

City of Fort Smith, Arkansas

Comprehensive Annual Financial Report

Year Ended December 31, 2021

Prepared By the

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

City Board of Directors

George B. McGill, Mayor

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Robyn Dawson
Kevin Settle
Neal Martin

City Administrator
Carl Geffken

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City of Fort Smith, Arkansas

Year Ended December 31, 2021

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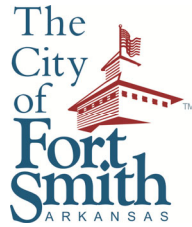
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INTRODUCTORY SECTION

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June 30, 2022

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

Arkansas law allows cities to choose to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The City has exercised this option. Accordingly, we hereby issue the comprehensive annual financial report of the City of Fort Smith for the fiscal year ended December 31, 2021.

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

The City's financial statements have been audited by FORVIS, 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, 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. FORVIS, 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, 2021. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the City

Fort Smith is located in western Arkansas on the border of Oklahoma and is the 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 2021 increased 15% over 2020 revenue. This was compared to a 4% increase in 2020 over 2019. The local economy growth is positive.

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, 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 welcomed students in the spring 2022 semester.

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) graduated its inaugural class of 145 osteopathic medical students in spring 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 began January 2022. The School of Physical Therapy welcomed its first class of 36 students in June 2021. The ACHE campus has become a center of development in the River Valley. Part of this development includes the Heritage Community. ACHE officials broke ground December 15, 2021 on a 78,131 square foot, \$22.5 million commercial building at the Village at Heritage. This building will hold commercial businesses on the ground floor and student housing on the second and third levels. 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. ACHE announced the purchase of the former headquarters of Golden Living. This space will become

the new home of the ACHE Wellness Institute and Medical Research Center. It will be the largest research institution of any Osteopathic School in the nation. ACHE has requested to purchase more land from the Chaffee Trust. ACHE received an anonymous gift of \$32 million to promote a culture of health for the region. The donation will support a holistic approach to health and wellness and will include partnerships with public schools, art centers, community gardens and Brightwater, an academic department of Northwest Arkansas Community College. The partnership between ACHE and Brightwater will present an opportunity for a culinary arts degree.

The newly built Fort Smith VA Clinic opened in spring 2022. The \$6.9 million clinic now offers primary care, mental health, lab, X-ray, optometry, home-based primary care, the VA Supportive Housing Program and pharmacy. The 34,000 square foot clinic will also provide CT and audiology in the future. The new clinic tripled the exam and consult rooms from 9 to 27 rooms.

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. University of Arkansas Fort Smith occupies approximately 10,000 square feet of space for the Family Enterprise Center and the Center for Business for Professional Development as well as the Arkansas Small Business and Technology Development Center. The next phase of this project will bring a pub and bistro.

Hytrol announced plans to invest more than \$20 million to open a manufacturing operation that will employ up to 250 people within five years. A few short months later, Hytrol announced it would introduce another product line to the Fort Smith facility. This line will require another 100 new positions.

Mars Petcare announced a \$145 million expansion plan to its current facility. The expansion is expected to create more than 120 jobs. The company announced a second expansion in September of 2021 for a 47,000 square foot warehouse and adds two additional production lines with an investment of an additional \$117 million and it is expected to create an additional 140 new full-time jobs. This addition will increase production capacity by more than 75 percent.

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.

Construction began on the emergency room and intensive care unit expansion of Mercy Hospital Fort Smith. The estimated cost is \$162 million with completion estimated in 2024. The Fort Smith hospital will expand its emergency room from 29 to 50 rooms and increase ICU capacity from 38 to 64.

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

Downtown Fort Smith continues to experience a revitalization by creating sustainable downtown growth through increased residential and commercial spaces, walkability, and more entertainment and cultural amenities. The City is participating in the Main Street Arkansas Program. The program was established to help cities and towns develop a public-private effort to revitalize urban 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 2019. 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 FORVIS, LLP. In closing, we acknowledge the contributions of the Mayor, Board of Directors, Tracey Shockley, Director of Internal Auditor, and the Audit Advisory Committee members who have consistently supported the City's goal of excellence in all aspects of financial management and reporting. Their encouragement and support is greatly appreciated.

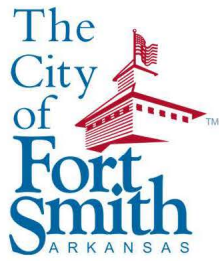
Respectfully submitted,



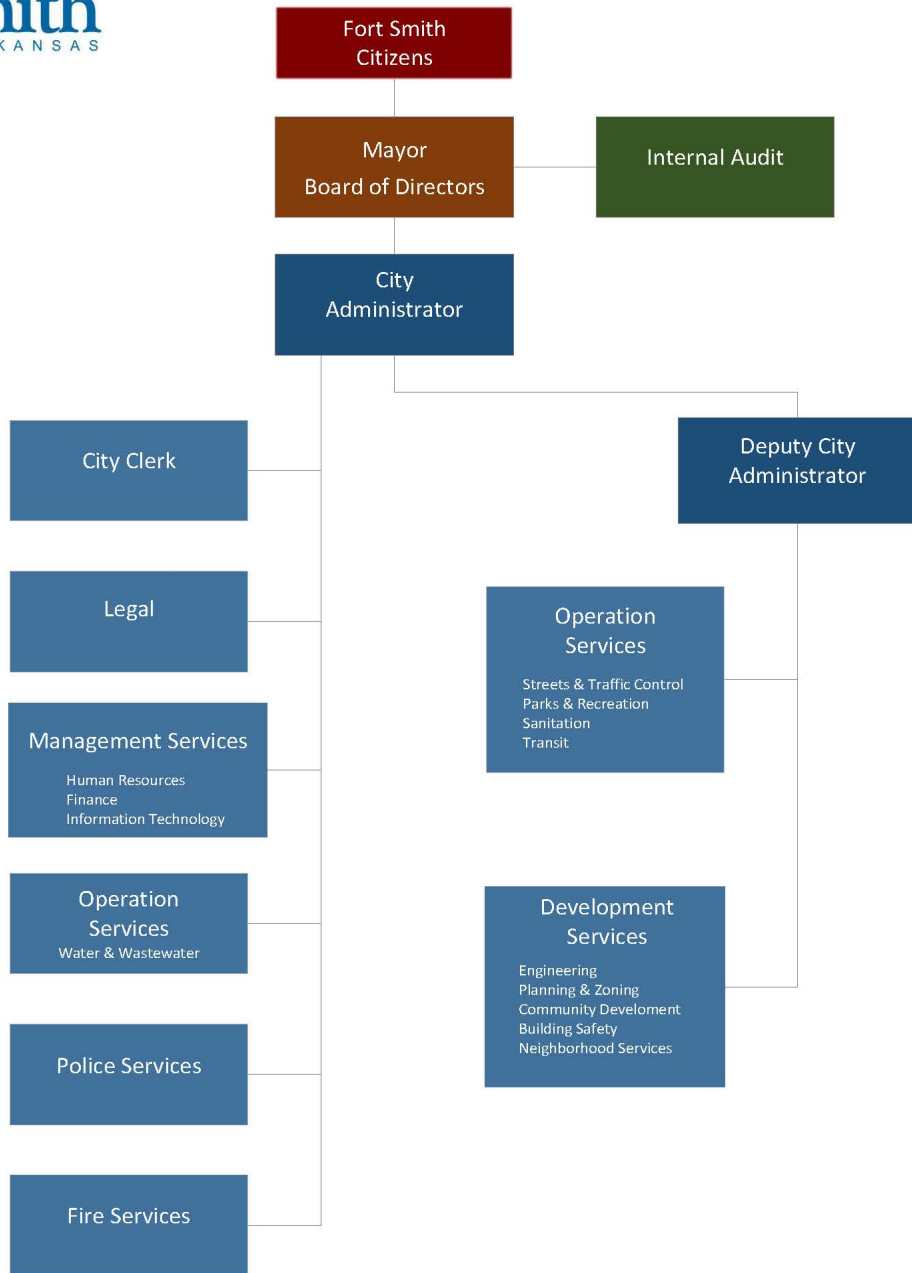
Carl Geffken
City Administrator



Andrew Richards
Director of Finance



City of Fort Smith Plan of Organization



City of Fort Smith, Arkansas
List of Elected and Appointed Officials
December 31, 2021

Elected Officials

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

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	Steve Dimmitt (interim)
Internal Audit	Tracey Shockley
Library	Jennifer Goodson
Parks and Recreation	Doug Reinert
Police	Danny Baker
Sanitation	Vacant
Streets and Traffic Control	Matt Meeker
Transit	Ken Savage
Utilities (Water & Sewer)	Lance McAvoy

FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Smith, Arkansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, the aggregate remaining fund information of the City of Fort Smith, Arkansas, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Fort Smith Public Library, a discretely presented component unit of the City of Fort Smith, Arkansas, which represent 78%, 61%, and 78% of the assets, net position and revenues, respectively, of the aggregate discretely presented governmental activities component units as of December 31, 2021. 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 discretely presented component units, is based solely on the report of the other auditor.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

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

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

FORVIS,LLP

Fort Smith, Arkansas
June 30, 2022

City of Fort Smith, Arkansas

Management's Discussion and Analysis

December 31, 2021

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, 2021. 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 2021 by \$895.3 million (net position). Of this amount, \$786.4 million was invested in capital assets, net of related debt; \$72.1 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 \$36.8 million. The City's governmental activities have a deficit in unrestricted net position of (\$24.4) million. The negative unrestricted net position of the governmental activities is due primarily to the \$66.3 million balance in net pension liabilities at year-end. The City's business-type activities have unrestricted net position of \$61.3 million.
- The City's total net position increased by \$39.6 million in 2021. Net position of the governmental activities increased by \$33.1 million in 2021 compared to a net increase of \$24.7 million in 2020. The City's net position of the business-type activities increased by \$6.5 million in 2021 compared to a net increase of \$2.2 million in 2020.
- At the end of 2021, the City's governmental funds reported combined ending fund balances of \$103.3 million, an increase of \$9.3 million from the prior year. The restricted portion of the fund balances is \$65.6 million. The remaining fund balances are classified as nonspendable of \$1.1 million; assigned of \$10.8 million; and unassigned of \$25.7 million.
- At the end of 2021, the unassigned fund balance for the General Fund was \$26.1 million or 51.9% of total General Fund expenditures and transfers out. There was an increase of \$2.0 million in total general fund balance between years.
- The City's total bonded indebtedness decreased (\$26.0) million during the current year to \$230.3 million.
- The City's governmental component units reported net position of \$2.1 million at December 31, 2021 which was \$1.1 million for 2020.
- The City's business-type component units reported net position of \$54.3 million at December 31, 2021 which was a \$11.7 million increase from 2020.

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 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance Fund, Sales Tax Fund, LOPFI Contribution Fund, the Special Grants Fund and the Sales and Use Tax Bond Fund that are considered to be major funds. Data from the other four (4) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 143,030,350	\$ 120,585,740	\$ 127,448,684	\$ 130,437,771	\$ 270,479,034	\$ 251,023,511
Capital assets	431,042,887	425,856,042	569,096,373	571,227,608	1,000,139,260	997,083,650
Total assets	574,073,237	546,441,782	696,545,057	701,665,379	1,270,618,294	1,248,107,161
Total deferred outflows of resources	13,190,721	16,857,213	2,558,203	2,913,667	15,748,924	19,770,880
Long-term liabilities	96,311,860	120,231,004	224,276,554	237,850,086	320,588,414	358,081,090
Other liabilities	28,835,379	16,719,208	17,514,175	15,115,512	46,349,554	31,834,720
Total liabilities	125,147,239	136,950,212	241,790,729	252,965,598	366,937,968	389,915,810
Total deferred inflows of resources	18,959,679	16,263,034	5,130,605	5,915,826	24,090,284	22,178,860
Net position:						
Net investment in capital assets	400,256,391	375,642,857	386,177,195	389,203,590	786,433,586	764,846,447
Restricted	67,339,948	61,701,488	4,746,700	6,191,083	72,086,648	67,892,571
Unrestricted	(24,439,299)	(27,258,596)	61,258,031	50,302,949	36,818,732	23,044,353
Total net position	\$ 443,157,040	\$ 410,085,749	\$ 452,181,926	\$ 445,697,622	\$ 895,338,966	\$ 855,783,371

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 \$895.3 million at the close of 2021.

The largest portion of the City’s net position \$786.4 million or 87.8% reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8.1%) represents resources that are subject to restrictions as to how they may be used. Of the total \$72.1 million restricted net position, \$22.4 million is restricted for bond retirement, \$41.6 million is restricted for construction projects, \$637.8 thousand is restricted for police and fire retirement contribution, \$4.7 million is restricted for parks and recreation and \$443.2 million is restricted for other purposes. The remaining balance of net position is \$36.8 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 \$66.3 million.

The City's net position increased by \$39.6 million during 2021. 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	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 6,157,731	\$ 5,480,857	\$ 74,124,408	\$ 68,850,312	\$ 80,282,139	\$ 74,331,169
Operating grants and contributions	10,719,284	15,032,758	-	-	10,719,284	15,032,758
Capital grants and contributions	6,858,380	3,920,348	93,000	166,707	6,951,380	4,087,055
	<u>23,735,395</u>	<u>24,433,963</u>	<u>74,217,408</u>	<u>69,017,019</u>	<u>97,952,803</u>	<u>93,450,982</u>
General revenues						
Property taxes	13,717,431	12,986,093	-	-	13,717,431	12,986,093
Sales taxes	73,323,540	63,573,016	-	-	73,323,540	63,573,016
Utility franchise fees	7,079,057	6,114,478	-	-	7,079,057	6,114,478
Unrestricted investment earnings	29,401	595,603	(31,180)	790,607	(1,779)	1,386,210
Other	280,427	(487,200)	3,867	2,341	284,294	(484,859)
	<u>118,165,251</u>	<u>107,215,953</u>	<u>74,190,095</u>	<u>69,809,967</u>	<u>192,355,346</u>	<u>177,025,920</u>
Expenses						
General government	15,180,499	10,208,851	-	-	15,180,499	10,208,851
Public safety	37,401,924	38,168,513	-	-	37,401,924	38,168,513
Public works	20,015,919	23,018,234	-	-	20,015,919	23,018,234
Community services	11,237,602	9,487,352	-	-	11,237,602	9,487,352
Interest on long-term debt	1,030,482	1,619,133	-	-	1,030,482	1,619,133
Water and sewer	-	-	54,963,014	53,675,891	54,963,014	53,675,891
Sanitation	-	-	12,746,048	13,699,284	12,746,048	13,699,284
Parking	-	-	224,262	176,885	224,262	176,885
	<u>84,866,425</u>	<u>82,502,083</u>	<u>67,933,324</u>	<u>67,552,060</u>	<u>152,799,749</u>	<u>150,054,143</u>
Change in net position before transfers	33,298,826	24,713,870	6,256,771	2,257,907	39,555,597	26,971,777
Transfers	(227,533)	34,210	227,533	(34,210)	-	-
Increase in net position	33,071,293	24,748,080	6,484,304	2,223,697	39,555,597	26,971,777
Net Position – beginning of year	<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>
Net Position – end of year	<u>\$ 443,157,042</u>	<u>\$ 410,085,749</u>	<u>\$ 452,181,926</u>	<u>\$ 445,697,622</u>	<u>\$ 895,338,968</u>	<u>\$ 855,783,371</u>

Governmental Activities. During the current year, net position for governmental activities increased \$33.1 million from the prior year for an ending balance of \$443.2 million. The increase in the overall net position of governmental activities is the primary result of \$33.6 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.

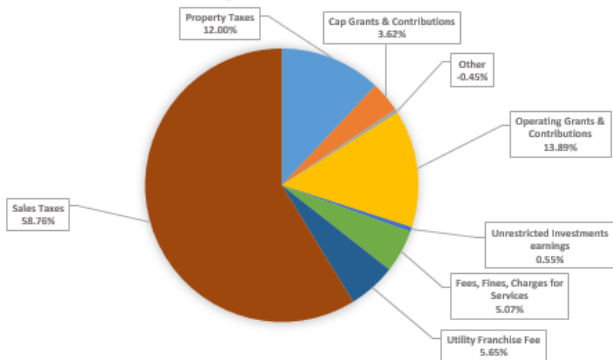
- Revenues from sales taxes increased \$9.8 million to \$73.3 million or 15.3%.
- Revenues from property taxes (\$13.7 million) increased \$731.3 thousand or 5.6%.
- Unrestricted investment earnings decreased (\$566.2) thousand from the prior year primarily due to the decline of investment interest rates during 2021.
- Operating grants and contributions decreased (\$4.3) million or 28.7% to \$10.7 million in 2021, 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 \$2.37 million to \$84.9 million or 2.9% from prior year. The increase in total expenses is primarily attributed to \$1.9 million in expenses related to funding a portion the Airport’s runway extension project. The City has committed to funding up to \$5 million towards the runway project.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

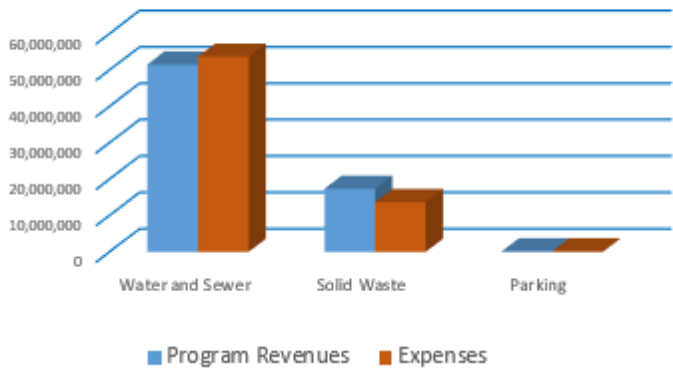


Business-Type Activities. Net position for City’s business-type activities increased by \$6.5 million during the current year, reaching an ending balance of \$452.2 million. Key elements of the increase are as follows:

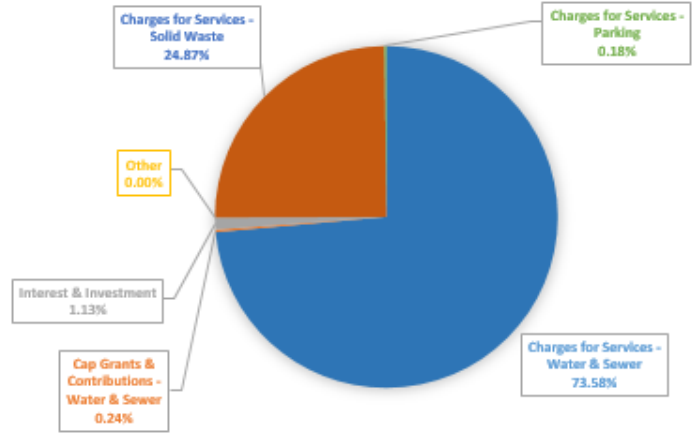
- The water and sewer system net position increased by \$214.7 thousand. The operating income for the system totaled \$8.1 million in 2021.
- The solid waste system added \$5.8 million to the increase in total net position. The operating income for the system in 2021 totaled \$5.8 million.
- Water and sewer system service charges contribute 74.5% 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 \$13.8 million. Operating expenses increased from 2020 by \$0.4 million or 0.6%.

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, 2021, the City's governmental funds reported combined ending fund balances of \$103.3 million, an increase of \$9.3 million in comparison with the prior year. Of this amount, \$65.6 million represents restricted fund balance for construction projects, debt service coverage, police and fire retirement contributions, and other purposes. Approximately \$1.1 million of the fund balances is non-spendable. A portion of the fund balance, \$10.8 million, is assigned for specific uses by the City. The remainder of the balance, \$25.7 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, 2021, unassigned fund balance of the General Fund was \$26.1 million, while the total fund balance was \$33.5 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 51.9% of total General Fund expenditures, including transfers out, while total fund balances represent 66.5% of that same amount. There was an increase of \$2.0 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 \$10.5 million of total fund balance, an increase of \$2.5 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 \$8.5 million assigned for street construction and \$2.0 million assigned for other purposes. This fund accounts for 10.2% of the total governmental fund balances.

The Sales Tax Fund, a special revenue fund, is presented as a major fund and accounts for 38.2% of the total governmental fund balances or \$39.4 million. Revenues include a one percent (1%) local sales tax dedicated to streets, bridges and associated drainage. Fund balance increased \$3.7 million during the year. Expenditures decreased (\$7.0) million over the prior year and are primarily related to street construction.

LOPFI Contribution Fund, a special revenue fund, is presented as a major fund and accounts for 0.6% of the total government fund balances. Revenues include a dedicated Property Tax and Insurance Turnback Revenues for police and fire pension contributions. Fund balance decreased \$0.2 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, \$1.5 million was transferred from the City's General Fund to provide additional funds to make the required pension contributions during the year.

The Special Grants Fund, a special revenue fund, is presented as a major fund and accounts for 1.3% of the total government fund balance. At year end, the fund held \$10.7 million in cash and unearned revenue related to the City's first tranche of funds received from the Coronavirus State and Local Fiscal Recovery Fund established by *The American Rescue Plan Act of 2021*. These funds are available for use for eligible City expenditures through 2024.

The Sales & Use Tax Bond Fund had an increase in fund balance of \$1.0 million during the year to \$18.2 million. The City exercised an extraordinary redemption of \$8.7 million from bonds outstanding during the year from surplus tax receipts. This fund accounts for 17.6% of the total governmental fund balances.

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 \$407.5 million and \$40.8 million for the Water and Sewer Fund and the Solid Waste Fund, respectively. The change in net position was a \$0.2 million increase for the Water and Sewer Fund and a \$5.8 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 \$62.3 million (total expenditures plus transfers out).

Revenue estimates for the General Fund (\$53.5 million) exceeded the original budget of \$46.6 million (total revenues plus transfers in).

Total actual revenue, including transfers in, for the General Fund was \$52.3 million which was consistent with the final budget estimates.

Total actual expenditures, including transfers out, was (\$12.0) 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, 2021 amounts to \$1,000.1 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 0.3%, a 1.2% increase for governmental activities and a 0.4% decrease for business-type activities.

City of Fort Smith

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 27,897,134	\$ 27,760,139	\$ 16,895,107	\$ 16,340,850	\$ 44,792,241	\$ 44,100,989
Buildings	52,583,419	53,982,259	5,639,989	5,550,887	58,223,408	59,533,146
Water System	-	-	266,881,022	269,736,524	266,881,022	269,736,524
Sewer System	-	-	235,774,101	238,382,376	235,774,101	238,382,376
Improvement other than buildings	14,747,135	12,990,920	1,885,173	1,590,174	16,632,308	14,581,094
Infrastructure	295,918,347	277,233,646	-	-	295,918,347	277,233,646
Machinery and equipment	18,424,410	19,648,375	16,887,906	19,316,068	35,312,316	38,964,443
Construction in progress	21,472,442	34,240,703	25,133,075	20,310,729	46,605,517	54,551,432
Total	<u>\$ 431,042,887</u>	<u>\$ 425,856,042</u>	<u>\$ 569,096,373</u>	<u>\$ 571,227,608</u>	<u>\$ 1,000,139,260</u>	<u>\$ 997,083,650</u>

Major capital asset events during 2021 included the following:

- Net decrease to construction in progress totaled (\$7.9) million. Of this amount, water and wastewater improvements accounted for an increase of \$5.3 million and the general government and streets increased by (\$12.8) million.
- Net additions to infrastructure totaled \$18.7 million due to annual depreciation (\$11.5 million) and the amount of completed street projects (\$33.6 million) during 2021.
- Net decrease to the sewer system totaled (\$2.9) million and net decrease to the water system totaled (\$2.6) million in 2021.
- Depreciation expense totaled \$36.6 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, 2021, the City had \$230.3 million of long-term bonds outstanding, including \$203.8 million of bonds secured solely by specified revenue sources, (*i.e.* revenue bonds).

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

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Sales and Use Tax Bonds	\$ 26,525,000	\$ 43,495,000	\$ -	\$ -
Revenue Bonds	-	-	203,795,000	212,865,000
Total	<u>\$ 26,525,000</u>	<u>\$ 43,495,000</u>	<u>\$ 203,795,000</u>	<u>\$ 212,865,000</u>

The City's total bonded debt decreased by (\$26.0) million or 10.2% during 2021. Key factors in this decrease were the regularly scheduled bond redemptions as well as \$8.7 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 \$390.7 million. The City has no general obligation debt at December 31, 2021. 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 2.2%, compared to 4.5% in 2020. The state unemployment rate for 2021 was 3.3% and the national was 3.9%.
- The City expects tax revenue for 2022 to remain consistent with 2021.

These factors were considered when the City prepared its 2022 Budget.

The Board of Directors considered these factors when making spending priorities going into the 2022 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 2022 was approved at \$49.5 million for regular programs and \$9.7 million for Sales Tax programs. Continued efforts are being made to control spending and reduce costs where appropriate.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance's Office, Suite 512, 623 Garrison Avenue, Fort Smith, Arkansas 72903.

City of Fort Smith, Arkansas
Statement of Net Position
December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Assets					
Cash and cash equivalents	\$ 54,247,444	\$ 20,852,326	\$ 75,099,770	\$ 1,761,722	\$ 3,446,173
Investments	49,035,430	44,942,638	93,978,068	698,621	-
Receivables, net					
Property taxes and utility franchise fees	15,537,095	-	15,537,095	-	-
Sales taxes	4,685,444	-	4,685,444	218,340	-
Accounts	411,584	8,582,743	8,994,327	71,345	-
Interest	-	-	-	-	18,058
Due from other governments	2,056,767	64,000	2,120,767	-	1,259,789
Internal balances	(2,295,501)	2,295,501	-	-	-
Inventories	41,258	1,412,042	1,453,300	-	82,360
Prepays and deposits	1,120,101	268,197	1,388,298	64,792	86,267
Restricted assets					
Cash	16,633	182,375	199,008	-	1,524
Investments	16,472,752	48,703,197	65,175,949	-	5,565,000
Accounts receivable, net	-	-	-	-	-
Sales tax receivable	1,701,343	-	1,701,343	-	-
Interest receivable	-	-	-	-	-
Prepaid items and deposits	-	145,665	145,665	-	-
Capital assets, net					
Nondepreciable	49,369,576	42,028,182	91,397,758	496,020	19,808,641
Depreciable	381,673,311	527,068,191	908,741,502	250,190	25,161,120
Total Assets	574,073,237	696,545,057	1,270,618,294	3,561,030	55,428,932
Deferred Outflows of Resources					
Deferred amounts on refunding	-	1,799,680	1,799,680	-	-
Deferred outflows-pension	4,770,615	-	4,770,615	125,887	-
Deferred outflows-pension contributions	7,011,798	-	7,011,798	106,613	-
Deferred outflows-OPEB	1,408,308	758,523	2,166,831	-	-
Total deferred outflows of resources	13,190,721	2,558,203	15,748,924	232,500	-

City of Fort Smith, Arkansas
Statement of Net Position (Continued)
December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Liabilities					
Accounts payable and accrued expenses	\$ 7,129,097	\$ 4,187,710	\$ 11,316,807	\$ 90,164	\$ 1,114,291
Other	226,885	1,670	228,555	-	-
Accrued interest	202,438	2,315,816	2,518,254	-	-
Deposits	-	581,519	581,519	-	-
Unearned revenue	10,701,065	-	10,701,065	-	-
Noncurrent liabilities					
Other long-term liabilities					
due within one year	1,985,894	52,460	2,038,354	-	-
Current portion of long-term debt	8,590,000	10,375,000	18,965,000	-	-
Due in more than one year	96,311,860	224,276,554	320,588,414	556,995	-
Total liabilities	125,147,239	241,790,729	366,937,968	647,159	1,114,291
Deferred Inflows of Resources					
Deferred amounts on refunding	-	147,253	147,253	-	-
Deferred inflows-pension	9,707,376	-	9,707,376	1,067,286	-
Deferred inflows-OPEB	9,252,303	4,983,352	14,235,655	-	-
Total deferred inflows of resources	18,959,679	5,130,605	24,090,284	1,067,286	-
Net Position					
Net investment in capital assets	400,256,391	386,177,195	786,433,586	746,210	44,037,415
Restricted for:					
Construction projects	41,121,759	500,000	41,621,759	-	31,907
Debt service	18,174,095	4,246,700	22,420,795	-	-
Public safety	2,526,518	-	2,526,518	-	-
Courts	186,727	-	186,727	-	-
Parks & recreation	4,650,410	-	4,650,410	-	-
Housing and rehabilitation	42,663	-	42,663	-	-
Police & fire retirement contributions	637,776	-	637,776	-	-
Tourism & promotion	-	-	-	800,872	-
Unrestricted (deficit)	(24,439,299)	61,258,031	36,818,732	532,003	10,245,319
Total net position	\$ 443,157,040	\$ 452,181,926	\$ 895,338,966	\$ 2,079,085	\$ 54,314,641

City of Fort Smith, Arkansas
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Governmental Activities	Business-Type Activities
					Governmental Activities	Business-Type Activities			
Primary Government:									
Governmental Activities									
General Government									
Administration	\$ 9,789,248	\$ 1,088,983	\$ 1,416,040	\$ 2,845,054	\$ (4,439,171)		\$ (4,439,171)		
Legal and courts	1,998,788	2,010,194	7,231	-	18,637		18,637		
Finance	3,392,465	1,061,868	-	-	(2,330,597)		(2,330,597)		
Public safety									
Police	18,936,362	964,422	261,486	181,901	(17,528,553)		(17,528,553)		
Fire	18,465,561	96,289	1,929,312	128,462	(16,311,498)		(16,311,498)		
Public works									
Operations	2,857,733	-	-	-	(2,857,733)		(2,857,733)		
Streets	14,385,371	253,143	4,582,812	2,648,017	(6,901,399)		(6,901,399)		
Traffic Control	2,772,815	-	-	-	(2,772,815)		(2,772,815)		
Community services									
Health and Social Services	177,130	-	-	-	(177,130)		(177,130)		
Parks and Recreation	4,878,088	245,586	43,060	-	(4,589,442)		(4,589,442)		
Convention Center	2,120,030	286,589	-	-	(1,833,441)		(1,833,441)		
Transit	2,677,268	150,657	1,148,156	1,054,946	(323,509)		(323,509)		
Housing and Rehabilitation	1,385,086	-	1,331,187	-	(53,899)		(53,899)		
Debt service									
Interest	1,030,482	-	-	-	(1,030,482)		(1,030,482)		
Total Governmental Activities	<u>84,866,427</u>	<u>6,157,731</u>	<u>10,719,284</u>	<u>6,858,380</u>	<u>(61,131,032)</u>		<u>(61,131,032)</u>		
Business-Type Activities:									
Water and Sewer	54,963,014	55,314,031	-	93,000		\$ 444,017	444,017		
Solid Waste	12,746,048	18,681,397	-	-		5,935,349	5,935,349		
Parking	224,262	128,980	-	-		(95,282)	(95,282)		
Total Business-Type Activities	<u>67,933,324</u>	<u>74,124,408</u>	<u>-</u>	<u>93,000</u>		<u>6,284,084</u>	<u>6,284,084</u>		
Total Primary Government	<u>\$ 152,799,751</u>	<u>\$ 80,282,139</u>	<u>\$ 10,719,284</u>	<u>\$ 6,951,380</u>	<u>\$ (61,131,032)</u>	<u>\$ 6,284,084</u>	<u>\$ (54,846,948)</u>		
Component Units:									
Governmental									
Advertising & Promotion	\$ 554,418	\$ -	\$ -	\$ -			\$ (554,418)		
Public Library	2,872,489	74,420	505,975	-			(2,292,094)		
Subtotal	<u>3,426,907</u>	<u>74,420</u>	<u>505,975</u>	<u>-</u>			<u>(2,846,512)</u>		
Business-Type									
Airport	4,613,358	2,421,200	2,424,941	11,378,041				\$ 11,610,824	
Total Component Units	<u>\$ 8,040,265</u>	<u>\$ 2,495,620</u>	<u>\$ 2,930,916</u>	<u>\$ 11,378,041</u>			<u>(2,846,512)</u>	<u>11,610,824</u>	

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Activities (Continued)
For the Year Ended December 31, 2021

	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	\$ 13,717,431	\$ -	\$ 13,717,431	\$ 1,538,707	\$ -
Sales taxes	73,323,540	-	73,323,540	1,263,273	-
Gross receipts utility franchise fees	7,079,057	-	7,079,057	-	-
Hospitality taxes	-	-	-	948,201	-
Unrestricted investment earnings (loss)	29,401	(31,180)	(1,779)	1,382	59,365
Other	280,427	3,867	284,294	58,693	-
Transfers	(227,533)	227,533	-	-	-
Total general revenues and transfers	<u>94,202,323</u>	<u>200,220</u>	<u>94,402,543</u>	<u>3,810,256</u>	<u>59,365</u>
Change in net position	<u>33,071,291</u>	<u>6,484,304</u>	<u>39,555,595</u>	<u>963,744</u>	<u>11,670,189</u>
Net position, beginning of year	410,085,749	445,697,622	855,783,371	1,115,341	42,644,452
Net position, end of year	<u>\$ 443,157,040</u>	<u>\$ 452,181,926</u>	<u>\$ 895,338,966</u>	<u>\$ 2,079,085</u>	<u>\$ 54,314,641</u>

City of Fort Smith, Arkansas

Balance Sheet – Governmental Funds

December 31, 2021

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Assets								
Cash	\$ 18,121,611	\$ 7,063,689	\$ 10,660,190	\$ 946,415	\$ 11,106,224	\$ -	\$ 6,696	\$ 47,904,825
Investments	10,752,373	2,957,152	29,376,006	378,586	900,660	-	25,551	44,390,328
Receivables, net of allowance for uncollectibles								
Property taxes and utility franchise fees	9,834,082	2,444,115	-	3,258,898	-	-	-	15,537,095
Sales taxes	2,416,987	-	2,268,457	-	-	-	-	4,685,444
Accounts	333,612	1,200	-	-	-	-	36,732	371,544
Due from other funds	157,132	-	-	-	-	-	-	157,132
Due from other governments	1,126,973	647,685	-	-	138,250	-	143,859	2,056,767
Restricted assets:								
Cash	-	-	-	-	-	-	16,633	16,633
Investments	-	-	-	-	-	16,472,752	-	16,472,752
Sales taxes receivable	-	-	-	-	-	1,701,343	-	1,701,343
Inventories	-	-	-	-	-	-	3,152	3,152
Prepaid items	1,097,291	3,454	-	-	-	-	734	1,101,479
Deposits	3,622	-	-	-	-	-	-	3,622
Total Assets	\$ 43,843,683	\$ 13,117,295	\$ 42,304,653	\$ 4,583,899	\$ 12,145,134	\$ 18,174,095	\$ 233,357	\$ 134,402,116
Liabilities, Deferred Inflows of Resources, and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 2,563,171	\$ 306,106	\$ 2,388,491	\$ 914,245	\$ 107,660	\$ -	\$ 334,248	\$ 6,613,921
Retainage payable	16,804	-	485,849	-	-	-	-	502,653
Due to other funds	-	-	-	-	-	-	157,132	157,132
Unearned revenue	-	-	-	-	10,674,187	-	26,878	10,701,065
Other	226,885	-	-	-	-	-	-	226,885
Total Liabilities	2,806,860	306,106	2,874,340	914,245	10,781,847	-	518,258	18,201,656
Deferred Inflows of Resources								
Unavailable property taxes	7,579,695	2,273,909	-	3,031,878	-	-	-	12,885,482
Total deferred inflows of resources	7,579,695	2,273,909	-	3,031,878	-	-	-	12,885,482
Fund Balances:								
Nonspendable	1,100,913	3,454	-	-	-	-	3,886	1,108,253
Restricted for:								
Construction projects	-	-	39,430,313	-	-	-	-	39,430,313
Debt service	-	-	-	-	-	18,174,095	-	18,174,095
Public safety	1,163,231	-	-	-	1,363,287	-	-	2,526,518
Courts	186,727	-	-	-	-	-	-	186,727
Parks & recreation	4,624,859	-	-	-	-	-	25,551	4,650,410
Housing and rehabilitation	-	-	-	-	-	-	42,663	42,663
Police & fire retirement contributions	-	-	-	637,776	-	-	-	637,776
Assigned to:								
Convention center	-	-	-	-	-	-	-	-
Construction projects	284,501	8,499,339	-	-	-	-	-	8,783,840
Other purposes	7,744	2,034,487	-	-	-	-	-	2,042,231
Unassigned (deficit)	26,089,153	-	-	-	-	-	(357,001)	25,732,152
Total Fund Balances	33,457,128	10,537,280	39,430,313	637,776	1,363,287	18,174,095	(284,901)	103,314,978
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 43,843,683	\$ 13,117,295	\$ 42,304,653	\$ 4,583,899	\$ 12,145,134	\$ 18,174,095	\$ 233,357	\$ 134,402,116

City of Fort Smith, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total fund balances – governmental funds \$ 103,314,978

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	\$ 27,897,134	
Buildings	89,216,232	
Improvements other than buildings	29,562,582	
Machinery and equipment	57,313,214	
Infrastructure	470,563,098	
Accumulated depreciation	(264,981,815)	
	409,570,445	
Construction in progress	21,472,442	
	\$ 431,042,887	431,042,887

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. 12,885,482

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. (5,768,958)

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. 6,990,325

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

Compensated absences	\$ 1,830,136	
Claims payable	82,500	
Sales tax bonds payable, net	29,095,050	
Interest payable	202,438	
Net pension liability	66,301,091	
Net OPEB liability	7,796,459	
	\$ 105,307,674	(105,307,674)

Net position of governmental activities \$ 443,157,040

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2021

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Revenues								
Property taxes	\$ 7,890,062	\$ 2,341,713	\$ -	\$ 3,124,235	\$ -	\$ -	\$ -	\$ 13,356,010
Sales taxes	27,588,174	-	26,134,495	-	-	19,600,871	-	73,323,540
Licenses and permits	2,148,846	253,143	-	-	-	-	-	2,401,989
Utility franchise fees	7,079,057	-	-	-	-	-	-	7,079,057
Intergovernmental	4,319,092	7,230,829	-	1,908,706	3,420,494	-	1,331,187	18,210,308
Fines and forfeitures	1,972,744	-	-	113,431	-	-	-	2,086,175
Fees for services	549,347	-	-	-	-	-	286,589	835,936
Investment earnings (loss)	27,102	(126)	(1,247)	(15)	(39)	3,666	(1)	29,340
Contributions	100,566	-	-	511,843	11,764	-	-	624,173
Miscellaneous	517,876	41,443	15	-	(801)	-	5,685	564,218
Total Revenues	52,192,866	9,867,002	26,133,263	5,658,200	3,431,418	19,604,537	1,623,460	118,510,746
Expenditures								
Current:								
General government								
Administration	1,866,420	252,218	1,452,218	-	-	-	-	3,570,856
Legal and courts	1,969,478	104,589	-	-	-	-	-	2,074,067
Finance	1,953,996	725,628	634,432	-	-	-	-	3,314,056
Public safety								
Police	14,103,794	-	-	3,164,880	349,513	-	-	17,618,187
Fire	13,550,288	-	-	3,839,892	-	-	-	17,390,180
Public works								
Operations	-	666,550	2,188,494	-	-	-	-	2,855,044
Streets	-	3,131,083	-	-	-	-	-	3,131,083
Traffic Control	-	2,183,764	-	-	-	-	-	2,183,764
Community services								
Health and Social Services	174,455	-	-	-	-	-	-	174,455
Parks and Recreation	2,573,366	216,400	-	-	11,764	-	-	2,801,530
Convention Center	-	-	-	-	-	-	1,551,711	1,551,711
Transit	2,397,693	-	-	-	-	-	-	2,397,693
Housing and Rehabilitation	-	-	-	-	-	-	1,297,431	1,297,431
Other	3,883,544	-	2,836	-	2,833,288	25,300	-	6,744,968
Capital Outlay	4,723,279	123,458	18,109,849	-	-	-	287,658	23,244,244
Debt Service:								
Principal	-	-	-	-	-	16,970,000	-	16,970,000
Interest	-	-	-	-	-	1,625,100	-	1,625,100
	47,196,313	7,403,690	22,387,829	7,004,772	3,194,565	18,620,400	3,136,800	108,944,369
Excess (deficiency) in revenues over (under) expenditures	4,996,553	2,463,312	3,745,434	(1,346,572)	236,853	984,137	(1,513,340)	9,566,377

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)
For the Year Ended December 31, 2021

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)								
Transfers in	\$ 100,000	\$ -	\$ -	\$ 1,500,000	\$ 499,735	\$ -	\$ 777,000	\$ 2,876,735
Transfers out	(3,104,268)	-	-	-	-	-	-	(3,104,268)
Total Other Financing Sources and Uses	(3,004,268)	-	-	1,500,000	499,735	-	777,000	(227,533)
Net Change in Fund Balances	1,992,285	2,463,312	3,745,434	153,428	736,588	984,137	(736,340)	9,338,844
Fund Balances, beginning of year	31,464,843	8,073,968	35,684,879	484,348	626,699	17,189,958	451,439	93,976,134
Fund Balances, end of year	<u>\$ 33,457,128</u>	<u>\$ 10,537,280</u>	<u>\$ 39,430,313</u>	<u>\$ 637,776</u>	<u>\$ 1,363,287</u>	<u>\$ 18,174,095</u>	<u>\$ (284,901)</u>	<u>\$ 103,314,978</u>

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, 2021

Net change in fund balances – total governmental funds	\$ 9,338,844
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.	23,244,244
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.	(18,057,399)
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.	17,456,576
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	361,421
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.	(112,527)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fuel, to individual funds. A portion of the net revenues of the internal service funds is reported with governmental activities	<u>840,132</u>
Change in net position of governmental activities	<u><u>\$ 33,071,291</u></u>

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City of Fort Smith, Arkansas
Statement of Net Position –
Proprietary Funds
December 31, 2021

	Business-Type Activities				Governmental
	Water and Sewer	Solid Waste	Nonmajor- Parking	Total Enterprise Funds	Internal Service Funds
Current Assets					
Cash	\$ 8,144,223	\$ 12,708,103	\$ -	\$ 20,852,326	\$ 6,342,619
Investments	22,240,189	22,563,244	139,205	44,942,638	4,645,102
Receivables					
Accounts, net of uncollectibles of \$914,435; \$182,672; \$-0- and \$-0-	6,256,365	2,314,718	11,660	8,582,743	40,040
Due from other governments	64,000	-	-	64,000	-
Restricted					
Cash	182,375	-	-	182,375	-
Investments	48,703,197	-	-	48,703,197	-
Inventories	1,277,429	134,613	-	1,412,042	38,106
Prepaid items	266,516	-	1,681	268,197	15,000
Total Current Assets	87,134,294	37,720,678	152,546	125,007,518	11,080,867
Noncurrent Assets					
Restricted					
Prepaid items and deposits	145,665	-	-	145,665	-
Capital assets					
Land	15,162,175	373,772	1,359,160	16,895,107	-
Buildings	2,819,191	5,208,689	2,490,458	10,518,338	-
Improvements other than buildings	-	23,253,316	-	23,253,316	-
Leasehold improvements	-	709,952	-	709,952	-
Machinery and equipment	27,531,277	22,950,241	103,531	50,585,049	-
Water system	420,765,828	-	-	420,765,828	-
Sewer system	352,265,463	-	-	352,265,463	-
Construction in progress	24,486,541	646,534	-	25,133,075	-
Accumulated depreciation	(289,073,541)	(39,382,979)	(2,573,235)	(331,029,755)	-
Total Noncurrent Assets	554,102,599	13,759,525	1,379,914	569,242,038	-
Total Assets	641,236,893	51,480,203	1,532,460	694,249,556	11,080,867
Deferred outflows of resources					
Deferred amount on refunding	1,799,680	-	-	1,799,680	-
Deferred outflows of resources - OPEB	575,523	183,000	-	758,523	-
Total deferred outflows of resources	2,375,203	183,000	-	2,558,203	-

City of Fort Smith, Arkansas
Statement of Net Position –
Proprietary Funds (Continued)
December 31, 2021

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor- Parking		Internal Service Funds
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,539,041	\$ 1,234,096	\$ 3,819	\$ 3,776,956	\$ (69,977)
Retainage payable	410,754	-	-	410,754	-
Accrued vacation and sick leave	40,759	11,701	-	52,460	-
Accrued interest	2,315,816	-	-	2,315,816	-
Claims and judgments	-	-	-	-	1,865,018
Revenue bonds payable	10,375,000	-	-	10,375,000	-
Deposits	581,519	-	-	581,519	-
Other	1,670	-	-	1,670	-
Total Current Liabilities	16,264,559	1,245,797	3,819	17,514,175	1,795,041
Noncurrent liabilities					
Accrued vacation and sick leave	638,561	183,316	-	821,877	-
Landfill closure and postclosure care	-	7,209,438	-	7,209,438	-
Revenue bonds, net	212,046,016	-	-	212,046,016	-
OPEB liabilities	3,186,124	1,013,099	-	4,199,223	-
Total Noncurrent Liabilities	215,870,701	8,405,853	-	224,276,554	-
Total Liabilities	232,135,260	9,651,650	3,819	241,790,729	1,795,041
Deferred inflows of resources					
Deferred amount on refunding	147,253	-	-	147,253	-
Deferred inflows of resources - OPEB	3,781,074	1,202,278	-	4,983,352	-
Total deferred inflows of resources	3,928,327	1,202,278	-	5,130,605	-
Net Position					
Net investment in capital assets	371,037,756	13,759,525	1,379,914	386,177,195	-
Restricted for bond retirement	4,246,700	-	-	4,246,700	-
Restricted for asset replacement	500,000	-	-	500,000	-
Unrestricted	31,764,053	27,049,750	148,727	58,962,530	9,285,826
Total Net Position	\$ 407,548,509	\$ 40,809,275	\$ 1,528,641	449,886,425	\$ 9,285,826
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				2,295,501	
Net position of business-type activities				<u>\$ 452,181,926</u>	

City of Fort Smith, Arkansas
Statement of Revenues, Expenses and Changes in
Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2021

	Business-Type Activities				Governmental
	Water and Sewer	Solid Waste	Nonmajor- Parking	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Water service	\$ 25,844,243	\$ -	\$ -	\$ 25,844,243	\$ -
Sewer service	27,803,167	-	-	27,803,167	-
Other charges for services	1,553,161	18,511,755	128,980	20,193,896	10,962,402
Other	113,460	169,642	-	283,102	-
Total Operating Revenues	55,314,031	18,681,397	128,980	74,124,408	10,962,402
Operating Expenses					
Personnel services	16,486,810	5,679,996	80,217	22,247,023	-
Contractual services	5,110,841	1,148,968	29,399	6,289,208	604,550
Materials and supplies	6,754,921	4,024,321	103,730	10,882,972	767,725
Heat, light, and power	2,324,358	108,936	7,915	2,441,209	-
Depreciation	16,556,684	1,937,083	3,001	18,496,768	-
Insurance claims and expenses	-	-	-	-	8,191,864
Total Operating Expenses	47,233,614	12,899,304	224,262	60,357,180	9,564,139
Operating Income (Loss)	8,080,417	5,782,093	(95,282)	13,767,228	1,398,263
Nonoperating Revenues (Expenses)					
Net investment earnings (loss)	38,098	(69,272)	(6)	(31,180)	61
Interest expense and fiscal charges	(8,119,978)	-	-	(8,119,978)	-
Intergovernmental revenue	93,000	-	-	93,000	-
Other nonoperating revenues (expenses)	(14,358)	3,839	28	(10,491)	-
Net Nonoperating Revenues (Expenses)	(8,003,238)	(65,433)	22	(8,068,649)	61
Income (Loss) Before Contributions and Transfers	77,179	5,716,660	(95,260)	5,698,579	1,398,324
Transfers in	237,533	90,000	-	327,533	-
Transfers out	(100,000)	-	-	(100,000)	-
Change in Net Position	214,712	5,806,660	(95,260)	5,926,112	1,398,324
Net position, beginning of year	407,333,797	35,002,615	1,623,901		7,887,502
Net position, end of year	<u>\$ 407,548,509</u>	<u>\$ 40,809,275</u>	<u>\$ 1,528,641</u>		<u>\$ 9,285,826</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				558,192	
Change in net position of business-type activities for government-wide statement of activities				\$ 6,484,304	

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City of Fort Smith, Arkansas
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2021

	Business-Type Activities				Governmental
	Water and Sewer	Solid Waste	Nonmajor- Parking	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities					
Cash received from customers	\$ 56,788,719	\$ 18,755,172	\$ 145,497	\$ 75,689,388	\$ -
Cash received from service users	-	-	-	-	1,255,464
Cash received from city and employee contributions	-	-	-	-	9,735,152
Cash payments for goods and services	(12,975,949)	(6,635,718)	(148,175)	(19,759,842)	(773,742)
Cash paid to employees	(16,948,594)	(5,825,513)	(80,706)	(22,854,813)	-
Cash payments for premiums and other operating expenses	-	-	-	-	(1,147,648)
Cash payments for claims paid	-	-	-	-	(7,906,197)
Cash received from other operating revenues	-	169,642	-	169,642	-
Net cash provided by (used in) operating activities	26,864,176	6,463,583	(83,384)	33,244,375	1,163,029
Cash Flows from Noncapital Financing Activities					
Transfers in from other funds	237,533	90,000	-	327,533	-
Transfers out to other funds	(100,000)	-	-	(100,000)	-
Other noncapital financing receipts/payments	(14,358)	3,839	28	(10,491)	-
Net cash provided by noncapital financing activities	123,175	93,839	28	217,042	-
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(13,954,664)	(2,406,482)	-	(16,361,146)	-
Intergovernmental receipts for capital projects	29,000	-	-	29,000	-
Principal paid on bonds	(9,070,000)	-	-	(9,070,000)	-
Interest paid on bonds	(9,645,060)	-	-	(9,645,060)	-
Net cash used in capital and related financing activities	(32,640,724)	(2,406,482)	-	(35,047,206)	-
Cash Flows from Investing Activities					
Proceeds from sales and maturities of investment securities	89,272,807	3,409,026	83,356	92,765,189	-
Outlays for purchases of investment securities	(76,729,851)	(3,476,782)	-	(80,206,633)	197
Interest on investments	27,177	211,760	-	238,937	61
Net cash provided by investing activities	12,570,133	144,004	83,356	12,797,493	258
Net Increase in Cash	6,916,760	4,294,944	-	11,211,704	1,163,287
Cash, beginning of year	1,409,838	8,413,159	-	9,822,997	5,179,332
Cash, end of year	\$ 8,326,598	\$ 12,708,103	\$ -	\$ 21,034,701	\$ 6,342,619

City of Fort Smith, Arkansas
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended December 31, 2021

	Business-Type Activities				Governmental
	Water and Sewer	Solid Waste	Nonmajor- Parking	Total Enterprise Funds	Internal Service Funds
Reconciliation of cash and restricted cash at December 31 to statement of net position					
Cash	\$ 8,144,223	\$ 12,708,103	\$ -	\$ 20,852,326	\$ 6,342,619
Restricted cash	182,375	-	-	182,375	-
Total	<u>\$ 8,326,598</u>	<u>\$ 12,708,103</u>	<u>\$ -</u>	<u>\$ 21,034,701</u>	<u>\$ 6,342,619</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 8,080,417	\$ 5,782,093	\$ (95,282)	\$ 13,767,228	\$ 1,398,263
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	16,556,684	1,937,083	3,001	18,496,768	-
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources					
Accounts receivable	1,426,233	243,416	17,001	1,686,650	28,215
Inventories	(38,825)	(30,791)	-	(69,616)	(16,615)
Prepaid items and other assets	621,944	-	-	621,944	-
Deferred outflows of resources - OPEB	11,026	3,506	-	14,532	-
Accounts payable and accrued liabilities	550,493	482,000	(7,364)	1,025,129	(187,970)
Deposits	48,454	-	-	48,454	-
Accrued vacation and sick leave	-	-	(740)	(740)	-
Liability for claims and judgments	-	-	-	-	(58,864)
OPEB liabilities	212,011	67,413	-	279,424	-
Deferred inflows of resources - OPEB	(604,261)	(180,960)	-	(785,221)	-
Other liabilities	-	(1,840,177)	-	(1,840,177)	-
Total adjustments	<u>18,783,759</u>	<u>681,490</u>	<u>11,898</u>	<u>19,477,147</u>	<u>(235,234)</u>
Net cash provided by (used in) operating activities	<u>\$ 26,864,176</u>	<u>\$ 6,463,583</u>	<u>\$ (83,384)</u>	<u>\$ 33,244,375</u>	<u>\$ 1,163,029</u>
Noncash investing, capital and financing activities:					
Capital-related accounts payable	\$ 1,852,507	\$ -	\$ -	\$ 1,852,507	\$ -

City of Fort Smith, Arkansas
Statement of Fiduciary Net Position
OPEB Trust Fund
December 31, 2021

Assets

Current Assets

Investments:

Government money market funds	\$ 547,492
Equities - agency bonds	1,042,241
Total Investments	<u>1,589,733</u>
Total Current Assets	<u>1,589,733</u>
Total Assets	<u>1,589,733</u>

Liabilities

Current Liabilities

Accounts payable	<u>4,006</u>
Total Current Liabilities	<u>4,006</u>
Total Liabilities	<u>4,006</u>

Net Position

Net position restricted for postemployment benefits other than pensions	<u>1,585,727</u>
Total Net Position	<u><u>\$ 1,585,727</u></u>

City of Fort Smith, Arkansas
Statement of Changes in Fiduciary Net Position
OPEB Trust Fund
For the Year Ended December 31, 2021

Additions:

Contributions	
Employer	\$ 268,881
Total contributions	<u>268,881</u>
Investment Earnings	
Net increase (decrease) in fair value of investments	<u>(20,753)</u>
Total investment earnings	<u>(20,753)</u>
Total additions	<u>248,128</u>

Deductions:

Benefits paid directly to participants	268,881
Management fees	<u>15,945</u>
Total deductions	<u>284,826</u>
Change in Net Position	(36,698)

Net Position Restricted for Postemployment

Benefits Other Than Pensions

Beginning of year	<u>1,622,425</u>
End of year	<u>\$ 1,585,727</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

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, 2021

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 2021.

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* 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, 2021

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* 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, 2021

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 *Special Grants Fund* is a special revenue fund that accounts for federal, state, and local grants received by the City. These funds are restricted to expenditures for approved projects of the various agencies. At year end, the fund held \$10,674,187 in cash and unearned revenue related to the City's first tranche of funds received from the Coronavirus State and Local Fiscal Recovery Fund established by the *The American Rescue Plan Act of 2021*. These funds are available for use for eligible City expenditures through 2024.

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

The 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, 2021

Additionally, the City reports the following fund types:

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

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

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Funds

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

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

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes, fines and forfeitures, grants, entitlements, and similar items; and contributions. Recognition standards are based on the characteristics and classes of nonexchange 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, 2021

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 historical cost. 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, 2021

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

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

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

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

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2021

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 2021 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 \$7.8 million of additional taxes could be raised per year based on the current year's assessed value of \$1,137,668,170 for real property and \$425,155,480 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, 2021

Risk Management

The City maintains a medical self-insurance plan funded by the City and administered by a third party. The plan provides certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's costs of providing these benefits, including premiums, totaled \$7,993,744 in 2021, 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 \$767,725 in 2021 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 \$26,134,495 for fiscal year 2021, 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 \$21,054,550 for fiscal year 2021. 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 \$26,134,495 for fiscal year 2021, of which \$6,533,624 is included in the General Fund's sales tax revenue and \$19,600,871 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, 2021

Statement of Cash Flows

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize debt discounts and premiums during the current period. The face amount of the debt issued and discounts given are reported separately as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Restricted Assets

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

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

Certain proceeds of the City’s general government sales and use tax bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The balance of the restricted asset accounts in the governmental activities are as follows:

Cash	\$	16,633
Investments		16,472,752
Sales taxes receivable		1,701,343
		18,180,728
Total restricted assets - governmental activities	\$	18,190,728

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

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

Current Assets:

Cash - water and sewer bond construction account	\$ 182,375
Investments - water and sewer bond account	8,982,569
Investments - water and sewer bond construction account	<u>39,720,628</u>
Total current assets - restricted	<u>48,885,572</u>

Noncurrent assets:

Prepaid items and deposits - water and sewer bond construction account	<u>\$ 145,665</u>
Total noncurrent assets	<u>145,665</u>
Total restricted assets - enterprise funds	<u><u>\$ 49,031,237</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.

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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.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure/reduction of liability) until then. The City has four items that qualify for reporting in this category. The first item is a deferred charge on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized to interest expense over the shorter of the life of the refunded or refunding debt. Two of the items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce net pension liability. The remaining amounts will be amortized to pension expense over future periods as shown within *Note 7*. The fourth item relates to deferred outflows of resources for OPEB items.

In addition to liabilities, the statement of net position and balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four items that qualify as deferred inflows of resources as of December 31, 2021. 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*.

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Deficit Fund Equity

At December 31, 2021, the Convention Center Fund, a nonmajor fund, has a deficit fund balance of \$357,001. The deficit is due to the economic impacts of the COVID-19 pandemic which caused a decline in event revenues. The deficit will be eliminated as resources are obtained through the economic recovery from the pandemic and the return of more event revenues.

Note 2: Cash and Investments

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

The City follows GASB Statement 3, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement 40, *Deposit and Investment Risk Disclosure* and GASB Statement 79, *Certain External Investment Pools and Pool Participants*. The investments and deposits of the primary government are stated at quoted fair values. As a result, a net unrealized loss of \$303,295 is recorded as a decrease in fair value of investments for the primary government in 2021.

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, 2021, 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, 2021. The bank balances and carrying amount of the City’s deposits held as of December 31, 2021 were as follows:

Pooled and Nonpooled Funds

Description	Bank Balance	Carrying Amount
Demand deposits	\$ 146,230,377	144,832,436

City of Fort Smith, Arkansas

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December 31, 2021

Component Units

At year-end, the carrying amount of the Public Library's deposits was \$1,340,755 and the bank balance was \$1,388,486. At December 31, 2021, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission's deposits was \$9,012,697 and the bank balance was \$9,087,134. At December 31, 2021, 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.

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The City’s investments, including accrued interest, held as of December 31, 2021, 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	\$ 8,058,510	\$ 403,404	\$ 7,655,106
U.S. Agency obligations	124,240	-	124,240
Money market mutual funds	<u>81,402,181</u>	<u>81,402,181</u>	<u>-</u>
	<u>\$ 89,584,931</u>	<u>\$ 81,805,585</u>	<u>\$ 7,779,346</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, 2021:

- U.S. Treasury obligations of \$8,058,510 are valued using quoted market prices in active markets (Level 1 inputs).
- U.S. Agency obligations of \$124,240 are valued using the spread above the risk-free yield curve (Level 2 inputs).
- Money market funds of \$81,402,181 are valued at their net asset value (Level 1 inputs).

Component Units

At year-end, the Advertising & Promotion Commission held \$395,191 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 \$395,191 are valued using quoted market prices in active markets (Level 2 inputs).

At year-end, the Public Library held \$303,430 in money market funds. The Public Library reports investments at net asset value (Level 2 inputs).

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, 2021, are securities issued and guaranteed by the U.S. Government.

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

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

Primary Government:

Carrying value of deposits -	
Pooled and nonpooled funds	\$ 144,832,436
Deposits classified as investments	<u>(69,533,658)</u>
	<u>\$ 75,298,778</u>
Cash as reported on the government-wide statement of net position	\$ 75,099,770
Restricted cash as reported on the government-wide statement of net position	<u>199,008</u>
	<u>\$ 75,298,778</u>
Carrying value of investments -	
Debt securities	\$ 8,182,750
Money market mutual funds	81,402,181
Accrued income	35,428
Deposits classified as investments	<u>69,533,658</u>
	<u>\$ 159,154,017</u>
As reported on the government-wide statement of net position:	
Investments	\$ 93,978,068
Restricted investments	<u>65,175,949</u>
	<u>\$ 159,154,017</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Component Units:

Governmental Activities

Carrying value of deposits -		
Public Library	\$	1,340,755
Advertising and Promotion		
Commission		420,967
Carrying value of investments -		
Public Library		303,430
Advertising and Promotion		
Commission		395,191
		<u>2,460,343</u>
	\$	<u>2,460,343</u>

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

Cash	\$	1,761,722
Investments		698,621
		<u>2,460,343</u>
	\$	<u>2,460,343</u>

Business-type Activities

Carrying value of deposits -		
Airport Commission	\$	9,012,697
		<u>9,012,697</u>
	\$	<u>9,012,697</u>

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

Cash	\$	3,446,173
Restricted cash		1,524
Restricted investments		5,565,000
		<u>9,012,697</u>
	\$	<u>9,012,697</u>

City of Fort Smith, Arkansas
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Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2021 was as follows:

Primary Government:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2021</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 27,760,139	\$ 136,995	\$ -	\$ 27,897,134
Construction in progress	34,240,703	20,814,135	(33,582,396)	21,472,442
Total capital assets not being depreciated	<u>62,000,842</u>	<u>20,951,130</u>	<u>(33,582,396)</u>	<u>49,369,576</u>
Capital assets being depreciated				
Buildings	88,681,780	-	534,452	89,216,232
Improvements other than buildings	26,654,095	-	2,908,487	29,562,582
Infrastructure	440,409,749	13,892	30,139,457	470,563,098
Machinery and equipment	55,033,992	2,279,222	-	57,313,214
Total depreciable capital assets at historical cost	<u>610,779,616</u>	<u>2,293,114</u>	<u>33,582,396</u>	<u>646,655,126</u>
Less accumulated depreciation for				
Buildings	34,699,521	1,933,292	-	36,632,813
Improvements other than buildings	13,663,175	1,152,272	-	14,815,447
Infrastructure	163,176,103	11,468,648	-	174,644,751
Machinery and equipment	35,385,617	3,503,187	-	38,888,804
Total accumulated depreciation	<u>246,924,416</u>	<u>18,057,399</u>	<u>-</u>	<u>264,981,815</u>
Capital assets being depreciated, net	<u>363,855,200</u>	<u>(15,764,285)</u>	<u>33,582,396</u>	<u>381,673,311</u>
Governmental activities capital assets, net	<u>\$ 425,856,042</u>	<u>\$ 5,186,845</u>	<u>\$ -</u>	<u>\$ 431,042,887</u>

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Primary Government:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2021</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 16,340,850	\$ 554,257	\$ -	\$ 16,895,107
Construction in progress	20,310,729	9,356,096	(4,533,750)	25,133,075
 Total capital assets not being depreciated	 36,651,579	 9,910,353	 (4,533,750)	 42,028,182
Capital assets being depreciated:				
Water system	416,229,693	2,385	4,533,750	420,765,828
Sewer system	348,519,813	3,745,650	-	352,265,463
Buildings	7,712,052	315,828	-	8,027,880
Improvements other than buildings	25,743,774	-	-	25,743,774
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	48,576,734	2,008,315	-	50,585,049
 Total depreciable capital assets at historical cost	 847,492,018	 6,072,178	 4,533,750	 858,097,946
Less accumulated depreciation for:				
Water system	146,493,169	7,391,637	-	153,884,806
Sewer system	110,137,437	6,353,925	-	116,491,362
Buildings	2,161,165	226,726	-	2,387,891
Improvements other than buildings	24,153,600	87,984	(382,983)	23,858,601
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	29,260,666	4,436,496	(19)	33,697,143
 Total accumulated depreciation	 312,915,989	 18,496,768	 (383,002)	 331,029,755
 Capital assets being depreciated, net	 534,576,029	 (12,424,590)	 4,916,752	 527,068,191
 Business-type activities capital assets, net	 \$ 571,227,608	 \$ (2,514,237)	 \$ 383,002	 \$ 569,096,373

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

Governmental activities:	
General government -	
Administration	\$ 30,599
Legal	544
Finance	110,787
Public safety -	
Police	1,396,166
Fire	1,220,818
Public works -	
Streets	11,396,752
Traffic Control	642,785
Community services -	
Health and social services	2,675
Parks and recreation	2,137,721
Convention center	685,670
Transit	421,847
Housing and rehabilitation	11,035
	18,057,399
Total governmental activities depreciation expense	
Business type activities:	
Water and Sewer	16,556,684
Solid Waste	1,937,083
Parking	3,001
	18,496,768
Total business-type activities depreciation expense	
Total depreciation expense	
	\$ 36,554,167

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	\$ 20,951,130
Additions for capital assets being depreciated	2,293,114
	23,244,244
Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	
	\$ 23,244,244

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Capital asset activity for the year ended December 31, 2021, for the major enterprise funds was as follows:

Primary Government:

	<u>January 1, 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2021</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 14,607,918	\$ 554,257	\$ -	\$ 15,162,175
Construction in progress	<u>20,127,287</u>	<u>8,893,004</u>	<u>(4,533,750)</u>	<u>24,486,541</u>
Total capital assets not being depreciated:	<u>34,735,205</u>	<u>9,447,261</u>	<u>(4,533,750)</u>	<u>39,648,716</u>
Capital assets being depreciated:				
Buildings	2,503,363	315,828	-	2,819,191
Water system	416,229,693	2,385	4,533,750	420,765,828
Sewer system	348,519,813	3,745,650		352,265,463
Machinery and equipment	<u>27,083,369</u>	<u>447,908</u>		<u>27,531,277</u>
Total depreciable capital assets at historical cost	<u>794,336,238</u>	<u>4,511,771</u>	<u>4,533,750</u>	<u>803,381,759</u>
Less accumulated depreciation for:				
Buildings	285,612	89,277	-	374,889
Water system	146,493,169	7,391,637	-	153,884,806
Sewer system	110,137,437	6,353,925	-	116,491,362
Machinery and equipment	<u>15,600,658</u>	<u>2,721,845</u>	<u>(19)</u>	<u>18,322,484</u>
Total accumulated depreciation	<u>272,516,876</u>	<u>16,556,684</u>	<u>(19)</u>	<u>289,073,541</u>
Capital assets being depreciated, net	<u>521,819,362</u>	<u>(12,044,913)</u>	<u>4,533,769</u>	<u>514,308,218</u>
Total Water and Sewer Fund capital assets, net	<u>\$ 556,554,567</u>	<u>\$ (2,597,652)</u>	<u>\$ 19</u>	<u>\$ 553,956,934</u>

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Notes to Basic Financial Statements
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	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2021</u>
Solid Waste Fund:				
Capital assets not being depreciated:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in progress	183,442	463,092	-	646,534
	<u>557,214</u>	<u>463,092</u>	<u>-</u>	<u>1,020,306</u>
Total capital assets not being depreciated:				
	<u>557,214</u>	<u>463,092</u>	<u>-</u>	<u>1,020,306</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	21,389,834	1,560,407	-	22,950,241
	<u>50,561,791</u>	<u>1,560,407</u>	<u>-</u>	<u>52,122,198</u>
Total depreciable capital assets at historical cost				
	<u>50,561,791</u>	<u>1,560,407</u>	<u>-</u>	<u>52,122,198</u>
Less accumulated depreciation for:				
Buildings	1,875,553	137,449	-	2,013,002
Improvements other than buildings	21,663,142	87,984	(382,983)	21,368,143
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	13,580,232	1,711,650	-	15,291,882
	<u>37,828,879</u>	<u>1,937,083</u>	<u>(382,983)</u>	<u>39,382,979</u>
Total accumulated depreciation				
	<u>37,828,879</u>	<u>1,937,083</u>	<u>(382,983)</u>	<u>39,382,979</u>
Capital assets being depreciated, net				
	<u>12,732,912</u>	<u>(376,676)</u>	<u>382,983</u>	<u>12,739,219</u>
Total Solid Waste fund capital assets, net				
	<u>\$ 13,290,126</u>	<u>\$ 86,416</u>	<u>\$ 382,983</u>	<u>\$ 13,759,525</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Component Units:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2021</u>
Governmental Activities:				
Public Library				
Capital assets not being depreciated:				
Land	\$ 422,132	\$ -	\$ -	\$ 422,132
Construction in progress	-	68,888	-	68,888
Rare book collection	5,000	-	-	5,000
Capital assets not being depreciated	<u>427,132</u>	<u>68,888</u>	<u>-</u>	<u>496,020</u>
Capital assets being depreciated:				
Equipment	1,499,654	10,160	(13,558)	1,496,256
Transportation equipment	<u>139,952</u>	<u>-</u>	<u>-</u>	<u>139,952</u>
Total depreciable capital assets at historical cost	1,639,606	10,160	(13,558)	1,636,208
Less accumulated depreciation	<u>1,360,554</u>	<u>39,022</u>	<u>(13,558)</u>	<u>1,386,018</u>
Capital assets being depreciated, net	<u>279,052</u>	<u>(28,862)</u>	<u>-</u>	<u>250,190</u>
Governmental activities capital assets, net				
Public Library	<u>\$ 706,184</u>	<u>\$ 40,026</u>	<u>\$ -</u>	<u>\$ 746,210</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2021</u>
Airport Commission:				
Capital assets				
not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	1,235,257	11,764,759	(23,055)	12,976,961
Total capital assets not being depreciated	<u>8,066,937</u>	<u>11,764,759</u>	<u>(23,055)</u>	<u>19,808,641</u>
Capital assets being depreciated:				
Buildings	25,081,037	168,498	-	25,249,535
Runways & other airport infrastructure	56,032,172	-	-	56,032,172
Equipment, furniture & fixtures, and other	<u>12,497,328</u>	<u>164,379</u>	<u>(24,047)</u>	<u>12,637,660</u>
Total depreciable capital assets at historical cost	<u>93,610,537</u>	<u>332,877</u>	<u>(24,047)</u>	<u>93,919,367</u>
Less accumulated depreciation for:				
Buildings	13,854,027	592,868	-	14,446,895
Runways & other airport infrastructure	42,339,391	1,459,677	-	43,799,068
Equipment, furniture & fixtures, and other	<u>10,233,825</u>	<u>295,493</u>	<u>(17,034)</u>	<u>10,512,284</u>
Total accumulated depreciation	<u>66,427,243</u>	<u>2,348,038</u>	<u>(17,034)</u>	<u>68,758,247</u>
Capital assets being depreciated, net	<u>27,183,294</u>	<u>(2,015,161)</u>	<u>(7,013)</u>	<u>25,161,120</u>
Business-type activities capital assets, net				
Airport Commission	<u>\$ 35,250,231</u>	<u>\$ 9,749,598</u>	<u>\$ (30,068)</u>	<u>\$ 44,969,761</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Construction-in-progress is composed of the following:

	Primary Appropriation	Expended to December 31, 2021	Committed
Primary government:			
Governmental activities	\$ 77,517,253	\$ 21,472,442	\$ 56,044,811
Business-type activities			
Water and sewer capital improvements	28,029,678	24,486,541	3,543,137
Solid Waste	2,194,099	646,534	1,547,565
Total	<u>\$ 107,741,030</u>	<u>\$ 45,958,983</u>	<u>\$ 59,587,948</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:

	Governmental	Business-Type			Total
		Water and Sewer	Solid Waste	Parking	
Primary Government:					
Net book value	\$ 431,042,887	\$ 553,956,934	\$ 13,759,525	\$ 1,379,914	\$ 569,096,373
Current and noncurrent debt	(29,095,050)	(220,768,589)	-	-	(220,768,589)
Capital related accounts payable	(1,188,793)	(1,441,753)	-	-	(1,441,753)
Retainage payable	(502,653)	(410,754)	-	-	(410,754)
Restricted assets - unspent bond/net proceeds	-	39,701,918	-	-	39,701,918
Net investment in capital assets	<u>\$ 400,256,391</u>	<u>\$ 371,037,756</u>	<u>\$ 13,759,525</u>	<u>\$ 1,379,914</u>	<u>\$ 386,177,195</u>
Component Units:					
Net book value	\$ 746,210	\$ 44,969,761			
Capital related accounts payable	-	(932,346)			
Net investment in capital assets	<u>\$ 746,210</u>	<u>\$ 44,037,415</u>			

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2021 were as follows:

Primary Government:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Amount Due in One Year
Governmental Activities:					
Bonds Payable -					
Sales tax bonds	\$ 43,495,000	\$ -	\$ 16,970,000	\$ 26,525,000	\$ 8,590,000
Issuance premium	3,056,626	-	486,576	2,570,050	-
Sales tax bonds payable, net	<u>46,551,626</u>	<u>-</u>	<u>17,456,576</u>	<u>29,095,050</u>	<u>8,590,000</u>
Compensated Absences	2,014,605	59,858	244,327	1,830,136	120,876
Employee insurance/workers' compensation	1,923,882	8,133,000	8,191,864	1,865,018	1,865,018
Net OPEB liability	7,277,699	518,760	-	7,796,459	-
Net pension liability	72,777,980	-	6,476,889	66,301,091	-
Total other long-term liabilities	<u>83,994,166</u>	<u>8,711,618</u>	<u>14,913,080</u>	<u>77,792,704</u>	<u>1,985,894</u>
Total governmental activities long-term liabilities	<u>\$ 130,545,792</u>	<u>\$ 8,711,618</u>	<u>\$ 32,369,656</u>	<u>\$ 106,887,754</u>	<u>\$ 10,575,894</u>
Business-Type Activities					
Bonds Payable -					
Revenue bonds	\$ 212,865,000	\$ -	\$ 9,070,000	\$ 203,795,000	\$ 10,375,000
Add issuance premium	20,143,123	-	1,517,107	18,626,016	-
Revenue bonds payable, net	<u>233,008,123</u>	<u>-</u>	<u>10,587,107</u>	<u>222,421,016</u>	<u>10,375,000</u>
Compensated absences	1,002,712	52,286	180,661	874,337	52,460
Net OPEB liability	3,919,799	279,424	-	4,199,223	-
Closure/postclosure landfill costs	9,049,615	-	1,840,177	7,209,438	-
Total other long-term liabilities	<u>13,972,126</u>	<u>331,710</u>	<u>2,020,838</u>	<u>12,282,998</u>	<u>52,460</u>
Total business-type activities long-term liabilities	<u>\$ 246,980,249</u>	<u>\$ 331,710</u>	<u>\$ 12,607,945</u>	<u>\$ 234,704,014</u>	<u>\$ 10,427,460</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

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

Current Liabilities:	
Current portion of long-term debt	\$ 8,590,000
Noncurrent liabilities:	
Due within one year	1,985,894
Due in more than one year	<u>96,311,860</u>
Total governmental activities long-term liabilities	<u>\$ 106,887,754</u>

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

Current Liabilities:	
Current portion of long-term debt	\$ 10,375,000
Noncurrent liabilities:	
Due within one year	52,460
Due in more than one year	<u>224,276,554</u>
Total business-type activities long-term liabilities	<u>\$ 234,704,014</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, 2021

Changes in long-term liabilities for the year ended December 31, 2021, for the major enterprise funds were as follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Amount Due in One Year
Water and Sewer Fund:					
Bonds Payable -					
Revenue bonds	\$ 212,865,000	\$ -	\$ 9,070,000	\$ 203,795,000	\$ 10,375,000
Add issuance premium	20,143,123	-	1,517,107	18,626,016	-
Revenue bonds payable, net	<u>233,008,123</u>	<u>-</u>	<u>10,587,107</u>	<u>222,421,016</u>	<u>10,375,000</u>
Compensated absences	759,880	46,937	127,497	679,320	40,759
Net OPEB liability	2,974,113	212,011	-	3,186,124	-
Other long-term liabilities	3,733,993	258,948	127,497	3,865,444	40,759
Total water and sewer fund	<u>\$ 236,742,116</u>	<u>\$ 258,948</u>	<u>\$ 10,714,604</u>	<u>\$ 226,286,460</u>	<u>\$ 10,415,759</u>
Solid Waste Fund:					
Compensated absences	\$ 242,090	\$ 5,349	52,422	\$ 195,017	\$ 11,701
Net OPEB liability	945,686	67,413	-	1,013,099	-
Closure/postclosure landfill costs	9,049,615	-	1,840,177	7,209,438	-
Other long-term liabilities	10,237,391	72,762	1,892,599	8,417,554	11,701
Total solid waste fund	<u>\$ 10,237,391</u>	<u>\$ 72,762</u>	<u>\$ 1,892,599</u>	<u>\$ 8,417,554</u>	<u>\$ 11,701</u>

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

	Water and Sewer Fund	Solid Waste Fund
Current Liabilities		
Revenue bonds payable	\$ 10,375,000	\$ -
Accrued vacation and sick leave	40,759	11,701
Noncurrent Liabilities:		
Landfill closure and postclosure care	-	7,209,438
Revenue bonds, net	212,046,016	-
Accrued vacation and sick leave	638,561	183,316
Net OPEB liability	<u>3,186,124</u>	<u>1,013,099</u>
Total long-term liabilities for major enterprise funds	<u>\$ 226,286,460</u>	<u>\$ 8,417,554</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Changes in long-term liabilities for the year ended December 31, 2021, for the component units were as follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	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	\$ (1,030,730)	\$ -	\$ 556,995	\$ -
Total governmental activities	<u>\$ 1,587,725</u>	<u>\$ (1,030,730)</u>	<u>\$ -</u>	<u>\$ 556,995</u>	<u>\$ -</u>
Total Component Units	<u>\$ 3,287,725</u>	<u>\$ (1,030,730)</u>	<u>\$ 1,700,000</u>	<u>\$ 556,995</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 \$364,174 for the year ended December 31, 2021. The future minimum lease payments for the lease is \$829,000 with \$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, 2021. The limit as of December 31, 2021 was \$390.7 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2021.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

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 2021, \$4,350,000 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, \$4,350,000 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 money-market mutual funds at a carrying amount of \$5,612,123 at December 31, 2021 for the 2012 Bonds and \$1,717,357 for the 2014 Bonds.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Maturity Schedule – The debt service requirements for the Sales Tax Bonds at December 31, 2021 is as follows:

Sales Tax Bonds Maturity Schedule

	Principal	Interest
2022	\$ 8,590,000	\$ 1,058,850
2023	8,930,000	667,550
2024	9,005,000	222,150
Total	26,525,000	\$ 1,948,550
Add unamortized bond premium	2,570,050	
Net bonds outstanding at December 31, 2021	\$ 29,095,050	

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Revenue Bonds - Business-Type Activities

Revenue bonds outstanding at December 31, 2021, 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	\$ 3,425,000
\$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	29,525,000
\$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	46,460,000
\$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>124,385,000</u>
Bonds outstanding, December 31, 2021	203,795,000
Unamortized bond premium	<u>18,626,016</u>
Net bonds outstanding, December 31, 2021	<u><u>\$ 222,421,016</u></u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Water and Sewer:

On November 10, 2011, the City issued \$18,920,000 Water and Sewer Refunding Revenue Bonds, Series 2011, to refund the outstanding \$2,325,000 of 2002B Series Bonds and to refund the outstanding \$16,595,000 of 2002C Series Bonds. The reacquisition price exceeded the carrying amount of the old debt by \$93,625. The unamortized amount is reported as a deferred inflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$7,803 as of December 31, 2021. 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 reported as a deferred inflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$23,849 as of December 31, 2021. The City completed the refunding to reduce its total debt service payments over the next ten (10) years by \$547,391 and to obtain an economic gain of \$493,245.

On December 1, 2016, the City issued \$56,955,000 Water and Sewer Refunding Revenue Bonds, Series 2016, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2007 and partial refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2017 through 2032 with interest rates ranging from 1.7% to 4.4%, payable semiannually. The reacquisition price exceeded the old amount of debt by \$3,092,522. The unamortized amount is reported as a deferred outflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$1,799,680 as of December 31, 2021. The City completed the refunding to reduce its total debt service payments over the next fifteen (15) years by \$4,629,701 and to obtain an economic gain of \$3,691,784.

On September 1, 2018, the City issued \$130,680,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2018, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2020 through 2035 with interest rates ranging from 2% to 5%, payable semiannually beginning April 1, 2019 through October 1, 2035. The reacquisition price exceeded the old amount of debt by \$29,338. The unamortized amount is reported as a deferred outflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$115,601 as of December 31, 2021. The City completed the refunding to reduce its total debt service payments over the next fifteen (15) years by \$14,835,319 and to obtain an economic gain of \$9,837,592.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

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, 2021, 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, 2021

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, 2021 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, 2021. Amounts are reported in restricted investments in the fund level and government-wide financial statements.

Maturity Schedule

Aggregate debt service requirements at December 31, 2021 for business-type activity related bonds were as follows:

	Total Business-Type Activities Water and Sewer	
	Principal	Interest
2022	\$ 10,375,000	\$ 9,263,263
2023	10,680,000	8,961,000
2024	11,160,000	8,477,300
2025	11,620,000	8,019,850
2026	12,095,000	7,546,450
2027-2031	69,020,000	28,589,300
2032-2036	70,395,000	10,489,050
2037-2040	8,450,000	861,400
Total	203,795,000	\$ 82,207,613
Add unamortized bond premium	18,626,016	
Net bonds outstanding as of December 31, 2021	\$ 222,421,016	

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Pledged Revenues for the City

The following is a summary of pledged revenues for the City for the year ended December 31, 2021.

<u>Debt</u>	<u>Revenue Pledged</u>	<u>Total Pledged Revenue</u>	<u>Portion of Pledged Revenue Stream</u>	<u>Percentage Portion of Pledged Revenue Stream</u>	<u>Remaining Principal, Interest and Fees</u>
<u>Governmental Activities:</u>					
Sales and Use Tax Refunding and Improvement Bonds - Series 2012	3/4 Cent City Sales Tax	\$ 19,600,871	\$ 12,521,018	63.9%	\$ 24,209,925
Sales and Use Tax Bonds - Series 2014	3/4 Cent City Sales Tax	19,600,871	<u>5,966,042</u>	<u>30.4%</u>	<u>4,263,625</u>
			<u>\$ 18,487,060</u>	<u>94.3%</u>	<u>\$ 28,473,550</u>
<u>Business-Type Activities:</u>					
Water and Sewer Refunding Revenue Bonds, Series 2011	Revenues of the Enterprise Fund	\$ 55,352,129	1,790,750	3.2%	\$ 3,618,913
Water and Sewer Refunding and Construction Revenue Bonds, Series 2015	Revenues of the Enterprise Fund	55,352,129	2,316,363	4.2%	44,252,950
Water and Sewer Refunding Revenue Bonds, Series 2016	Revenues of the Enterprise Fund	55,352,129	5,062,300	9.1%	60,044,800
Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	Revenues of the Enterprise Fund	55,352,129	<u>9,476,563</u>	<u>17.1%</u>	<u>178,085,950</u>
			<u>\$ 18,645,976</u>	<u>33.7%</u>	<u>\$ 286,002,613</u>

Applicability of Federal Arbitrage Regulations

Debt issuances of the City and various Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from the investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These rules carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. City management believes the City is in compliance with these rules and regulations.

At December 31, 2021, 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, 2021, there were nine series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$534,209,867.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

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, 2021, 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, 2021, the net position (deficit) was \$6,712,961 and \$2,450,368 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$748,536 and \$1,116,482 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 2021 are detailed below:

City of Fort Smith, Arkansas
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	Employee Insurance	Workers' Compensation
Self-insurance liability, December 31, 2019	\$ 894,404	\$ 755,857
Current year claims and changes in estimate	7,863,564	909,931
Claim payments	(7,844,266)	(655,608)
Self-insurance liability, December 31, 2020	913,702	1,010,180
Current year claims and changes in estimate	7,441,559	691,441
Claim payments	(7,606,725)	(585,139)
Self-insurance liability, December 31, 2021	\$ 748,536	\$ 1,116,482

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 \$19,500. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 7: Pension Plans

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

City of Fort Smith, Arkansas
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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	\$ 17,956,725	\$ 18,983,087	\$ 29,325,127	\$ 36,152	\$ 66,301,091
Deferred outflows of resources	-	-	4,767,899	2,716	4,770,615
Deferred outflows of resources - contributions	1,534,596	1,697,760	3,771,507	7,935	7,011,798
Deferred inflows of resources	1,118,296	687,508	7,832,317	69,255	9,707,376
Pension expense	1,621,641	1,988,956	5,349,969	(4,350)	8,956,216

(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 \$1,496,637 for 2021.

City of Fort Smith, Arkansas
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(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 2021. The Clerk's contribution rate was 5.0% of covered payroll for 2021. The City's contributions to the Plan for the year ended December 31, 2021 were \$14,593.

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 \$95,253 for the fiscal year ended December 31, 2021. 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, 2021, the City reported a liability of \$36,152 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.00470221%, which is an decrease of .00016382% from its proportion as of June 30, 2020, of 0.004866030%.

City of Fort Smith, Arkansas
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December 31, 2021

For the year ended December 31, 2021, the City recognized pension expense of (\$4,350). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 827	\$ 2,319
Change of assumptions	-	253
Changes in proportion and differences between City contributions and share of contributions	1,889	3,224
Net difference between projected and actual earnings on pension plan investments	-	63,459
Contributions subsequent to the measurement date	7,935	-
Total	\$ 10,651	\$ 69,255

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$7,935 will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ending December 31,		
2022	\$	(15,931)
2023		(14,223)
2024		(15,792)
2025		(20,593)
Total	\$	(66,539)

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Actuarial Assumptions

The total pension liability in the June 30, 2021 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-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017. The actuarial assumptions used in the June 30, 2021 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, 2021

Long-term Expected Return on Plan Assets

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
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, 2021 actuarial valuation, a single discount rate of 7.15% (7.15% in prior year) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows, based on the assumptions made, found that the pension plan’s net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
City's proportionate share of the net pension liability	\$ 108,145	\$ 36,152	\$ (23,304)

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2021

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, 2021. Contributions made by the Organization were \$219,902 for the year ended December 31, 2021. 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
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Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of actual service.

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended December 31, 2021. 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, 2021, 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, 2021, was 0.072447% which is an increase of 0.004024% from its proportion as of June 30, 2020 of 0.068423%.

City of Fort Smith, Arkansas
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Actuarial Assumptions

The total pension liability in the June 30, 2021 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	Mortality rates were based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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, 2021, these best estimates are summarized in the following table:

City of Fort Smith, Arkansas
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Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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):

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.15%	Current Single Rate Assumption 7.15%	1% Increase 8.15%
Library's proportionate share of the net pension liability	\$ 1,666,192	\$ 556,995	\$ (359,042)

City of Fort Smith, Arkansas
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At December 31, 2021, the Library reported a liability of \$556,995 for its proportionate share of the net pension liability.

The Organization had a pension contribution liability of \$8,969 accrued at December 31, 2021. The Organization's proportionate share of pension expense was (\$29,405) for the year ended December 31, 2021. At December 31, 2021, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,748	\$ 35,722
Change of assumptions	-	3,902
Net difference between projected and actual earnings on pension plan investments	-	977,716
Changes in proportion	112,010	49,946
Organization contributions subsequent to the measurement date	<u>107,742</u>	<u>-</u>
Total	<u>\$ 232,500</u>	<u>\$ 1,067,286</u>

\$107,742 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2022	\$ (243,524)
2023	(184,621)
2024	(217,676)
2025	<u>(296,707)</u>
Total	<u>\$ (942,528)</u>

City of Fort Smith, Arkansas
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(c) Fire Relief and Pension Plan (“FRPF”) (the Old Fire Plan)

Plan Description

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

Benefits

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

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

At the December 31, 2020 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	99
Total	99

City of Fort Smith, Arkansas
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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 2021 plan year were based upon the December 31, 2020, actuarial report. Contributions to the Plan by the City were \$1,534,596 for the year ended December 31, 2021.

Net Pension Liability

The City's net pension liability of \$17,956,725 as of December 31, 2021 was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

Actuarial Assumptions

The total pension liability in the December 31, 2020 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, 2020
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	17 years beginning January 1, 2021

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	7.00 percent (7.00 percent in prior year)

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

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Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2016 valuation. Assumptions are reviewed annually. No additional changes were made for the 2020 valuation.

Long-term Expected Return on Plan Assets

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	25%	0.9%
Domestic Equity	42%	5.1%
Foreign Equity	18%	7.1%
Alternative Investments	15%	7.4%
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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2021	\$ 33,124,919	\$ 13,511,222	\$19,613,697
Changes for the year:			
Interest	2,210,736	-	2,210,736
Differences between expected and actual experience	617,979	-	617,979
Assumption changes	-	-	-
Contributions - employer	-	2,764,741	(2,764,741)
Contributions - employee	-	-	-
Net investment income	-	1,742,497	(1,742,497)
Benefit payments, including refunds of employee contributions	(3,085,961)	(3,085,961)	-
Administrative expense	-	(21,551)	21,551
Net Changes	(257,246)	1,399,726	(1,656,972)
Balance at December 31, 2021	\$ 32,867,673	\$ 14,910,948	\$17,956,725

City of Fort Smith, Arkansas
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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 was 2.50% (same as prior year).

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

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

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's Net Pension Liability	\$ 20,849,135	\$ 17,956,725	\$ 15,457,626

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2021, the City recognized pension expense of \$1,621,641. At December 31, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,118,296
Contributions subsequent to the measurement date	1,534,596	-
Total	\$ 1,534,596	\$ 1,118,296

City of Fort Smith, Arkansas
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The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,534,596 will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>		
2022	\$	(335,482)
2023		(180,151)
2024		(440,923)
2025		<u>(161,740)</u>
Total	\$	<u>(1,118,296)</u>

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

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

Plan Description

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

City of Fort Smith, Arkansas
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Benefits

The PRPF provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the police department. The PRPF also provides benefits for surviving spouses and dependent children of deceased policemen. No participants' benefits vest until normal retirement age. At normal requirement age, participants may elect to continue working and enter the Deferred Retirement Option Plan for up to 5 years. All 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, 2020 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	79
Total	79

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 2021 plan year were based upon the December 31, 2020, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2021 were \$1,697,760.

Net Pension Liability

The City's net pension liability of \$18,983,087 as of December 31, 2021 was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
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Actuarial Assumptions

The total pension liability in the December 31, 2020 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, 2020
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	17 years beginning January 1, 2021

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	7.00 percent (7.00 percent in prior year)

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

Actuarial assumptions used in the December 31, 2020 valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2016 valuation. Assumptions are reviewed annually. No additional changes were made for the 2020 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	25%	0.9%
Domestic Equity	42%	5.1%
Foreign Equity	18%	7.1%
Alternative Investments	15%	7.4%
Total	100%	

City of Fort Smith, Arkansas
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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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2021	\$ 28,290,398	\$ 8,049,992	\$20,240,406
Changes for the year:			
Interest	1,892,834	-	1,892,834
Differences between expected and actual experience	838,445	-	838,445
Assumption changes	-	-	-
Contributions - employer	-	2,923,608	(2,923,608)
Contributions - employee	-	-	-
Net investment income	-	1,078,326	(1,078,326)
Benefit payments, including refunds of employee contributions	(2,499,815)	(2,499,815)	-
Administrative expense	-	(13,336)	13,336
Net Changes	231,464	1,488,783	(1,257,319)
Balance at December 31, 2021	\$ 28,521,862	\$ 9,538,775	\$18,983,087

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:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's Net Pension Liability	\$ 21,961,802	\$ 18,983,087	\$ 16,496,320

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Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2021, the City recognized pension expense of \$1,988,956.

At December 31, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 687,508
Contributions subsequent to the measurement date	1,697,760	-
Total	\$ 1,697,760	\$ 687,508

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,697,760 will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2022	\$ (206,531)
2023	(117,417)
2024	(263,467)
2025	(100,093)
Total	\$ (687,508)

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.

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

Plan Description

The Arkansas Local Police and Fire Retirement System (LOPFI) is a statewide cost-sharing multiple-employer defined benefit pension plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, 620 West 3rd Street, Little Rock, Arkansas 72201, or by calling (501) 682-1745.

Benefits Provided

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

Contributions

Contributions to LOPFI are made by both the members and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The City contributes 23.50% of covered employee salaries to the new plan for firefighters and 19.29% of covered employee salaries to the new plan for police officers. Employees contributed \$1,475,983 to the contributory plan for the year ended December 31, 2021. City contributions to the new plans for the year ended December 31, 2021, were \$3,771,507 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, 2021, the City reported a liability of \$29,325,127 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 the total employer contributions to the Plan of the group for the measurement period. At December 31, 2020, the City's proportion was 4.2656% which is an increase 0.0229% from the City's proportion of 4.2426% at December 31, 2019.

City of Fort Smith, Arkansas
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For the year ended, December 31, 2021, the City recognized pension expense of \$5,349,969. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,310,864	\$ -
Changes of assumptions	817,454	-
Net difference between projected and actual earnings on pension plan investments	-	7,526,771
Changes in proportion	639,581	305,546
Contributions subsequent to the measurement date	3,771,507	-
Total	\$ 8,539,406	\$ 7,832,317

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,771,507 will be recognized as a reduction of the net pension liability for the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ending December 31,	
2022	236,334
2023	(120,458)
2024	(2,185,397)
2025	(994,897)
Total	\$ (3,064,418)

City of Fort Smith, Arkansas
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Actuarial Assumptions

The total pension liability in the December 31, 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)
Salary increases	3.75 to 18.25 percent, including inflation (3.75 to 18.25 percent in prior year)
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation (7.00 percent, including inflation, in prior year)

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

Actuarial assumptions used in the December 31, 2020 valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2016 valuation. Assumptions are reviewed annually. No additional changes were made for the 2020 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	25%	0.9%
Domestic Equity	42%	5.1%
Foreign Equity	18%	7.1%
Alternative Investments	15%	7.4%
Total	100%	

City of Fort Smith, Arkansas
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Discount Rate

In the December 31, 2020 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:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability	\$ 5,006,520	\$ 29,325,127	\$ 12,597,469

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.

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Contributions: The contribution requirements of plan members are established by City Board of Directors and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City’s health insurance plans. Employees are required to elect the coverage at the time of termination. The City is not required to make contributions to the plan on behalf of the retirees. However, benefit payments made directly by the employer are reported as employer contributions. The plan has 778 active participants and 31 retirees and beneficiaries receiving benefits who pay monthly premiums between \$485 for single coverage and \$1,238 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of the plan are presented as a trust fund in the City’s 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, 2021 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 2021 is as follows:

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

The long-term rate of return also included an expected 2.5% inflation for 2021. The long-term expected rate of return at December 31, 2021 was 4.0%.

City of Fort Smith, Arkansas

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Net OPEB Liability

The net OPEB liability is measured as the total OPEB liability, less the amount of the plan’s fiduciary net position. A single discount rate of 2.60% was used to measure the total OPEB liability as of December 31, 2021. 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, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5 percent per year
Payroll growth	3.25 percent
Health care cost trend rates:	7.50 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent
Single discount rate:	2.60 percent at 12/31/21 (2.78 percent at 12/31/20)
Cost Method	Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: <ul style="list-style-type: none"> • Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant’s benefit at retirement; and • Annual Service Cost is a constant percentage of the participant’s salary that is assumed to increase according to the Payroll Growth,
Retirement age:	Expected retirement ages of general employees are based on information provided by the Arkansas Public Employees Retirement System (APERS)
Mortality:	RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years to MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement)

The actuarial assumptions used in the December 31, 2021 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, 2021 was 2.05% to 2.25%. The Trust maintains a minimal fiduciary net position; therefore, the single discount rate is used that results in a total actuarial present value of all projected benefit payments equal to the sum of the actuarial present values of benefit payments determined through an iterative process as prescribed by GASB.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) -(b)
Balance at January 1, 2021	\$ 12,823,972	\$ 1,626,504	\$ 11,197,468
Changes for the year:			
Service cost	945,457	-	945,457
Interest	379,078	-	379,078
Contributions - employer	-	268,881	(268,881)
Differences between expected and actual experience	(517,229)	-	(517,229)
Changes of assumptions	223,018	-	223,018
Net investment income	-	(20,826)	20,826
Administrative fees	-	(15,945)	15,945
Benefit payments	(268,881)	(268,881)	-
Net Changes	<u>761,443</u>	<u>(36,771)</u>	<u>798,214</u>
Balance at December 31, 2021	<u>\$ 13,585,415</u>	<u>\$ 1,589,733</u>	<u>\$ 11,995,682</u>

The schedule of investment return for the City's OPEB Plan is as follows for the years ended December 31, 2021:

Annual money-weighted rate of return, net of investment expense	-2.26%
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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, 2021. In particular, the table presents the plan's net OPEB liability if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

	Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption		
	1% Decrease 1.60%	Current Single Rate Assumption 2.60%	1% Increase 3.60%
	Net OPEB liability	<u>\$ 13,306,192</u>	<u>\$ 11,995,682</u>

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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, 2021. In particular, the table presents the plan’s net OPEB liability if it were calculated using a single health care trend rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

	Sensitivity of the Net OPEB Liability to the Health Care Trend Rate		
	1% Decrease 6.50%-3.50%	Current Single Rate Assumption 7.50%-4.50%	1% Increase 8.50%-5.50%
Net OPEB liability	\$ 10,267,354	\$ 11,995,682	\$ 14,069,242

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

For the year ended December 31, 2021, the City recognized an increase in OPEB expense of \$63,660. At December 31, 2021, the City reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 2,121,279	\$ 10,298,465
Difference between expected and actual experience	-	3,937,187
Net difference between projected and actual earnings on OPEB plan investments	45,553	-
	\$ 2,166,832	\$ 14,235,652

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Amounts reported as deferred outflows of resources and deferred inflows or resources at December 31, 2021, related to OPEB will be recognized as OPEB expense as follows:

<u>Year ending December 31,</u>	
2022	\$ (2,309,806)
2023	(2,313,108)
2024	(2,311,401)
2025	(2,303,804)
2026	(2,320,918)
Thereafter	<u>(509,783)</u>
	<u><u>\$ (12,068,820)</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, 2021</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

City of Fort Smith, Arkansas
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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, 2021, 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 2021.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Note 10: Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2021, are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General Fund	\$ 157,132	\$ -
Nonmajor governmental funds	<u>-</u>	<u>157,132</u>
Total	<u>\$ 157,132</u>	<u>\$ 157,132</u>

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

Interfund transfers in (out) for the year ended December 31, 2021, are as follows:

<u>Fund</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
Primary Government -		
Governmental Funds:		
Major funds:		
General Fund	\$ 100,000	\$ 3,104,268
Special revenue -		
Special Grants Fund	499,735	-
LOPFI Contribution Fund	1,500,000	-
Non-major funds:		
Convention Center Fund	<u>777,000</u>	<u>-</u>
Total governmental funds	<u>2,876,735</u>	<u>3,104,268</u>
Proprietary Funds:		
Water and Sewer Fund	237,533	100,000
Solid Waste Fund	<u>90,000</u>	<u>-</u>
Total proprietary funds	<u>327,533</u>	<u>100,000</u>
Total primary government	<u>\$ 3,204,268</u>	<u>\$ 3,204,268</u>

The transfers out from the General Fund include \$777,000 to the Convention Center Fund for the annual revenue estimate and \$1,500,000 transfer to LOPFI Contribution Fund.

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Note 11: Landfill Closure and Postclosure Care Costs

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

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

The City's permitted landfill capacity is 60,714,375 cubic yards. The life of the landfill is projected at 149 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2021, is \$7,209,438. The remaining estimated closure and postclosure care costs of approximately \$30.9 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 18.9% at December 31, 2021. 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, 2021. 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, 2021, is \$6,830,815. 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, 2021. 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, 2021

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 encouraged.

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, 2021

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, 2021

	Governmental			Business-Type
	Advertising Promotion Commission	Public Library	Total	Airport Commission
Assets				
Current assets	\$ 816,158	\$ 1,780,322	\$ 2,596,480	\$ 4,892,647
Sales taxes receivable from the City	-	218,340	218,340	-
Capital assets, net of accumulated depreciation, as applicable	-	746,210	746,210	44,969,761
Noncurrent assets	-	-	-	5,566,524
Total assets	816,158	2,744,872	3,561,030	55,428,932
Deferred Outflows of Resources				
Deferred outflows related to pensions	-	232,500	232,500	-
Total deferred outflows of resources	-	232,500	232,500	-
Liabilities				
Current liabilities	15,286	74,878	90,164	1,114,291
Noncurrent liabilities	-	556,995	556,995	-
Total liabilities	15,286	631,873	647,159	1,114,291
Deferred Inflows of Resources				
Deferred inflows related to pensions	-	1,067,286	1,067,286	-
Total deferred inflows of resources	-	1,067,286	1,067,286	-
Net Position				
Net investment in capital assets	-	746,210	746,210	44,037,415
Restricted	800,872	-	800,872	31,907
Unrestricted (deficit)	-	532,003	532,003	10,245,319
Total net position	\$ 800,872	\$ 1,278,213	\$ 2,079,085	\$ 54,314,641

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Statement of Activities
For the Year Ended December 31, 2021

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>		
					<u>Advertising and Promotion</u>	<u>Public Library</u>
Advertising/Promotion	\$ 554,418	\$ -	\$ -	\$ (554,418)	\$ -	\$ (554,418)
Public Library	2,872,489	74,420	505,975	-	(2,292,094)	(2,292,094)
Total	<u>\$ 3,426,907</u>	<u>\$ 74,420</u>	<u>\$ 505,975</u>	<u>(554,418)</u>	<u>(2,292,094)</u>	<u>(2,846,512)</u>
General revenues						
Property taxes				-	1,538,707	1,538,707
Sales taxes				-	1,263,273	1,263,273
Hospitality hotel/motel taxes				948,201	-	948,201
Unrestricted investments earnings				(17)	1,399	1,382
Other				7,242	51,451	58,693
Total general revenues				<u>955,426</u>	<u>2,854,830</u>	<u>3,810,256</u>
Change in net position				401,008	562,736	963,744
Net position, beginning				399,864	715,477	1,115,341
Net position, ending				<u>\$ 800,872</u>	<u>\$ 1,278,213</u>	<u>\$ 2,079,085</u>

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Business-Type Activities</u>
Airport Commission	\$ 2,375,553	\$ 2,428,212	\$ 11,378,041	\$ 11,430,700
Total	<u>\$ 2,375,553</u>	<u>\$ 2,428,212</u>	<u>\$ 11,378,041</u>	<u>11,430,700</u>
General revenues				
Unrestricted investment earnings				239,489
Total general revenues				<u>239,489</u>
Change in net position				11,670,189
Net position, beginning				42,644,452
Net position, ending				<u>\$ 54,314,641</u>

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2021

Note 14: Subsequent Events

Sales Tax Election

On May 24, 2022, voters agreed to extend for eight years the 1/4% and 3/4% City sales taxes, originally approved in March 2012. The 1/4% sales tax is dedicated to the Parks and Fire departments capital improvements and the 3/4% is dedicated to the Police Department and repairs to the city's sewer system. In connection with the approval of the sales tax dedicated to the repairs to the City' sewer system, the Board of Directors committed (by city ordinance) (a) to freeze sewer rates at existing levels for three years, commencing June 1, 2022 and (b) to freeze annual sewer rate increases at 3 .5% per year for residential customers for years four (year commencing June 1, 2025) through eight (year commencing June 1, 2029), so long as the City is meeting its rate covenant with holders of the City's bonds secured by water and sewer revenues or unless otherwise required by court order.

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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,	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2,210,736	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	617,979	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	(3,085,961)	(3,090,972)	(2,954,113)	(2,957,863)	(3,502,026)	(2,982,945)	(4,733,419)
Net Change in Total Pension Liability	(257,246)	(737,628)	242,449	1,335,715	(1,194,325)	345,655	(1,746,542)
Total Pension Liability - Beginning	<u>33,124,919</u>	<u>33,862,547</u>	<u>33,620,098</u>	<u>32,284,383</u>	<u>33,478,708</u>	<u>33,133,053</u>	<u>34,879,595</u>
Total Pension Liability - Ending (a)	<u>\$32,867,673</u>	<u>\$33,124,919</u>	<u>\$33,862,547</u>	<u>\$33,620,098</u>	<u>\$32,284,383</u>	<u>\$33,478,708</u>	<u>\$ 33,133,053</u>
Plan Fiduciary Net Position							
Contributions - Employer*	\$ 2,764,741	\$ 1,701,004	\$ 2,636,258	\$ 1,540,550	\$ 1,666,114	\$ 1,866,654	\$ 1,741,331
Contributions - Member	-	-	-	-	747	4,708	5,118
Net Investment Income	1,742,497	2,234,612	(377,407)	1,736,826	784,066	26,779	1,131,513
Benefit Payments, including refunds of employee contributions	(3,085,961)	(3,090,972)	(2,954,113)	(2,957,863)	(3,502,026)	(2,982,945)	(4,733,419)
Administrative Expense	(21,551)	(19,653)	(25,021)	(22,267)	(25,264)	(33,915)	(26,887)
Deferred Retirement Option Distributions	-	-	-	-	-	-	-
Reconciliation Adjustment	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,399,726	824,991	(720,283)	297,246	(1,076,363)	(1,118,719)	(1,882,344)
Plan Fiduciary Net Position - Beginning	<u>13,511,222</u>	<u>12,686,231</u>	<u>13,406,514</u>	<u>13,109,268</u>	<u>14,185,631</u>	<u>15,304,350</u>	<u>17,186,694</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$14,910,948</u>	<u>\$13,511,222</u>	<u>\$12,686,231</u>	<u>\$13,406,514</u>	<u>\$13,109,268</u>	<u>\$14,185,631</u>	<u>\$ 15,304,350</u>
City's Net Pension Liability (a) - (b)	<u>\$17,956,725</u>	<u>\$19,613,697</u>	<u>\$21,176,316</u>	<u>\$20,213,584</u>	<u>\$19,175,115</u>	<u>\$19,293,077</u>	<u>\$ 17,828,703</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	45.37%	40.79%	37.46%	39.88%	40.61%	42.37%	46.19%
Covered Payroll [^]	\$ -	\$ 26,646	\$ 86,750	\$ 74,302	\$ 86,657	\$ 156,943	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	73608.41%	24410.74%	27204.63%	22127.60%	12293.05%	N/A

* Includes assets reported as Premium Tax Money. The amount for 2021 was \$274,005.
[^] Beginning in 2016, Covered Payroll is the amount for which contributions were based.
Prior to 2016, Covered Payroll was based on active valuation payroll.

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

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

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

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

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

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

(5): No assumption changes for 2021.

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

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2021	\$ 1,534,596	\$ 1,534,596	\$ -	\$ -	0.00%
2020	1,490,736	2,490,736	(1,000,000)	-	0.00%
2019	1,440,972	1,440,972	-	26,646	5407.84%
2018	1,439,040	2,439,040	(1,000,000)	86,750	2811.57%
2017	1,835,156	1,835,156	-	86,750	2115.45%
2015	1,418,363	1,418,363	-	84,626	1676.04%
2016	1,609,084	1,609,084	-	75,302	2136.84%

Key Assumptions for ADC:

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date	December 31, 2019
Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	17 years beginning January 1, 2021
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2014 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2014 Employee benefit weighted generational mortality tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

Other Information:

Notes	There were no benefit changes during the year.
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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
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,	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,892,834	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	838,445	(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	(2,499,815)	(2,419,553)	(2,461,495)	(2,959,388)	(2,320,229)	(2,271,315)	(2,245,252)
Net Change in Total Pension Liability	231,464	(936,483)	609,215	2,104,021	28,182	746,121	313,183
Total Pension Liability - Beginning	28,290,398	29,226,881	28,617,666	26,513,645	26,485,463	25,739,342	25,426,159
Total Pension Liability - Ending (a)	<u>\$ 28,521,862</u>	<u>\$ 28,290,398</u>	<u>\$ 29,226,881</u>	<u>\$ 28,617,666</u>	<u>\$ 26,513,645</u>	<u>\$ 26,485,463</u>	<u>\$ 25,739,342</u>
Plan Fiduciary Net Position							
Contributions - Employer*	\$ 2,923,608	\$ 1,892,691	\$ 2,634,491	\$ 1,429,779	\$ 1,509,135	\$ 1,596,703	\$ 1,554,845
Contributions - Member	-	-	-	-	-	-	490
Net Investment Income	1,078,326	1,307,687	(211,373)	996,413	463,067	15,584	624,174
Benefit Payments, including refunds of employee contributions	(2,499,815)	(2,419,553)	(2,461,495)	(2,959,388)	(2,320,229)	(2,271,315)	(2,245,252)
Administrative Expense	(13,336)	(11,501)	(14,014)	(12,774)	(15,173)	(19,925)	(14,832)
Deferred Retirement Option Distributions	-	-	-	-	-	-	-
Reconciliation Adjustment	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,488,783	769,324	(52,391)	(545,970)	(363,200)	(678,953)	(80,575)
Plan Fiduciary Net Position - Beginning	8,049,992	7,280,668	7,333,059	7,879,029	8,242,229	8,921,182	9,001,757
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,538,775</u>	<u>\$ 8,049,992</u>	<u>\$ 7,280,668</u>	<u>\$ 7,333,059</u>	<u>\$ 7,879,029</u>	<u>\$ 8,242,229</u>	<u>\$ 8,921,182</u>
City's Net Pension Liability (a) - (b)	<u>\$ 18,983,087</u>	<u>\$ 20,240,406</u>	<u>\$ 21,946,213</u>	<u>\$ 21,284,607</u>	<u>\$ 18,634,616</u>	<u>\$ 18,243,234</u>	<u>\$ 16,818,160</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	33.44%	28.45%	24.91%	25.62%	29.72%	31.12%	34.66%
Covered Payroll ^	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Includes assets reported as Premium Tax Money. The amount for 2021 was \$335,048.

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

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

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

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

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

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

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

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

(5): No assumption changes for 2021.

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
2021	\$ 1,697,760	\$ 1,697,760	\$ -	\$ -	N/A
2020	1,588,560	2,588,560	(1,000,000)	-	N/A
2019	1,542,372	1,542,372	-	-	N/A
2018	1,334,976	2,334,976	(1,000,000)	-	N/A
2017	1,256,207	1,256,207	-	-	N/A
2016	1,256,207	1,256,207	-	-	N/A
2015	1,372,907	1,372,907	-	-	N/A

Key Assumptions for ADC:

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date	December 31, 2019
Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	17 years beginning January 1, 2021
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.

Mortality	The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2014 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2014 Employee benefit weighted generational mortality tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.
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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,	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	4.2656%	4.2426%	4.2070%	4.0601%	4.3186%	4.9028%	4.9183%
City's proportionate share of the net pension liability	\$ 29,325,127	\$ 32,784,534	\$ 37,963,100	\$ 28,851,157	\$ 24,639,054	\$ 25,717,186	\$ 17,804,470
City's covered payroll	\$ 17,367,198	\$ 17,841,388	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346	\$ 17,203,371
City's proportionate share of the net pension liability as a percentage of its covered payroll	168.85%	183.76%	214.70%	173.20%	158.09%	158.49%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	77.79%	73.21%	66.09%	71.48%	72.87%	72.92%	79.14%

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

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

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

Plan Fiscal Year Ended December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 3,771,507	\$ 3,688,419	\$ 3,540,551	\$ 3,284,942	\$ 2,904,425	\$ 2,674,571	\$ 3,043,184
Contributions in relation to the actuarially required contribution	<u>(3,771,507)</u>	<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>	<u>\$ -</u>
City's covered payroll	\$ 17,367,198	\$ 17,841,388	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346	\$ 17,203,371
Contributions as a percentage of covered payroll	21.72%	20.67%	20.02%	19.72%	18.64%	16.48%	17.69%

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

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

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

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

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

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

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

Plan Fiscal Year Ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially required contribution	\$ 14,593	\$ 14,546	\$ 13,910	\$ 13,702	\$ 12,872	\$ 12,654
Contributions in relation to the actuarially required contribution	<u>(14,593)</u>	<u>(14,546)</u>	<u>(13,910)</u>	<u>(13,702)</u>	<u>(12,872)</u>	<u>(12,654)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 95,253	\$ 96,333	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221
Contributions as a percentage of covered payroll	15.32%	15.10%	14.76%	14.95%	14.75%	13.72%

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

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

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Organization's proportion of the net pension liability(asset)	7.24469200%	0.06842373%	0.06581163%	0.07428966%	0.06648929%	0.07284649%	0.07559378%
Organization's proportionate share of the net pension liability	\$ 556,995	\$ 1,959,371	\$ 1,587,725	\$ 1,638,782	\$ 1,718,177	\$ 1,742,013	\$ 1,392,236
Organization's covered payroll	\$ 1,446,684	\$ 1,335,065	\$ 1,259,399	\$ 1,286,673	\$ 1,304,997	\$ 1,319,906	\$ 1,345,315
Organization's proportionate share of the net pension liability as a percentage of its covered payroll	38.50%	146.76%	126.07%	127.37%	131.66%	131.98%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

Schedule of Library Contributions Last Fiscal Year

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 945,457	\$ 740,528	\$ 701,561	\$ 688,122
Interest	379,078	505,240	558,604	1,219,581
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(517,229)	(3,549,625)	(1,074,914)	-
Changes of Assumptions	223,018	1,901,027	666,698	(18,537,237)
Benefit Payments	<u>(268,881)</u>	<u>(366,898)</u>	<u>(293,091)</u>	<u>(271,381)</u>
Net Change in Total OPEB Liability	761,443	(769,728)	558,858	(16,900,915)
Total OPEB Liability - Beginning	<u>12,823,972</u>	<u>13,593,700</u>	<u>13,034,842</u>	<u>29,935,757</u>
Total OPEB Liability - Ending (a)	<u>\$ 13,585,415</u>	<u>\$ 12,823,972</u>	<u>\$ 13,593,700</u>	<u>\$ 13,034,842</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 268,881	\$ 366,898	\$ 293,091	\$ 271,381
Net Investment Income	(20,826)	99,308	67,719	27,907
Benefit Payments	(268,881)	(366,898)	(293,091)	(271,381)
Administrative Expense	<u>(15,945)</u>	<u>(12,063)</u>	<u>(15,274)</u>	<u>(25,666)</u>
Net change in Fiduciary Net Position	(36,771)	87,245	52,445	2,241
Plan Fiduciary Net Position - Beginning	<u>1,626,504</u>	<u>1,539,259</u>	<u>1,486,814</u>	<u>1,484,573</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,589,733</u>	<u>\$ 1,626,504</u>	<u>\$ 1,539,259</u>	<u>\$ 1,486,814</u>
City's Net OPEB Liability - Ending (a) - (b)	<u>\$ 11,995,682</u>	<u>\$ 11,197,468</u>	<u>\$ 12,054,441</u>	<u>\$ 11,548,028</u>
Plan fiduciary net position as a percentage of the total OPEB liability	11.70%	12.68%	11.32%	11.41%
Covered-employee payroll	\$ 47,959,015	\$ 48,622,396	\$ 46,933,607	\$ 45,273,921
City's Net OPEB Liability as a Percentage of covered-employee payroll	25.01%	23.03%	25.68%	25.51%

Notes to the Schedule

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

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

City of Fort Smith, Arkansas
Required Supplementary Information
Other Postemployment Benefit Plan
Schedule of City Contributions

Plan Fiscal Year Ended December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,242,720	\$ 1,311,170	\$ 1,233,440	\$ 1,923,660
Contributions in relation to the actuarially determined contribution	<u>(268,881)</u>	<u>(366,898)</u>	<u>(293,091)</u>	<u>(271,381)</u>
Contribution deficiency (excess)	<u>\$ 973,839</u>	<u>\$ 944,272</u>	<u>\$ 940,349</u>	<u>\$ 1,652,279</u>
City's covered-employee payroll	\$ 47,959,015	\$ 48,622,396	\$ 46,933,607	\$ 45,273,921
Contributions as a percentage of covered-employee payroll	0.56%	0.75%	0.62%	0.60%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5 percent per year
Health care cost trend rates:	7.5 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent
Single discount rate:	2.60 percent (2.78 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 four 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

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	-2.26%	5.40%	3.53%	0.15%

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only four 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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
Revenues				
Taxes	\$ 7,666,279	\$ 8,086,923	\$ 7,890,062	\$ (196,861)
Sales taxes	23,280,742	25,770,509	27,588,174	1,817,665
Licenses and permits	1,789,199	2,041,771	2,148,846	107,075
Utility franchise fees	6,500,000	6,651,688	7,079,057	427,369
Intergovernmental	4,822,000	7,813,481	4,319,092	(3,494,389)
Fines and forfeitures	1,750,000	1,921,852	1,972,744	50,892
Fees for services	531,737	573,508	549,347	(24,161)
Interest	50,000	50,000	27,102	(22,898)
Contributions	5,469	81,986	100,566	18,580
Miscellaneous	85,000	444,179	517,876	73,697
Total revenues	46,480,426	53,435,897	52,192,866	(1,243,031)
Expenditures				
Current:				
General government				
Administration	2,100,252	1,915,872	1,866,420	49,452
Legal	2,205,011	2,063,238	1,969,478	93,760
Finance	1,977,813	2,172,881	1,953,996	218,885
Public safety				
Police	16,906,537	14,600,865	14,103,794	497,071
Fire	13,621,766	13,764,481	13,550,288	214,193
Community services				
Health and social services	188,171	193,171	174,455	18,716
Parks and recreation	2,264,576	2,288,800	2,573,366	(284,566)
Transit	2,563,233	2,382,607	2,397,693	(15,086)
Other	1,943,521	6,833,932	3,883,544	2,950,388
Capital outlay	4,765,000	13,753,163	4,723,279	9,029,884
Total expenditures	48,535,880	59,969,010	47,196,313	12,772,697
Excess (deficiency) of revenues over (under) expenditures	(2,055,454)	(6,533,113)	4,996,553	11,529,666
Other Financing Sources (Uses):				
Transfers in	125,000	100,000	100,000	-
Transfers out	(867,000)	(2,367,000)	(3,104,268)	(737,268)
Total other financing sources and uses	(742,000)	(2,267,000)	(3,004,268)	(737,268)
Net change in fund balances	(2,797,454)	(8,800,113)	1,992,285	10,792,398
Fund Balances, beginning of year	31,464,843	31,464,843	31,464,843	-
Fund Balances, end of year	<u>\$ 28,667,389</u>	<u>\$ 22,664,730</u>	<u>\$ 33,457,128</u>	<u>\$ 10,792,398</u>

City of Fort Smith, Arkansas
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Street Maintenance Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,268,972	\$ 2,446,040	\$ 2,341,713	\$ (104,327)
Licenses and permits	182,500	200,000	253,143	53,143
Intergovernmental	6,256,855	5,904,000	7,230,829	1,326,829
Interest	5,500	5,500	(126)	(5,626)
Miscellaneous	30,000	22,513	41,443	18,930
Total revenues	8,743,827	8,578,053	9,867,002	1,288,949
Expenditures				
Current:				
General government				
Administration	254,739	254,739	252,218	2,521
Legal	129,500	129,500	104,589	24,911
Finance	711,668	711,668	725,628	(13,960)
Public works				
Operations	588,151	659,618	666,550	(6,932)
Streets	3,525,177	3,148,924	3,131,083	17,841
Traffic control	2,143,133	2,203,878	2,183,764	20,114
Community services				
Parks and recreation	221,019	221,019	216,400	4,619
Capital outlay	562,580	558,080	-	558,080
Total expenditures	8,135,967	8,602,614	7,403,690	15,464
Excess (deficiency) of revenues over (under) expenditures	607,860	(24,561)	2,463,312	1,304,413
Net Change in Fund Balances	607,860	(24,561)	2,463,312	1,304,413
Fund Balances, beginning of year	8,073,968	8,073,968	8,073,968	-
Fund Balances, end of year	\$ 8,681,828	\$ 8,049,407	\$ 10,537,280	\$ 1,304,413

City of Fort Smith, Arkansas
Notes to Required Supplementary Information
December 31, 2021

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, 2021

Special Revenue Funds:

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

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

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

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

City of Fort Smith, Arkansas
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2021

	Special Revenue				Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Convention Center	
Assets					
Cash	\$ 6,696	\$ -	\$ -	\$ -	\$ 6,696
Investments	-	25,551	-	-	25,551
Receivables, net of allowance for uncollectibles					
Accounts	28,596	-	-	8,136	36,732
Due from other governments	127,784	-	16,075	-	143,859
Restricted assets:					
Cash	8,110	-	8,523	-	16,633
Inventories	-	-	-	3,152	3,152
Prepaid items	-	-	-	734	734
Total assets	\$ 171,186	\$ 25,551	\$ 24,598	\$ 12,022	\$ 233,357
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 137,046	\$ -	7,699	\$ 189,503	\$ 334,248
Due to other funds	-	-	8,376	148,756	157,132
Unearned revenues	-	-	-	26,878	26,878
Total liabilities	137,046	-	16,075	365,137	518,258
Fund Balances:					
Nonspendable	-	-	-	3,886	3,886
Restricted for:					
Parks & recreation	-	25,551	-	-	25,551
Housing and rehabilitation	34,140	-	8,523	-	42,663
Unassigned (deficit)	-	-	-	(357,001)	(357,001)
Total Fund Balances	34,140	25,551	8,523	(353,115)	(284,901)
Total liabilities and fund balances	\$ 171,186	\$ 25,551	\$ 24,598	\$ 12,022	\$ 233,357

City of Fort Smith, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balance –
Nonmajor Governmental Funds
For the Year Ended December 31, 2021

	Special Revenue				Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Convention Center	
Revenues					
Intergovernmental	\$ 1,115,451	\$ -	\$ 215,736	\$ -	\$ 1,331,187
Fees for services	-	-	-	286,589	286,589
Interest	-	(1)	-	-	(1)
Miscellaneous	1,282	-	-	4,403	5,685
Total revenues	<u>1,116,733</u>	<u>(1)</u>	<u>215,736</u>	<u>290,992</u>	<u>1,623,460</u>
Expenditures					
Current:					
Community services					
Convention Center	-	-	-	1,551,711	1,551,711
Housing and Rehabilitation	1,083,179	-	214,252	-	1,297,431
Capital Outlay	-	-	-	287,658	287,658
Total expenditures	<u>1,083,179</u>	<u>-</u>	<u>214,252</u>	<u>1,839,369</u>	<u>3,136,800</u>
Excess (deficiency) of revenues over (under) expenditures	33,554	(1)	1,484	(1,548,377)	(1,513,340)
Other Financing Sources (Uses)					
Transfers in	-	-	-	777,000	777,000
Change in Net Position	33,554	(1)	1,484	(771,377)	(736,340)
Fund Balances, beginning of year	<u>586</u>	<u>25,552</u>	<u>7,039</u>	<u>418,262</u>	<u>451,439</u>
Fund Balances (deficit), end of year	<u>\$ 34,140</u>	<u>\$ 25,551</u>	<u>\$ 8,523</u>	<u>\$ (353,115)</u>	<u>\$ (284,901)</u>

City of Fort Smith, Arkansas
Internal Service Funds
For the Fiscal Year Ended December 31, 2021

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, 2021

	Working Capital	Employee Insurance	Workers' Compensation	Total
Assets				
Current Assets				
Cash	\$ 106,910	\$ 3,233,778	\$ 3,001,931	\$ 6,342,619
Investments	-	4,069,909	575,193	4,645,102
Receivables, net of allowance for uncollectibles				
Accounts	-	40,040	-	40,040
Inventories	38,106	-	-	38,106
Prepaid items & deposits	-	-	15,000	15,000
	<u>145,016</u>	<u>7,343,727</u>	<u>3,592,124</u>	<u>11,080,867</u>
Total Current Assets	<u>145,016</u>	<u>7,343,727</u>	<u>3,592,124</u>	<u>11,080,867</u>
	<u>145,016</u>	<u>7,343,727</u>	<u>3,592,124</u>	<u>11,080,867</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	22,519	(117,770)	25,274	(69,977)
Claims and judgments	-	748,536	1,116,482	1,865,018
	<u>22,519</u>	<u>630,766</u>	<u>1,141,756</u>	<u>1,795,041</u>
Total Current Liabilities	<u>22,519</u>	<u>630,766</u>	<u>1,141,756</u>	<u>1,795,041</u>
	<u>22,519</u>	<u>630,766</u>	<u>1,141,756</u>	<u>1,795,041</u>
Net Position				
Unrestricted	<u>122,497</u>	<u>6,712,961</u>	<u>2,450,368</u>	<u>9,285,826</u>
	<u>\$ 122,497</u>	<u>\$ 6,712,961</u>	<u>\$ 2,450,368</u>	<u>\$ 9,285,826</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, 2021

	Working Capital	Employee Insurance	Workers' Compensation	Total
Operating Revenues				
Charges for services - internal	\$ 737,893	\$ 8,816,736	\$ 918,417	\$ 10,473,046
Charges for services - external	-	489,356	-	489,356
Total Operating Revenues	<u>737,893</u>	<u>9,306,092</u>	<u>918,417</u>	<u>10,962,402</u>
Operating Expenses				
Contractual services	-	387,018	217,532	604,550
Materials and supplies	767,725	-	-	767,725
Insurance claims and expenses	-	7,606,725	585,139	8,191,864
Total Operating Expenses	<u>767,725</u>	<u>7,993,743</u>	<u>802,671</u>	<u>9,564,139</u>
Operating Income (Loss)	(29,832)	1,312,349	115,746	1,398,263
Nonoperating Revenues				
Investment earnings	-	85	(24)	61
Change in Net Position	(29,832)	1,312,434	115,722	1,398,324
Net position, beginning of year	<u>152,329</u>	<u>5,400,527</u>	<u>2,334,646</u>	<u>7,887,502</u>
Net position, ending of year	<u>\$ 122,497</u>	<u>\$ 6,712,961</u>	<u>\$ 2,450,368</u>	<u>\$ 9,285,826</u>

City of Fort Smith, Arkansas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2021

	Working Capital	Employee Insurance	Workers' Compensation	Total
Cash Flows from Operating Activities:				
Cash received from service users	\$ 737,893	\$ 517,571	\$ -	\$ 1,255,464
Cash received from city and employee contributions	-	8,816,736	918,416	9,735,152
Cash payments for goods and services	(773,742)	-	-	(773,742)
Cash payments for premiums and other operating expenses	-	(928,745)	(218,903)	(1,147,648)
Cash payments for claims paid	-	(7,427,360)	(478,837)	(7,906,197)
Net cash provided by (used for) operating activities	<u>(35,849)</u>	<u>978,202</u>	<u>220,676</u>	<u>1,163,029</u>
Cash Flows from Investing Activities				
Outlays for purchases of investment securities	-	173	24	197
Interest on investments	-	85	(24)	61
Net cash provided by (used for) investing activities	<u>-</u>	<u>258</u>	<u>-</u>	<u>258</u>
Net increase (decrease) in cash	(35,849)	978,460	220,676	1,163,287
Cash, beginning of year	<u>142,759</u>	<u>2,255,318</u>	<u>2,781,255</u>	<u>5,179,332</u>
Cash, ending of year	<u><u>\$ 106,910</u></u>	<u><u>\$ 3,233,778</u></u>	<u><u>\$ 3,001,931</u></u>	<u><u>\$ 6,342,619</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ (29,832)	\$ 1,312,349	\$ 115,746	\$ 1,398,263
Change in assets and liabilities				
Accounts receivable	-	28,215	-	28,215
Inventory	(16,615)	-	-	(16,615)
Accounts payable and accrued liabilities	10,598	(197,195)	(1,373)	(187,970)
Liability for claims and judgments	-	(165,167)	106,303	(58,864)
Total adjustments	<u>(6,017)</u>	<u>(334,147)</u>	<u>104,930</u>	<u>(235,234)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (35,849)</u></u>	<u><u>\$ 978,202</u></u>	<u><u>\$ 220,676</u></u>	<u><u>\$ 1,163,029</u></u>

City of Fort Smith, Arkansas
Discretely Presented Component Units
For the Fiscal Year Ended December 31, 2021

Governmental Fund Types – Special Revenue Funds

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

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

Proprietary Fund Type – Enterprise Fund

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

City of Fort Smith, Arkansas
Combining Statement of Net Position
Governmental Component Units
December 31, 2021

	Advertising and Promotion Commission	Public Library	Total
Assets			
Cash	\$ 420,967	\$ 1,340,755	\$ 1,761,722
Investments	395,191	303,430	698,621
Receivables, net of allowance for uncollectibles			
Sales taxes	-	218,340	218,340
Accounts	-	71,345	71,345
Prepaid items	-	64,792	64,792
Capital assets			
Nondepreciable	-	496,020	496,020
Depreciable	-	250,190	250,190
Total Assets	816,158	2,744,872	3,561,030
Deferred outflows of resources			
Deferred outflow related to pension	-	232,500	232,500
Total deferred outflows of resources	-	232,500	232,500
Liabilities			
Accounts payable and accrued liabilities	15,286	74,878	90,164
Net pension liability	-	556,995	556,995
Total Liabilities	15,286	631,873	647,159
Deferred inflows of resources			
Deferred inflow related to pension	-	1,067,286	1,067,286
Total deferred inflows of resources	-	1,067,286	1,067,286
Net Position			
Net investment in capital assets	-	746,210	746,210
Restricted for:			
Tourism & promotion	800,872	-	800,872
Unrestricted			
Library	-	532,003	532,003
Total Net Position	\$ 800,872	\$ 1,278,213	\$ 2,079,085

City of Fort Smith, Arkansas
Combining Statement of Activities – Governmental Component Units
For the Year Ended December 31, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Advertising & Promotion Commission	Public Library	Total
Advertising and Promotion Commission	\$ 554,418	\$ -	\$ -	\$ (554,418)	\$ -	\$ (554,418)
Public Library	2,872,489	74,420	505,975	-	(2,292,094)	(2,292,094)
Total	\$ 3,426,907	\$ 74,420	\$ 505,975	(554,418)	(2,292,094)	(2,846,512)
General revenues						
Property taxes				-	1,538,707	1,538,707
Sales taxes				-	1,263,273	1,263,273
Hospitality taxes				948,201	-	948,201
Unrestricted investment earnings (loss)				(17)	1,399	1,382
Other				7,242	51,451	58,693
Total general revenues				955,426	2,854,830	3,810,256
Change in net position				401,008	562,736	963,744
Net position, beginning of year				399,864	715,477	1,115,341
Net position, ending of year				\$ 800,872	\$ 1,278,213	\$ 2,079,085

City of Fort Smith, Arkansas
Balance Sheet – Advertising and Promotion
Governmental Component Unit
December 31, 2021

Assets:	
Cash	\$ 420,967
Investments	<u>395,191</u>
 Total Assets	 <u><u>\$ 816,158</u></u>
 Liabilities and Fund Balance:	
Current:	
Accounts payable and accrued liabilities	<u>\$ 15,286</u>
 Total Liabilities	 <u>15,286</u>
 Fund Balance:	
Restricted for:	
Tourism & promotion	<u>800,872</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 816,158</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, 2021

Revenues	
Taxes	\$ 948,201
Investment earnings (loss)	(17)
Other	7,242
	<hr/>
Total revenues	955,426
	<hr/>
Expenditures	
Other	554,418
	<hr/>
Total Expenditures	554,418
	<hr/>
Excess of revenues over expenditures	401,008
	<hr/>
Net change in fund balance	401,008
Fund Balance, beginning of year	399,864
	<hr/>
Fund Balance, end of year	\$ 800,872
	<hr/> <hr/>

City of Fort Smith, Arkansas

Statement of Net Position Business-Type Component Unit Airport Commission December 31, 2021

Assets

Current Assets

Cash	\$	3,446,173
Accrued interest receivable		18,058
Due from other governments		1,259,789
Prepaid items and deposits		86,267
Inventories		82,360
		<hr/>
Total Current Assets		4,892,647

Noncurrent Assets

Restricted cash		1,524
Certificates of deposit		5,565,000
Capital assets		
Nondepreciable		19,808,641
Depreciable		25,161,120
		<hr/>
Total Noncurrent Assets		50,536,285
		<hr/>
Total Assets		55,428,932

Liabilities

Current liabilities

Accounts payable and accrued liabilities		1,114,291
		<hr/>
Total Current Liabilities		1,114,291
		<hr/>
Total Liabilities		1,114,291

Net Position

Net investment in capital assets		44,037,415
Restricted for capital projects		31,907
Unrestricted		10,245,319
		<hr/>
Total Net Position	\$	54,314,641

City of Fort Smith, Arkansas
Statement of Activities – Business-Type Component Units
Airport Commission
For the Year Ended December 31, 2021

		Program Revenues			
Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Net Position	
Airport Commission	<u>\$ 4,613,358</u>	<u>\$ 2,421,200</u>	<u>\$ 2,424,941</u>	<u>\$11,378,041</u>	<u>\$11,610,824</u>
				General revenues	
				Unrestricted investment earnings	<u>59,365</u>
				Change in net position	<u>11,670,189</u>
				Net position, beginning of year	<u>42,644,452</u>
				Net position, end of year	<u><u>\$54,314,641</u></u>

City of Fort Smith, Arkansas
Statement of Cash Flows – Business-Type Component Units
Airport Commission
For the Year Ended December 31, 2021

Operating Activities	
Cash received from customers	\$ 2,262,624
Cash payments for goods and services	(1,377,065)
Cash paid to employees	(948,185)
	<hr/>
Net cash used in operating activities	(62,626)
	<hr/>
Noncapital Financing Activities	
Noncapital grants and gifts	2,244,817
	<hr/>
Net cash provided by noncapital financing activities	2,244,817
	<hr/>
Capital and Related Financing Activities	
Proceeds from capital grants	11,384,712
Passenger facility charges received	177,542
Acquisition and construction of capital assets	(12,067,568)
	<hr/>
Net cash used in capital and related financing activities	(505,314)
	<hr/>
Investing Activities	
Proceeds from sales and maturities of investment securities	5,100,310
Outlays for purchases of investment securities	(5,565,000)
Income received on investments and cash equivalents	88,936
	<hr/>
Net cash used in investing activities	(375,754)
	<hr/>
Net increase in cash and restricted cash	1,301,123
Cash and restricted cash, January 1	2,146,574
	<hr/>
Cash and restricted cash, December 31	\$ 3,447,697
	<hr/> <hr/>
Reconciliation of cash and restricted cash at December 31 to statement of net position	
Cash	\$ 3,446,173
Restricted cash	1,524
	<hr/>
Total	\$ 3,447,697
	<hr/> <hr/>

City of Fort Smith, Arkansas
Statement of Cash Flows – Business-Type Component Units
Airport Commission (Continued)
For the Year Ended December 31, 2021

Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities	
Operating loss	\$ (2,185,146)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	2,348,038
Change in assets and liabilities	
Accounts receivable	(864,527)
Inventories	(35,753)
Prepaid items	(6,604)
Accounts payable and accrued liabilities	681,366
	<hr/>
Total adjustments	2,122,520
	<hr/>
Net cash provided by (used in) operating activities	\$ (62,626)
	<hr/> <hr/>

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STATISTICAL SECTION

City of Fort Smith, Arkansas

Statistical Section

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

Contents	Page
Financial Trends (Tables 1-5)	
These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time	161
Revenue Capacity (Tables 6-11)	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes	167
Debt Capacity (Tables 12-15)	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.....	173
Demographic and Economic Information (Tables 16-17)	
These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place	177
Operating Information (Tables 18-20)	
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to services the City provides and the activities it performs	179
Continuing Disclosure Requirement Information (Tables 21-22)	
These schedules provide information required to be disseminated for investors of City debt. By including this data, this annual report may be used as the document that provides all debt covenant required reports and information	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)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities										
Net investment in capital assets	\$ 323,907,222	\$ 315,027,429	\$ 301,383,411	\$ 301,292,326	\$ 310,422,734	\$ 326,142,910	\$ 337,628,439	\$ 353,386,437	\$ 375,642,851	\$ 400,256,391
Restricted	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	67,339,948
Unrestricted (deficit)	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)	(24,439,299)
Total governmental activities net position	<u>\$ 381,490,807</u>	<u>\$ 367,734,066</u>	<u>\$ 356,962,492</u>	<u>\$ 310,161,566</u>	<u>\$ 321,179,012</u>	<u>\$ 346,572,654</u>	<u>\$ 360,469,783</u>	<u>\$ 385,337,669</u>	<u>\$ 410,085,743</u>	<u>\$ 443,157,040</u>
Business-Type activities										
Net investment in capital assets	\$ 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	\$ 386,177,195
Restricted	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	4,746,700
Unrestricted (deficit)	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	61,258,031
Total business-type activities net position	<u>\$ 355,197,157</u>	<u>\$ 383,160,202</u>	<u>\$ 397,909,176</u>	<u>\$ 405,347,178</u>	<u>\$ 433,218,071</u>	<u>\$ 427,841,689</u>	<u>\$ 443,516,555</u>	<u>\$ 443,473,925</u>	<u>\$ 445,697,622</u>	<u>\$ 452,181,926</u>
Primary government										
Net investment in capital assets	\$ 652,907,699	\$ 674,275,117	\$ 679,570,135	\$ 651,494,328	\$ 707,487,379	\$ 711,707,896	\$ 729,236,710	\$ 745,335,880	\$ 764,846,441	\$ 786,433,586
Restricted	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	72,086,648
Unrestricted (deficit)	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	36,818,732
Total primary government net position	<u>\$ 736,687,964</u>	<u>\$ 750,894,268</u>	<u>\$ 754,871,668</u>	<u>\$ 715,508,744</u>	<u>\$ 754,397,083</u>	<u>\$ 767,702,256</u>	<u>\$ 803,986,338</u>	<u>\$ 828,811,594</u>	<u>\$ 855,783,365</u>	<u>\$ 895,338,966</u>

Table 2

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental Activities:										
General government	\$ 9,373,912	\$ 10,566,810	\$ 11,782,229	\$ 10,540,138	\$ 9,334,979	\$ 9,813,976	\$ 9,487,201	\$ 10,237,381	\$ 10,208,851	\$ 15,180,500
Public safety	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	37,401,924
Public works	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	20,015,919
Community services	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	11,237,602
Interest on long-term debt	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	1,030,482
Total governmental activities expenses	76,911,990	84,109,410	88,903,371	83,128,518	79,541,996	79,326,140	86,764,116	80,245,801	82,502,083	84,866,425
Business-Type Activities:										
Water and Sewer	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	54,963,014
Solid Waste	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	12,746,048
Parking	-	-	-	-	-	-	-	308,030	176,885	224,262
Total business-type activities expenses	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	67,933,324
Total primary government expenses	\$ 130,556,667	\$ 138,498,328	\$ 145,009,404	\$ 139,065,146	\$ 140,602,460	\$ 150,374,486	\$ 150,324,832	\$ 147,463,260	\$ 150,054,143	\$ 152,799,749
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 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	\$ 4,161,045
Public safety	358,888	1,430,302	183,031	166,741	174,925	206,292	212,218	1,093,566	1,189,180	1,060,711
Public works	261,792	421,635	266,627	254,686	335,684	346,439	389,717	198,326	305,509	253,143
Community services	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	682,832
Operating grants and contributions	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	10,719,284
Capital grants and contributions	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	6,858,380
Total governmental activities program revenues	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	23,735,395
Business-Type Activities:										
Charges for services										
Water and sewer	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	55,314,031
Solid Waste	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	18,681,397
Parking	-	-	-	-	-	-	-	189,340	123,229	128,980
Capital grants and contributions	1,245,672	1,968,216	-	-	-	-	-	517,991	166,707	93,000
Total business-type activities program revenues	54,935,611	54,842,287	49,209,453	57,363,310	68,062,838	69,659,743	74,670,767	68,903,995	69,017,019	74,217,408
Total primary government program revenues	\$ 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	\$ 97,952,803
Net (expense) revenue										
Governmental activities	\$ (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)	\$ (61,131,030)
Business-Type activities	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	6,284,084
Total primary government net expense	\$ (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)	\$ (54,846,946)

Table 2 (Continued)

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 13,717,431
Sales taxes	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	73,323,540
Gross receipts utility franchise fees	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	7,079,057
Unrestricted grants and contributions	55,357	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	474	364,291	85,627	152,888	64,861	317,642	1,220,764	1,419,241	595,603	29,401
Other	527,041	3,462,503	2,108,585	1,397,078	2,043,676	1,618,293	2,158,371	396,549	(487,200)	280,427
Transfers	(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	(227,533)
Total governmental activities	<u>59,881,405</u>	<u>48,473,565</u>	<u>55,758,116</u>	<u>60,096,656</u>	<u>58,908,662</u>	<u>76,018,850</u>	<u>81,944,063</u>	<u>83,188,385</u>	<u>82,816,200</u>	<u>94,202,323</u>
Business-type activities:										
Unrestricted investment earnings	61,383	68,600	87,230	80,875	193,749	401,542	1,219,925	1,668,005	790,607	(31,180)
Other	609,901	1,403,727	1,403,727	138,309	350,917	762,982	1,099,816	116,099	2,341	3,867
Transfers	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)	227,533
Total business-type activities	<u>12,861,775</u>	<u>29,110,840</u>	<u>21,978,521</u>	<u>16,627,326</u>	<u>20,868,520</u>	<u>5,160,083</u>	<u>3,575,336</u>	<u>774,104</u>	<u>758,738</u>	<u>200,220</u>
Total primary government	<u>\$ 72,743,180</u>	<u>\$ 77,584,405</u>	<u>\$ 77,736,637</u>	<u>\$ 76,723,982</u>	<u>\$ 79,777,182</u>	<u>\$ 81,178,933</u>	<u>\$ 85,519,399</u>	<u>\$ 83,962,489</u>	<u>\$ 83,574,938</u>	<u>\$ 94,402,543</u>
Changes in Net Position										
Governmental activities	\$ 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	\$ 33,071,291
Business-type activities	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	6,484,304
Total primary government	<u>\$ 17,084,236</u>	<u>\$ 16,150,871</u>	<u>\$ 3,977,400</u>	<u>\$ 19,255,771</u>	<u>\$ 38,888,339</u>	<u>\$ 22,453,036</u>	<u>\$ 32,655,977</u>	<u>\$ 27,318,526</u>	<u>\$ 26,971,777</u>	<u>\$ 39,555,595</u>

Table 3

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes (1)	\$ 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	\$ 93,758,607
Licenses and permits	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	2,401,989
Intergovernmental	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	18,210,308
Fines and forfeitures	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	2,086,175
Charges for services	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	835,936
Investment earnings	141,141	383,964	185,589	262,136	168,689	442,148	1,380,801	1,455,011	579,362	29,340
Contributions	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	624,173
Miscellaneous	343,630	769,159	367,470	303,595	741,307	585,585	603,372	1,039,724	1,618,768	564,218
Total revenues	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	118,510,746
Expenditures										
General government	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	8,958,979
Public safety	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	35,008,367
Public works	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	8,169,891
Community services	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	8,222,820
Other	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	6,744,968
Capital outlay	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	23,244,244
Debt service										
Principal	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	16,970,000
Interest	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	1,625,100
Issuance costs	349,650	-	400,062	-	-	-	-	-	-	-
Total expenditures	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	108,944,369
Excess (deficiency) of revenues over (under) expenditures	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	9,566,377
Other financing sources and (uses)										
Transfers in	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	2,876,735
Transfers out	(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)	(3,104,268)
Premiums on bond issuance	6,269,913	-	1,028,741	-	-	-	-	-	-	-
Bond issuance	110,660,000	-	34,295,000	-	-	-	-	-	-	-
Escrow deposits	(53,700,952)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	63,398,489	(217,524)	35,271,741	58,523	97,929	922,246	488,000	10,000	(965,790)	(227,533)
Net change in fund balances	\$ 64,968,178	\$ (30,676,816)	\$ 14,830,325	\$ (17,697,203)	\$ (13,732,668)	\$ (1,218,049)	\$ 8,274,485	\$ 9,135,841	\$ 245,566	\$ 9,338,844
Debt service as a % of noncapital expenditures	7.8%	21.8%	20.5%	20.0%	21.2%	22.6%	20.0%	21.8%	20.9%	21.7%

(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)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Nonspendable	\$ 264,783	\$ 44,106	\$ 73,340	\$ 56,438	\$ 190,121	\$ 190,100	\$ 312,081	\$ 336,077	\$ 350,912	\$ 1,100,913
Restricted	-	-	-	-	-	-	-	4,634,601	4,020,868	5,974,817
Assigned	4,450,203	1,205,979	1,406,631	1,701,712	1,319,552	1,121,752	967,846	294,076	292,245	292,245
Unassigned	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	26,089,153
Total general fund	<u>8,984,903</u>	<u>11,685,337</u>	<u>11,677,052</u>	<u>9,470,431</u>	<u>14,893,534</u>	<u>17,295,168</u>	<u>20,742,112</u>	<u>24,464,435</u>	<u>31,464,843</u>	<u>33,457,128</u>
All other governmental funds										
Nonspendable	673,709	701,931	339,952	179,311	194,052	641,036	641,036	650,774	50,000	7,340
Restricted	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	59,673,685
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	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	10,533,826
Unassigned (deficit)	-	-	-	-	(3,048)	-	(306,595)	(173,456)	-	(357,001)
Total all other governmental funds	<u>115,829,741</u>	<u>82,452,491</u>	<u>97,291,101</u>	<u>81,800,519</u>	<u>62,644,748</u>	<u>59,025,065</u>	<u>63,852,606</u>	<u>69,266,133</u>	<u>62,511,291</u>	<u>69,857,850</u>
Total governmental fund balances	<u>\$ 124,814,644</u>	<u>\$ 94,137,828</u>	<u>\$ 108,968,153</u>	<u>\$ 91,270,950</u>	<u>\$ 77,538,282</u>	<u>\$ 76,320,233</u>	<u>\$ 84,594,718</u>	<u>\$ 93,730,568</u>	<u>\$ 93,976,134</u>	<u>\$ 103,314,978</u>

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)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues	\$ 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	\$ 52,192,866
Expenditures	<u>38,750,928</u>	<u>42,663,082</u>	<u>45,643,048</u>	<u>45,169,301</u>	<u>38,905,420</u>	<u>41,298,295</u>	<u>45,728,976</u>	<u>45,102,337</u>	<u>42,634,633</u>	<u>47,196,313</u>
Excess (deficiency) of revenues over (under) expenditures	(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	4,996,553
Other financing sources (uses)	<u>1,634,238</u>	<u>1,738,186</u>	<u>1,932,200</u>	<u>(1,392,375)</u>	<u>(583,829)</u>	<u>(1,590,998)</u>	<u>1,507,814</u>	<u>(767,000)</u>	<u>(1,882,302)</u>	<u>(3,004,268)</u>
Net change in fund balances	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	1,992,285
Fund balance, January 1	<u>7,740,401</u>	<u>8,679,817</u>	<u>11,685,337</u>	<u>11,677,052</u>	<u>9,470,431</u>	<u>14,893,534</u>	<u>17,295,168</u>	<u>20,742,112</u>	<u>24,464,435</u>	<u>31,464,843</u>
Fund balance, December 31	<u>\$ 8,679,817</u>	<u>\$ 11,685,337</u>	<u>\$ 11,677,052</u>	<u>\$ 9,470,431</u>	<u>\$ 14,893,534</u>	<u>\$ 17,295,168</u>	<u>\$ 20,742,112</u>	<u>\$ 24,464,435</u>	<u>\$ 31,464,843</u>	<u>\$ 33,457,128</u>

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
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
2021	13,356,010	73,323,540	7,079,057	93,758,607

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

Table 7

City of Fort Smith, Arkansas
Local Sales and Use Tax Collections
And Direct and Overlapping Local Tax Rates
Continuing Disclosure Requirement
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	1% City Sales & Use Tax Allocated for Street (1)	City Share 1% County Sales & Use Tax (2)	1% or 3/4% City Sales & Use Tax Allocated for Bonds (3)	1/4% City Sales & Use Tax Allocated Fire & Parks (3)	Total	Direct City Tax Rate	Overlapping Sebastian County Tax Rate
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%
2021	26,134,495	21,054,550	19,600,871	6,533,624	73,323,540	2.00%	1.00%
Total	<u>\$ 213,945,145</u>	<u>\$ 169,231,332</u>	<u>\$ 164,592,078</u>	<u>\$ 49,352,598</u>	<u>\$ 597,121,153</u>		

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

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

(3) In May 2012, the City issued sales and use tax bonds to provide for water improvements, wastewater improvements, fire facilities and apparatus, and for an aquatics park in conjunction with Sebastian County. Beginning October 1, 2012, the 1% sales tax is split with 3/4% allocated to the redemption of the 2012 bonds and 1/4% allocated to operations in the fire and parks departments.

Table 8

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Collection Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
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%
2021	12,911,401	10,891,542	84.36%	548,014	11,439,556	88.60%	1,471,845	11.40%

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

Table 9

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

Fiscal Year (1)	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual	Direct Tax Rate (per \$100 assessed value)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
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
2021	1,137,668,170	5,688,340,850	425,155,480	2,125,777,400	1,562,823,650	7,814,118,250	20.00%	0.70

(1) Fiscal year is year of valuation.

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

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

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

Fiscal Year (1)	City of Fort Smith		Overlapping Rates						Total Direct & Overlapping Rates	
	Real Property	Personal Property	Sebastian County	FS School District	FS Public Library	Real Property	Personal Property	Real Property	Personal Property	Real Property
2012	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2013	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2014	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2015	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2016	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2017	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2018	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2019	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2020	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81
2021	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81

(1) Fiscal year is year of levy.

Table 11

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

Name of Taxpayer (1)	2021			2012		
	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation
Oklahoma Gas & Electric Co.	\$ 33,967,570	1	2.17%	\$ 27,284,860	6	2.06%
Mercy Medical Center	18,928,630	2	1.21%			
ABB (formerly Baldor Electric Company)	17,314,540	3	1.11%	18,484,435	8	1.39%
Gerber Products Company	11,080,595	4	0.71%			
Wal-Mart/Sam's Club	15,783,395	5	1.01%	16,126,795	10	1.22%
OK Foods, Inc	13,605,510	6	0.87%			
Arkansas Oklahoma Gas Corp	11,858,920	7	0.76%			
Kraft Heinz Foods Company	11,792,295	8	0.75%			
AT&T Mobility/Southwestern Bell Telephone	11,720,595	9	0.75%			
Dixie Consumer Products	15,887,355	10	1.02%			
Mortgage Clearing Corporation				124,340,255	1	9.38%
Lereta LLC				116,199,525	2	8.76%
Corelogic Tax Services LLC				55,451,864	3	4.18%
Wells Fargo				54,563,335	4	4.12%
BAC Tax Service Group				33,516,845	5	2.53%
Fort Smith Health Management Assoc., LLC				20,886,775	7	1.58%
Cellco Partnership				16,526,275	10	1.25%
	<u>\$ 161,939,405</u>		<u>10.36%</u>	<u>\$ 483,380,964</u>		<u>36.46%</u>

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2021 are based upon 2020 assessed valuation of \$1,518,988,637. Property taxes collected in 2012 were based upon the 2010 assessed valuation of \$1,294,636,205

Table 12

City of Fort Smith, Arkansas
Computation of Direct and Estimated Overlapping Debt
December 31, 2021
(Unaudited)

Taxing Jurisdiction	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Fort Smith	\$ 29,095,050	100%	\$ 29,095,050
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	219,860,947		182,288,014
Total direct and estimated overlapping bonded debt	\$ 248,955,997		\$ 211,383,064
Ratio, direct and estimated overlapping debt to fiscal 2021 assessed valuation (3)			14.17%
Per capita direct and estimated overlapping bonded debt (4)			\$ 2,371

(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, \$1,562,823,650

(4) Based on the estimated population for 2021 in Table 16.

Table 13

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net assessed value (1)	\$ 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	\$ 1,562,823,650
Plus exempt property (2)	-	-	-	-	-	-	-	-	-	-
Total assessed value	<u>\$ 1,325,846,840</u>	<u>\$ 1,347,738,469</u>	<u>\$ 1,350,856,242</u>	<u>\$ 1,369,259,673</u>	<u>\$ 1,423,347,462</u>	<u>\$ 1,441,985,722</u>	<u>\$ 1,480,064,863</u>	<u>\$ 1,492,219,685</u>	<u>\$ 1,518,988,637</u>	<u>\$ 1,562,823,650</u>
Debt limit - 25% of total assessed value (3)	\$ 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	\$ 390,705,913
Amount of debt applicable to limit (4)	-	-	-	-	-	-	-	-	-	-
Debt Margin	<u>\$ 331,461,710</u>	<u>\$ 336,934,617</u>	<u>\$ 337,714,061</u>	<u>\$ 342,314,918</u>	<u>\$ 355,836,866</u>	<u>\$ 360,496,431</u>	<u>\$ 370,016,216</u>	<u>\$ 373,054,921</u>	<u>\$ 379,747,159</u>	<u>\$ 390,705,913</u>

(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 (1)
	Sales Tax Bonds	Notes Payable	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases			
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	3.7%	3,185
2021	29,095,050	-	-	222,421,016	-	-	251,516,066	NA	2,822

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

(1) See Table 16 for the personal income and population data. Data is not available for 2021 as of the date of this report.

Table 15

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

	Fiscal Year	Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
					Principal	Interest (3)	Total	
Water and Sewer System	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%
	2021	55,445,129	30,676,930	24,768,199	9,070,000	9,680,213	18,750,213	132%

(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.

2021 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	\$ 9,680,213
Bond discount amortization	(1,455,997)
Accrued interest - 12/31/20	(2,420,054)
Accrued interest - 12/31/21	<u>2,315,816</u>
Interest expense and fiscal charges - statement of revenues, expenses, and changes in fund net position	<u><u>\$ 8,119,978</u></u>

Table 16

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

Fiscal Year	City Population (1)	County Population (1)	Personal Income (2) (in thousands)	Per Capita Income (2)	Median Age (3)	Education Level in Years of Schooling (3)	School Enrollment (4)	Unemployment Rate (2)
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	87,764	127,590	10,217,998	45,586	36.5	12	14,839	4.5%
2021	89,142	127,799	NA	NA	38.0	12	14,361	2.2%

Data Sources:

- (1) Bureau of the Census
- (2) U.S. Department of Commerce (Personal income estimates are not adjusted for inflation).
Data for 2021 not available as of the date of this report.
- (3) Community Development Department's estimate.

Table 17

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

Employer	2021			2012		
	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	1.9%	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	7	0.8%
ABB (formerly Baldor Electric Company)	1,614	6	1.4%	2,393	2	2.0%
Simmons Foods	1,550	7	1.3%			
University of Arkansas at Fort Smith	1,162	8	1.0%	951	6	0.8%
City of Fort Smith	1,064	9	0.9%	922	8	0.8%
Bost, Inc.	1,000	10	0.9%			
Rheem Mfg.				900	9	0.7%
Golden Living/Beverly Enterprises				800	10	0.7%
Total	18,341		15.6%	14,372		11.9%

Data Sources:

Chamber of Commerce

U.S. Department of Labor, employment totals:

Table 18

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	126	126	125	126	132	134	138	137	138	141
Public safety:										
Police										
Officers	163	163	163	162	164	163	163	163	163	164
Civilians	59	59	59	59	55	55	52	54	52	55
Fire										
Firefighters and officers	129	149	149	149	149	149	149	149	149	149
Civilians	3	3	3	3	3	3	4	4	4	4
Public works:										
Operations	5	5	5	5	5	5	5	5	5	6
Streets	46	54	54	53	53	54	52	54	52	57
Traffic control	13	13	13	13	14	13	14	14	14	14
Parks and recreation	58	64	64	63	61	64	58	57	57	52
Transit	36	35	34	33	33	33	34	34	34	34
Water and sewer	191	192	196	223	264	270	302	303	302	308
Solid Waste	78	78	78	79	88	86	91	91	92	93
Total	907	941	943	968	1,021	1,029	1,062	1,065	1,062	1,077

Table 19

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	36	32	41	43
Fire:										
Stations	10	11	11	11	11	11	11	11	11	11
Apparatus	18	17	17	17	30	27	27	27	29	29
Streets										
Streets (miles)	590	590	590	590	503	505	505	505	505	505
Streetlights	6,053	6,053	6,053	6,600	6,778	6,053	6,200	6,700	6,700	6,700
Traffic signals	149	149	149	150	151	149	154	154	154	155
Parks and recreation										
Parks acreage (square feet)	273	273	276	286	325	325	536	690	686	686
Parks	25	25	26	28	28	28	28	29	33	33
Trails and greenways	-	-	-	-	-	-	-	4	5	5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	1	2	2	2	4	4	4	4
Tennis courts	12	12	12	12	12	12	12	12	12	12
Pickleball courts	-	-	-	-	-	-	-	-	-	8
Skatepark	1	1	1	1	1	1	2	2	2	2
Community centers	5	5	5	5	5	5	5	5	5	5
Convention center -										
Theater -seats	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Theater -area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Exhibit Hall -area (square feet)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transit buses	20	20	19	16	16	16	16	16	14	14
Water and sewer										
Water mains (miles)	626	626	626	702	702	720	721	725	718	719
Average daily production capacity (thousands of gallons)	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400
Average daily consumption (thousands of gallons)	30,532	21,267	22,137	20,862	20,878	20,878	20,434	20,199	21,070	21,339
Sanitary sewers (miles)	500	545	545	516	522	500	562	543	644	627
Solid Waste										
Collection trucks	45	45	45	45	44	44	44	43	46	55
Landfill capacity (in cubic yards)	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	49,217,063

Table 20

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Physical arrest	9,324	8,781	8,155	9,026	9,854	9,521	8,621	7,485	5,212	5,192
Parking violations	5,649	5,312	4,320	5,197	4,904	1,991	1,723	2,254	238	690
Traffic violations	14,841	14,946	11,343	14,165	11,657	18,389	16,777	13,121	15,410	8,990
Fire										
Number of calls answered	8,793	8,688	10,148	10,071	10,223	10,763	11,337	11,873	9,931	14,884
Transit										
Passenger trips	206,329	215,591	204,097	194,869	190,418	191,124	204,695	207,629	139,421	187,673
Water and sewer										
New connections	299	314	269	246	325	283	305	311	333	328
Average daily production (thousands of gallons)	28,554	26,850	22,137	26,859	28,767	26,859	29,182	29,065	30,358	31,895
Average daily sewage flow (thousands of gallons)	15,200	14,684	17,100	21,040	15,030	15,010	16,660	20,530	20,023	18,836
Solid Waste										
Waste disposal (cubic yards/day)	1,352	1,024	1,024	1,024	1,533	2,368	1,169	1,197	1,061	1,065

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
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
2021	503,882	3,519,013	3.5 yrs	49,217,063 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 149 years.

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Table 22

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

Fiscal Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons	Average Daily Sewage Flow in Gallons
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
2021	21,339,122	44,455,000	7,788,238,084	18,835,833

Water Customers					
Fiscal Year	Residential	Commercial	Wholesale	Other	Total
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
2021	30,752	4,460	20	224	35,456

Sewer Customers					
Fiscal Year	Residential	Commercial	Government	Other	Total
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
2021	28,517	3,691	91	49	32,348

Table 22 (Continued)

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

For 2021:					% of Gross
	Entity	Water	Sewer	Total	Revenues
	Van Buren Water Dept	\$ 3,265,540	\$ -	\$ 3,265,540	5.90%
	OK Foods Inc	2,540,279	354,537	2,894,816	5.23%
	Gerdau Macsteel Div.	284,582	1,172,564	1,457,146	2.63%
	Cedarville Water Users	1,153,519	-	1,153,519	2.09%
	Hwy 71 Water Dist No. 1	646,839	-	646,839	1.17%
	Simmons Prepared Foods-Fort Smith	151,949	494,486	646,435	1.17%
	Gerber Products Co	593,502	-	593,502	1.07%
	DBA-Sparks Regional Medical Center	221,835	361,187	583,022	1.05%
	St Edwards Medical Center	188,415	346,416	534,831	0.97%
	Franklin-Sebastian Public Water	501,390	-	501,390	0.91%
	Top Ten Users	\$ 9,547,850	\$ 2,729,190	\$ 12,277,040	22.20%

OTHER REQUIRED REPORTS

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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, 2021:

- (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.

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

In our opinion, management's assertion that the City of Fort Smith, Arkansas, complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2021, is fairly stated, in all material respects.

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

FORVIS,LLP

Fort Smith, Arkansas
June 30, 2022