

# Annual Comprehensive Financial **REPORT** 2022

For the Fiscal Year ended December 31, 2022





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# **Annual Comprehensive Financial Report Year Ended December 31, 2022**

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

**City Board of Directors**  
George B. McGill, Mayor

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

**City Administrator**  
Carl Geffken





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# Introductory Section







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

Arkansas law allows cities to choose to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The City has exercised this option. Accordingly, we hereby issue the annual comprehensive financial report of the City of Fort Smith for the fiscal year ended December 31, 2022.

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, 2022 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 fiscal year ended December 31, 2022. The independent auditor's report is presented as the first component of the financial section of this report.

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.

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Administrative Offices FAX (479) 784-2430**

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

### **Profile of the City**

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

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

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

The Board of Directors adopts an annual budget that serves as the City's financial planning document. Control 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 statements located in the required supplementary information in the financial section of this report. The City Administrator is authorized to transfer appropriated amounts within individual funds. However, additional appropriations during the year require approval by the Board of Directors.

### **Factors Affecting Financial Condition**

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

**Local Economy.** Total sales tax revenue in 2022 increased 8% over 2021 revenue. This was compared to a 15% increase in 2021 over 2020. The local economy growth is positive.

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

Fort Smith building permits increased 22.5%. Building permits totaled \$480 million in 2022 compared to \$343 million in 2021. The significant increase is attributed in part to a \$162.5 million expansion at Mercy Fort Smith and an ongoing \$145 million expansion of Mars Petcare.

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

Pernod Ricard, USA plans to invest \$22 million in its Fort Smith plant. The investment will provide the facility with canning capabilities to enter the ready-to-drink market. The new market should add around 50 jobs.

Rheem is investing another \$20 million to its Fort Smith plant in an expansion and expects to add approximately 100 jobs.

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 on Fort Smith metro. It has been reported that 345 U.S military personnel will be a part of the center and an estimated 180-plus members of the Singapore unit and around 300 dependents.

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 extol the virtues of Fort Smith as the fourth lowest cost location in the United States for business. The top 10 employers have over 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 was set to expire in 2023, but was approved by voters in 2020 to continue in perpetuity.

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  $\frac{1}{4}$ % of the tax assessment is used to provide operating and capital costs for the fire department and the parks department. All outstanding bonds were called and paid in full by September 2022. Due to state laws regarding sales and use taxes, collections continued through the end of the year resulting in \$12.5 million in sales and use tax revenues beyond the amount required to pay off the outstanding bonds. The excess sales tax can be used for any lawful purpose and in 2022 management assigned the remaining fund balance for use on capital projects. In 2023, the City Board of Directors voted to allocate \$4 million of the excess sales tax collections specifically to parks and recreation capital improvements with the remaining amounts allocated to water and sewer capital improvements.

Fort Smith voters voted to extend the 1% sales tax to 2030. The funds will be used to pay for federally mandated consent decree work, the police department, fire department needs and ongoing and future parks improvements.

The 1% local sales tax was renewed by the Fort Smith voters in 2022. One quarter percent of this sales tax is allocated to the fire department and the parks and recreation department evenly.

The remaining  $\frac{3}{4}$ % will be allocated 83.3% to the federal consent decree work on the city's sewer system and 16.7% will be allocated to the police department. This tax will be collected from January 2023 to December 2030.

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 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

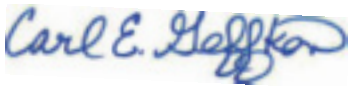
**Awards and Acknowledgements.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Smith for its annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2021. In order to be awarded a Certificate of Achievement, the City of Fort Smith had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

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

We also acknowledge the thorough and professional 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

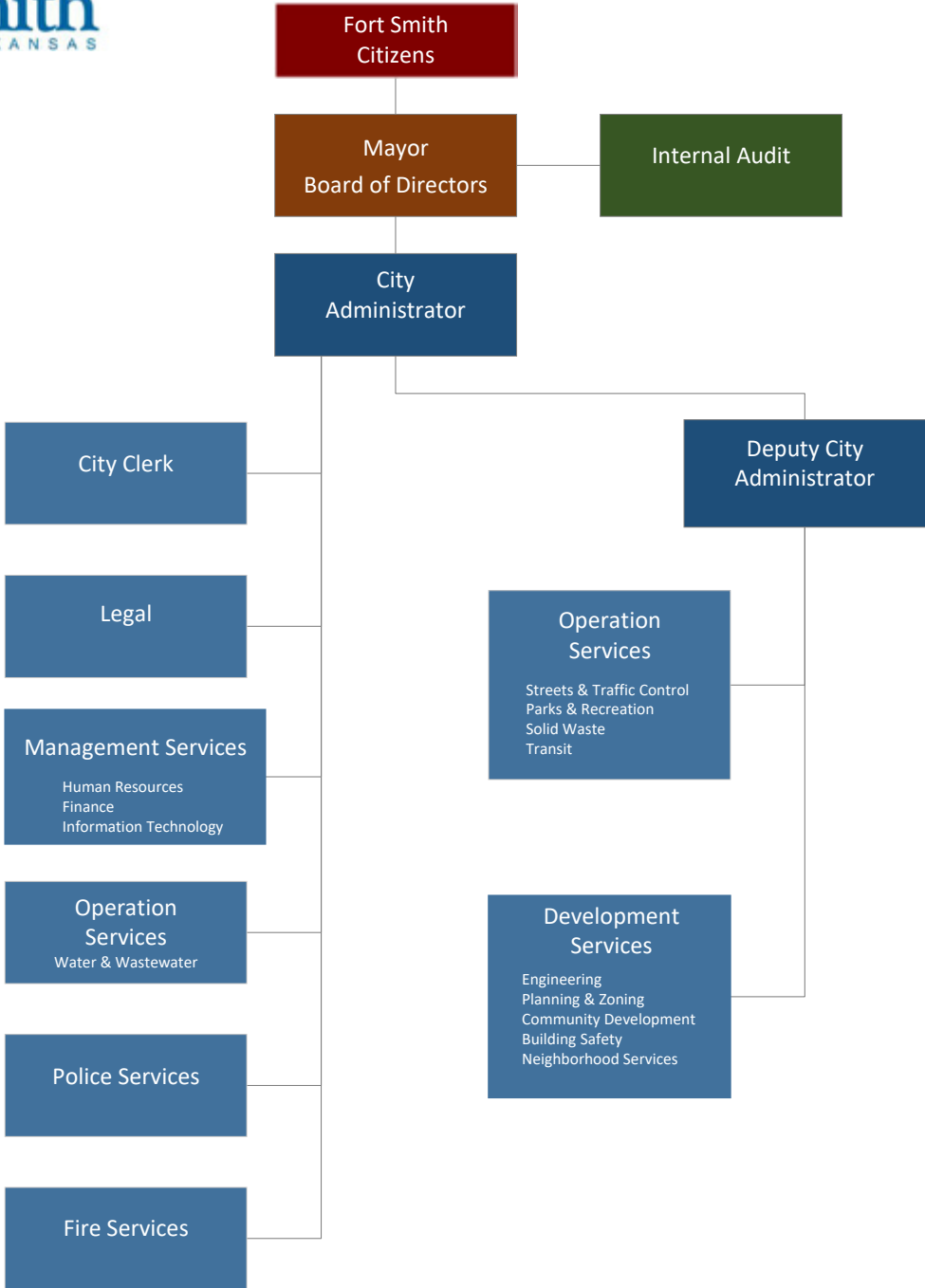


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# City of Fort Smith Organizational Structure



**List of Elected and Appointed Officials  
December 31, 2022**

**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	Sam Terry
District Court Judge	Amy Grimes
District Court Judge	Wendy Sharum

**Appointed Officials**

City Administrator	Carl Geffken
Deputy City Administrator	Jeff Dingman
Advertising and Promotion	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	James Gentry
Internal Audit	Tracey Shockley
Library	Jennifer Goodson
Parks and Recreation	Doug Reinert
Police	Danny Baker
Solid Waste	Nicole Riley
Streets and Traffic Control	Matt Meeker
Transit	Ken Savage
Utilities (Water & Sewer)	Lance McAvoy



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Fort Smith  
Arkansas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*Christopher P. Morrill*

Executive Director/CEO



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# Financial Section



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[forvis.com](http://forvis.com)

## Independent Auditor's Report

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

### ***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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Smith, Arkansas, as of December 31, 2022, 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 4%, 2%, and 13% of the assets, net position and revenues, respectively, of the aggregate discretely presented component units as of December 31, 2022. 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). 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.

### ***Emphasis of Matter***

As discussed in *Note 1* to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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.



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

### ***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 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 and statistical sections listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

**FORVIS,LLP**

Fort Smith, Arkansas  
July 31, 2023

## Management's Discussion and Analysis December 31, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 11-15 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 2022 by \$962.9 million (net position). Of this amount, \$831.3 million was invested in capital assets, net of related debt; \$65.1 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 \$66.5 million. The City's governmental activities have an unrestricted net position of \$2.7 million. The unrestricted net position of the governmental activities is positive despite \$54.4 million in net pension liabilities at year-end. The City's business-type activities have an unrestricted net position of \$63.8 million.
- The City's total net position increased by \$67.6 million in 2022. Net position of the governmental activities increased by \$56.9 million in 2022 compared to a net increase of \$33.1 million in 2021. The City's net position of the business-type activities increased by \$10.6 million in 2022 compared to a net increase of \$6.5 million in 2021.
- At the end of 2022, the City's governmental funds reported combined ending fund balances of \$116.1 million, an increase of \$12.8 million from the prior year. The restricted portion of the fund balances is \$57.6 million. The remaining fund balances are classified as nonspendable of \$0.8 million; assigned of \$23.5 million; and unassigned of \$34.1 million.
- At the end of 2022, the unassigned fund balance for the General Fund was \$34.1 million or 55.1% of total General Fund expenditures and transfers out. There was an increase of \$9.1 million in total general fund balance between years.
- The City's total bonded indebtedness decreased (\$36.9) million during the current year to \$193.4 million.
- The City's governmental component units reported a net position of \$2.6 million at December 31, 2022 which was \$2.1 million for 2021.
- The City's business-type component units reported a net position of \$71.9 million at December 31, 2022 which was a \$17.4 million increase from 2021.

### Overview of the Financial Statements

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

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or

decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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 36-39 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 40-44 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 46-51 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 52-53 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 54-114 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 116-130 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 133-146 of this report.

**Government-Wide Financial Analysis**

**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 160,045,518	\$143,030,350	\$ 119,652,826	\$ 127,448,684	\$ 279,698,344	\$ 270,479,034
Capital assets	444,632,806	431,042,887	579,800,057	569,096,373	1,024,432,863	1,000,139,260
Total assets	604,678,324	574,073,237	699,452,883	696,545,057	1,304,131,207	1,270,618,294
Total deferred outflows of resources	12,384,251	13,190,721	2,530,253	2,558,203	14,914,504	15,748,924
Long-term liabilities	69,970,630	96,311,860	223,402,120	224,276,554	293,372,750	320,588,414
Other liabilities	21,646,692	28,835,379	10,862,840	17,514,175	32,509,532	46,349,554
Total liabilities	91,617,322	125,147,239	234,264,960	241,790,729	325,882,282	366,937,968
Total deferred inflows of resources	25,339,765	18,959,679	4,910,323	5,130,605	30,250,088	24,090,284
Net position:						
Net investment in capital assets	439,594,966	400,256,391	391,727,322	386,177,195	831,322,288	786,433,586
Restricted	57,798,315	67,339,948	7,307,845	4,746,700	65,106,160	72,086,648
Unrestricted	2,712,207	(24,439,299)	63,772,686	61,258,031	66,484,893	36,818,732
Total net position	\$ 500,105,488	\$443,157,040	\$ 462,807,853	\$ 452,181,926	\$ 962,913,341	\$ 895,338,966

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 \$962.9 million at the close of 2022.

The largest portion of the City's net position \$831.3 million or 86.3% 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 (6.8%) represents resources that are subject to restrictions as to how they may be used. Of the total \$65.1 million restricted net position, \$6.8 million is restricted for bond retirement, \$48.7 million is restricted for construction projects, \$509.6 thousand is restricted for police and fire retirement contribution, \$5.9 million is restricted for parks and recreation and \$3.3 million is restricted for other purposes. The remaining balance of net position is \$66.5 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 positive unrestricted net position despite net pension liabilities of \$54.4 million.

The City's net position increased by \$67.6 million during 2022. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenues						
Fees, fines, and charges for services	\$ 7,880,906	\$ 6,157,731	\$ 79,696,485	\$ 74,124,408	\$ 87,577,391	\$ 80,282,139
Operating grants and contributions	20,995,692	10,719,284	-	-	20,995,692	10,719,284
Capital grants and contributions	14,108,928	6,858,380	1,009,891	93,000	15,118,819	6,951,380
	<u>42,985,526</u>	<u>23,735,395</u>	<u>80,706,376</u>	<u>74,217,408</u>	<u>123,691,902</u>	<u>97,952,803</u>
General revenues						
Property taxes	13,892,261	13,717,431	-	-	13,892,261	13,717,431
Sales taxes	81,253,585	73,323,540	-	-	81,253,585	73,323,540
Utility franchise fees	8,846,697	7,079,057	-	-	8,846,697	7,079,057
Unrestricted investment earnings	1,183,974	29,401	1,161,172	(31,180)	2,345,146	(1,779)
Intergovernmental	6,220,634	-	4,104,948	-	10,325,582	-
Gain on early extinguishment of debt	2,570,050	-	-	-	2,570,050	-
Other	640,947	280,427	410,263	3,867	1,051,210	284,294
Total revenues	<u>157,593,674</u>	<u>118,165,251</u>	<u>86,382,759</u>	<u>74,190,095</u>	<u>243,976,433</u>	<u>192,355,346</u>
<b>Expenses</b>						
General government	30,213,524	15,180,499	-	-	30,213,524	15,180,499
Public safety	38,511,381	37,401,924	-	-	38,511,381	37,401,924
Public works	18,231,979	20,015,919	-	-	18,231,979	20,015,919
Community services	12,962,004	11,237,603	-	-	12,962,004	11,237,603
Interest on long-term debt	736,338	1,030,482	-	-	736,338	1,030,482
Water and sewer	-	-	58,483,930	54,963,014	58,483,930	54,963,014
Solid Waste	-	-	17,046,039	12,746,048	17,046,039	12,746,048
Parking	-	-	216,863	224,262	216,863	224,262
Total expenses	<u>100,655,226</u>	<u>84,866,427</u>	<u>75,746,832</u>	<u>67,933,324</u>	<u>176,402,058</u>	<u>152,799,751</u>
Change in net position before transfers	56,938,448	33,298,824	10,635,927	6,256,771	67,574,375	39,555,595
Transfers	10,000	(227,533)	(10,000)	227,533	-	-
Increase in net position	56,948,448	33,071,291	10,625,927	6,484,304	67,574,375	39,555,595
<b>Net Position - beginning of year</b>	<u>443,157,040</u>	<u>410,085,749</u>	<u>452,181,926</u>	<u>445,697,622</u>	<u>895,338,966</u>	<u>855,783,371</u>
<b>Net Position - end of year</b>	<u>\$ 500,105,488</u>	<u>\$ 443,157,040</u>	<u>\$ 462,807,853</u>	<u>\$ 452,181,926</u>	<u>\$ 962,913,341</u>	<u>\$ 895,338,966</u>

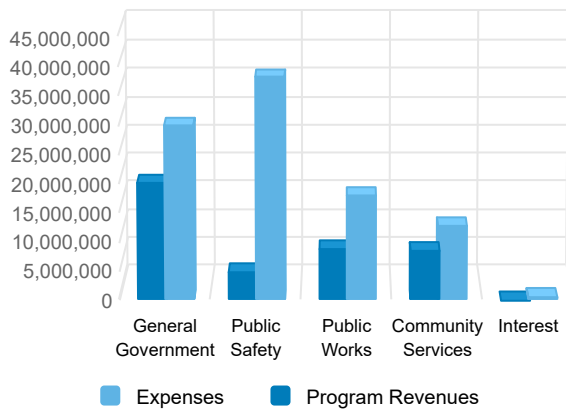
**Governmental Activities.** During the current year, net position for governmental activities increased \$56.9 million from the prior year for an ending balance of \$500.1 million. The increase in the overall net position of governmental activities is the primary result of \$16.2 million in capitalized construction



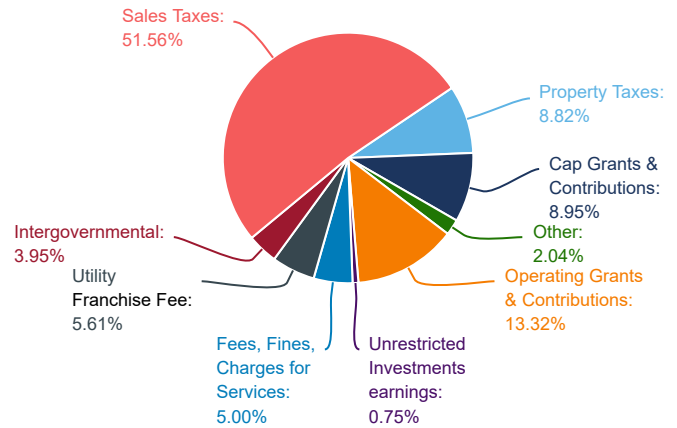
projects primarily related to street construction. In addition, the fluctuation of revenues and expenses as compared to the prior year impacted the increase in net position as noted below.

- Revenues from sales taxes increased \$7.9 million to \$81.3 million or 10.8%.
- Revenues from property taxes of \$13.9 million increased \$174.8 thousand or 1.3%.
- Unrestricted investment earnings increased \$1.2 million from the prior year primarily due to the increase of investment interest rates during 2022.
- Operating grants and contributions increased \$10.3 million or 95.9% to \$21.0 million in 2022, primarily due to \$13.0 million received in state funding to assist the airport with the runway extension project.
- Total expenses increased \$15.8 million to \$100.7 million or 18.6% from prior year. A portion of the increase in total expenses is attributed to \$16.2 million in expenses related to funding a portion of the Airport’s runway extension project.

Expenses and Program Revenues - Governmental Activities

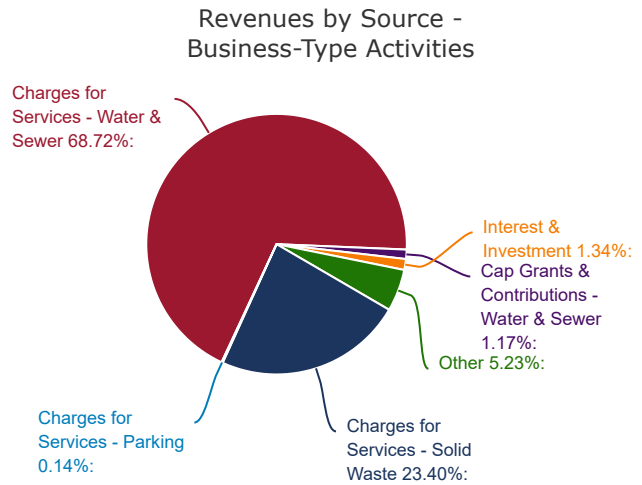
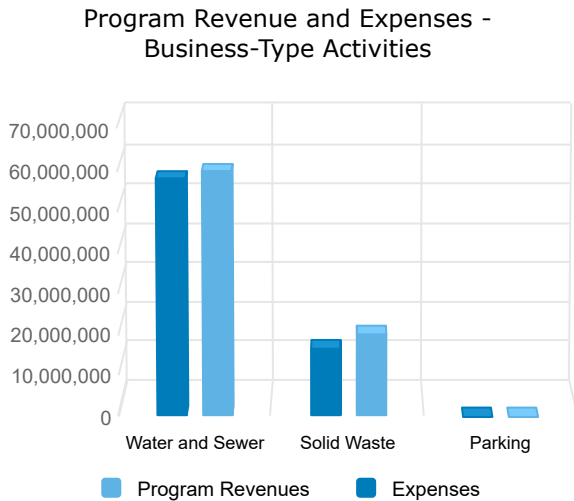


Revenues by Source - Governmental Activities



**Business-Type Activities.** Net position for City’s business-type activities increased by \$10.6 million during the current year, reaching an ending balance of \$462.8 million. Key elements of the increase are as follows:

- The water and sewer system net position increased by \$7.0 million. The operating income for the system totaled \$8.6 million in 2022.
- The solid waste system added \$3.7 million to the increase in total net position. The operating income for the system in 2022 totaled \$3.2 million.
- Water and sewer system service charges contribute 74.5% of the revenue to business-type activities and increased \$4.0 million compared to 2021 due primarily to an increase in usage.
- The solid waste system service charges accounted for 25.4% of the revenue to business-type activities and increased \$1.5 million compared to 2021 due primarily to an increase in service volume.
- Current year operating revenues for the business-type activities exceeded operating expenses by \$11.7 million. Operating expenses increased from 2021 by \$7.6 million or 12.6%.



**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, 2022, the City's governmental funds reported combined ending fund balances of \$116.1 million, an increase of \$12.8 million in comparison with the prior year. Of this amount, \$57.6 million represents restricted fund balance for construction projects, debt service coverage, police and fire retirement contributions, and other purposes. Approximately \$0.8 million of the fund balances is non-spendable. A portion of the fund balance, \$23.5 million, is assigned for specific uses by the City. The remainder of the balance, \$34.1 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, 2022, unassigned fund balance of the General Fund was \$34.1 million, while the total fund balance was \$42.6 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 55.1% of total General Fund expenditures, including transfers out, while total fund balances represent 68.7% of that same amount. There was an increase of \$9.1 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 \$10.7 million of total fund balance, an increase of \$0.1 million over the prior year primarily due to an increase in permit assessments of \$112 thousand and highway sales tax turnback \$500 thousand over prior year. Capital outlay expenditures increased \$3.2 million over the prior year primarily due to \$1.0 million in sidewalk construction and the remaining capital outlay for heavy equipment purchases. Fund balance consists of \$9.7 million assigned for street construction and \$1.0 million assigned for other purposes. This fund accounts for 9.2% of the total governmental fund balances.



The Sales Tax Fund, a special revenue fund, is presented as a major fund and accounts for 41.5% of the total governmental fund balances or \$48.2 million. Revenues include a one percent (1%) local sales tax dedicated to streets, bridges and associated drainage. Fund balance increased \$8.7 million during the year due to an 8.2% increase in collections and timing of projects expenditures. Expenditures decreased (\$0.7 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 0.4% of the total government fund balances. Revenues include a dedicated Property Tax and Insurance Turnback Revenues for police and fire pension contributions. Fund balance decreased \$0.1 million during the year as the City's annual required pension contributions continued to increase at a faster rate than the increase in dedicated property tax and state insurance turnback revenues. In addition, \$1.6 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 1.4% of the total government fund balance. At year end, the fund held \$11.0 million in cash and unearned revenue related to the City's receipt of funds received from the Coronavirus State and Local Fiscal Recovery Fund established by *The American Rescue Plan Act of 2021*. These funds are available for use for eligible City expenditures through 2024.

The Sales & Use Tax Bond Fund had a decrease in fund balance of \$5.6 million during the year to \$12.5 million. Due to surplus tax receipts, the City exercised extraordinary redemptions of \$17.9 million. All outstanding bonds were called and paid in full by September. Due to state laws regarding sales and use taxes, collections continued through the end of the year resulting in \$12.5 million in sales and use tax revenues beyond the amount required to pay off the outstanding bonds. The excess sales tax can be used for any lawful purpose and management assigned the remaining fund balance for use on capital projects. This fund accounts for 10.8% 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 \$414.5 million and \$44.5 million for the Water and Sewer Fund and the Solid Waste Fund, respectively. The change in net position was a \$7.0 million increase for the Water and Sewer Fund and a \$3.7 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 \$65.3 million (total expenditures plus transfers out).

Revenue estimates for the General Fund (\$68.7 million) exceeded the original budget of \$47.6 million (total revenues plus transfers in).

Total actual revenue, including transfers in, for the General Fund was \$70.2 million which was consistent with the final budget estimates.

Total actual expenditures, including transfers out, was (\$3.4) 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 128 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, 2022 amounts to \$1.0 billion, net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park and library facilities, streets, drainage systems and right-to-use leased assets. The total increase in the City's investment in capital assets was 2.4%, a 3.2% increase for governmental activities and a 1.9% increase for business-type activities.

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 28,210,008	\$ 27,897,134	\$ 16,895,107	\$ 16,895,107	\$ 45,105,115	\$ 44,792,241
Buildings	50,722,362	52,583,419	5,410,194	5,639,989	56,132,556	58,223,408
Water System	-	-	259,401,936	266,881,022	259,401,936	266,881,022
Sewer System	-	-	234,573,097	235,774,101	234,573,097	235,774,101
Improvement other than buildings	14,597,358	14,747,135	7,781,581	1,885,173	22,378,939	16,632,308
Infrastructure	298,757,526	295,918,347	-	-	298,757,526	295,918,347
Machinery and equipment	23,671,333	18,424,410	14,915,232	16,887,906	38,586,565	35,312,316
Right-to-use leased assets	1,373,714	-	-	-	1,373,714	-
Construction in progress	27,300,505	21,472,442	40,822,910	25,133,075	68,123,415	46,605,517
Total	<u>\$ 444,632,806</u>	<u>\$ 431,042,887</u>	<u>\$ 579,800,057</u>	<u>\$ 569,096,373</u>	<u>\$ 1,024,432,863</u>	<u>\$ 1,000,139,260</u>

Major capital asset events during 2022 included the following:

- Net additions to construction in progress totaled \$21.5 million. Of this amount, water and wastewater improvements accounted for an increase of \$15.7 million and the general government and streets increased by \$5.8 million.
- Net additions to infrastructure totaled \$2.8 million due to annual depreciation (\$12.3 million) and the amount of completed street projects (\$13.8) during 2022.
- Net decrease to the sewer system totaled (\$1.2) million and net decrease to the water system totaled (\$7.5) million in 2022.
- Depreciation expense totaled \$39.0 million.

Additional information on the City's capital assets can be found in *Note 4* on pages 71-75 of this report.

**Long-term debt.** At December 31, 2022, the City had \$193.4 million of long-term bonds outstanding. These bonds are 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	
	2022	2021	2022	2021
Sales and Use Tax Bonds	\$ -	\$ 26,525,000	\$ -	\$ -
Revenue Bonds	-	-	193,420,000	203,795,000
Total	<u>\$ -</u>	<u>\$ 26,525,000</u>	<u>\$ 193,420,000</u>	<u>\$ 203,795,000</u>

The City's total bonded debt decreased by (\$36.9) million or 16.0% during 2022. Key factors in this decrease were the regularly scheduled bond redemptions as well as \$17.9 million in extraordinary redemptions of the City's sales and use tax bonds. The bonds were paid in full in September after a bond call of \$12.6 million. 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.

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 \$407.4 million. The City has no general obligation debt at December 31, 2022. 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 6* on pages 77-84 of this report.

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

- The year-end unemployment rate for the City was 2.7%, compared to 2.5% in 2021. The state unemployment rate for 2022 was 3.4% and the national rate was 3.5%.
- The City expects tax revenue for 2023 to remain consistent with 2022.

These factors were considered when the City prepared its 2023 Budget.

The Board of Directors considered these factors when making the spending priorities going into the 2023 budget year – pay increases for employees, city-wide, and the General Fund Capital Improvement Plan. The City's General Fund budget for 2023 was approved at \$54 million. Continued efforts are being made to control spending and reduce costs where appropriate.

### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance's Office, Suite 512, 623 Garrison Avenue, Fort Smith, Arkansas 72901.

**Statement of Net Position  
December 31, 2022**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
<b>Assets</b>					
Cash and cash equivalents	\$ 126,905,309	\$ 60,869,933	\$ 187,775,242	\$ 2,299,935	\$ 6,792,560
Investments	3,342,376	8,697,280	12,039,656	304,155	4,955,451
Receivables, net					
Property taxes and utility franchise fees	16,416,708	-	16,416,708	238,215	-
Sales taxes	6,993,752	-	6,993,752	-	-
Accounts	495,683	8,796,064	9,291,747	244,291	-
Interest	-	-	-	-	93,107
Due from other governments	7,399,312	989,963	8,389,275	-	1,984,246
Internal balances	(2,348,987)	2,348,987	-	-	-
Inventories	45,930	1,610,064	1,655,994	-	74,827
Prepays and deposits	786,105	220,607	1,006,712	67,721	94,862
Restricted assets					
Cash	9,330	268,612	277,942	-	1,563
Investments	-	35,679,932	35,679,932	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	-	-	-	-	-
Deposits	-	171,384	171,384	-	-
Lease receivables	-	-	-	-	12,586,159
Capital assets, net					
Nondepreciable	55,510,513	57,718,017	113,228,530	427,132	35,066,254
Depreciable	389,122,293	522,082,040	911,204,333	548,812	26,404,517
Total Assets	<u>604,678,324</u>	<u>699,452,883</u>	<u>1,304,131,207</u>	<u>4,130,261</u>	<u>88,053,546</u>
<b>Deferred Outflows of Resources</b>					
Deferred amounts on refunding	-	1,729,292	1,729,292	-	-
Deferred outflows-pension	3,599,029	-	3,599,029	615,564	-
Deferred outflows-pension contributions	7,353,124	-	7,353,124	-	-
Deferred outflows-OPEB	1,432,098	800,961	2,233,059	-	-
Total deferred outflows of resources	<u>12,384,251</u>	<u>2,530,253</u>	<u>14,914,504</u>	<u>615,564</u>	<u>-</u>

**Statement of Net Position (Continued)**  
**December 31, 2022**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 10,327,293	\$ 7,985,843	\$ 18,313,136	\$ 170,518	\$ 1,961,011
Other	239,504	1,670	241,174	-	-
Accrued interest	63,809	2,240,249	2,304,058	-	-
Deposits	-	635,077	635,077	-	-
Unearned revenue	11,016,086	-	11,016,086	-	32,451
<b>Noncurrent liabilities</b>					
Other long-term liabilities due within one year	2,260,578	179,919	2,440,497	-	-
Current portion of long-term debt	668,509	10,680,000	11,348,509	-	34,942
Due in more than one year	67,041,543	212,542,202	279,583,745	1,867,158	1,930,958
<b>Total liabilities</b>	<b>91,617,322</b>	<b>234,264,960</b>	<b>325,882,282</b>	<b>2,037,676</b>	<b>3,959,362</b>
<b>Deferred Inflows of Resources</b>					
Deferred amounts on refunding	-	112,098	112,098	-	-
Deferred inflows-pension	16,760,663	-	16,760,663	79,616	-
Deferred inflows-OPEB	8,579,102	4,798,225	13,377,327	-	-
Deferred inflows-leases	-	-	-	-	12,200,434
<b>Total deferred inflows of resources</b>	<b>25,339,765</b>	<b>4,910,323</b>	<b>30,250,088</b>	<b>79,616</b>	<b>12,200,434</b>
<b>Net Position</b>					
Net investment in capital assets	439,594,966	391,727,322	831,322,288	975,944	57,873,704
<b>Restricted for:</b>					
Construction projects	48,160,307	500,000	48,660,307	-	37,856
Debt service	-	6,807,845	6,807,845	-	-
Public safety	3,050,463	-	3,050,463	-	-
Courts	215,268	-	215,268	-	-
Parks & recreation	5,854,013	-	5,854,013	-	-
Housing and rehabilitation	8,704	-	8,704	-	-
Police & fire retirement contributions	509,560	-	509,560	-	-
Tourism & promotion	-	-	-	1,133,250	-
Unrestricted	2,712,207	63,772,686	66,484,893	519,339	13,982,190
<b>Total net position</b>	<b>\$ 500,105,488</b>	<b>\$ 462,807,853</b>	<b>\$ 962,913,341</b>	<b>\$ 2,628,533</b>	<b>\$ 71,893,750</b>

**Statement of Activities  
For the Year Ended December 31, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-Type Activities	Total	Governmental Activities
Primary Government:								
Governmental Activities								
General Government								
Administration	\$ 24,532,106	\$ 1,392,660	\$ 15,075,074	\$ 1,020,601	\$ (7,043,771)		\$ (7,043,771)	
Legal and courts	2,146,184	1,716,954	22,442	-	(406,788)		(406,788)	
Finance	3,535,234	1,225,637	-	-	(2,309,597)		(2,309,597)	
Public safety								
Police	19,278,773	1,779,036	913,244	128,037	(16,458,456)		(16,458,456)	
Fire	19,232,608	96,315	1,855,389	152,562	(17,128,342)		(17,128,342)	
Public works								
Operations	623,900	-	-	-	(623,900)		(623,900)	
Streets	14,769,823	365,481	-	8,570,089	(5,834,253)		(5,834,253)	
Traffic Control	2,838,256	-	-	-	(2,838,256)		(2,838,256)	
Community services								
Health and Social Services	172,031	-	-	-	(172,031)		(172,031)	
Parks and Recreation	4,943,919	220,225	31,243	-	(4,692,451)		(4,692,451)	
Convention Center	3,071,656	931,226	-	-	(2,140,430)		(2,140,430)	
Transit	3,115,088	153,372	1,484,854	4,237,639	2,760,777		2,760,777	
Housing and Rehabilitation	1,659,310	-	1,613,446	-	(45,864)		(45,864)	
Debt service								
Interest on long-term debt	736,338	-	-	-	(736,338)		(736,338)	
Total Governmental Activities	<u>100,655,226</u>	<u>7,880,906</u>	<u>20,995,692</u>	<u>14,108,928</u>	<u>(57,669,700)</u>		<u>(57,669,700)</u>	
Business-Type Activities:								
Water and Sewer	58,483,930	59,362,796	-	1,009,891		\$ 1,888,757		
Solid Waste	17,046,039	20,210,733	-	-		3,164,694		
Parking	216,863	122,956	-	-		(93,907)		
Total Business-Type Activities	<u>75,746,832</u>	<u>79,696,485</u>	<u>-</u>	<u>1,009,891</u>		<u>4,959,544</u>		
Total Primary Government	<u>\$ 176,402,058</u>	<u>\$ 87,577,391</u>	<u>\$ 20,995,692</u>	<u>\$ 15,118,819</u>	<u>\$ (57,669,700)</u>	<u>\$ 4,959,544</u>	<u>\$ (52,710,156)</u>	
Component Units:								
Governmental								
Advertising & Promotion	\$ 849,084	\$ -	\$ -	\$ -			\$ (849,084)	
Public Library	3,391,453	107,701	506,206	-			(2,777,546)	
	<u>4,240,537</u>	<u>107,701</u>	<u>506,206</u>	<u>-</u>			<u>(3,626,630)</u>	
Business-Type								
Airport	4,989,763	2,715,664	2,770,217	16,482,220				\$ 16,978,338
Total Component Units	<u>\$ 9,230,300</u>	<u>\$ 2,823,365</u>	<u>\$ 3,276,423</u>	<u>\$ 16,482,220</u>			<u>(3,626,630)</u>	<u>16,978,338</u>

**Statement of Activities (Continued)  
For the Year Ended December 31, 2022**

	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	\$ 13,892,261	\$ -	\$ 13,892,261	\$ 1,578,974	\$ -
Sales taxes	81,253,585	-	81,253,585	1,413,233	-
Gross receipts utility franchise fees	8,846,697	-	8,846,697	-	-
Hospitality taxes	-	-	-	1,166,108	-
Intergovernmental	6,220,634	4,104,948	10,325,582	-	-
Unrestricted investment earnings (loss)	1,183,974	1,161,172	2,345,146	11,240	420,836
Other	640,947	410,263	1,051,210	6,523	-
Gain on early extinguishment of debt	2,570,050	-	2,570,050	-	-
Transfers	10,000	(10,000)	-	-	-
Total general revenues and transfers	<u>114,618,148</u>	<u>5,666,383</u>	<u>120,284,531</u>	<u>4,176,078</u>	<u>420,836</u>
Change in net position	56,948,448	10,625,927	67,574,375	549,448	17,399,174
Net position, beginning of year, as restated	<u>443,157,040</u>	<u>452,181,926</u>	<u>895,338,966</u>	<u>2,079,085</u>	<u>54,494,576</u>
Net position, end of year	<u>\$ 500,105,488</u>	<u>\$ 462,807,853</u>	<u>\$ 962,913,341</u>	<u>\$ 2,628,533</u>	<u>\$ 71,893,750</u>

**Balance Sheet - Governmental Funds  
December 31, 2022**

	<b>General</b>	<b>Street Maintenance</b>	<b>Sales Tax</b>	<b>LOPFI Contribution</b>	<b>Special Grants</b>	<b>Sales and Use Tax Bond</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>								
Cash	\$ 37,875,418	\$ 10,418,020	\$ 46,814,849	\$ 1,333,559	\$ 10,948,197	\$ 7,333,218	\$ 310,226	\$ 115,033,487
Investments	-	-	-	-	-	3,342,376	-	3,342,376
Receivables, net of allowance for uncollectibles								
Property taxes and utility franchise fees	10,547,008	2,515,585	-	3,354,115	-	-	-	16,416,708
Sales taxes	2,652,112	-	2,480,936	-	-	1,860,703	-	6,993,751
Accounts	342,894	1,200	-	-	-	-	102,637	446,731
Due from other funds	37,926	-	-	-	-	-	-	37,926
Due from other governments	2,431,189	644,424	877,129	-	3,269,237	-	177,333	7,399,312
Restricted assets:								
Cash	-	-	-	-	-	-	9,331	9,331
Inventories	-	-	-	-	-	-	9,275	9,275
Prepaid items	625,526	-	-	-	150,000	-	10,579	786,105
<b>Total Assets</b>	<b>\$ 54,512,073</b>	<b>\$ 13,579,229</b>	<b>\$ 50,172,914</b>	<b>\$ 4,687,674</b>	<b>\$ 14,367,434</b>	<b>\$ 12,536,297</b>	<b>\$ 619,381</b>	<b>\$ 150,475,002</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 3,804,536	\$ 510,100	\$ 1,633,856	\$ 1,016,731	\$ 1,166,724	\$ 1,250	\$ 435,041	\$ 8,568,238
Retainage payable	-	12,527	378,751	-	663,674	-	-	1,054,952
Due to other funds	-	-	-	-	-	-	37,926	37,926
Unearned revenue	-	-	-	-	10,958,921	-	57,165	11,016,086
Other	239,504	-	-	-	-	-	-	239,504
<b>Total Liabilities</b>	<b>4,044,040</b>	<b>522,627</b>	<b>2,012,607</b>	<b>1,016,731</b>	<b>12,789,319</b>	<b>1,250</b>	<b>530,132</b>	<b>20,916,706</b>
<b>Deferred Inflows of Resources</b>								
Unavailable property taxes	7,903,310	2,371,037	-	3,161,383	-	-	-	13,435,730
<b>Total deferred inflows of resources</b>	<b>7,903,310</b>	<b>2,371,037</b>	<b>-</b>	<b>3,161,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,435,730</b>
<b>Fund Balances:</b>								
Nonspendable	625,526	-	-	-	150,000	-	19,854	795,380
<b>Restricted:</b>								
Construction projects	-	-	48,160,307	-	-	-	-	48,160,307
Public safety	1,472,348	-	-	-	1,428,115	-	-	2,900,463
Courts	215,268	-	-	-	-	-	-	215,268
Parks & recreation	5,827,891	-	-	-	-	-	26,122	5,854,013
Housing and rehabilitation	-	-	-	-	-	-	8,704	8,704
Police & fire retirement contributions	-	-	-	509,560	-	-	-	509,560
<b>Assigned:</b>								
Convention center	-	-	-	-	-	-	34,569	34,569
Construction projects	290,858	9,662,439	-	-	-	12,535,047	-	22,488,344
Other purposes	8,793	1,023,126	-	-	-	-	-	1,031,919
Unassigned	34,124,039	-	-	-	-	-	-	34,124,039
<b>Total Fund Balances</b>	<b>42,564,723</b>	<b>10,685,565</b>	<b>48,160,307</b>	<b>509,560</b>	<b>1,578,115</b>	<b>12,535,047</b>	<b>89,249</b>	<b>116,122,566</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 54,512,073</b>	<b>\$ 13,579,229</b>	<b>\$ 50,172,914</b>	<b>\$ 4,687,674</b>	<b>\$ 14,367,434</b>	<b>\$ 12,536,297</b>	<b>\$ 619,381</b>	<b>\$ 150,475,002</b>



**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
December 31, 2022**

Total fund balances – governmental funds \$ 116,122,566

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	\$ 28,210,008	
Buildings	89,316,253	
Improvements other than buildings	30,653,990	
Machinery and equipment	66,164,757	
Infrastructure	485,692,673	
Right-to-use leased assets	1,998,008	
Accumulated depreciation	<u>(284,703,388)</u>	
	417,332,301	
Construction in progress	<u>27,300,505</u>	
Total	<u>\$ 444,632,806</u>	444,632,806

Some revenues are not recognized in the governmental funds because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, however, those revenues would be recognized regardless of when they are collected. 13,435,730

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. (12,955,513)

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. 6,847,136

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	\$ 4,340,280	
Claims payable	82,500	
Interest payable	63,809	
Leases payable	1,428,496	
Installment loan	316,472	
Net pension liability	54,443,827	
Net OPEB liability	<u>7,301,853</u>	
Total	<u>\$ 67,977,237</u>	<u>(67,977,237)</u>

Net position of governmental activities \$ 500,105,488

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2022**

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Property taxes	\$ 7,884,927	\$ 2,338,663	\$ -	\$ 3,118,423	\$ -	\$ -	\$ -	\$ 13,342,013
Sales taxes	30,766,347	-	28,849,850	-	-	21,637,388	-	81,253,585
Licenses and permits	2,617,578	365,481	-	-	-	-	-	2,983,059
Utility franchise fees	8,846,697	-	-	-	-	-	-	8,846,697
Intergovernmental	16,288,492	7,692,960	877,129	1,855,148	14,227,071	-	1,613,446	42,554,246
Fines and forfeitures	1,678,780	-	-	107,697	-	-	-	1,786,477
Fees for services	508,921	-	-	-	-	-	931,226	1,440,147
Investment earnings	239,684	29,278	656,430	8,460	24,971	105,697	571	1,065,091
Contributions	354,580	-	-	527,727	-	-	-	882,307
Miscellaneous	947,033	131,669	-	-	34	-	153	1,078,889
<b>Total Revenues</b>	<b>70,133,039</b>	<b>10,558,051</b>	<b>30,383,409</b>	<b>5,617,455</b>	<b>14,252,076</b>	<b>21,743,085</b>	<b>2,545,396</b>	<b>155,232,511</b>
<b>Expenditures</b>								
Current:								
General government								
Administration	8,551,951	323,319	1,541,896	-	13,748,873	18,883	-	24,184,922
Legal and courts	2,078,018	113,622	-	-	-	-	-	2,191,640
Finance	1,935,919	846,915	681,211	-	-	-	-	3,464,045
Public safety								
Police	16,195,613	-	-	3,383,345	288,375	-	-	19,867,333
Fire	14,375,738	-	-	3,962,326	-	-	-	18,338,064
Public works								
Operations	-	630,954	-	-	-	-	-	630,954
Streets	-	2,679,542	-	-	-	-	-	2,679,542
Traffic Control	-	2,210,424	-	-	-	-	-	2,210,424
Community services								
Health and Social Services	172,031	-	-	-	-	-	-	172,031
Parks and Recreation	2,461,866	237,681	-	-	-	-	-	2,699,547
Convention Center	-	-	-	-	-	-	2,440,161	2,440,161
Transit	2,595,281	-	-	-	-	-	-	2,595,281
Housing and Rehabilitation	-	-	-	-	-	-	1,647,557	1,647,557
Capital Outlay	9,660,384	3,367,309	19,430,308	-	-	-	-	32,458,001

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)**  
**For the Year Ended December 31, 2022**

	<u>General</u>	<u>Street Maintenance</u>	<u>Sales Tax</u>	<u>LOPFI Contribution</u>	<u>Special Grants</u>	<u>Sales and Use Tax Bond</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Debt Service:								
Principal	\$ 569,512	\$ -	\$ -	\$ -	\$ -	\$ 26,525,000	\$ 37,065	\$ 27,131,577
Interest	36,717	-	-	-	-	838,250	-	874,967
	<u>58,633,030</u>	<u>10,409,766</u>	<u>21,653,415</u>	<u>7,345,671</u>	<u>14,037,248</u>	<u>27,382,133</u>	<u>4,124,783</u>	<u>143,586,046</u>
Excess (deficiency) in revenues over (under) expenditures	<u>11,500,009</u>	<u>148,285</u>	<u>8,729,994</u>	<u>(1,728,216)</u>	<u>214,828</u>	<u>(5,639,048)</u>	<u>(1,579,387)</u>	<u>11,646,465</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in	100,000	-	-	1,600,000	-	-	1,600,000	3,300,000
Transfers out	(3,290,000)	-	-	-	-	-	-	(3,290,000)
Loan Proceeds	-	-	-	-	-	-	353,537	353,537
Leases (as lessee)	797,586	-	-	-	-	-	-	797,586
Total Other Financing Sources and Uses	<u>(2,392,414)</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>1,953,537</u>	<u>1,161,123</u>
Net Change in Fund Balances	9,107,595	148,285	8,729,994	(128,216)	214,828	(5,639,048)	374,150	12,807,588
Fund Balances (Deficit), beginning 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>
Fund Balances, end of year	<u>\$ 42,564,723</u>	<u>\$ 10,685,565</u>	<u>\$ 48,160,307</u>	<u>\$ 509,560</u>	<u>\$ 1,578,115</u>	<u>\$ 12,535,047</u>	<u>\$ 89,249</u>	<u>\$ 116,122,566</u>

**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, 2022**

Net change in fund balances – total governmental funds	\$ 12,807,588
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.	32,458,001
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.	(20,048,286)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(20,216)
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.	29,095,050
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	550,248
Some expenses, i.e., the change in compensated absences liability, interest, net pension and OPEB liabilities, reported in the statement of activities and changes in net position do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.	2,249,252
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>(143,189)</u>
Change in net position of governmental activities	<u>\$ 56,948,448</u>



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**Statement of Net Position -  
Proprietary Funds  
December 31, 2022**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor- Parking		Internal Service Funds
<b>Current Assets</b>					
Cash	\$ 35,453,957	\$ 25,334,180	\$ 81,796	\$ 60,869,933	\$ 11,871,822
Investments	-	8,697,280	-	8,697,280	-
Receivables					
Accounts, net of uncollectibles of \$1,746,435; \$346,672; and \$-0-	6,401,745	2,378,762	15,557	8,796,064	48,951
Due from other governments	989,963	-	-	989,963	-
Restricted					
Cash	268,612	-	-	268,612	-
Investments	35,679,932	-	-	35,679,932	-
Inventories	1,472,462	137,602	-	1,610,064	36,655
Prepaid items	218,797	131	1,680	220,608	-
Total Current Assets	<u>80,485,468</u>	<u>36,547,955</u>	<u>99,033</u>	<u>117,132,456</u>	<u>11,957,428</u>
<b>Noncurrent Assets</b>					
Restricted					
Deposits	171,384	-	-	171,384	-
Capital assets					
Land	15,162,175	373,772	1,359,160	16,895,107	-
Buildings	2,819,603	5,208,689	2,490,458	10,518,750	-
Improvements other than buildings	-	29,443,909	-	29,443,909	-
Leasehold improvements	-	709,952	-	709,952	-
Machinery and equipment	27,694,724	21,868,396	103,531	49,666,651	-
Water system	420,775,710	-	-	420,775,710	-
Sewer system	357,691,136	-	-	357,691,136	-
Construction in progress	40,674,412	148,498	-	40,822,910	-
Accumulated depreciation	(305,498,886)	(38,648,946)	(2,576,236)	(346,724,068)	-
Total Noncurrent Assets	<u>559,490,258</u>	<u>19,104,270</u>	<u>1,376,913</u>	<u>579,971,441</u>	<u>-</u>
Total Assets	<u>639,975,726</u>	<u>55,652,225</u>	<u>1,475,946</u>	<u>697,103,897</u>	<u>11,957,428</u>
<b>Deferred outflows of resources</b>					
Deferred amount on refunding	1,729,292	-	-	1,729,292	-
Deferred outflows of resources - OPEB	588,047	212,914	-	800,961	-
Total deferred outflows of resources	<u>2,317,339</u>	<u>212,914</u>	<u>-</u>	<u>2,530,253</u>	<u>-</u>



**Statement of Net Position -  
Proprietary Funds (Continued)  
December 31, 2022**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor- Parking		Internal Service Funds
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 6,156,112	\$ 855,069	\$ 33,012	\$ 7,044,193	\$ 621,603
Retainage payable	941,651	-	-	941,651	-
Accrued vacation and sick leave	127,497	52,422	-	179,919	-
Accrued interest	2,240,249	-	-	2,240,249	-
Claims and judgments	-	-	-	-	2,139,702
Revenue bonds payable	10,680,000	-	-	10,680,000	-
Deposits	635,077	-	-	635,077	-
Other	1,670	-	-	1,670	-
Total Current Liabilities	<u>20,782,256</u>	<u>907,491</u>	<u>33,012</u>	<u>21,722,759</u>	<u>2,761,305</u>
<b>Noncurrent liabilities</b>					
Accrued vacation and sick leave	523,406	139,022	546	662,974	-
Landfill closure and postclosure care	-	7,946,451	-	7,946,451	-
Revenue bonds, net	199,848,909	-	-	199,848,909	-
OPEB liabilities	2,998,283	1,085,585	-	4,083,868	-
Total Noncurrent Liabilities	<u>203,370,598</u>	<u>9,171,058</u>	<u>546</u>	<u>212,542,202</u>	<u>-</u>
Total Liabilities	<u>224,152,854</u>	<u>10,078,549</u>	<u>33,558</u>	<u>234,264,961</u>	<u>2,761,305</u>
<b>Deferred inflows of resources</b>					
Deferred amount on refunding	112,098	-	-	112,098	-
Deferred inflows of resources - OPEB	3,522,747	1,275,478	-	4,798,225	-
Total deferred inflows of resources	<u>3,634,845</u>	<u>1,275,478</u>	<u>-</u>	<u>4,910,323</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	371,303,374	19,047,035	1,376,913	391,727,322	-
Restricted for bond retirement	6,807,845	-	-	6,807,845	-
Restricted for asset replacement	500,000	-	-	500,000	-
Unrestricted	35,894,147	25,464,077	65,475	61,423,699	9,196,123
Total Net Position	<u>\$ 414,505,366</u>	<u>\$ 44,511,112</u>	<u>\$ 1,442,388</u>	<u>460,458,866</u>	<u>\$ 9,196,123</u>

Reconciliation to government - wide statement of net position:

Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time

2,348,987

Net position of business-type activities

\$ 462,807,853

**Statement of Revenues, Expenses and Changes in  
Fund Net Position Proprietary Funds  
For the Year Ended December 31, 2022**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor- Parking		Internal Service Funds
<b>Operating Revenues</b>					
Water service	\$ 28,182,021	\$ -	\$ -	\$ 28,182,021	\$ -
Sewer service	29,065,621	-	-	29,065,621	-
Other charges for services	1,811,291	19,950,144	122,574	21,884,009	11,144,524
Other	242,068	260,589	-	502,657	-
Total Operating Revenues	<u>59,301,001</u>	<u>20,210,733</u>	<u>122,574</u>	<u>79,634,308</u>	<u>11,144,524</u>
<b>Operating Expenses</b>					
Personnel services	17,373,354	6,419,082	94,805	23,887,241	-
Contractual services	5,633,699	4,321,971	29,890	9,985,560	471,417
Materials and supplies	8,374,899	3,614,282	80,617	12,069,798	1,208,777
Heat, light, and power	2,924,661	128,983	8,550	3,062,194	-
Depreciation	16,425,345	2,526,364	3,001	18,954,710	-
Insurance claims and expenses	-	-	-	-	9,672,916
Total Operating Expenses	<u>50,731,958</u>	<u>17,010,682</u>	<u>216,863</u>	<u>67,959,503</u>	<u>11,353,110</u>
<b>Operating Income (Loss)</b>	<u>8,569,043</u>	<u>3,200,051</u>	<u>(94,289)</u>	<u>11,674,805</u>	<u>(208,586)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Net investment earnings (loss)	1,116,212	41,849	3,111	1,161,172	118,883
Interest expense and fiscal charges	(7,731,699)	-	-	(7,731,699)	-
Other nonoperating revenues (expenses)	(11,538)	369,937	4,925	363,324	-
Net Nonoperating Revenues (Expenses)	<u>(6,627,025)</u>	<u>411,786</u>	<u>8,036</u>	<u>(6,207,203)</u>	<u>118,883</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>1,942,018</u>	<u>3,611,837</u>	<u>(86,253)</u>	<u>5,467,602</u>	<u>(89,703)</u>
Capital grants and contributions	5,114,839	-	-	5,114,839	-
Transfers in (out)	(100,000)	90,000	-	(10,000)	-
<b>Change in Net Position</b>	<u>6,956,857</u>	<u>3,701,837</u>	<u>(86,253)</u>	<u>10,572,441</u>	<u>(89,703)</u>
Net position, beginning of year	407,548,509	40,809,275	1,528,641		9,285,826
Net position, end of year	<u>\$ 414,505,366</u>	<u>\$ 44,511,112</u>	<u>\$ 1,442,388</u>		<u>\$ 9,196,123</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				53,486	
Change in net position of business-type activities for government-wide statement of activities				<u>\$ 10,625,927</u>	



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**Statement of Cash Flows - Proprietary Funds  
For the Year Ended December 31, 2022**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor- Parking		Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 59,075,504	\$ 19,886,100	\$ 118,573	\$ 79,080,177	\$ -
Cash received from service users	-	-	-	-	1,619,208
Cash received from city and employee contributions	-	-	-	-	9,516,406
Cash payments for goods and services	(13,522,278)	(7,738,574)	(90,485)	(21,351,337)	(1,164,760)
Cash paid to employees	(17,852,168)	(6,278,679)	(93,533)	(24,224,380)	-
Cash payments for premiums and other operating expenses	-	-	-	-	(858,995)
Cash payments for claims paid	-	-	-	-	(8,346,640)
Cash received from other operating revenues	133,669	260,589	-	394,258	-
Net cash provided by (used in) operating activities	<u>27,834,727</u>	<u>6,129,436</u>	<u>(65,445)</u>	<u>33,898,718</u>	<u>765,219</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers in from other funds	-	90,000	-	90,000	-
Transfers out to other funds	(100,000)	-	-	(100,000)	-
Other noncapital financing receipts/payments	(64,150)	(35,058)	120	(99,088)	-
Net cash provided by (used in) noncapital financing activities	<u>(164,150)</u>	<u>54,942</u>	<u>120</u>	<u>(109,088)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sale of capital assets	421	214,528	4,425	219,374	-
Acquisition and construction of capital assets	(21,256,389)	(8,128,692)	-	(29,385,081)	-
Proceeds from insurance recoveries	52,192	448,050	380	500,622	-
Intergovernmental receipts for capital projects	4,188,875	-	-	4,188,875	-
Principal paid on bonds	(10,375,000)	-	-	(10,375,000)	-
Interest paid on bonds	(9,263,263)	-	-	(9,263,263)	-
Net cash provided by (used in) capital and related financing activities	<u>(36,653,164)</u>	<u>(7,466,114)</u>	<u>4,805</u>	<u>(44,114,473)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Proceeds from sales and maturities of investment securities	161,864,921	17,357,003	139,205	179,361,129	4,645,101
Outlays for purchases of investment securities	(127,012,533)	(3,492,161)	-	(130,504,694)	-
Interest on investments	1,526,170	42,971	3,111	1,572,252	118,883
Net cash provided by investing activities	<u>36,378,558</u>	<u>13,907,813</u>	<u>142,316</u>	<u>50,428,687</u>	<u>4,763,984</u>
<b>Net Increase in Cash</b>	<u>27,395,971</u>	<u>12,626,077</u>	<u>81,796</u>	<u>40,103,844</u>	<u>5,529,203</u>
Cash, beginning of year	8,326,598	12,708,103	-	21,034,701	6,342,619
Cash, end of year	<u>\$ 35,722,569</u>	<u>\$ 25,334,180</u>	<u>\$ 81,796</u>	<u>\$ 61,138,545</u>	<u>\$ 11,871,822</u>

**Statement of Cash Flows - Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2022**

	Business-Type Activities			Governmental Activities	
	Water and Sewer	Solid Waste	Nonmajor-Parking	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of cash and restricted cash at December 31 to statement of net position</b>					
Cash	\$ 35,453,957	\$ 25,334,180	\$ 81,796	\$ 60,869,933	\$ 11,871,822
Restricted cash	268,612	-	-	268,612	-
Total	<u>\$ 35,722,569</u>	<u>\$ 25,334,180</u>	<u>\$ 81,796</u>	<u>\$ 61,138,545</u>	<u>\$ 11,871,822</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 8,569,043	\$ 3,200,051	\$ (94,289)	\$ 11,674,805	\$ (208,586)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	16,425,345	2,526,364	3,001	18,954,710	-
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources					
Accounts receivable	(145,379)	(64,043)	(3,898)	(213,320)	(8,911)
Inventories	(195,033)	(2,989)	-	(198,022)	1,452
Prepaid items and other assets	(3,871)	(132)	-	(4,003)	15,000
Deferred outflows of resources - OPEB	(12,524)	(29,914)	-	(42,438)	-
Accounts payable and accrued liabilities	3,589,757	(382,599)	29,739	3,236,897	691,579
Deposits	53,557	-	2	53,559	-
Liability for claims and judgments	-	-	-	-	274,685
OPEB liabilities	(187,841)	72,486	-	(115,355)	-
Deferred inflows of resources - OPEB	(258,327)	73,200	-	(185,127)	-
Other liabilities	-	737,012	-	737,012	-
Total adjustments	<u>19,265,684</u>	<u>2,929,385</u>	<u>28,844</u>	<u>22,223,913</u>	<u>973,805</u>
Net cash provided by (used in) operating activities	<u>\$ 27,834,727</u>	<u>\$ 6,129,436</u>	<u>\$ (65,445)</u>	<u>\$ 33,898,718</u>	<u>\$ 765,219</u>
<b>Noncash investing, capital and financing activities:</b>					
Net appreciation (depreciation) in fair value of investments	\$ 103,020	\$ (411,546)	\$ -	\$ (308,526)	\$ -
Capital-related accounts payable	4,875,672	57,235	-	4,932,907	-

**Statement of Fiduciary Net Position  
OPEB Trust Fund  
December 31, 2022**

<b>Assets</b>	
<b>Current Assets</b>	
Investments:	
Government money market funds	\$ 1,537,063
Total Investments	<u>1,537,063</u>
Total Current Assets	<u>1,537,063</u>
Total Assets	<u>1,537,063</u>
 <b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	<u>3,863</u>
Total Current Liabilities	<u>3,863</u>
Total Liabilities	<u>3,863</u>
 <b>Net Position</b>	
Net position restricted for postemployment benefits other than pensions	<u>1,533,200</u>
Total Net Position	<u><u>\$ 1,533,200</u></u>



**Statement of Changes in Fiduciary Net Position  
OPEB Trust Fund  
For the Year Ended December 31, 2022**

**Additions:**

Contributions		
Employer	\$	360,487
Total contributions		<u>360,487</u>
Investment Earnings		
Net increase (decrease) in fair value of investments		(37,093)
Less investment expense		<u>15,434</u>
Net investment earnings		<u>(52,527)</u>
Total additions		<u>307,960</u>

**Deductions:**

Benefits paid directly to participants		<u>360,487</u>
Total deductions		<u>360,487</u>
Change in Net Position		<u>(52,527)</u>

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

Beginning of year		<u>1,585,727</u>
End of year	\$	<u><u>1,533,200</u></u>

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

#### ***Nature of Operations***

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

#### ***Reporting Entity***

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

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

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

#### **Blended Component Units**

The City has no component units included as Blended Component Units during 2022.

#### **Discretely Presented Component Units**

##### **Business-Type**

**Airport Commission** - The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a

special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. In 2022, the City contributed \$16.2 million, included in administration expenses on the governmental activities statement of activities, to the Airport Commission to assist with a runway extension project. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 6700 McKennon Boulevard, Suite 200, Fort Smith, Arkansas 72903, or from the City Clerk's office. See *Note 15* 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 15* for condensed financial statements.

***Public Library*** - The board of trustees for the Fort Smith Public Library manages the Public Library and consists of seven members appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the City levies the Public Library's ad valorem tax annually. The City contributes 6% of county sales tax revenues annually to support the operations of the Library which totaled \$1.4 million. 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 15* 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

## Notes to Basic Financial Statements December 31, 2022

in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to functions based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity. All other revenues are reported as general revenues.

### **Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

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

The *LOPFI Contribution Fund* is a special revenue fund that accounts for the funding of contributions made to the Police and Fire Relief and Pension Plans administered by Arkansas LOPFI. Revenues include a dedicated property tax and insurance turnback revenues for police and fire pension contributions.

The *Special Grants Fund* is a special revenue fund that accounts for federal, state, and local grants received by the City. These funds are restricted to expenditures for approved projects of the various agencies. At year end, the fund held \$10,958,921 in cash and unearned revenue related to the City's funds received from the Coronavirus State and Local Fiscal Recovery Fund established by the *The American Rescue Plan Act of 2021*. These funds are available for use for eligible City expenditures through 2024.

The *Sales and Use Tax Bond Fund* is a debt service fund that accounts for resources to repay general government related debt. All outstanding bonds were called and paid in full by September. Due to state laws regarding sales and use taxes, collections continued through the end of the year resulting in \$12.5 million in sales and use tax revenues beyond the amount required to pay off the outstanding bonds. The excess sales tax can be used for any lawful purpose and management assigned the remaining fund balance for use on capital projects.

The City reports the following major enterprise funds:

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

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

The City reports the following fiduciary fund type:

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

Additionally, the City reports the following fund types:

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

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

### ***Measurement Focus and Basis of Accounting***

#### **Government-Wide and Proprietary Funds**

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

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

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes, fines and forfeitures, grants, entitlements, and similar items; and contributions. Recognition standards are based on the characteristics and classes of nonexchange transactions. Property taxes are recognized as revenues in the year for which they are levied. Utility franchise fees, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. All of the utility franchise fees remitted to the City are based upon the gross receipts of the franchised utility. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unavailable revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

## Notes to Basic Financial Statements December 31, 2022

### **Governmental Fund Financial Statements**

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

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

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

### ***Inventories and Prepaids***

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

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

### ***Capital Assets***

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

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

### ***Leases***

Lessee: The City is a lessee for a noncancellable lease of equipment, office space and land. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the



government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$20,000 or more.

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

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

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

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

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

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

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

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

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

## Notes to Basic Financial Statements December 31, 2022

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

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

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

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

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

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

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

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

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

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

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

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

**Property Tax Revenue**

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

## Notes to Basic Financial Statements December 31, 2022

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 2022 to finance the above operations was \$0.70 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.50 per \$100 of assessed valuation on real and personal property. Approximately \$8.1 million of additional taxes could be raised per year based on the current year's assessed value of \$1,172,842,928 for real property and \$456,735,930 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.

### ***Risk Management***

The City maintains a medical self-insurance plan funded by the City and administered by a third party. The plan provides certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's costs of providing these benefits, including premiums, totaled \$9,220,978 in 2022, 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 10*.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$1,208,777 in 2022 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 \$28,849,850 for fiscal year 2022, 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 \$23,553,884 for fiscal year 2022. 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 \$28,849,850 for fiscal year 2022, of which \$7,212,463 is included in the General Fund's sales tax revenue and \$21,637,388 is included in the Sales and Use Tax Bond Fund's sales tax revenue. All outstanding bonds were called and paid in full by September 2022. Due to state laws regarding sales and use taxes, collections continued through the end of the year resulting in \$12.5 million in sales and use tax revenues beyond the amount required to pay off the outstanding bonds. The excess sales tax can be used for any lawful purpose and management assigned the remaining fund balance for use on capital projects.

### ***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 gains/losses on refunding are generally deferred and amortized over the shorter of refunded debt or refunded debt's life using the straight-line method that approximates the effective interest method. Long-term debt is reported net of the applicable debt premium or discount.

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

## Notes to Basic Financial Statements December 31, 2022

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

### **Restricted Assets**

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

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

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

Cash	\$ 9,330
Total restricted assets - governmental activities	<u>\$ 9,330</u>

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

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

Current Assets:	
Cash - water and sewer bond construction account	\$ 268,612
Investments - water and sewer bond account	9,123,661
Investments - water and sewer bond construction account	<u>26,556,271</u>
Total current assets - restricted	<u>35,948,544</u>
Noncurrent assets:	
Deposits	<u>\$ 171,384</u>
Total noncurrent assets	<u>171,384</u>
Total restricted assets - enterprise funds	<u>\$ 36,119,928</u>

### **Unearned Revenue**

Unearned revenue consists mainly of grant receipts and convention center rentals. At December 31, 2022, \$10,891,052 of unearned revenue is related to the City's remaining *American Rescue Plan Act* (ARPA) funding. The City received a total of \$21,220,634 in ARPA funding. During 2022, the City recognized \$6,224,634 of ARPA revenue as it allocated this amount toward eligible public safety personnel expenditures. The amount is recognized as intergovernmental revenue for the City's governmental activities in the statement of activities. Also during 2022, the City allocated \$4,104,948 in ARPA funding towards eligible water and sewer infrastructure projects. This amount is recognized as intergovernmental revenues for the City's business-type activities in the statement of activities.



***Estimates***

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fire Relief and Pension Plan, the Police Relief and Pension Plan, the Local Police and Fire Retirement System and the Arkansas Public 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.

## Notes to Basic Financial Statements December 31, 2022

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

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

### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 9*. 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, 2022. 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 9*.

### ***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 \$306,308 is recorded as a decrease in fair value of investments for the primary government in 2022 and is included in Unrestricted investment earnings (loss) in the government-wide statement of activities..

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The City’s 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, 2022, 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, 2022. The bank balances and carrying amount of the City’s deposits held as of December 31, 2022 were as follows:

**Pooled and Nonpooled Funds**

Description	Bank Balance	Carrying Amount
Demand deposits	<u>\$ 174,094,612</u>	<u>\$ 172,150,488</u>

**Component Units**

At year-end, the carrying amount of the Public Library’s deposits was \$1,102,384 and the bank balance was \$1,213,513. At December 31, 2022, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Advertising and Promotion Commission’s deposits was \$1,197,551 and the bank balance was \$1,197,551. At December 31, 2022, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission’s deposits was \$6,794,123 and the bank balance was \$6,828,531. At December 31, 2022, 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,

## Notes to Basic Financial Statements December 31, 2022

savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. Government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

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

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

The City's investments, including accrued interest, held as of December 31, 2022, 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	\$ 8,543,514	\$ 4,164,861	\$ 4,378,653
U.S. Agency obligations	121,455	74,078	47,378
Money market mutual funds	54,757,440	54,757,440	-
	<u>\$ 63,422,409</u>	<u>\$ 58,996,379</u>	<u>\$ 4,426,031</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, 2022:

- U.S. Treasury obligations of \$8,543,514 are valued using quoted market prices in active markets (Level 1 inputs).
- U.S. Agency obligations of \$121,455 are valued using the spread above the risk-free yield curve (Level 2 inputs).
- Money market funds of \$54,757,440 are valued at their net asset value (Level 1 inputs).

### Component Units

At year-end, the Public Library held \$304,155 in money market funds. The Public Library reports investments at net asset value (Level 2 inputs).

Notes to Basic Financial Statements  
December 31, 2022

*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, 2022, are securities issued and guaranteed by the U.S. Government.

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

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

<b>Primary Government:</b>	
Carrying value of deposits - Pooled and nonpooled funds	\$ 172,150,488
Investments classified as deposits	15,902,696
	<u>\$ 188,053,184</u>
Cash as reported on the government-wide statement of net position	\$ 187,775,242
Restricted cash as reported on the government-wide statement of net position	277,942
	<u>\$ 188,053,184</u>
Carrying value of investments -	
Debt securities	\$ 8,664,969
Money market mutual funds	54,757,440
Accrued income	199,875
Investments classified as deposits	(15,902,696)
	<u>\$ 47,719,588</u>
As reported on the government-wide statement of net position:	
Investments	\$ 12,039,656
Restricted investments	35,679,932
	<u>\$ 47,719,588</u>
<b>Component Units:</b>	
Governmental Activities	
Carrying value of deposits -	
Public Library	\$ 1,102,384
Advertising and Promotion Commission	1,197,551
Carrying value of investments -	
Public Library	304,155
	<u>\$ 2,604,090</u>
As reported on the government-wide statement of net position:	
Cash	\$ 2,299,935
Investments	304,155
	<u>\$ 2,604,090</u>
Business-type Activities	
Carrying value of deposits -	
Airport Commission	\$ 6,794,123
	<u>\$ 6,794,123</u>
As reported on the government-wide statement of net position:	
Cash	\$ 6,792,560
Restricted cash	1,563
	<u>\$ 6,794,123</u>

## Notes to Basic Financial Statements December 31, 2022

### Note 3: Leases Receivable

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

Revenue recognized under lease contracts during the year ended December 31, 2022 was \$869,399 which includes both lease revenue and interest.

The following is a schedule by year of minimum payments to be received under the Airport's leases that are included in the measurement of the lease receivable as of December 31, 2022:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 553,853	\$ 326,705	\$ 880,558
2024	503,785	312,717	816,502
2025	518,536	229,238	747,774
2026	535,367	285,297	820,664
2027	548,753	270,807	819,560
2028 - 2032	2,662,879	1,146,005	3,808,884
2033 - 2037	1,797,466	823,504	2,620,970
2038 - 2042	1,495,392	629,948	2,125,340
2043 - 2047	1,789,723	412,025	2,201,748
Thereafter	2,180,405	293,262	2,473,667
Total	<u>\$ 12,586,159</u>	<u>\$ 4,729,508</u>	<u>\$ 17,315,667</u>

### Regulated Leases

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

Revenue recognized for fixed payments under regulated lease contracts during the years ended December 31, 2022 was \$198,164.

The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2022:

Years Ending December 31,	Total Future
2023	\$ 191,622
2024	98,254
2025	47,756
2026	50,246
2027	55,549
2028 - 2032	100,889
2033 - 2037	110,977
2038 - 2042	68,362
Total	<u>\$ 723,655</u>



Notes to Basic Financial Statements  
December 31, 2022**Note 4: Capital Assets**

Capital assets activity for the year ended December 31, 2022 was as follows:

**Primary Government:**

	(Restated) January 1, 2022	Additions	Deletions/ Transfers	December 31, 2022
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 27,897,134	\$ 312,874	\$ -	\$ 28,210,008
Construction in progress	21,472,442	22,017,988	(16,189,925)	27,300,505
Total capital assets not being depreciated	<u>49,369,576</u>	<u>22,330,862</u>	<u>(16,189,925)</u>	<u>55,510,513</u>
Capital assets being depreciated				
Buildings	89,216,232	100,021	-	89,316,253
Improvements other than buildings	29,562,582	325,680	765,728	30,653,990
Infrastructure	470,563,098	1,310,117	13,819,458	485,692,673
Machinery and equipment	57,313,214	7,593,735	1,257,808	66,164,757
Right-to-use leased buildings	1,156,315	-	-	1,156,315
Right-to-use leased equipment	44,107	797,586	-	841,693
Total depreciable capital assets at historical cost	<u>647,855,548</u>	<u>10,127,139</u>	<u>15,842,994</u>	<u>673,825,681</u>
Less accumulated depreciation for:				
Buildings	36,632,813	1,961,078	-	38,593,891
Improvements other than buildings	14,815,447	1,241,185	-	16,056,632
Infrastructure	174,644,751	12,290,396	-	186,935,147
Machinery and equipment	38,888,804	3,931,333	(326,713)	42,493,424
Right-to-use leased buildings	-	448,005	-	448,005
Right-to-use leased equipment	-	176,289	-	176,289
Total accumulated depreciation	<u>264,981,815</u>	<u>20,048,286</u>	<u>(326,713)</u>	<u>284,703,388</u>
Capital assets being depreciated, net	<u>382,873,733</u>	<u>(9,921,147)</u>	<u>16,169,707</u>	<u>389,122,293</u>
Governmental activities capital assets, net	<u>\$ 432,243,309</u>	<u>\$ 12,409,715</u>	<u>\$ (20,218)</u>	<u>\$ 444,632,806</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 16,895,107	\$ -	\$ -	\$ 16,895,107
Construction in progress	25,133,075	23,116,670	(7,426,835)	40,822,910
Total capital assets not being depreciated	<u>42,028,182</u>	<u>23,116,670</u>	<u>(7,426,835)</u>	<u>57,718,017</u>
Capital assets being depreciated:				
Water system	420,765,828	9,882	-	420,775,710
Sewer system	352,265,463	615,729	4,809,944	357,691,136
Buildings	8,027,880	412	670,313	8,698,605
Improvements other than buildings	25,743,774	3,573,705	2,656,527	31,974,006
Leasehold improvements	709,952	-	(709,952)	-
Machinery and equipment	50,585,049	2,599,580	(3,517,978)	49,666,651
Total depreciable capital assets at historical cost	<u>858,097,946</u>	<u>6,799,308</u>	<u>3,908,854</u>	<u>868,806,108</u>
Less accumulated depreciation for:				
Water system	153,884,806	7,488,967	-	161,373,773
Sewer system	116,491,362	6,626,677	-	123,118,039
Buildings	2,387,891	230,119	670,401	3,288,411
Improvements other than buildings	23,858,601	295,614	38,210	24,192,425
Leasehold improvements	709,952	-	(709,952)	-
Machinery and equipment	33,697,143	4,313,333	(3,259,056)	34,751,420
Total accumulated depreciation	<u>331,029,755</u>	<u>18,954,710</u>	<u>(3,260,397)</u>	<u>346,724,068</u>
Capital assets being depreciated, net	<u>527,068,191</u>	<u>(12,155,402)</u>	<u>7,169,251</u>	<u>522,082,040</u>
Business-type activities capital assets, net	<u>\$ 569,096,373</u>	<u>\$ 10,961,268</u>	<u>\$ (257,584)</u>	<u>\$ 579,800,057</u>



## Notes to Basic Financial Statements December 31, 2022

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

Governmental activities:	
General government -	
Administration	\$ 459,869
Legal	544
Finance	112,821
Public safety -	
Police	1,477,727
Fire	1,696,858
Public works -	
Streets	12,139,579
Traffic Control	655,049
Community services -	
Parks and recreation	2,286,485
Convention center	681,165
Transit	527,153
Housing and rehabilitation	<u>11,036</u>
Total governmental activities depreciation/amortization expense	<u>20,048,286</u>
Business type activities:	
Water and Sewer	16,425,345
Solid Waste	2,526,364
Parking	<u>3,001</u>
Total business-type activities depreciation expense	<u>18,954,710</u>
Total depreciation expense	<u>\$ 39,002,996</u>

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

Capital assets activity (on page 71):	
Additions for capital assets not being depreciated	\$ 22,330,862
Additions for capital assets being depreciated	<u>10,127,139</u>
Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 32,458,001</u>

Notes to Basic Financial Statements  
December 31, 2022

Capital assets activity for the year ended December 31, 2022, for the major enterprise funds was as follows:

**Primary Government:**

	January 1, 2022	Additions/ Transfers	Deletions/ Transfers	December 31, 2022
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 15,162,175	\$ -	\$ -	\$ 15,162,175
Construction in progress	24,486,541	20,997,815	(4,809,944)	40,674,412
Total capital assets not being depreciated:	39,648,716	20,997,815	(4,809,944)	55,836,587
Capital assets being depreciated:				
Buildings	2,819,191	412	-	2,819,603
Water system	420,765,828	9,882	-	420,775,710
Sewer system	352,265,463	615,729	4,809,944	357,691,136
Machinery and equipment	27,531,277	163,447	-	27,694,724
Total depreciable capital assets at historical cost	803,381,759	789,470	4,809,944	808,981,173
Less accumulated depreciation for:				
Buildings	374,889	92,596	-	467,485
Water system	153,884,806	7,488,968	-	161,373,774
Sewer system	116,491,362	6,626,677	-	123,118,039
Machinery and equipment	18,322,484	2,217,104	-	20,539,588
Total accumulated depreciation	289,073,541	16,425,345	-	305,498,886
Capital assets being depreciated, net	514,308,218	(15,635,875)	4,809,944	503,482,287
Total Water and Sewer Fund capital assets, net	\$ 553,956,934	\$ 5,361,940	\$ -	\$ 559,318,874

	January 1, 2022	Additions	Deletions/ Transfers	December 31, 2022
Solid Waste Fund:				
Capital assets not being depreciated:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in progress	646,534	2,118,854	(2,616,890)	148,498
Total capital assets not being depreciated:	1,020,306	2,118,854	(2,616,890)	522,270
Capital assets being depreciated:				
Buildings	5,208,689	-	670,313	5,879,002
Improvements other than buildings	23,253,316	3,573,705	2,656,527	29,483,548
Leasehold improvements	709,952	-	(709,952)	-
Machinery and equipment	22,950,241	2,436,133	(3,517,978)	21,868,396
Total depreciable capital assets at historical cost	52,122,198	6,009,838	(901,090)	57,230,946
Less accumulated depreciation for:				
Buildings	2,013,002	137,611	670,313	2,820,926
Improvements other than buildings	21,368,143	294,185	39,639	21,701,967
Leasehold improvements	709,952	-	(709,952)	-
Machinery and equipment	15,291,882	2,094,568	(3,260,397)	14,126,053
Total accumulated depreciation	39,382,979	2,526,364	(3,260,397)	38,648,946
Capital assets being depreciated, net	12,739,219	3,483,474	2,359,307	18,582,000
Total Solid Waste fund capital assets, net	\$ 13,759,525	\$ 5,602,328	\$ (257,583)	\$ 19,104,270

## Notes to Basic Financial Statements December 31, 2022

### Component Units:

	January 1, 2022	Additions	Deletions/ Transfers	December 31, 2022
Governmental Activities:				
Public Library				
Capital assets not being depreciated:				
Land	\$ 422,132	\$ -	\$ -	\$ 422,132
Construction in progress	68,888	80,245	(149,133)	-
Rare book collection	5,000	-	-	5,000
Capital assets not being depreciated	<u>496,020</u>	<u>80,245</u>	<u>(149,133)</u>	<u>427,132</u>
Capital assets being depreciated:				
Equipment	1,496,256	344,700	-	1,840,956
Transportation equipment	139,952	-	-	139,952
Total depreciable capital assets at historical cost	<u>1,636,208</u>	<u>344,700</u>	<u>-</u>	<u>1,980,908</u>
Less accumulated depreciation	<u>1,386,018</u>	<u>46,078</u>	<u>-</u>	<u>1,432,096</u>
Capital assets being depreciated, net	<u>250,190</u>	<u>298,622</u>	<u>-</u>	<u>548,812</u>
Governmental activities capital assets, net				
Public Library	<u>\$ 746,210</u>	<u>\$ 378,867</u>	<u>\$ (149,133)</u>	<u>\$ 975,944</u>
	(Restated) January 1, 2022	Additions	Deletions/ Transfers	December 31, 2022
Business-Type Activities:				
Airport Commission:				
Capital assets not being depreciated:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	12,976,961	16,394,509	(1,136,896)	28,234,574
Total capital assets not being depreciated	<u>19,808,641</u>	<u>16,394,509</u>	<u>(1,136,896)</u>	<u>35,066,254</u>
Capital assets being depreciated:				
Buildings	25,249,535	245,455	-	25,494,990
Runways & other airport infrastructure	56,032,172	230,791	-	56,262,963
Equipment, furniture & fixtures, and other	12,637,660	1,218,240	(606,444)	13,249,456
Right-to-use asset-land	2,033,149	-	-	2,033,149
Total depreciable capital assets at historical cost	<u>95,952,516</u>	<u>1,694,486</u>	<u>(606,444)</u>	<u>97,040,558</u>
Less accumulated depreciation for:				
Buildings	14,446,895	630,741	-	15,077,636
Runways & other airport infrastructure	43,799,068	1,385,697	-	45,184,765
Equipment, furniture & fixtures, and other	10,512,284	332,883	(602,347)	10,242,820
Right-to-use asset-land	65,410	65,410	-	130,820
Total accumulated depreciation	<u>68,823,657</u>	<u>2,414,731</u>	<u>(602,347)</u>	<u>70,636,041</u>
Capital assets being depreciated, net	<u>27,128,859</u>	<u>(720,245)</u>	<u>(4,097)</u>	<u>26,404,517</u>
Business-type activities capital assets, net				
Airport Commission	<u>\$ 46,937,500</u>	<u>\$ 15,674,264</u>	<u>\$ (1,140,993)</u>	<u>\$ 61,470,771</u>

Notes to Basic Financial Statements  
December 31, 2022

Construction-in-progress is composed of the following:

	Primary Appropriation	Expended to December 31, 2022	Committed
Primary government:			
Governmental activities	\$ 57,029,200	\$ 27,300,505	\$ 29,728,695
Business-type activities			
Water and sewer capital improvements	44,350,840	40,674,412	3,676,428
Solid Waste	6,360,013	148,498	6,211,515
Total	<u>\$ 107,740,053</u>	<u>\$ 68,123,415</u>	<u>\$ 39,616,638</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	\$ 444,632,806	\$ 559,318,874	\$ 19,104,270	\$ 1,376,913	\$ 579,800,057
Current and noncurrent debt	(1,744,968)	(208,911,714)	-	-	(208,911,714)
Capital related accounts payable	(2,237,920)	(4,875,672)	(57,235)	-	(4,932,907)
Retainage payable	(1,054,952)	(941,651)	-	-	(941,651)
Restricted assets - unspent bond/net proceeds	-	26,713,537	-	-	26,713,537
Net investment in capital assets	<u>\$ 439,594,966</u>	<u>\$ 371,303,374</u>	<u>\$ 19,047,035</u>	<u>\$ 1,376,913</u>	<u>\$ 391,727,322</u>
Component Units:					
Net book value	\$ 975,944	\$ 61,470,771			
Current and noncurrent debt	-	(1,965,900)			
Capital related accounts payable	-	(967,493)			
Retainage payable	-	(663,674)			
Net investment in capital assets	<u>\$ 975,944</u>	<u>\$ 57,873,704</u>			

**Note 5: Lease Payable**

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

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

The City has entered into various lease agreements as lessee primarily for offices space, land and office equipment. Most leases have initial terms of up to 20 years, and contain one or more renewal at our option, generally for three or five year periods. We have included these renewal periods in the lease

## Notes to Basic Financial Statements December 31, 2022

term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For the City's transportation equipment leases, variable payments include those for property taxes and mileage. For office space leases that include variable payments, those include payments for the City's proportionate share of the building's property taxes, insurance, and common area maintenance. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

### Amounts recognized in the statement of net position

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

<u>Right-of-use assets</u>	<u>Governmental Activities 12/31/2022</u>
Buildings	\$ 708,310
Equipment	665,404
	<u>\$ 1,373,714</u>
	<u>Governmental Activities 12/31/2022</u>
<u>Lease payable</u>	
Current	\$ 628,335
Non-current	800,161
	<u>\$ 1,428,496</u>

The future principal and interest lease payments as of December 31, 2022, were as follows:

<u>Fiscal year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 628,335	\$ 30,218
2024	301,996	17,790
2025	234,277	11,116
2026	240,821	4,572
2027	23,067	113
Total	<u>\$ 1,428,496</u>	<u>\$ 63,809</u>

### Lease Liability-Airport Commission

The following is a summary of the Airport's long-term lease liability for the year ended December 31, 2022:

	<u>2022</u>				
	<u>(Restated) Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Lease liability	\$ 1,999,586	\$ -	\$ (33,686)	\$ 1,965,900	\$ 34,942

Notes to Basic Financial Statements  
December 31, 2022

The Airport has a land lease that began in 2001 with terms that expire in 2052. The future principal and interest payments for the lease liability as of December 31, 2022 are as follows:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 34,942	\$ 51,674	\$ 86,616
2024	35,879	50,737	86,616
2025	36,842	49,774	86,616
2026	37,830	48,786	86,616
2027	42,859	47,727	90,586
2028 - 2032	238,333	220,569	458,902
2033 - 2037	296,554	185,293	481,847
2038 - 2042	364,239	141,701	505,940
2043 - 2047	442,787	88,449	531,236
Thereafter	435,635	24,953	460,588
Total	<u>\$ 1,965,900</u>	<u>\$ 909,663</u>	<u>\$ 2,875,563</u>

**Note 6: Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2022 were as follows:

**Primary Government:**

	(Restated) Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022	Amount Due in One Year
Governmental Activities:					
Bonds Payable -					
Sales tax bonds	\$ 26,525,000	\$ -	\$ 26,525,000	\$ -	\$ -
Issuance premium	2,570,050	-	2,570,050	-	-
Sales tax bonds payable, net	<u>29,095,050</u>	<u>-</u>	<u>29,095,050</u>	<u>-</u>	<u>-</u>
Compensated Absences	1,830,136	3,765,000	1,254,856	4,340,280	120,876
Employee insurance/workers' compensation	1,865,018	274,684	-	2,139,702	2,139,702
Leases payable	1,200,422	797,586	569,512	1,428,496	628,335
Installment loan	-	353,537	37,065	316,472	40,174
Net OPEB liability	7,796,459	-	494,606	7,301,853	-
Net pension liability	<u>66,301,091</u>	<u>-</u>	<u>11,857,264</u>	<u>54,443,827</u>	<u>-</u>
Total other long-term liabilities	<u>78,993,126</u>	<u>5,190,807</u>	<u>14,213,303</u>	<u>69,970,630</u>	<u>2,929,087</u>
Total governmental activities long-term liabilities	<u>\$ 108,088,176</u>	<u>\$ 5,190,807</u>	<u>\$ 43,308,353</u>	<u>\$ 69,970,630</u>	<u>\$ 2,929,087</u>

## Notes to Basic Financial Statements December 31, 2022

### Business-Type Activities

#### Bonds Payable -

Revenue bonds	\$ 203,795,000	\$ -	\$ 10,375,000	\$ 193,420,000	\$ 10,680,000
Add issuance premium	<u>18,626,016</u>	<u>-</u>	<u>1,517,107</u>	<u>17,108,909</u>	<u>-</u>
Revenue bonds payable, net	<u>222,421,016</u>	<u>-</u>	<u>11,892,107</u>	<u>210,528,909</u>	<u>10,680,000</u>
Compensated absences	874,337	-	31,444	842,893	179,919
Net OPEB liability	4,199,223	-	115,355	4,083,868	-
Closure/postclosure landfill costs	<u>7,209,438</u>	<u>737,013</u>	<u>-</u>	<u>7,946,451</u>	<u>-</u>
Total other long-term liabilities	<u>12,282,998</u>	<u>737,013</u>	<u>146,799</u>	<u>12,873,212</u>	<u>179,919</u>
Total business-type activities long-term liabilities	<u>\$ 234,704,014</u>	<u>\$ 737,013</u>	<u>\$ 12,038,906</u>	<u>\$ 223,402,121</u>	<u>\$ 10,859,919</u>

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

Current Liabilities:	
Current portion of long-term debt	\$ 668,509
Noncurrent liabilities:	
Due within one year	2,260,578
Due in more than one year	<u>67,041,543</u>
Total governmental activities long-term liabilities	<u>\$ 69,970,630</u>

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

Current Liabilities:	
Current portion of long-term debt	\$ 10,680,000
Noncurrent liabilities:	
Due within one year	179,919
Due in more than one year	<u>212,542,202</u>
Total business-type activities long-term liabilities	<u>\$ 223,402,121</u>

For compensated absences, the general fund normally liquidates 78%, and the street maintenance fund, street sales tax fund, CDBG, and cleanup/demo fund normally liquidate 2%, 2%, 1%, and 1%, respectively. The remaining 16% is liquidated by the water & sewer and sanitation operating funds.

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

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

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



Notes to Basic Financial Statements  
December 31, 2022

Changes in long-term liabilities for the year ended December 31, 2022, for the major enterprise funds were as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022	Amount Due in One Year
<b>Water and Sewer Fund:</b>					
Bonds Payable -					
Revenue bonds	\$ 203,795,000	\$ -	\$ 10,375,000	\$ 193,420,000	\$ 10,680,000
Add issuance premium	18,626,016	-	1,517,107	17,108,909	-
Revenue bonds payable, net	<u>222,421,016</u>	-	<u>11,892,107</u>	<u>210,528,909</u>	<u>10,680,000</u>
Compensated absences	679,320	1,016,067	1,044,484	650,903	127,497
Net OPEB liability	<u>3,186,124</u>	-	<u>187,841</u>	<u>2,998,283</u>	-
Other long-term liabilities	<u>3,865,444</u>	<u>1,016,067</u>	<u>1,232,325</u>	<u>3,649,186</u>	<u>127,497</u>
Total water and sewer fund	<u>\$ 226,286,460</u>	<u>\$ 1,016,067</u>	<u>\$ 13,124,432</u>	<u>\$ 214,178,095</u>	<u>\$ 10,807,497</u>
<b>Solid Waste Fund:</b>					
Compensated absences	\$ 195,017	\$ 294,623	\$ 297,650	\$ 191,444	\$ 52,422
Net OPEB liability	1,013,099	72,486	-	1,085,585	-
Closure/postclosure landfill costs	<u>7,209,438</u>	<u>737,013</u>	-	<u>7,946,451</u>	-
Other long-term liabilities	<u>8,417,554</u>	<u>1,104,122</u>	<u>297,650</u>	<u>9,223,480</u>	<u>52,422</u>
Total solid waste fund	<u>\$ 8,417,554</u>	<u>\$ 1,104,122</u>	<u>\$ 297,650</u>	<u>\$ 9,223,480</u>	<u>\$ 52,422</u>

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

	Water and Sewer Fund	Solid Waste Fund
<b>Current Liabilities:</b>		
Revenue bonds payable	\$ 10,680,000	\$ -
Accrued vacation and sick leave	127,497	52,422
<b>Noncurrent Liabilities:</b>		
Landfill closure and postclosure care	-	7,946,451
Revenue bonds, net	199,848,909	-
Accrued vacation and sick leave	523,406	139,022
Net OPEB liability	<u>2,998,283</u>	<u>1,085,585</u>
Total long-term liabilities for major enterprise funds	<u>\$ 214,178,095</u>	<u>\$ 9,223,480</u>

## Notes to Basic Financial Statements December 31, 2022

Changes in long-term liabilities for the year ended December 31, 2022, for the component units were as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022	Amount Due in One Year
Component Units:					
Governmental activities					
Public Library					
Net pension liability	\$ 556,995	\$ 1,310,203	\$ -	\$ 1,867,198	\$ -
Total governmental activities	<u>\$ 556,995</u>	<u>\$ 1,310,203</u>	<u>\$ -</u>	<u>\$ 1,867,198</u>	<u>\$ -</u>
Total Component Units	<u>\$ 556,995</u>	<u>\$ 1,310,203</u>	<u>\$ -</u>	<u>\$ 1,867,198</u>	<u>\$ -</u>

### **Short-Term Financing**

In accordance with Amendment 78 of the Arkansas Constitution, Arkansas state statutes limit the amount of short-term financing, including leases, the City may have in any fiscal year up to five percent (5%) of the assessed valuation of property within the City. The limit applies to the reporting entity governmental activities. The governmental activities had \$1,428,496 of leases payable considered short-term financing as of December 31, 2022. The limit as of December 31, 2022 was \$407.4 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2022.

### **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 1/2% 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 2022, all of the 2012 bonds were called. The remaining .25% sales and use tax is used for fire and park operations.

On February 27, 2014, the city issued \$34.295 million in Sales and Use Tax Bonds, Series 2014. Citizens approved the bonds in a referendum on March 13, 2012. These are additional bonds for water and wastewater improvements. A total of \$6 million is allocated to water improvements including transmission lines, water storage and pump stations. A total of \$28 million is allocated to wastewater improvements including wet weather sewer improvements. The 2014 Bonds are supported by the 3/4% local sales and use tax that supports the 2012 Sales and Use Tax Bonds and were issued on parity with the 2012 Bonds. The 2014 Bonds carry interest ranging from 2% to 5% through May 1, 2029. The bonds are

subject to mandatory redemption in inverse order on any interest payment date from the collection of excess sales taxes. During 2022, all of the 2014 bonds were called.

**Revenue Bonds - Business-Type Activities**

Revenue bonds outstanding at December 31, 2022, 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	\$ 1,740,000
\$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	28,500,000
\$56,955,000 of Series 2016 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2032 with interest ranging from 1.7% to 4.4% payable semiannually	43,495,000
\$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>119,685,000</u>
Bonds outstanding, December 31, 2022	193,420,000
Unamortized bond premium	<u>17,108,909</u>
Net bonds outstanding, December 31, 2022	<u>\$ 210,528,909</u>

**Water and Sewer:**

On November 10, 2011, the City issued \$18,920,000 Water and Sewer Refunding Revenue Bonds, Series 2011, to refund the outstanding \$2,325,000 of 2002B Series Bonds and to refund the outstanding \$16,595,000 of 2002C Series Bonds. The reacquisition price exceeded the carrying amount of the old debt by \$93,625. The unamortized amount is reported as a deferred inflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$0 as of December 31, 2022. 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 \$17,887 as of December 31, 2022. 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

## Notes to Basic Financial Statements December 31, 2022

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 \$1,729,292 as of December 31, 2022. 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 \$94,211 as of December 31, 2022. The City completed the refunding to reduce its total debt service payments over the next fifteen (15) years by \$14,835,319 and to obtain an economic gain of \$9,837,592.

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

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

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

Notes to Basic Financial Statements  
December 31, 2022

as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City and approved by the Trustee, and taking into consideration any rate increase, shall be equal to not less than 130% of the average annual principal and interest requirements on all of the System Bonds then outstanding and the additional bonds then proposed to be issued.

Restricted accounts required by the bond ordinances are as follows:

**Bond Retirement** - The City is required to restrict funds for the payment of principal, interest, and trustee and paying agents' fees up to a maximum of \$1,892,000 related to the 2011 Bonds, \$2,331,150 related to the 2015 Bonds, \$5,695,500 related to the 2016 Bonds and \$13,068,000 related to the 2018 Bonds. The City held surety bonds valued at \$1,892,000, \$2,334,694, \$5,695,500 and \$13,068,000 at December 31, 2022 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 the 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, 2022. Amounts are reported in restricted investments in the fund level and government-wide financial statements.

**Maturity Schedule**

Aggregate debt service requirements at December 31, 2022 for business-type activity related bonds were as follows:

	Total Business-Type Activities	
	Water and Sewer	
	Principal	Interest
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	12,675,000	6,965,700
2028-2032	72,270,000	25,338,250
2033-2037	56,460,000	7,112,400
2038-2041	6,460,000	523,400
Total	193,420,000	\$ 72,944,350
Add unamortized bond premium	17,108,909	
Net bonds outstanding as of December 31, 2022	\$ 210,528,909	

## Notes to Basic Financial Statements December 31, 2022

### ***Pledged Revenues for the City***

The following is a summary of pledged revenues for the City for the year ended December 31, 2022.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees
<b>Business-Type Activities:</b>					
Water and Sewer Refunding Revenue Bonds, Series 2011	Revenues of the Enterprise Fund	\$ 60,417,213	\$ 1,796,685	3.0%	\$ 1,807,500
Water and Sewer Refunding and Construction Revenue Bonds, Series 2015	Revenues of the Enterprise Fund	60,417,213	2,322,113	3.8%	41,923,150
Water and Sewer Refunding Revenue Bonds, Series 2016	Revenues of the Enterprise Fund	60,417,213	5,062,150	8.4%	54,953,000
Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	Revenues of the Enterprise Fund	60,417,213	10,381,750	17.2%	167,680,700
			<u>\$ 19,562,698</u>	<u>32.4%</u>	<u>\$266,364,350</u>

### ***Applicability of Federal Arbitrage Regulations***

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

At December 31, 2022, 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, 2022, there were nine series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$530,809,867.

### **Note 7: 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, 2022, the net position was \$6,565,355 and \$2,491,334 in the Employee Insurance and Workers’ Compensation Funds, respectively. The claims liability balances of \$932,767 and \$1,206,557 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 2022 are detailed below:

	<u>Employee Insurance</u>	<u>Workers’ Compensation</u>
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	<u>(7,606,725)</u>	<u>(585,139)</u>
Self-insurance liability, December 31, 2021	748,536	1,116,482
Current year claims and changes in estimate	9,199,935	747,287
Claim payments	<u>(9,015,704)</u>	<u>(657,212)</u>
Self-insurance liability, December 31, 2022	<u>\$ 932,767</u>	<u>\$ 1,206,557</u>

**Note 8: Deferred Compensation Plan**

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

The Plan, available to all permanent City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$20,500. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.



## Notes to Basic Financial Statements December 31, 2022

### Note 9: Pension Plans

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

Aggregate amounts for the four pension plans are as follows:

	FRPF	PRPF	LOPFI	APERS	Total
Net pension liability	\$ 17,027,004	\$ 16,420,604	\$ 20,869,577	\$ 126,642	\$ 54,443,827
Deferred outflows of resources	-	-	3,568,307	30,722	3,599,029
Deferred outflows of resources - contributions	1,534,596	1,697,760	4,112,902	7,866	7,353,124
Deferred inflows of resources	1,865,526	1,189,771	13,701,685	3,681	16,760,663
Pension expense	1,597,212	(46,400)	2,374,854	11,950	3,937,616

#### (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 \$1,584,589 for 2022.

#### (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 15.29% of covered payroll for 2022. The Clerk's contribution rate was

Notes to Basic Financial Statements  
December 31, 2022

5.0% of covered payroll for 2022. The City's contributions to the Plan for the year ended December 31, 2022 were \$15,732.

*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 \$97,878 for the fiscal year ended December 31, 2022. 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, 2022, the City reported a liability of \$126,642 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employee contributions to the Plan of the year for the measurement period. At June 30, 2022, the City's proportion was 0.00469672%, which is a decrease of 0.00000549% from its proportion as of June 30, 2021, of 0.004702210%.

For the year ended December 31, 2022, the City recognized pension expense of \$11,950. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,040	\$ 1,529
Changes in proportion and differences between City contributions and share of contributions	967	2,152
Net difference between projected and actual earnings on pension plan investments	26,715	-
Contributions subsequent to the measurement date	7,866	-
Total	<u>\$ 38,588</u>	<u>\$ 3,681</u>

## Notes to Basic Financial Statements December 31, 2022

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$7,866 will be recognized as a reduction of the net pension liability for the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

	<u>Year Ending December 31,</u>	
2023	\$	5,237
2024		3,736
2025		219
2026		<u>17,849</u>
Total	\$	<u>27,041</u>

### Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Price Inflation	2.50 percent (2.50 percent in prior year)
Wage Inflation	3.25 percent (3.25 percent in prior year)
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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all prior periods included in the measurement.

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

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

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, 2022 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 one-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	\$ 201,338	\$ 126,642	\$ 64,974

## Notes to Basic Financial Statements December 31, 2022

### **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, 2022. Contributions made by the Organization were \$224,979 for the year ended December 31, 2022. Employees are not required to contribute to the plan.

#### *Benefits Provided*

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

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

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

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701 (a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.29% of compensation for the fiscal year ended December 31, 2022. 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, 2022, 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, 2022, was 0.069247% which is an decrease of 0.003200% from its proportion as of June 30, 2021 of 0.072447%.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar)
Remaining Amortization Period	30 years
Asset Valuation Method	4-Year smoothed 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
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality rates were based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

## Notes to Basic Financial Statements December 31, 2022

The actuarial assumptions used in the June 30, 2022 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 2020 to 2029 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, 2022, these best estimates are summarized in the following table:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
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.



Notes to Basic Financial Statements  
December 31, 2022

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	\$ 2,968,441	\$ 1,867,158	\$ 957,951

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

At December 31, 2022, the Library reported a liability of \$1,867,158 for its proportionate share of the net pension liability.

The Organization had a pension contribution liability of \$12,192 accrued at December 31, 2022. The Organization's proportionate share of pension expense was \$163,903 for the year ended December 31, 2022. At December 31, 2022, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,818	\$ 22,543
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	393,880	-
Changes in proportion	66,400	57,073
Organization contributions subsequent to the measurement date	110,466	-
Total	\$ 615,564	\$ 79,616

## Notes to Basic Financial Statements December 31, 2022

\$110,466 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, 2023, 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>		
2023	\$	96,962
2024		64,972
2025		(11,140)
2026		<u>274,688</u>
Total	\$	<u>425,482</u>

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

#### *Plan Description*

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

#### *Benefits*

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

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

At the December 31, 2021 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	99
Total	99

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 2022 plan year were based upon the December 31, 2021, actuarial report. Contributions to the Plan by the City were \$1,534,596 for the year ended December 31, 2022.

Net Pension Liability

The City's net pension liability of \$17,027,004 as of December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

**Actuarial Assumptions**

The total pension liability in the December 31, 2021 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, 2021
Cost method	Entry Age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Closed Amortization Period based on projected future payroll
Amortization period	16 years beginning January 1, 2022

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, 2021, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2012 through

## Notes to Basic Financial Statements December 31, 2022

December 31, 2016, first used in the December 31, 2016 valuation. Assumptions are reviewed annually. No additional changes were made for the 2021 valuation.

### Long-term Expected Return on Plan Assets

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	4.8%
U.S. Stock - Small Cap	21%	5.5%
Internal Equity	9%	6.0%
Emerging Markets	9%	8.3%
U.S Corporate Bonds	25%	0.7%
Real Estate	5%	4.3%
Private Equity	10%	9.1%
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)
<b>Balance at January 1, 2022</b>	\$ 32,867,673	\$ 14,910,948	\$ 17,956,725
<b>Changes for the year:</b>			
Interest	2,187,902	-	2,187,902
Differences between expected and actual experience	863,257	-	863,257
Assumption changes	125,281	-	125,281
Contributions - employer	-	1,779,703	(1,779,703)
Contributions - employee	-	-	-
Net investment income	-	2,345,929	(2,345,929)
Benefit payments, including refunds of employee contributions	(3,223,869)	(3,223,869)	-
Administrative expense	-	(19,471)	19,471
<b>Net Changes</b>	<b>(47,429)</b>	<b>882,292</b>	<b>(929,721)</b>
<b>Balance at December 31, 2022</b>	<b>\$ 32,820,244</b>	<b>\$ 15,793,240</b>	<b>\$ 17,027,004</b>

There were no benefit changes during the year. The assumed investment rate of return was 7.00% (7.00% in the prior year), the wage inflation assumption remained the same at 3.25% and the price inflation assumption 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		
		Current Single Rate Assumption	
	1% Decrease 6.00%	7.00%	1% Increase 8.00%
City’s Net Pension Liability	\$ 19,810,967	\$ 17,027,004	\$ 14,576,076

**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, 2022, the City recognized pension expense of \$1,597,212. At December 31, 2022, 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	\$ -	\$ 1,865,526
Contributions subsequent to the measurement date	1,534,596	-
Total	\$ 1,534,596	\$ 1,865,526

## Notes to Basic Financial Statements December 31, 2022

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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		
2023	\$	(450,829)
2024		(711,601)
2025		(432,418)
2026		<u>(270,678)</u>
Total	\$	<u>(1,865,526)</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](http://www.lopfi-prb.com).

#### Benefits

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

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, 2021 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	75
Total	75

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 2022 plan year were based upon the December 31, 2021, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2022 were \$1,697,760.

Net Pension Liability

The City’s net pension liability of \$16,420,604 as of December 31, 2022 was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

**Actuarial Assumptions**

The total pension liability in the December 31, 2021 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, 2021
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Closed Amortization Period based on projected future payroll
Amortization period	16 years beginning January 1, 2022

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)



## Notes to Basic Financial Statements December 31, 2022

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, 2021, 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 2021 valuation.

### Long-term Expected Return on Plan Assets

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	4.8%
U.S. Stock - Small Cap	21%	5.5%
Internal Equity	9%	6.0%
Emerging Markets	9%	8.3%
U.S Corporate Bonds	25%	0.7%
Real Estate	5%	4.3%
Private Equity	10%	9.1%
Total	100%	

### 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)
<b>Balance at January 1, 2022</b>	\$ 28,521,862	\$ 9,538,775	\$ 18,983,087
<b>Changes for the year:</b>			
Interest	1,908,541	-	1,908,541
Differences between expected and actual experience	(816,745)	-	(816,745)
Assumption changes	(117,450)	-	(117,450)
Contributions - employer	-	2,013,820	(2,013,820)
Contributions - employee	-	-	-
Net investment income	-	1,535,755	(1,535,755)
Benefit payments, including refunds of employee contributions	(2,513,969)	(2,513,969)	-
Administrative expense	-	(12,746)	12,746
<b>Net Changes</b>	<u>(1,539,623)</u>	<u>1,022,860</u>	<u>(2,562,483)</u>
<b>Balance at December 31, 2022</b>	<u>\$ 26,982,239</u>	<u>\$ 10,561,635</u>	<u>\$ 16,420,604</u>

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		
	Current Single Rate Assumption		
	1% Decrease 6.00%	7.00%	1% Increase 8.00%
City's Net Pension Liability	\$ 19,078,467	\$ 16,420,604	\$ 14,150,875

**Pension Plan Fiduciary Net Position**

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

## Notes to Basic Financial Statements December 31, 2022

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

For the year ended December 31, 2022, the City recognized pension expense of (\$46,400). At December 31, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,189,771
Contributions subsequent to the measurement date	<u>1,697,760</u>	<u>-</u>
Total	<u>\$ 1,697,760</u>	<u>\$ 1,189,771</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,697,760 will be recognized as a reduction of the net pension liability for the year ending December 31, 2023. 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>	
2023	\$ (294,615)
2024	(440,665)
2025	(277,291)
2026	<u>(177,200)</u>
Total	<u>\$ (1,189,771)</u>

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

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

##### *Plan Description*

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

Benefits Provided

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

Contributions

Contributions to LOPFI are made by both the members and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The City contributes 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, 2022. City contributions to the new plans for the year ended December 31, 2022, were \$4,112,902 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, 2022, the City reported a liability of \$20,869,577 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 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 the total employer contributions to the Plan of the group for the measurement period. At December 31, 2021, the City's proportion was 4.1300% which is an decrease 0.1356% from the City's proportion of 4.2656% at December 31, 2020.

For the year ended, December 31, 2022, the City recognized pension expense of \$2,374,854. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,472,108	\$ -
Changes of assumptions	805,875	-
Net difference between projected and actual earnings on pension plan investments	-	12,792,869
Changes in proportion	290,324	908,816
Contributions subsequent to the measurement date	4,112,902	-
Total	<u>\$ 7,681,209</u>	<u>\$ 13,701,685</u>

## Notes to Basic Financial Statements December 31, 2022

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,112,902 will be recognized as a reduction of the net pension liability for the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

	<u>Year Ending December 31,</u>	
2023		\$ (1,558,776)
2024		(3,861,529)
2025		(2,805,953)
2026		<u>(1,907,120)</u>
Total		<u>\$ (10,133,378)</u>

### Actuarial Assumptions

The total pension liability in the December 31, 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)
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, 2021 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 2021 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	21%	4.8%
International Fixed Income	21%	5.5%
Domestic Equity	9%	6.0%
Foreign Equity	9%	8.3%
Index	25%	0.7%
Alternative Investments	5%	4.3%
Total	90%	

**Discount Rate**

In the December 31, 2021 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	\$ 41,996,930	\$ 20,869,577	\$ 3,823,803

Notes to Basic Financial Statements  
December 31, 2022

**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 10: Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan**

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

*Contributions:* The contribution requirements of plan members are established by 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 815 active participants and 24 retirees and beneficiaries receiving benefits who pay monthly premiums between \$485 for single coverage and \$1,238 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

**Summary of Significant Accounting Policies**

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

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

**Plan Membership**

Plan membership as of December 31, 2022 is as follows:

Active members	815
Inactive members receiving benefits	24
	839
	839



**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 2022 is as follows:

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

The long-term rate of return also included an expected 2.5% inflation for 2022. The long-term expected rate of return at December 31, 2022 was 4.0%.

**Net OPEB Liability**

The net OPEB liability is measured as the total OPEB liability, less the amount of the plan’s fiduciary net position. A single discount rate of 4.31% was used to measure the total OPEB liability as of December 31, 2022. 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, 2022, 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:	4.31 percent at 12/31/22 (2.60 percent at 12/31/21)
Cost Method	Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: <ul style="list-style-type: none"> <li>• Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant’s benefit at retirement; and</li> <li>• Annual Service Cost is a constant percentage of the participant’s salary that is assumed to increase according to the Payroll Growth,</li> </ul>
Retirement age:	Expected retirement ages of general employees are based on information provided by the Arkansas Public Employees Retirement System (APERS)
Mortality:	RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years to MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement)

## Notes to Basic Financial Statements December 31, 2022

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2017.

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, 2022 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.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
<b>Balance at January 1, 2022</b>	\$ 13,585,415	\$ 1,589,733	\$ 11,995,682
<b>Changes for the year:</b>			
Service cost	972,744	-	972,744
Interest	373,856	-	373,856
Contributions - employer	-	360,487	(360,487)
Differences between expected and actual experience	345,514	-	345,514
Changes of assumptions	(1,994,258)	-	(1,994,258)
Net investment income	-	(37,092)	37,092
Administrative fees	-	(15,578)	15,578
Benefit payments	(360,487)	(360,487)	-
<b>Net Changes</b>	<u>(662,631)</u>	<u>(52,670)</u>	<u>(609,961)</u>
<b>Balance at December 31, 2022</b>	<u>\$ 12,922,784</u>	<u>\$ 1,537,063</u>	<u>\$ 11,385,721</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	11.89%		

The schedule of investment return for the City's OPEB Plan is as follows for the years ended December 31, 2022:

Annual money-weighted rate of return, net of investment expense	(3.31%)
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Notes to Basic Financial Statements  
December 31, 2022

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, 2022. In particular, the table presents the plan's net OPEB liability if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

	Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption		
	1% Decrease	Current Single Rate Assumption	1% Increase
	3.31%	4.31%	5.31%
Net OPEB liability	\$ 12,661,656	\$ 11,385,721	\$ 10,233,736

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, 2022. 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	Current Single Rate Assumption	1% Increase
	6.50%-3.50%	7.50%-4.50%	8.50%-5.50%
Net OPEB liability	\$ 9,871,330	\$ 11,385,721	\$ 13,185,650

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

For the year ended December 31, 2022, the City recognized a reduction in OPEB expense of \$139,958. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,811,196	\$ 10,011,446
Difference between expected and actual experience	307,124	3,365,879
Net difference between projected and actual earnings on OPEB plan investments	114,739	-
	<u>\$ 2,233,059</u>	<u>\$ 13,377,325</u>

## Notes to Basic Financial Statements December 31, 2022

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022, related to OPEB will be recognized as OPEB expense as follows:

<u>Year ending December 31,</u>	
2023	\$ (2,476,227)
2024	(2,474,520)
2025	(2,466,923)
2026	(2,484,039)
2027	(444,422)
Thereafter	<u>(798,135)</u>
	<u>\$ (11,144,266)</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, 2022</u>	
<u>Investment</u>	<u>Fair Value</u>
ISHARES TREASURY TIPS BOND ETF	\$ 189,995
ISHARES SHORT TREASURY BOND ETF	133,992

## Note 11: 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, 2022, the City has accrued a liability in the amount of \$82,500.

### *Contingencies*

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

In 2015, the City entered into a Consent Decree with the United States Environmental Protection Agency (EPA), the United States Department of Justice (DOJ), and the Arkansas Department of Environmental Quality (ADEQ). The Consent Decree addresses the City's compliance with the Federal Clean Water Act involving dry and wet weather overflows from the sanitary sewer system and ongoing maintenance.

Beginning in September 2016, the City began the process to request a modification to the consent decree. The request was initially denied in November 2019. However, in May 2020, the City was granted an additional five-years, with conditions, to complete the consent decree per section nine of the consent decree. In September 2020, the City met with the DOJ and the EPA in Washington D.C. to discuss the details of the City’s request for a modification. The City has sent documentation asserting force majeure for the historic 2019 flood and the COVID pandemic. 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 2022.

**Note 12: Individual Fund Disclosures**

Interfund receivables and payables as of December 31, 2022, are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ 37,926	\$ -
Nonmajor governmental funds	-	37,926
Total	<u>\$ 37,926</u>	<u>\$ 37,926</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, 2022, are as follows:

Fund	Transfers	
	In	Out
<b>Primary Government -</b>		
Governmental Funds:		
Major funds:		
General Fund	\$ 100,000	\$ 3,290,000
Special Revenue- LOPFI Contribution Fund	1,600,000	-
Non-major funds:		
Convention Center Fund	1,600,000	-
Total governmental funds	<u>3,300,000</u>	<u>3,290,000</u>
Proprietary Funds:		
Water and Sewer Fund	-	100,000
Solid Waste Fund	90,000	-
Total proprietary funds	<u>90,000</u>	<u>100,000</u>
Total primary government	<u>\$ 3,390,000</u>	<u>\$ 3,390,000</u>

The transfers out from the General Fund include:

- \$1,600,000 transfer to LOPFI Contribution Fund to assist with the contribution requirements to the LOPFI pension plans
- \$1,600,000 to the Convention Center Fund to help support operations
- \$90,000 to the Solid Waste Fund.

## Notes to Basic Financial Statements December 31, 2022

The transfers out from the Water and Sewer Fund include:

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

### **Note 13: Landfill Closure and Postclosure Care Costs**

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

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

The City's permitted landfill capacity is 60,714,375 cubic yards. The life of the landfill is projected at 149 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2022, is \$7,946,451. 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, 2022. 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 2022. 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, 2022, is \$6,830,815. In order to comply with this requirement, Arvest Bank issued an irrevocable standby letter of credit that is pledged to the Arkansas Department of Environmental Quality in the amount of \$8,575,000 at December 31, 2022. The City has also pledged investments as collateral for the letter of credit.

### **Note 14: New Applicable GASB Standards**

#### ***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.

#### ***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.

**GASB Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62**

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

**GASB Statement No. 101 - Compensated Absences**

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

**Note 15: 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, 2022**

	Governmental			Business-Type
	Advertising Promotion Commission	Public Library	Total	Airport Commission
<b>Assets</b>				
Current assets	\$ 1,197,551	\$ 1,956,766	\$ 3,154,317	\$ 11,548,906
Capital assets, net of accumulated depreciation, as applicable	-	975,944	975,944	61,470,771
Noncurrent assets	-	-	-	15,033,869
Total assets	<u>1,197,551</u>	<u>2,932,710</u>	<u>4,130,261</u>	<u>88,053,546</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	-	615,564	615,564	-
Total deferred outflows of resources	-	<u>615,564</u>	<u>615,564</u>	-
<b>Liabilities</b>				
Current liabilities	64,301	106,217	170,518	2,028,404
Noncurrent liabilities	-	1,867,158	1,867,158	1,930,958
Total liabilities	<u>64,301</u>	<u>1,973,375</u>	<u>2,037,676</u>	<u>3,959,362</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	-	79,616	79,616	-
Deferred inflows related to leases	-	-	-	12,200,434
Total deferred inflows of resources	-	<u>79,616</u>	<u>79,616</u>	<u>12,200,434</u>
<b>Net Position</b>				
Net investment in capital assets	-	975,944	975,944	57,873,704
Restricted	1,133,250	-	1,133,250	37,856
Unrestricted (deficit)	-	519,339	519,339	13,982,190
Total net position	<u>\$ 1,133,250</u>	<u>\$ 1,495,283</u>	<u>\$ 2,628,533</u>	<u>\$ 71,893,750</u>



**Notes to Basic Financial Statements  
December 31, 2022**

**Statement of Activities  
For the Year Ended December 31, 2022**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Advertising and Promotion	Public Library	Total
Advertising/Promotion	\$ 849,083	\$ -	\$ -	\$ (849,083)	\$ -	\$ (849,083)
Public Library	3,391,453	107,701	506,206	-	(2,777,546)	(2,777,546)
Total	\$ 4,240,536	\$ 107,701	\$ 506,206	\$ (849,083)	\$ (2,777,546)	\$ (3,626,629)
General revenues						
Property taxes				-	1,578,974	1,578,974
Sales taxes				-	1,413,233	1,413,233
Hospitality hotel/motel taxes				1,166,108	-	1,166,108
Unrestricted investments earnings				8,831	2,409	11,240
Other				6,522	-	6,522
Total general revenues				1,181,461	2,994,616	4,176,077
Change in net position				332,378	217,070	549,448
Net position, beginning				800,872	1,278,213	2,079,085
Net position, ending				\$ 1,133,250	\$ 1,495,283	\$ 2,628,533

	Program Revenues			Net (Expense) Revenue and Changes in Net Position Business-Type Activities	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Airport Commission
Airport Commission	\$ 4,989,763	\$ 2,715,664	\$ 2,770,217	\$ 16,482,220	\$ 16,978,338
Total	\$ 4,989,763	\$ 2,715,664	\$ 2,770,217	\$ 16,482,220	16,978,338
General revenues					
Unrestricted investment earnings					420,836
Total general revenues					420,836
Change in net position					17,399,174
Net position, beginning					54,494,576
Net position, ending					\$ 71,893,750

**Note 16: Change in Accounting Principle**

**Adoption of GASB Statement No. 87, Leases (GASB 87)**

For the fiscal year ended December 31, 2022, The City and the Airport adopted GASB 87. The Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. The adoption of GASB 87 resulted in changes in presentation of the financial statements and related disclosures in the notes to the financial statements. The adoption of GASB 87 had no impact on the primary government's beginning net position. For the Airport, the cumulative effect of applying this statement is an increase of \$179,935 to the beginning of year net position in the statement of net position.

# Required Supplementary Information



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

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

\* Includes assets reported as Premium Tax Money. The amount for 2022 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.



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

\* Includes assets reported as Premium Tax Money. The amount for 2022 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.

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
2022	\$ 1,697,760	\$ 1,697,760	\$ -	\$ -	N/A
2021	1,697,760	1,697,760	-	-	N/A
2020	1,588,560	2,588,560	(1,000,000)	-	N/A
2019	1,542,372	1,542,372	-	-	N/A
2018	1,334,976	2,334,976	(1,000,000)	-	N/A
2017	1,256,207	1,256,207	-	-	N/A
2016	1,256,207	1,256,207	-	-	N/A
2015	1,372,907	1,372,907	-	-	N/A

**Key Assumptions for ADC:**

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

Valuation Date	December 31, 2020
Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	16 years beginning January 1, 2022
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2012-2016.
Mortality	The mortality tables used to measure retired life mortality were the RP-2014 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2014 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2014 Employee benefit weighted generational mortality tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2016.

**Other Information:**

Notes                                There were no benefit changes during the year.

Note: Information in this schedule has been determined as of the City's most recent year-end.  
Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provision of GASB 68, the City will only present available information.

**Required Supplementary Information**

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

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

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

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



## Required Supplementary Information

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

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

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

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

**Required Supplementary Information**

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

<b>Plan Fiscal Year Ended June 30,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	0.0047%	0.0047%	0.0049%	0.0047%	0.0047%	0.0048%	0.0048%	0.0049%
City's proportionate share of the net pension liability	\$ 126,642	\$ 36,152	\$ 139,343	\$ 113,539	\$ 103,956	\$ 125,123	\$ 115,180	\$ 90,125
City's covered payroll	\$ 97,878	\$ 95,253	\$ 96,333	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221	\$ 87,267
City's proportionate share of the net pension liability as a percentage of its covered payroll	129.39%	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	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

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

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

## Required Supplementary Information

## Schedule of City's Contributions - APERS

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

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

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

**Required Supplementary Information**

**Fort Smith Public Library - APERS**

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

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

**Schedule of Library Contributions Last Fiscal Year**

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

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

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

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. In 2022, the assumed single discount rate was increased from 2.60 to 4.31 percent.

**Required Supplementary Information**

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

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

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal  
 Inflation: 2.5 percent per year  
 Health care cost trend rates: 7.5 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent  
 Single discount rate: 4 percent  
 Retirement age: Expected retirement ages of general employees are based on information provided by the Arkansas Public Employees Retirement System (APERS)  
 Mortality: RPH-2018 Total Data Set Mortality Table fully generational using Scale MP-2018 (RP-2014 Mortality Table with Improvement Scale MP-2016 in the prior year)

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

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

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

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



**Required Supplementary Information**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,244,458	\$ 8,211,480	\$ 7,884,927	\$ (326,553)
Sales taxes	20,206,222	30,506,905	30,766,346	259,441
Licenses and permits	2,226,754	2,180,946	2,617,578	436,632
Utility franchise fees	6,736,300	8,350,832	8,846,697	495,865
Intergovernmental	7,528,706	16,089,235	16,288,492	199,257
Fines and forfeitures	1,767,107	1,804,224	1,678,780	(125,444)
Fees for services	560,319	440,055	508,921	68,866
Interest	50,000	246,076	239,684	(6,392)
Contributions	71,500	382,245	354,580	(27,665)
Miscellaneous	92,958	396,768	947,034	550,266
Total revenues	<u>47,484,324</u>	<u>68,608,766</u>	<u>70,133,039</u>	<u>1,524,273</u>
<b>Expenditures</b>				
Current:				
General government				
Administration	4,126,837	8,645,510	8,551,951	93,559
Legal	2,265,067	2,178,095	2,078,018	100,077
Finance	2,480,003	2,509,952	1,935,919	574,033
Public safety				
Police	17,816,671	16,410,115	16,195,613	214,502
Fire	14,956,885	15,348,217	14,375,738	972,479
Community services				
Health and social services	199,741	207,897	172,031	35,866
Parks and recreation	2,499,607	2,482,056	2,461,866	20,190
Transit	2,805,359	2,593,233	2,595,281	(2,048)
Capital outlay	10,218,200	13,095,003	9,660,384	3,434,619
Debt Service	-	-	606,229	(606,229)
Total expenditures	<u>57,368,370</u>	<u>63,470,078</u>	<u>58,633,030</u>	<u>4,837,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,884,046)</u>	<u>5,138,688</u>	<u>11,500,009</u>	<u>6,361,321</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	(1,867,000)	(1,867,000)	(3,290,000)	(1,423,000)
Leases (as lessee)	-	-	797,586	797,586
Total other financing sources and uses	<u>(1,767,000)</u>	<u>(1,767,000)</u>	<u>(2,392,414)</u>	<u>(625,414)</u>
Net change in fund balances	<u>(11,651,046)</u>	<u>3,371,688</u>	<u>9,107,595</u>	<u>5,735,907</u>
Fund Balances, beginning of year	<u>33,457,128</u>	<u>33,457,128</u>	<u>33,457,128</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 21,806,082</u>	<u>\$ 36,828,816</u>	<u>\$ 42,564,723</u>	<u>\$ 5,735,907</u>

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual - Street Maintenance Fund  
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,473,340	\$ 2,473,340	\$ 2,338,663	\$ (134,677)
Licenses and permits	200,000	262,000	365,481	103,481
Intergovernmental	5,927,040	6,873,443	7,692,960	819,517
Interest	5,500	14,564	29,278	14,714
Miscellaneous	-	31,350	131,669	100,319
Total revenues	<u>8,605,880</u>	<u>9,654,697</u>	<u>10,558,051</u>	<u>903,354</u>
<b>Expenditures</b>				
Current:				
General government				
Administration	321,029	362,125	323,319	38,806
Legal	140,250	115,250	113,622	1,628
Finance	854,227	1,045,669	846,915	198,754
Public works				
Operations	695,010	656,134	630,954	25,180
Streets	3,768,694	3,628,297	2,679,542	948,755
Traffic control	2,273,843	2,346,938	2,210,424	136,514
Community services				
Parks and recreation	258,807	255,589	237,681	17,908
Capital outlay	<u>588,120</u>	<u>4,305,119</u>	<u>3,367,309</u>	<u>937,810</u>
Total expenditures	<u>8,899,980</u>	<u>12,715,121</u>	<u>10,409,766</u>	<u>2,305,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(294,100)</u>	<u>(3,060,424)</u>	<u>148,285</u>	<u>3,208,709</u>
Net Change in Fund Balances	(294,100)	(3,060,424)	148,285	3,208,709
Fund Balances, beginning of year	<u>10,537,280</u>	<u>10,537,280</u>	<u>10,537,280</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 10,243,180</u>	<u>\$ 7,476,856</u>	<u>\$ 10,685,565</u>	<u>\$ 3,208,709</u>

### Notes to Required Supplementary Information December 31, 2022

#### **Budgets and Budget Accounting**

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

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

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

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



## Nonmajor Governmental Funds For the Year Ended December 31, 2022

### 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.

**Combining Balance Sheet – Nonmajor Governmental Funds  
December 31, 2022**

	Special Revenue				Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Convention Center	
<b>Assets</b>					
Cash	\$ -	\$ 26,122	\$ -	\$ 284,104	\$ 310,226
Receivables, net of allowance for uncollectibles					
Accounts	-	-	-	102,637	102,637
Due from other governments	100,276	-	77,057	-	177,333
Restricted assets:					
Cash	6,073	-	3,258	-	9,331
Inventories	-	-	-	9,275	9,275
Prepaid items	-	-	-	10,579	10,579
Total assets	<u>\$ 106,349</u>	<u>\$ 26,122</u>	<u>\$ 80,315</u>	<u>\$ 406,595</u>	<u>\$ 619,381</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 74,035	\$ -	\$ 65,999	\$ 295,007	\$ 435,041
Due to other funds	26,868	-	11,058	-	37,926
Unearned revenues	-	-	-	57,165	57,165
Total liabilities	<u>100,903</u>	<u>-</u>	<u>77,057</u>	<u>352,172</u>	<u>530,132</u>
Fund Balances:					
Nonspendable	-	-	-	19,854	19,854
Restricted:					
Parks & recreation	-	26,122	-	-	26,122
Housing and rehabilitation	5,446	-	3,258	-	8,704
Assigned:					
Convention center	-	-	-	34,569	34,569
Total Fund Balances	<u>5,446</u>	<u>26,122</u>	<u>3,258</u>	<u>54,423</u>	<u>89,249</u>
Total liabilities and fund balances	<u>\$ 106,349</u>	<u>\$ 26,122</u>	<u>\$ 80,315</u>	<u>\$ 406,595</u>	<u>\$ 619,381</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance -  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2022**

	Special Revenue				Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Convention Center	
<b>Revenues</b>					
Intergovernmental	\$ 1,184,845	\$ -	\$ 428,601	\$ -	\$ 1,613,446
Fees for services	-	-	-	931,227	931,227
Investment earnings (loss)	-	571	-	-	571
Miscellaneous	152	-	-	-	152
<b>Total revenues</b>	<b>1,184,997</b>	<b>571</b>	<b>428,601</b>	<b>931,227</b>	<b>2,545,396</b>
<b>Expenditures</b>					
Current:					
Community services					
Convention Center	-	-	-	2,440,161	2,440,161
Housing and Rehabilitation	1,213,691	-	433,866	-	1,647,557
Debt Service	-	-	-	37,065	37,065
<b>Total expenditures</b>	<b>1,213,691</b>	<b>-</b>	<b>433,866</b>	<b>2,477,226</b>	<b>4,124,783</b>
Excess (deficiency) of revenues over (under) expenditures	(28,694)	571	(5,265)	(1,545,999)	(1,579,387)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	1,600,000	1,600,000
Loan Proceeds	-	-	-	353,537	353,537
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,953,537</b>	<b>1,953,537</b>
<b>Change in Fund Balances</b>	<b>(28,694)</b>	<b>571</b>	<b>(5,265)</b>	<b>407,538</b>	<b>374,150</b>
Fund Balances (deficit), beginning of year	34,140	25,551	8,523	(353,115)	(284,901)
<b>Fund Balances, end of year</b>	<b>\$ 5,446</b>	<b>\$ 26,122</b>	<b>\$ 3,258</b>	<b>\$ 54,423</b>	<b>\$ 89,249</b>



## **Internal Service Funds For the Fiscal Year Ended December 31, 2022**

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

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

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

**Combining Statement of Net Position  
Internal Service Funds  
December 31, 2022**

	<u>Working Capital</u>	<u>Employee Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 167,864	\$ 7,977,483	\$ 3,726,475	\$ 11,871,822
Receivables, net of allowance for uncollectibles				
Accounts	-	48,951	-	48,951
Inventories	<u>36,655</u>	<u>-</u>	<u>-</u>	<u>36,655</u>
Total Current Assets	<u>204,519</u>	<u>8,026,434</u>	<u>3,726,475</u>	<u>11,957,428</u>
Total Assets	<u>204,519</u>	<u>8,026,434</u>	<u>3,726,475</u>	<u>11,957,428</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	65,085	527,934	28,584	621,603
Claims and judgments	<u>-</u>	<u>933,145</u>	<u>1,206,557</u>	<u>2,139,702</u>
Total Current Liabilities	<u>65,085</u>	<u>1,461,079</u>	<u>1,235,141</u>	<u>2,761,305</u>
Total Liabilities	<u>65,085</u>	<u>1,461,079</u>	<u>1,235,141</u>	<u>2,761,305</u>
<b>Net Position</b>				
Unrestricted	<u>139,434</u>	<u>6,565,355</u>	<u>2,491,334</u>	<u>9,196,123</u>
Net Position	<u>\$ 139,434</u>	<u>\$ 6,565,355</u>	<u>\$ 2,491,334</u>	<u>\$ 9,196,123</u>

**Combining Statement of Revenues, Expenses and  
Changes in Net Position  
Internal Service Funds  
For the Year Ended December 31, 2022**

	Working Capital	Employee Insurance	Workers' Compensation	Total
<b>Operating Revenues</b>				
Charges for services - internal	\$ 1,225,714	\$ 8,564,937	\$ 951,468	\$ 10,742,119
Charges for services - external	-	402,405	-	402,405
Total Operating Revenues	<u>1,225,714</u>	<u>8,967,342</u>	<u>951,468</u>	<u>11,144,524</u>
<b>Operating Expenses</b>				
Contractual services	-	205,274	266,143	471,417
Materials and supplies	1,208,777	-	-	1,208,777
Insurance claims and expenses	-	9,015,704	657,212	9,672,916
Total Operating Expenses	<u>1,208,777</u>	<u>9,220,978</u>	<u>923,355</u>	<u>11,353,110</u>
Operating Income (Loss)	16,937	(253,636)	28,113	(208,586)
<b>Nonoperating Revenues</b>				
Investment earnings	-	106,030	12,853	118,883
Change in Net Position	16,937	(147,606)	40,966	(89,703)
Net position, beginning of year	<u>122,497</u>	<u>6,712,961</u>	<u>2,450,368</u>	<u>9,285,826</u>
Net position, ending of year	<u>\$ 139,434</u>	<u>\$ 6,565,355</u>	<u>\$ 2,491,334</u>	<u>\$ 9,196,123</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2022**

	Working Capital	Employee Insurance	Workers' Compensation	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from service users	\$ 1,225,714	\$ 393,494	\$ -	\$ 1,619,208
Cash received from city and employee contributions	-	8,564,937	951,469	9,516,406
Cash payments for goods and services	(1,164,760)	-	-	(1,164,760)
Cash payments for premiums and other operating expenses	-	(611,163)	(247,832)	(858,995)
Cash payments for claims paid	-	(7,779,502)	(567,138)	(8,346,640)
Net cash provided by operating activities	<u>60,954</u>	<u>567,766</u>	<u>136,499</u>	<u>765,219</u>
<b>Cash Flows from Investing Activities</b>				
Proceeds from sales and maturities of investment securities	-	4,069,909	575,192	4,645,101
Interest on investments	-	106,030	12,853	118,883
Net cash provided by investing activities	<u>-</u>	<u>4,175,939</u>	<u>588,045</u>	<u>4,763,984</u>
<b>Net increase in cash</b>	60,954	4,743,705	724,544	5,529,203
Cash, beginning of year	106,910	3,233,778	3,001,931	6,342,619
Cash, ending of year	<u>\$ 167,864</u>	<u>\$ 7,977,483</u>	<u>\$ 3,726,475</u>	<u>\$ 11,871,822</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating income (loss)	\$ 16,937	\$ (253,636)	\$ 28,113	\$ (208,586)
Change in assets and liabilities				
Accounts receivable	-	(8,911)	-	(8,911)
Inventory	1,452	-	-	1,452
Prepaid items	-	-	15,000	15,000
Accounts payable and accrued liabilities	42,565	645,703	3,311	691,579
Liability for claims and judgments	-	184,610	90,075	274,685
Total adjustments	<u>44,017</u>	<u>821,402</u>	<u>108,386</u>	<u>973,805</u>
Net cash provided by operating activities	<u>\$ 60,954</u>	<u>\$ 567,766</u>	<u>\$ 136,499</u>	<u>\$ 765,219</u>

## Discretely Presented Component Units For the Fiscal Year Ended December 31, 2022

### Governmental Fund Types – Special Revenue Funds

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

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

### Proprietary Fund Type – Enterprise Fund

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

**Combining Statement of Net Position  
Governmental Component Units  
December 31, 2022**

	<u>Advertising and Promotion Commission</u>	<u>Public Library</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 1,197,551	\$ 1,102,384	\$ 2,299,935
Investments	-	304,155	304,155
Receivables, net of allowance for uncollectibles			
Taxes	-	238,215	238,215
Accounts	-	244,291	244,291
Prepaid items	-	67,721	67,721
Capital assets			
Nondepreciable	-	427,132	427,132
Depreciable	-	548,812	548,812
Total Assets	<u>1,197,551</u>	<u>2,932,710</u>	<u>4,130,261</u>
<b>Deferred outflows of resources</b>			
Deferred outflow related to pension	-	615,564	615,564
Total deferred outflows of resources	-	615,564	615,564
<b>Liabilities</b>			
Accounts payable and accrued liabilities	64,301	106,217	170,518
Net pension liability	-	1,867,158	1,867,158
Total Liabilities	<u>64,301</u>	<u>1,973,375</u>	<u>2,037,676</u>
<b>Deferred inflows of resources</b>			
Deferred inflow related to pension	-	79,616	79,616
Total deferred inflows of resources	-	79,616	79,616
<b>Net Position</b>			
Net investment in capital assets	-	975,944	975,944
Restricted for:			
Tourism & promotion	1,133,250	-	1,133,250
Unrestricted			
Library	-	519,339	519,339
Total Net Position	<u>\$ 1,133,250</u>	<u>\$ 1,495,283</u>	<u>\$ 2,628,533</u>

**Combining Statement of Activities - Governmental Component Units  
For the Year Ended December 31, 2022**

	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	\$ 849,083	\$ -	\$ -	\$ (849,083)	\$ -	\$ (849,083)
Public Library	3,391,453	107,701	506,206	-	(2,777,546)	(2,777,546)
<b>Total</b>	<b>\$ 4,240,536</b>	<b>\$ 107,701</b>	<b>\$ 506,206</b>	<b>(849,083)</b>	<b>(2,777,546)</b>	<b>(3,626,629)</b>
General revenues						
Property taxes				-	1,578,974	1,578,974
Sales taxes				-	1,413,233	1,413,233
Hospitality taxes				1,166,108	-	1,166,108
Unrestricted investment earnings (loss)				8,831	2,409	11,240
Other				6,522	-	6,522
<b>Total general revenues</b>				<b>1,181,461</b>	<b>2,994,616</b>	<b>4,176,077</b>
Change in net position				332,378	217,070	549,448
Net position, beginning of year				800,872	1,278,213	2,079,085
Net position, ending of year				<b>\$ 1,133,250</b>	<b>\$ 1,495,283</b>	<b>\$ 2,628,533</b>



**Balance Sheet - Advertising and Promotion  
Governmental Component Unit  
December 31, 2022**

<b>Assets:</b>		
Cash		\$ 1,197,551
Total Assets		<u>\$ 1,197,551</u>
 <b>Liabilities and Fund Balance:</b>		
Current:		
Accounts payable and accrued liabilities		\$ 64,301
Total Liabilities		<u>64,301</u>
 <b>Fund Balance:</b>		
Restricted for:		
Tourism & promotion		<u>1,133,250</u>
Total Liabilities and Fund Balance		<u>\$ 1,197,551</u>

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Advertising and Promotion - Governmental Component Unit  
For the Year Ended December 31, 2022**

<b>Revenues</b>	
Taxes	\$ 1,166,108
Investment earnings (loss)	8,831
Other	<u>6,522</u>
Total revenues	<u>1,181,461</u>
<b>Expenditures</b>	
Other	<u>849,083</u>
Total Expenditures	<u>849,083</u>
Excess of revenues over expenditures	<u>332,378</u>
Net change in fund balance	332,378
Fund Balance, beginning of year	<u>800,872</u>
Fund Balance, end of year	<u><u>\$ 1,133,250</u></u>

**Statement of Net Position  
Business-Type Component Unit  
Airport Commission  
December 31, 2022**

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 3,792,560
Accrued interest receivable	93,107
Lease receivables, current	553,853
Due from other governments	1,984,246
Prepaid items and deposits	94,862
Inventories	<u>74,827</u>
Total Current Assets	<u>11,548,906</u>
<b>Noncurrent Assets</b>	
Restricted cash	1,563
Certificates of deposit	3,000,000
Lease receivables, noncurrent	12,032,306
Lease assets, net	1,902,329
Capital assets, nondepreciable	35,066,254
Capital assets, depreciable	<u>24,502,188</u>
Total Noncurrent Assets	<u>76,504,640</u>
Total Assets	<u>88,053,546</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	1,961,011
Lease liability, current	34,942
Unearned revenue	<u>32,451</u>
Total Current Liabilities	<u>2,028,404</u>
<b>Noncurrent liabilities</b>	
Lease liability	<u>1,930,958</u>
Total Liabilities	<u>3,959,362</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources, leases	<u>12,200,434</u>
Total deferred inflows of resources	<u>12,200,434</u>
<b>Net Position</b>	
Net investment in capital assets	57,873,704
Restricted for capital projects	37,856
Unrestricted	<u>13,982,190</u>
Total Net Position	<u>\$ 71,893,750</u>

**Statement of Activities - Business-Type Component Units  
 Airport Commission  
 For the Year Ended December 31, 2022**

	Program Revenues			Net (Expense) Revenue and Net Position	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Airport Commission	\$ 4,989,763	\$ 2,715,664	\$ 2,770,217	\$ 16,482,220	\$ 16,978,338
		General revenues			
				Unrestricted investment earnings	420,836
				Change in net position	17,399,174
				Net position, beginning of year	54,494,576
				Net position, end of year	<u>\$ 71,893,750</u>

**Statement of Cash Flows – Business-Type Component Units  
Airport Commission  
For the Year Ended December 31, 2022**

<b>Operating Activities</b>	
Cash received from customers	\$ 2,687,310
Cash payments for goods and services	(1,527,118)
Cash paid to employees	<u>(1,007,976)</u>
Net cash used in operating activities	<u>152,216</u>
<b>Noncapital Financing Activities</b>	
Passenger facility charges received	240,776
Noncapital grants and gifts	<u>2,521,968</u>
Net cash provided by noncapital financing activities	<u>2,762,744</u>
<b>Capital and Related Financing Activities</b>	
Proceeds from capital grants	16,482,220
Acquisition and construction of capital assets	(16,948,002)
Principal paid on leases	(33,686)
Interest paid on leases	<u>(52,512)</u>
Net cash used in capital and related financing activities	<u>(551,980)</u>
<b>Investing Activities</b>	
Proceeds from sales and maturities of investment securities	5,565,000
Outlays for purchases of investment securities	(7,955,451)
Income received on investments and cash equivalents	<u>373,897</u>
Net cash used in investing activities	<u>(2,016,554)</u>
<b>Net increase in cash and restricted cash</b>	<b>346,426</b>
<b>Cash and restricted cash, January 1</b>	<b><u>3,447,697</u></b>
<b>Cash and restricted cash, December 31</b>	<b><u>\$ 3,794,123</u></b>
<b>Reconciliation of cash and restricted cash at December 31 to statement of net position</b>	
Cash	\$ 3,792,560
Restricted cash	<u>1,563</u>
Total	<u>\$ 3,794,123</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating loss	\$ (2,217,491)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	2,414,731
Change in assets and liabilities	
Accounts receivable	(716,984)
Lease receivables	143,105
Inventories	7,533
Prepaid items	(8,595)
Accounts payable and accrued liabilities	870,659
Deferred inflows - leases	<u>(340,742)</u>
Total adjustments	<u>2,369,707</u>
Net cash provided by (used in) operating activities	<u>\$ 152,216</u>
<b>Noncash capital and related financing activities:</b>	
Capital-related accounts payable	\$ 967,493



# Statistical Section



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

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Table 1

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 439,594,966
Restricted	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	57,798,315
Unrestricted (deficit)	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)	2,712,207
<b>Total governmental activities net position</b>	<b>\$ 367,734,066</b>	<b>\$ 356,962,492</b>	<b>\$ 310,161,566</b>	<b>\$ 321,179,012</b>	<b>\$ 346,572,654</b>	<b>\$ 360,469,783</b>	<b>\$ 385,337,669</b>	<b>\$ 410,085,743</b>	<b>\$ 443,157,040</b>	<b>\$ 500,105,488</b>
<b>Business-Type activities</b>										
Net investment in capital assets	\$ 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	\$ 391,727,322
Restricted	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	7,307,845
Unrestricted (deficit)	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	63,772,686
<b>Total business-type activities net position</b>	<b>\$ 383,160,202</b>	<b>\$ 397,909,176</b>	<b>\$ 405,347,178</b>	<b>\$ 433,218,071</b>	<b>\$ 427,841,689</b>	<b>\$ 443,516,555</b>	<b>\$ 443,473,925</b>	<b>\$ 445,697,622</b>	<b>\$ 452,181,926</b>	<b>\$ 462,807,853</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 831,322,288
Restricted	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	65,106,160
Unrestricted (deficit)	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	66,484,893
<b>Total primary government net position</b>	<b>\$ 750,894,268</b>	<b>\$ 754,871,668</b>	<b>\$ 715,508,744</b>	<b>\$ 754,397,083</b>	<b>\$ 767,702,256</b>	<b>\$ 803,986,338</b>	<b>\$ 828,811,594</b>	<b>\$ 855,783,365</b>	<b>\$ 895,338,966</b>	<b>\$ 962,913,341</b>



Table 2

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 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	\$ 30,213,524
Public safety	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	38,511,381
Public works	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	18,231,979
Community services	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	12,962,004
Interest on long-term debt	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	736,338
<b>Total governmental activities expenses</b>	<b>84,109,410</b>	<b>88,903,371</b>	<b>83,128,518</b>	<b>79,541,996</b>	<b>79,326,140</b>	<b>86,764,116</b>	<b>80,245,801</b>	<b>82,502,083</b>	<b>84,866,427</b>	<b>100,655,226</b>
Business-Type Activities:										
Water and Sewer	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	58,483,930
Solid Waste	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	17,046,039
Parking	-	-	-	-	-	-	308,030	176,885	224,262	216,863
<b>Total business-type activities expenses</b>	<b>54,388,918</b>	<b>56,106,033</b>	<b>55,936,628</b>	<b>61,060,465</b>	<b>71,048,346</b>	<b>63,560,716</b>	<b>67,217,459</b>	<b>67,552,060</b>	<b>67,933,324</b>	<b>75,746,832</b>
<b>Total primary government expenses</b>	<b>\$ 138,498,328</b>	<b>\$ 145,009,404</b>	<b>\$ 139,065,146</b>	<b>\$ 140,602,460</b>	<b>\$ 150,374,486</b>	<b>\$ 150,324,832</b>	<b>\$ 147,463,260</b>	<b>\$ 150,054,143</b>	<b>\$ 152,799,751</b>	<b>\$ 176,402,058</b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services										
General government	\$ 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	\$ 4,335,251
Public safety	1,430,302	183,031	166,741	174,925	206,292	212,218	1,093,566	1,189,180	1,060,711	1,875,351
Public works	421,635	266,627	254,686	335,684	346,439	389,717	198,326	305,509	253,143	365,481
Community services	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	1,304,823
Operating grants and contributions	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	20,995,692
Capital grants and contributions	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	14,108,928
<b>Total governmental activities program revenues</b>	<b>23,823,687</b>	<b>22,373,681</b>	<b>24,233,625</b>	<b>31,650,780</b>	<b>21,988,845</b>	<b>22,790,643</b>	<b>21,915,302</b>	<b>24,433,963</b>	<b>23,735,395</b>	<b>42,985,526</b>
Business-Type Activities:										
Charges for services										
Water and sewer	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	59,362,796
Solid Waste	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	20,210,733
Parking	-	-	-	-	-	-	189,340	123,229	128,980	122,956
Capital grants and contributions	1,968,216	-	-	-	-	-	517,991	166,707	93,000	1,009,891
<b>Total business-type activities program revenues</b>	<b>54,842,287</b>	<b>49,209,453</b>	<b>57,363,310</b>	<b>68,062,838</b>	<b>69,659,743</b>	<b>74,670,767</b>	<b>68,903,995</b>	<b>69,017,019</b>	<b>74,217,408</b>	<b>80,706,376</b>
<b>Total primary government program revenues</b>	<b>\$ 78,665,974</b>	<b>\$ 71,583,134</b>	<b>\$ 81,596,935</b>	<b>\$ 99,713,618</b>	<b>\$ 91,648,588</b>	<b>\$ 97,461,410</b>	<b>\$ 90,819,297</b>	<b>\$ 93,450,982</b>	<b>\$ 97,952,803</b>	<b>\$ 123,691,902</b>

Table 2 (Continued)

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (expense) revenue										
Governmental activities	\$ (60,285,723)	\$ (66,529,690)	\$ (58,894,893)	\$ (47,891,216)	\$ (57,337,295)	\$ (63,973,473)	\$ (58,330,499)	\$ (58,068,120)	\$ (61,131,032)	\$ (57,669,700)
Business-Type activities	453,369	(6,896,580)	1,426,682	7,002,373	(1,388,602)	11,110,051	1,686,536	1,464,959	6,284,084	4,959,544
Total primary government net expense	<u>\$ (59,832,354)</u>	<u>\$ (73,426,270)</u>	<u>\$ (57,468,211)</u>	<u>\$ (40,888,843)</u>	<u>\$ (58,725,897)</u>	<u>\$ (52,863,422)</u>	<u>\$ (56,643,963)</u>	<u>\$ (56,603,161)</u>	<u>\$ (54,846,948)</u>	<u>\$ (52,710,156)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 13,892,261
Sales taxes	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	81,253,584
Gross receipts utility franchise fees	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	8,846,697
Intergovernmental	-	-	-	-	-	-	-	-	-	6,220,634
Unrestricted investment earnings	364,291	85,627	152,888	64,861	317,642	1,220,764	1,419,241	595,603	29,401	1,183,974
Other	3,462,503	2,108,585	1,397,078	2,043,676	1,618,293	2,158,371	396,549	(487,200)	280,427	640,948
Gain on early extinguishment of debt										2,570,050
Transfers	(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)	10,000
Total governmental activities	<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>	<u>114,618,148</u>
Business-type activities:										
Unrestricted investment earnings	68,600	87,230	80,875	193,749	401,542	1,219,925	1,668,005	790,607	(31,180)	1,161,172
Intergovernmental	-	-	-	-	-	-	-	-	-	4,104,948
Other	1,403,727	1,403,727	138,309	350,917	762,982	1,099,816	116,099	2,341	3,867	410,263
Transfers	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	(10,000)
Total business-type activities	<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>	<u>5,666,383</u>
Total primary government	<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>	<u>\$ 120,284,531</u>
Changes in Net Position										
Governmental activities	\$ (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	\$ 56,948,448
Business-type activities	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	10,625,927
Total primary government	<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>	<u>\$ 67,574,375</u>

Table 3

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>										
Taxes <sup>(1)</sup>	\$ 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	\$ 103,442,294
Licenses and permits	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	2,983,059
Intergovernmental	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	42,554,246
Fines and forfeitures	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	1,786,477
Charges for services	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	1,440,147
Investment earnings	383,964	185,589	262,136	168,689	442,148	1,380,801	1,455,011	579,362	29,340	1,065,091
Contributions	2,707,215	2,046,589	3,518,989	3,259,813	2,341,394	3,204,099	756,918	26,968	624,173	882,307
Miscellaneous	769,159	367,470	303,595	741,307	585,585	603,372	1,039,724	1,618,768	564,218	1,078,890
<b>Total revenues</b>	<b>95,056,099</b>	<b>97,040,605</b>	<b>99,509,856</b>	<b>109,461,048</b>	<b>101,065,885</b>	<b>103,871,822</b>	<b>104,714,823</b>	<b>108,416,103</b>	<b>118,510,746</b>	<b>155,232,511</b>
<b>Expenditures</b>										
General government	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	29,840,607
Public safety	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	38,205,397
Public works	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	5,520,920
Community services	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	9,554,577
Other	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	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	32,458,001
Debt service										
Principal	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	27,131,577
Interest	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	874,967
Issuance costs	-	400,062	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>125,515,391</b>	<b>117,482,021</b>	<b>117,265,582</b>	<b>123,291,645</b>	<b>103,206,180</b>	<b>96,085,337</b>	<b>95,588,982</b>	<b>107,204,747</b>	<b>108,944,369</b>	<b>143,586,046</b>
Excess (deficiency) of revenues over (under) expenditures	(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	11,646,465
<b>Other financing sources and (uses)</b>										
Transfers in	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	3,300,000
Transfers out	(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)	(3,290,000)
Loan Proceeds	-	-	-	-	-	-	-	-	-	353,537
Leases (as lessee)	-	-	-	-	-	-	-	-	-	797,586
Premiums on bond issuance	-	1,028,741	-	-	-	-	-	-	-	-
Bond issuance	-	34,295,000	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(217,524)</b>	<b>35,271,741</b>	<b>58,523</b>	<b>97,929</b>	<b>922,246</b>	<b>488,000</b>	<b>10,000</b>	<b>(965,790)</b>	<b>(227,533)</b>	<b>1,161,123</b>
<b>Net change in fund balances</b>	<b>\$ (30,676,816)</b>	<b>\$ 14,830,325</b>	<b>\$ (17,697,203)</b>	<b>\$ (13,732,668)</b>	<b>\$ (1,218,049)</b>	<b>\$ 8,274,485</b>	<b>\$ 9,135,841</b>	<b>\$ 245,566</b>	<b>\$ 9,338,844</b>	<b>\$ 12,807,588</b>
Debt service as a % of noncapital expenditures	21.8%	20.5%	20.0%	21.2%	22.6%	20.0%	21.8%	20.9%	21.7%	25.2%

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

Table 4

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 44,106	\$ 73,340	\$ 56,438	\$ 190,121	\$ 190,100	\$ 312,081	\$ 336,077	\$ 350,912	\$ 1,100,913	\$ 625,526
Restricted	-	-	-	-	-	-	4,634,601	4,020,868	5,974,817	7,515,507
Assigned	1,205,979	1,406,631	1,701,712	1,319,552	1,121,752	967,846	294,076	292,245	292,245	299,651
Unassigned	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	34,124,039
Total general fund	11,685,337	11,677,052	9,470,431	14,893,534	17,295,168	20,742,112	24,464,435	31,464,843	33,457,128	42,564,723
All other governmental funds										
Nonspendable	701,931	339,952	179,311	194,052	641,036	641,036	650,774	50,000	7,340	169,854
Restricted	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	50,132,808
Assigned	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	23,255,181
Unassigned (deficit)	-	-	-	(3,048)	-	(306,595)	(173,456)	-	(357,001)	-
Total all other governmental funds	82,452,491	97,291,101	81,800,519	62,644,748	59,025,065	63,852,606	69,266,133	62,511,291	69,857,850	73,557,843
Total governmental fund balances	\$ 94,137,828	\$ 108,968,153	\$ 91,270,950	\$ 77,538,282	\$ 76,320,233	\$ 84,594,718	\$ 93,730,568	\$ 93,976,134	\$ 103,314,978	\$ 116,122,566

Table 5

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

	<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>	<u>2022</u>
Revenues	\$ 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	\$70,133,039
Expenditures	42,663,082	45,643,048	45,169,301	38,905,420	41,298,295	45,728,976	45,102,337	42,634,633	47,196,313	58,633,030
Excess (deficiency) of revenues over (under) expenditures	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	11,500,009
Other financing sources (uses)	1,738,186	1,932,200	(1,392,375)	(583,829)	(1,590,998)	1,507,814	(767,000)	(1,882,302)	(3,004,268)	(2,392,414)
Net change in fund balances	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	9,107,595
Fund balance, January 1	8,679,817	11,685,337	11,677,052	9,470,431	14,893,534	17,295,168	20,742,112	24,464,435	31,464,843	33,457,128
Fund balance, December 31	<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>	<u>\$42,564,723</u>

Table 6

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

<b>Fiscal Year</b>	<b>Ad Valorem Taxes</b>	<b>Sales Taxes <sup>(1)</sup></b>	<b>Utility Franchise Fees</b>	<b>Total</b>
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
2022	13,342,013	81,253,584	8,846,697	103,442,294

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

Table 7

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

<b>Fiscal Year</b>	<b>1% City Sales &amp; Use Tax Allocated for Street <sup>(1)</sup></b>	<b>City Share 1% County Sales &amp; Use Tax <sup>(2)</sup></b>	<b>3/4% City Sales &amp; Use Tax Allocated for Bonds <sup>(3)</sup></b>	<b>1/4% City Sales &amp; Use Tax Allocated Fire &amp; Parks <sup>(3)</sup></b>	<b>Total</b>	<b>Direct City Tax Rate</b>	<b>Overlapping Sebastian County Tax Rate</b>
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%
2022	28,849,850	23,553,884	21,637,388	7,212,463	81,253,585	2.00%	1.00%
<b>Total</b>	<b>\$ 223,189,872</b>	<b>\$ 177,506,208</b>	<b>\$ 167,392,567</b>	<b>\$ 55,796,837</b>	<b>\$ 623,885,484</b>		

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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

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

Fiscal Year	Total Tax Levy <sup>(1)</sup>	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
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%
2022	13,284,001	11,181,888	84.18%	561,470	11,003,350	82.83%	1,540,643	11.60%

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

Table 9

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

Fiscal Year <sup>(1)</sup>	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		
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
2022	1,172,842,928	5,864,214,640	456,735,930	2,283,679,650	1,629,578,858	8,147,894,290	20.00%	0.70

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

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

Table 10

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

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

Fiscal Year <sup>(1)</sup>	City of Fort Smith		Overlapping Rates				Total Direct & Overlapping Rates			
	Real Property	Personal Property	Sebastian County		FS School District		FS Public Library			
			Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property		
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
2022	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81

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

Table 11

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

Name of Taxpayer <sup>(1)</sup>	2022			2013		
	Taxable Assessed Valuation <sup>(2)</sup>	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation <sup>(2)</sup>	Rank	Percentage of Total Assessed Valuation
Oklahoma Gas & Electric Co.	\$ 36,107,183	1	2.22%			
Mercy Medical Center	19,270,460	2	1.18%			
Wal-Mart/Sam's Club	15,829,350	3	0.97%			
ABB (formerly Baldor Electric Company)	15,206,655	4	0.93%	\$ 9,704,240	3	0.72%
Dixie Consumer Products	14,833,435	5	0.91%	7,443,755	7	0.55%
Gerber Products Company	13,771,475	6	0.85%	6,665,165	9	0.49%
OK Foods, Inc	13,562,025	7	0.83%	9,126,850	4	0.68%
Arkansas Oklahoma Gas Corp	11,418,915	8	0.70%			
Carco Carriage Corp	10,696,665	9	0.66%			
Hiram Walker & Sons Inc	9,952,510	10	0.61%	6,143,615	10	0.46%
Mortgage Clearing Corporation						
Fort Smith Health Management Assoc., LLC				13,458,940	1	1.00%
Fort Smith Mall LLC				11,767,765	2	0.87%
Halliburton Energy Services				7,266,915	5	0.54%
Saint-Gobain Corporation/Norton				7,716,490	6	0.57%
Kraft Foods Global, Inc				7,146,820	8	0.53%
	\$ 160,648,673		9.86%	\$ 86,440,555		6.41%

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

<sup>(2)</sup> Property taxes collected in 2022 are based upon 2021 assessed valuation of \$1,562,823,650. Property taxes collected in 2013 were based upon the 2012 assessed valuation of \$1,325,846,840

Table 12

**Computation of Direct and Estimated Overlapping Debt  
December 31, 2022  
(Unaudited)**

Taxing Jurisdiction	Total Outstanding Bonded Debt <sup>(1)</sup>	Estimated Percent Applicable <sup>(2)</sup>	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Fort Smith	\$ -	100.00%	\$ -
Overlapping:			
Fort Smith Special School District	178,091,787	100.00%	178,091,787
Greenwood School District	35,555,000	5.00%	1,777,750
Sebastian County	-	76.00%	-
Total Overlapping	<u>213,646,787</u>		<u>179,869,537</u>
Total direct and estimated overlapping bonded debt	<u>\$ 213,646,787</u>		<u>\$ 179,869,537</u>
Ratio, direct and estimated overlapping debt to fiscal 2022 assessed valuation <sup>(3)</sup>			11.04%
Per capita direct and estimated overlapping bonded debt <sup>(4)</sup>			<u>\$ 1,998</u>

<sup>(1)</sup> Excluding self-supporting debt.

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

<sup>(3)</sup> From Table 9, \$1,629,578,858

<sup>(4)</sup> Based on the estimated population for 2022 in Table 16.

Table 13

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net assessed value <sup>(1)</sup>	\$ 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	\$ 1,629,578,858
Plus exempt property <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-
Total assessed value	<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>	<u>\$ 1,629,578,858</u>
Debt limit - 25% of total assessed value <sup>(3)</sup>	\$ 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	\$ 407,394,715
Amount of debt applicable to limit <sup>(4)</sup>	-	-	-	-	-	-	-	-	-	-
Debt Margin	<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>	<u>\$ 407,394,715</u>

<sup>(1)</sup> From Table 9.

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

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

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

Source: Final property tax abstract-Sebastian County

Table 14

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	Sales Tax Bonds	Notes Payable	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases			
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	3.4%	3,443
2016	101,722,935	-	88,100	184,391,017	-	-	286,202,052	3.2%	3,269
2017	88,916,358	-	-	177,146,166	-	-	266,062,524	2.9%	3,029
2018	75,694,781	-	-	250,475,721	-	-	326,170,502	3.4%	3,718
2019	61,598,204	-	-	242,455,231	-	-	304,053,435	3.2%	3,459
2020	46,551,626	-	-	233,008,123	-	-	279,559,749	2.7%	3,185
2021	29,095,050	-	-	222,421,015	-	-	251,516,065	2.3%	2,822
2022	-	-	-	210,528,908	-	-	210,528,908	NA	2,338

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

<sup>(1)</sup> See Table 16 for the personal income and population data. Data is not available for 2022 as of the date of this report.

Table 15

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

	Fiscal Year	Revenue <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
					Principal	Interest <sup>(3)</sup>	Total	
<b>Water and Sewer System</b>	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%
	2022	65,532,045	34,305,504	31,226,541	10,375,000	9,263,263	19,638,263	159%

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

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

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

2022 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	\$ 9,263,263
Bond discount amortization	(1,450,036)
Accrued interest - 12/31/21	(2,315,816)
Accrued interest - 12/31/22	2,240,249
Interest expense and fiscal charges - statement of revenues, expenses, and changes in fund net position	<u>\$ 7,737,660</u>



Table 16

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

Fiscal Year	City Population <sup>(1)</sup>	County Population <sup>(1)</sup>	Personal Income <sup>(2)</sup> (in thousands)	Per Capita Income <sup>(2)</sup>	Median Age <sup>(3)</sup>	Education Level in Years of Schooling <sup>(3)</sup>	School Enrollment <sup>(4)</sup>	Unemployment Rate <sup>(2)</sup>
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	11,078,663	48,556	38.0	12	14,361	2.2%
2022	90,038	128,400	NA	NA	36.7	12	14,365	2.7%

Data Sources:

- <sup>(1)</sup> Bureau of the Census
- <sup>(2)</sup> U.S. Department of Commerce (Personal income estimates are not adjusted for inflation).  
Data for 2022 not available as of the date of this report.
- <sup>(3)</sup> Community Development Department’s estimate.
- <sup>(4)</sup> Fort Smith School District/Arkansas Department of Education.

Table 17

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

Employer	2022			2013		
	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%	941	8	0.8%
Bost, Inc.	1,000	10	0.9%			
Rheem Mfg.				900	9	0.7%
Golden Living/Beverly Enterprises				800	10	0.7%
<b>Total</b>	<b>18,341</b>		<b>15.6%</b>	<b>14,391</b>		<b>11.9%</b>

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

Table 18

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

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	126	125	126	132	134	138	137	138	141	159
Public safety:										
Police										
Officers	163	163	162	164	163	163	163	163	164	164
Civilians	59	59	59	55	55	52	54	52	55	56
Fire										
Firefighters and officers	149	149	149	149	149	149	149	149	149	149
Civilians	3	3	3	3	3	4	4	4	4	5
Public works:										
Operations	5	5	5	5	5	5	5	5	6	6
Streets	54	54	53	53	54	52	54	52	57	58
Traffic control	13	13	13	14	13	14	14	14	14	16
Parks and recreation	64	64	63	61	64	58	57	57	52	41
Transit	35	34	33	33	33	34	34	34	34	35
Water and sewer	192	196	223	264	270	302	303	302	308	300
Solid Waste	78	78	79	88	86	91	91	92	93	96
<b>Total</b>	<b>941</b>	<b>943</b>	<b>968</b>	<b>1,021</b>	<b>1,029</b>	<b>1,062</b>	<b>1,065</b>	<b>1,062</b>	<b>1,077</b>	<b>1,084</b>

Table 19

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

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	36	32	41	43	53
Fire										
Stations	11	11	11	11	11	11	11	11	11	11
Apparatus	17	17	17	30	27	27	27	29	29	31
Streets										
Streets (miles)	590	590	590	503	505	505	505	505	505	505
Streetlights	6,053	6,053	6,600	6,778	6,053	6,200	6,700	6,700	6,700	6,700
Traffic signals	149	149	150	151	149	154	154	154	155	155
Parks and recreation										
Parks acreage (square feet)	273	276	286	325	325	536	690	686	686	686
Parks	25	26	28	28	28	28	29	33	33	33
Trails and greenways	-	-	-	-	-	-	4	5	5	5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	2	2	2	4	4	4	4	4
Tennis courts	12	12	12	12	12	12	12	12	12	12
Pickleball courts	-	-	-	-	-	-	-	-	8	8
Skatepark	1	1	1	1	1	2	2	2	2	2
Community centers	5	5	5	5	5	5	5	5	5	5
Convention center -										
Theater -seats	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Theater -area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Exhibit Hall -area (square feet)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transit buses	20	19	16	16	16	16	16	14	14	15
Water and sewer										
Water mains (miles)	626	626	702	702	720	721	725	718	719	729
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)	21,267	22,137	20,862	20,878	20,878	20,434	20,199	21,070	21,339	22,852
Sanitary sewers (miles)	545	545	516	522	500	562	543	644	627	628
Solid Waste										
Collection trucks	45	45	45	44	44	44	43	46	55	48
Landfill capacity (in cubic yards)	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	48,749,223

Table 20

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

<b>Function</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Police										
Physical arrest	8,781	8,155	9,026	9,854	9,521	8,621	7,485	5,212	5,192	4,706
Parking violations	5,312	4,320	5,197	4,904	1,991	1,723	2,254	238	690	539
Traffic violations	14,946	11,343	14,165	11,657	18,389	16,777	13,121	15,410	8,990	9,573
Fire										
Number of calls answered	8,688	10,148	10,071	10,223	10,763	11,337	11,873	9,931	14,884	15,227
Transit										
Passenger trips	215,591	204,097	194,869	190,418	191,124	204,695	207,629	139,421	187,673	205,460
Water and sewer										
New connections	314	269	246	325	283	305	311	333	328	338
Average daily production (thousands of gallons)	26,850	22,137	26,859	28,767	26,859	29,182	29,065	30,358	31,895	33,180
Average daily sewage flow (thousands of gallons)	14,684	17,100	21,040	15,030	15,010	16,660	20,530	20,023	18,836	19,527
Solid Waste										
Waste disposal (cubic yards/day)	1,024	1,024	1,024	1,533	2,368	1,169	1,197	1,061	1,065	1,509

Table 21

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

<b>Fiscal Year</b>	<b>Annual # Solid Waste System Customers</b>	<b>Cubic Yardage of Waste at Landfill</b>	<b>Useful Life of Landfill Remaining <sup>(1)</sup></b>	<b>Remaining Storage Capacity at Landfill</b>
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
2022	552,452	3,986,853	5.9 yrs	48,749,223 cubic yards

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

Table 22

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

<b>Fiscal Year</b>	<b>Average Daily Water Use in Gallons</b>	<b>Maximum Daily Water Use in Gallons</b>	<b>Total Water Use for Year in Gallons</b>	<b>Average Daily Sewage Flow in Gallons</b>
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
2022	22,852,193	46,737,000	8,340,470,776	19,527,333

<b>Water Customers Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Wholesale</b>	<b>Other</b>	<b>Total</b>
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
2022	30,997	4,515	27	232	35,771

<b>Sewer Customers Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Government</b>	<b>Other</b>	<b>Total</b>
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
2022	28,684	3,718	91	49	32,542

<b>For 2022:</b>	<b>Entity</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	<b>% of Gross Revenues</b>
	Van Buren Water Dept	\$ 3,508,523	\$ -	\$ 3,508,523	5.91%
	OK Foods Inc	2,597,185	459,723	3,056,908	5.15%
	Gerdau Macsteel Div.	258,888	1,294,718	1,553,606	2.62%
	Cedarville Water Users	1,233,627	-	1,233,627	2.08%
	Hwy 71 Water Dist No. 1	174,641	616,834	791,475	1.33%
	Simmons Prepared Foods-Fort Smith	718,155	-	718,155	1.21%
	Gerber Products Co	144,167	488,546	632,713	1.07%
	DBA-Sparks Regional Medical Center	229,089	366,054	595,143	1.00%
	St Edwards Medical Center	190,599	381,851	572,450	0.96%
	Franklin-Sebastian Public Water	197,278	366,384	563,662	0.95%
	<b>Top Ten Users</b>	<b>\$ 9,252,152</b>	<b>\$ 3,974,110</b>	<b>\$ 13,226,262</b>	<b>22.28%</b>

## Independent Accountant's Report on Compliance With Arkansas State Requirements

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

We have examined management's assertions that the City of Fort Smith, Arkansas complied with the requirements of *Arkansas Act 15 of 1985* and the following Arkansas statutes during the year ended December 31, 2022:

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

Management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based upon our examination.

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

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

In our opinion, management's assertion that the City of Fort Smith, Arkansas complied with the aforementioned requirements during the year ended December 31, 2022, 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  
July 31, 2023





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## For the Fiscal Year ended December 31, 2022

