\$ 165,902,225</u>		<u>10.92%</u>	<u>\$ 126,450,810</u>		<u>9.77%</u>

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2020 are based upon 2019 assessed valuation of \$1,492,219,685. Property taxes collected in 2011 were based upon the 2010 assessed valuation of \$1,210,059,387

Table 12

**City of Fort Smith, Arkansas**  
**Computation of Direct and Estimated Overlapping Debt**  
**December 31, 2020**  
**(Unaudited)**

Taxing Jurisdiction	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Fort Smith	\$ 46,551,626	100%	\$ 46,551,626
Overlapping:			
Fort Smith Special School District	180,310,491	100%	180,310,491
Greenwood School District	39,550,456	5%	1,977,523
Sebastian County	-	76%	-
Total Overlapping	<u>219,860,947</u>		<u>182,288,014</u>
Total direct and estimated overlapping bonded debt	<u>\$ 266,412,573</u>		<u>\$ 228,839,640</u>
Ratio, direct and estimated overlapping debt to fiscal 2020 assessed valuation (3)			15.5%
Per capita direct and estimated overlapping bonded debt (4)			<u>\$ 2,604</u>

(1) Excluding self-supporting debt.

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

(3) From Table 9, \$1,518,988,637

(4) Based on the estimated population for 2020 in Table 16.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net assessed value (1)	\$ 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	\$ 1,518,988,637
Plus exempt property (2)	-	-	-	-	-	-	-	-	-	-
Total assessed value	\$ 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	\$ 1,518,988,637
Debt limit - 25% of total assessed value (3)	\$ 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	\$ 379,747,159
Amount of debt applicable to	-	-	-	-	-	-	-	-	-	-
Debt Margin	\$ 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	\$ 379,747,159

(1) From Table 9.

(2) Not available

(3) Limitation is established by state statute.

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

From final property tax abstract

Table 14

**City of Fort Smith, Arkansas**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita
	Sales Tax Bonds	Notes Payable	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases	Government Income (1)			
2011	\$ 52,894,533	\$ -	\$ -	\$ 179,222,398	\$ -	\$ -	\$ 677,219	\$ 232,794,150	2.4%	2,671
2012	115,161,914	-	294,355	174,755,817	-	-	910,196	291,122,282	3.1%	3,329
2013	101,838,920	-	160,439	168,766,139	-	1,066,493	-	230,042,219	2.4%	2,631
2014	125,361,084	-	281,239	162,626,345	-	355,190	-	282,394,551	3.0%	3,238
2015	113,634,511	-	173,163	188,028,416	-	-	-	301,836,090	3.2%	3,452
2016	101,722,935	-	88,100	184,391,017	-	-	-	286,202,052	2.9%	3,245
2017	88,916,358	-	-	177,146,166	-	-	-	266,062,524	2.7%	3,004
2018	75,694,781	-	-	250,475,721	-	-	-	326,170,502	3.4%	3,718
2019	61,598,204	-	-	242,455,231	-	-	-	304,053,435	3.2%	3,459
2020	46,551,626	-	-	233,008,123	-	-	-	279,559,749	NA	3,181

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

(1) See Table 16 for the personal income and population data.

## City of Fort Smith, Arkansas Revenue Bonds Debt Service Coverage Last Ten Fiscal Years (Unaudited)

Fiscal Year	Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
				Principal	Interest (3)	Total	
<b>Water and Sewer System</b>							
2011	\$ 40,820,838	\$ 20,759,793	\$ 20,061,045	\$ 6,170,000	\$ 8,828,313	\$ 14,998,313	134%
2012	41,080,985	22,019,792	19,061,193	4,045,000	7,968,048	12,013,048	159%
2013	37,841,132	22,867,856	14,973,276	5,705,000	7,896,016	13,601,016	110%
2014	36,176,568	23,037,349	13,139,219	5,870,000	7,728,715	13,598,715	97%
2015	43,646,523	24,179,774	19,466,749	6,085,000	7,567,304	13,652,304	143%
2016	53,684,097	26,705,909	26,978,188	6,675,000	7,836,058	14,511,058	186%
2017	55,851,653	27,161,854	28,689,799	6,275,000	7,374,703	13,649,703	210%
2018	59,882,546	29,019,604	30,862,942	6,170,000	7,720,005	13,890,005	222%
2019	53,398,509	28,328,815	25,069,694	6,360,000	10,468,211	16,828,211	149%
2020	51,943,983	28,852,095	23,091,888	7,930,000	9,958,090	17,888,090	129%
<b>Solid Waste System</b>							
2011	12,675,503	10,142,163	2,913,822	1,060,000	21,465	1,081,465	264%
2012	12,927,934	10,925,530	2,533,340	-	-	-	N/A
2013	15,278,747	10,820,344	4,458,403	-	-	-	N/A
2014	13,638,922	11,598,608	4,458,403	-	-	-	N/A
2015	13,827,406	10,846,954	2,980,452	-	-	-	N/A
2016	14,857,037	10,181,649	4,675,388	-	-	-	N/A
2017	14,972,614	11,868,266	3,104,348	-	-	-	N/A
2018	17,107,962	10,977,441	6,130,521	-	-	-	N/A
2019	16,325,938	12,113,768	4,212,170	-	-	-	N/A
2020	17,739,695	12,020,838	5,718,857	-	-	-	N/A

(1) For purposes of this schedule, revenue includes operating revenue, interest revenue, and gross other nonoperating revenue.  
 (2) Excludes depreciation expense and amortization expense.  
 (3) Total interest paid for the fiscal year is presented in this schedule for revenue bonds only and it does not include capitalized interest or accrued interest.

2020 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	\$ 9,958,090
Bond expenses	(1,256,742)
Accrued interest - 12/31/19	(2,489,524)
Accrued interest - 12/31/20	2,420,054
Interest expense and fiscal charges - statement of revenues, expenses, and changes in fund net position	\$ 8,631,878



**City of Fort Smith, Arkansas**  
**Demographic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	City Population (1)	County Population (1)	Personal		Per Capita Income (2)	Median Age (3)	Education Level in Years of Schooling	School Enrollment (4)	Unemployment Rate (2)	
			Income (2)	(in thousands)						
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		9,612,004		38,382	35.0	12	14,788	3.2%
2020	89,142	127,799		NA		NA	36.5	12	14,788	4.5%

Data Sources:

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

Table 17

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

Employer	2020			2011		
	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	1.5%
Mercy-Fort Smith (formerly St Edward Mercy Medical Center)	3,100	2	2.6%	1,487	5	1.2%
Fort Smith Public Schools	2,200	3	1.8%	1,783	4	1.5%
Baptist Health (formerly Sparks Health Systems)	1,806	4	1.5%	2,400	1	2.0%
ArcBest	1,662	5	1.4%	936	8	0.8%
ABB (formerly Baldor Electric Company)	1,614	6	1.4%	2,393	2	2.0%
University of Arkansas at Fort Smith	1,162	8	1.0%	951	7	0.8%
City of Fort Smith	1,064	7	0.9%	914	9	0.8%
Bost, Inc.	1,000	9	0.8%			
Rheem Mfg.	900	10	0.8%	900	10	0.8%
188th Air National Guard				1,100	6	0.9%
<b>Total</b>	<b>17,691</b>		<b>14.9%</b>	<b>14,664</b>		<b>12.3%</b>

Data Sources:

Chamber of Commerce

U.S. Department of Labor, employment totals:

2020	2006	119,100
2011		109,900

Table 18

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	127	126	126	125	126	132	134	138	137	138
Public safety:										
Police										
Officers	170	163	163	163	162	164	163	163	163	163
Civilians	59	59	59	59	59	55	55	52	54	52
Fire										
Firefighters and officers	129	129	149	149	149	149	149	149	149	149
Civilians	3	3	3	3	3	3	3	4	4	4
Public works:										
Operations	5	5	5	5	5	5	5	5	5	5
Streets	46	46	54	54	53	53	54	52	54	52
Traffic control	13	13	13	13	13	14	13	14	14	14
Parks and recreation	58	58	64	64	63	61	64	58	57	57
Transit	36	36	35	34	33	33	33	34	34	34
Water and sewer	189	191	192	196	223	264	270	302	303	302
Solid Waste	78	78	78	78	79	88	86	91	91	92
<b>Total</b>	<b>913</b>	<b>907</b>	<b>941</b>	<b>943</b>	<b>968</b>	<b>1,021</b>	<b>1,029</b>	<b>1,062</b>	<b>1,065</b>	<b>1,062</b>

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	36	32	41
Fire:										
Stations	10	10	11	11	11	11	11	11	11	11
Apparatus	21	18	17	17	17	30	27	27	27	29
Streets										
Streets (miles)	590	590	590	590	590	503	505	505	505	505
Streetlights	6,053	6,053	6,053	6,053	6,600	6,778	6,053	6,200	6,700	6,700
Traffic signals	149	149	149	149	150	151	149	154	154	154
Parks and recreation										
Parks acreage (square feet)	273	273	273	276	286	325	325	536	690	686
Parks	25	25	25	26	28	28	28	28	29	33
Trails and greenways	-	-	-	-	-	-	-	-	4	5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	1	1	2	2	2	4	4	4
Tennis courts	12	12	12	12	12	12	12	12	12	12
Skatepark	1	1	1	1	1	1	1	2	2	2
Community centers	5	5	5	5	5	5	5	5	5	5
Convention center -										
Theater -seats	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Theater -area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Exhibit Hall -area (square feet)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transit buses	20	20	20	19	16	16	16	16	16	14
Water and sewer										
Water mains (miles)	626	626	626	626	702	702	720	721	725	718
Average daily production capacity										
(thousands of gallons)	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400
Average daily consumption (thousands of gal										
Sanitary sewers (miles)	500	500	545	545	516	522	500	562	543	644
Solid Waste										
Collection trucks	53	45	45	45	45	44	44	44	43	46
Landfill capacity (in cubic yards)	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	48,989,307

NA - not available

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Physical arrest	8,820	9,324	8,781	8,155	9,026	9,854	9,521	8,621	7,485	5,212
Parking violations	5,984	5,649	5,312	4,320	5,197	4,904	1,991	1,723	2,254	238
Traffic violations	14,841	14,841	14,946	11,343	14,165	11,657	18,389	16,777	13,121	15,410
Fire										
Number of calls answered	8,158	8,793	8,688	10,148	10,071	10,223	10,763	11,337	11,873	9,931
Transit										
Passenger trips	198,165	206,329	215,591	204,097	194,869	190,418	191,124	204,695	207,629	139,421
Water and sewer										
New connections	371	299	314	269	246	325	283	305	311	333
Average daily production (thousands of gal)	30,532	28,554	26,850	22,137	26,859	28,767	26,859	29,182	29,065	30,358
Average daily sewage flow (thousands of g)	17,421	15,200	14,684	17,100	21,040	15,030	15,010	16,660	20,530	20,023
Solid Waste										
Waste disposal (cubic yards/day)	1,052	1,352	1,024	1,024	1,024	1,533	2,368	1,169	1,197	1,061

Table 21

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

Fiscal Year	Annual # Solid Waste System Customers	Cubic Yardage of Waste at Landfill	Useful Life of Landfill Remaining (1)	Remaining Storage Capacity at Landfill
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
2020	544,245	3,189,013	2 yrs	48,989,307 cubic yards

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

(This Page Intentionally Left Blank)

Table 22

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

Fiscal Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons	Average Daily Sewage Flow in Gallons
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
2020	20,158,764	39,767,000	7,357,437,208	20,023,000

<b>Water Customers</b>					
Fiscal Year	Residential	Commercial	Wholesale	Other	Total
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
2020	30,470	4,430	13	215	35,128

<b>Sewer Customers</b>					
Fiscal Year	Residential	Commercial	Government	Other	Total
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
2020	28,248	3,676	87	50	32,061



**Table 22 (Continued)**

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

<b>For 2020:</b>					<b>% of Gross</b>
	<b>Entity</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	<b>Revenues</b>
	Van Buren Water Dept	\$ 3,234,455	\$ -	\$ 3,234,455	6.92%
	OK Foods Inc	2,425,999	246,216	2,672,215	5.72%
	Gerdau Macsteel Div	265,867	1,181,961	1,447,827	3.10%
	Cedarville Water Usr	1,115,546	-	1,115,546	2.39%
	Arkoma Water Co	135,432	560,698	696,130	1.49%
	DBA Sparks Regional Medical Center	218,109	420,852	638,961	1.37%
	Hwy 71 Water Dist. No 1	610,938	-	610,938	1.31%
	Simmons Prepared Foods	126,137	444,107	570,243	1.22%
	St Edwards Medical Center	179,121	338,059	517,180	1.11%
	Gerber Products Co	515,077	-	515,077	1.10%
	<b>Top Ten Users</b>	<b>\$ 8,826,681</b>	<b>\$ 3,191,893</b>	<b>\$ 12,018,574</b>	<b>25.73%</b>

## 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, 2020:

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

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's assertion 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.

In our opinion, management's assertion that the City of Fort Smith, Arkansas, complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2020, 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.

*BKD, LLP*

Fort Smith, Arkansas  
September 22, 2021