City of Fort Smith, Arkansas

Comprehensive Annual Financial Report

Year Ended December 31, 2013

Prepared By the

City of Fort Smith, Arkansas
Finance Department

City Board of Directors

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City Administrator
Ray Gosack

Director of Finance
Kara Bushkuhl

City of Fort Smith, Arkansas

Year Ended December 31, 2013

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INTRODUCTORY SECTION

The City of Fort Smith ARKANSAS

DEPARTMENT OF FINANCE
Kara Bushkuhl, CPFO
Director of Finance

June 27, 2014

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

Arkansas law allows cities to choose to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The City has exercised this option. Accordingly, we hereby issue the comprehensive annual financial report (CAFR) of the City of Fort Smith for the fiscal year ended December 31, 2013.

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 of the 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, that this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by **BKD, LLP**, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. **BKD, LLP** concluded, based upon the audit, that there was a reasonable basis for rendering unmodified ("clean") opinions on the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information that collectively comprise the City's basic financial statements as of and for the fiscal year ended December 31, 2013. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the City

Fort Smith is located in western Arkansas on the border of Oklahoma and is the second largest city in the state. The City was incorporated in 1842 and is the county seat for Sebastian County. Fort Smith is 159 miles west of Little Rock and 145 miles southeast of Tulsa, Oklahoma. The City serves as the central focus for a six-county economic and trade region in the west central area of Arkansas and the east central area of Oklahoma. The City encompasses 68 square miles and has a population approximating 87,443. The City is empowered by state statutes to levy real and personal property taxes within its limits and extend the corporate limit by annexation, which occurs periodically when deemed appropriate by the Board of Directors. State statutes also allow the City to levy local sales and use taxes.

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

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

The Board of Directors adopts an annual budget that serves as the City's financial planning document. Control over spending and allocation of resources are a main focus of the budget. The annual budget process begins in June of each year and is usually adopted each December.

Appropriation requests by fund, division and department are submitted to the City Administrator and the Director of Finance. Resources are allocated based upon priorities established by the Board of Directors. The legal level of budgetary control is the departmental level. For example, the Police Department is reported as a Public Safety (division) expenditure in the General Fund budget to actual statement located in the required supplementary information in the financial section of this report. The City Administrator is authorized to transfer appropriated amounts within individual funds. However, additional appropriations during the year require approval by the Board of Directors.

Factors Affecting Financial Condition

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

Local Economy. After an annual decline in sales tax revenue of less than 1% in 2010, the next twenty-four months saw moderate increases. This moderate recovery stalled in 2013, where only two months posted higher sales tax revenues than in 2012. Sales tax revenues were down 0.4% in 2013 from 2012. Unemployment in 2013 was 8.1% or 0.4% higher than 2012.

In October 2011, Whirlpool Corporation permanently closed its production facility in the City. Whirlpool was the City's seventh largest employer, employing 989 people at the Fort Smith facility. This number of jobs lost is equal to 9/10 of 1% (0.009%) of the civilian labor force in the Fort Smith Metropolitan Service Area. Although portions of the warehouse located on property have been leased on a short-term basis, the City is working with Whirlpool Corporation, the Fort Smith Regional Chamber of Commerce and the Arkansas Economic Development Commission to seek appropriate re-purposing of the property.

The City has seen significant industrial and residential development. Umarex USA, a manufacturer of air rifles and small caliber firearms, opened its 117,000 square foot manufacturing and distribution center at Chaffee Crossing in 2010, initially employing 60 persons. In November 2012, Umarex announced that it would be sharing its facility with the U.S. operation of Walther Arms Inc., and that the two companies would invest $7 million to expand manufacturing operations over the next five years and add 70 to 120 jobs in that time. The facility at Chaffee Crossing serves as both Walther's and Umarex's corporate headquarters in North America.

In September 2013, Health Management Associates opened its regional service center in the City, redeveloping 96,000 square feet of a former exhibition hall/retail center into a facility that manages up to 200,000 health insurance claims per month and $1.9 billion in annual revenue across the country. The facility has already provided more than 350 jobs to the local economy, and a total of 500 new jobs are expected. The center provides administrative services for 23 Health Management hospitals and 150 health providers in eight states.

Also in September 2013, Thermold Magazines, which makes magazines for firearms and weapons products, announced that it would move its U.S. headquarters to the City from North

Carolina. Thermold will share facilities with River Bend Industries, a custom plastics manufacturer who makes product for Thermold. Together, the two companies will add 65 new jobs and invest more than $7 million in the facility.

In 2013, Gerber Products completed $150 million in expansion and equipment upgrades at its manufacturing facility in Fort Smith, where it added 90 new jobs in its manufacturing center.

Phoenix Metals built a new facility at Chaffee Crossing adding 40 new jobs with a $12 million investment in a metal processing center and warehouse, and Mars Petcare announced a $50 million expansion of its pet food plant that will provide for 40 additional jobs.

Old Dominion Freight Lines built a $6 million distribution service center, creating 25 additional jobs. Butler & Cook announced plans in December 2013 to create 40 additional jobs with an $8 million expansion to its machining/fabrication operation.

In early 2014, it was announced that the Arkansas College of Osteopathic Medicine would be established at Chaffee Crossing in Fort Smith. The college anticipates its first class of medical students enrolling in fall 2016, and anticipates graduating 150 doctors of osteopathy annually beginning in 2020.

In May 2014, ArkBest Corporation, formerly Arkansas Best Corporation, announced that they are constructing a new corporate headquarters at Chaffee Crossing in Fort Smith that will be a $30 million investment. They anticipate adding 975 new jobs to the local economy over the next seven years.

The City has seen large and small commercial developments continue in the City. Restaurant chains such as Longhorn Steakhouse, Five Guys Burgers & Fries, McAlister's Deli, Jimmy Johns, Taco Bueno, Cheddars, Buffalo Wild Wings, Bob Evans Family Restaurant and Texas Roadhouse have recently opened in the City. Dick's Sporting Goods opened its Fort Smith store in 2011. Ross Dress for Less opened a new store in late 2013. Sykes Call Center opened a new facility in the City in 2010 that now employs approximately 600 people. Golden Living consolidated its administrative operations in the City in 2011 and added 200 additional jobs.

In 2011, Mercy Health System announced plans to invest more than $192 million in capital projects and equipment in the Fort Smith area over a period of seven years. In 2013, the first 13,000 square foot Mercy Primary Care Clinic opened in order to accommodate 10 primary care physicians, 28 exam rooms, and onsite lab and x-ray services. Two additional clinics are already in various stages of design or construction for other parts of the City as part of Mercy's campaign, as well as construction of a new $42 million 24-bed orthopedic hospital, which began in late 2012. The new hospital is expected to employ 100 to 125 people.

The Arkansas Air National Guard 188th Fighter Wing learned in 2013 that it would receive a new mission and convert from the manned A-10 aircraft to a remotely piloted aircraft, targeting and intelligence unit. The 123rd Intelligence Squadron will be relocating from Little Rock to the City. The 188th will be the only organization in the world with RPA, intelligence and targeting at a combined facility, and all elements of the new missions should be fully operational out of the

City by 2018 or 2019. This change preserves the 1,000 full and part-time jobs associated with the 188th with a mission that is sustainable for the long term as part of the modern Air Force.

Sparks Regional Medical Center recently completed a major expansion to its health care campus near the downtown area of the City.

In 2013, Propak Logistics announced that it would invest $2 million to purchase and remodel an unused historic building in downtown Fort Smith as its corporate headquarters, helping to further the revitalization of the downtown district. The 24,000 square feet of the building on three floors would be used as a mixture of corporate office space and retail. This project, coupled with streetscape projects and other private investment in office, residential, and commercial redevelopment, is representative of the successful resurgence of the downtown area.

Chaffee Crossing and other areas of the City continue to see robust residential development. There are currently more than 800 residential lots at various stages of development in the City. An additional 300 acres of property for residential development were annexed into the City in 2011. The City's utility infrastructure planning has encouraged these developments.

The Fort Smith Regional Chamber of Commerce has organized a regional economic development organization which will include areas of western Arkansas and eastern Oklahoma up to 30 miles from the City. The regional approach will enhance relationships with the two states' economic development agencies, and will offer prospects more choices for potential locations.

Long-Term Financial Planning. In 1985, the City began collecting a one-percent (1%) local sales and use tax to fund its neighborhood and major street improvements. This sales tax is authorized through 2015.

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 is expected to open 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 will 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 will support the redemption of the 2012 bonds. The remaining ¼% of the tax assessment will be used to provide operating and capital costs for the fire department and the parks department.

The City's comprehensive plan includes development and planning in and around Fort Smith. Local developers of planned residential areas outside the City limits continue to request City services. This may provide for future annexation that would increase the City's tax base. The comprehensive plan is currently being updated.

Other Information

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2012. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting.

This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA Award for Distinguished Budget Presentation for its annual budget dated January 1, 2013. This was the twenty-fifth consecutive year that the City has received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial reporting, planning, and organization.

Acknowledgements. The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Special recognition is made to Jackie Joyce, Assistant Director of Finance, Jacinta Winstead, Accounting & Financial Reporting Manager, and Christy Deuster, Administrative Coordinator for their efforts. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We also acknowledge the thorough, professional, and timely manner in which the annual audit was conducted by **BKD, LLP.**

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

Respectfully submitted,

Ray Gosack

Ray Gosack
City Administrator

Kara Bushkuhl

Kara Bushkuhl
Director of Finance

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Smith

Arkansas

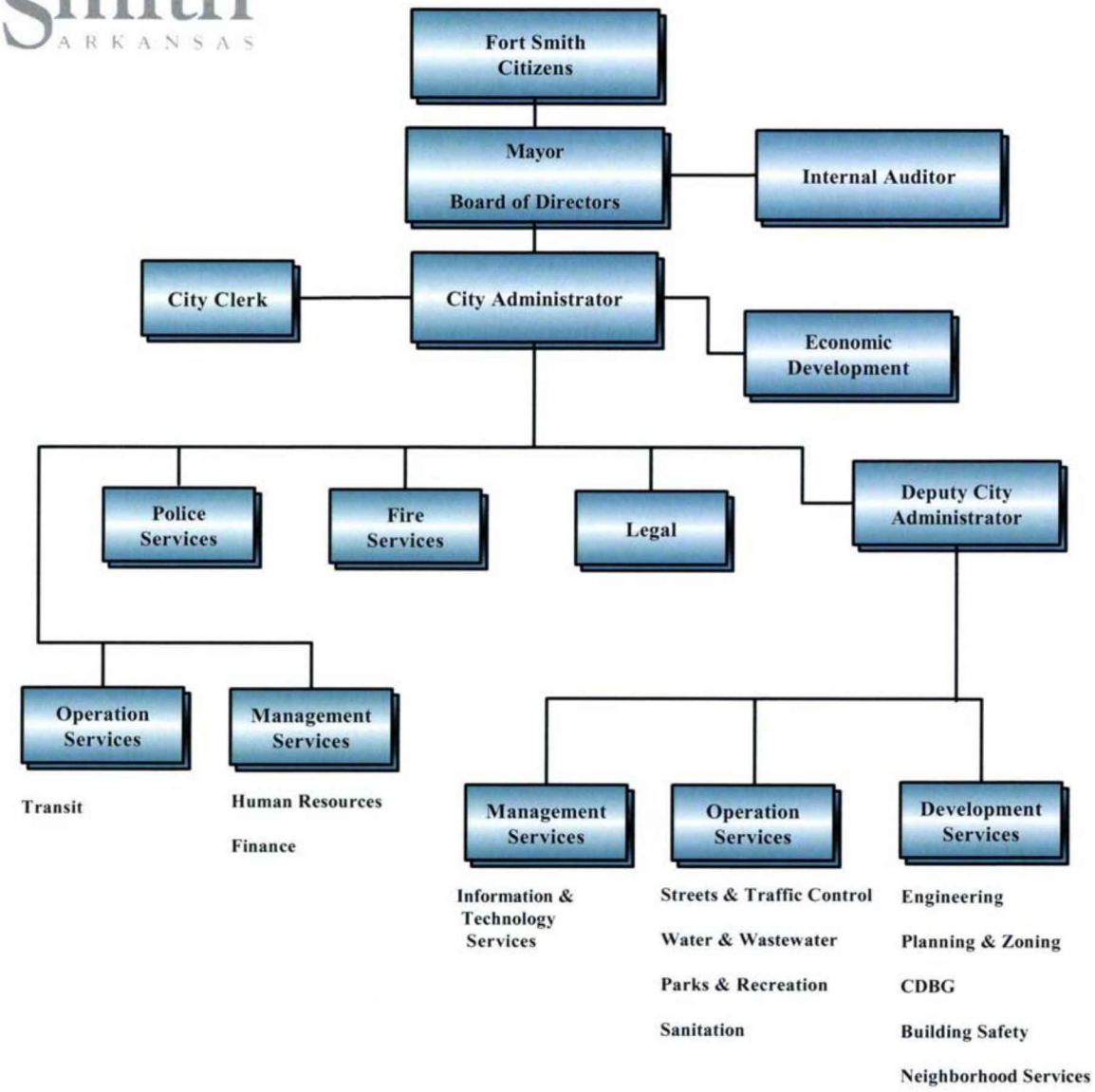
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

The City of Fort Smith ARKANSAS

Plan of Organization



City of Fort Smith, Arkansas

List of Elected and Appointed Officials

December 31, 2013

Elected Officials

Mayor	Sandy Sanders
Director-Ward 1	Keith Lau
Director-Ward 2	Andre' Good
Director-Ward 3	Mike Lorenz
Director-Ward 4	George Catsavis
Director at Large	Pam Weber
Director at Large/Vice Mayor	Kevin Settle
Director at Large	Philip H. Merry, Jr.
District Court Judge	Ben Beland
District Court Judge	Claire Borengasser
District Court Judge	David Saxon

Appointed Officials

City Administrator	Ray Gosack
Deputy City Administrator	Jeff Dingman
Advertising and Promotion	Claude Legris
Airport	John Parker
City Clerk	Sherri Gard
Development/Planning	Wally Bailey
District Court	Rachel Sims
Engineering	Stan Snodgrass
Finance	Kara Bushkuhl
Fire	Mike Richards
Human Resources	Richard Jones
Information and Technology	Russell Gibson
Library	Jennifer Goodson
Parks and Recreation	Mike Alsup
Police	Kevin Lindsey
Sanitation	T. Baridi Nkokheli
Streets and Traffic Control	Greg Riley
Transit	Ken Savage
Utilities	Steve Parke

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FINANCIAL SECTION

BKD LLP
CPAs & Advisors

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying basic 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, 2013, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fort Smith Public Library, a discretely presented component unit of the City, which statements reflect total assets and revenues of $2,176,814 and $2,696,408, respectively, and represents 93% and 78% of the aggregate discretely presented component units' (governmental activities) total assets and revenues at December 31, 2013, and for the year then ended, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fort Smith Public Library, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fort Smith, Arkansas as of December 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, in 2013 the City restated beginning net position to implement the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

As discussed in *Note 1* to the financial statements, the 2012 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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 listed as supplementary information 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The introductory section and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Fort Smith, Arkansas
June 27, 2014

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City of Fort Smith, Arkansas

Management's Discussion and Analysis

December 31, 2013

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, 2013. 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 6-11 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 2013 by $750.9 million (net position). Of this amount, $674.3 million was invested in capital assets, net of related debt; $59.7 million was restricted for debt service, police and fire retirement contributions, construction projects, and other purposes; and $16.9 million was unrestricted and available for meeting the City's emergency and unexpected obligations. The City's governmental activities have unrestricted net position of $11.6 million. The City's business-type activities have unrestricted net position of $5.3 million.

- The City's total net position increased by $16.2 million in 2013. Net position of the governmental activities decreased by $11.8 million in 2013 compared to a net increase of $4.2 million in 2012 ending net position. The City's net position of the business-type activities increased by $28 million in 2013 compared to a net increase of $14.2 million in 2012.

- As of the close of 2013, the City's governmental funds reported combined ending fund balances of $94.1 million that was a decrease of $30.7 million from the prior year. The restricted portion of the fund balances is $79.7 million. The remaining fund balances is classified as nonspendable of $0.7 million; assigned of $3.3 million; and unassigned of $10.4 million.

- At the end of 2013, the unassigned fund balance for the General Fund was $10.4 million or 23.8% of total General Fund expenditures. There was an increase of $3 million in total General Fund balance between years.

- The City's total bonded indebtedness decreased by $18.7 million during the current year. This was due to the maturity of outstanding bonds during 2013 and the call of $2.515 million in Sales and Use Tax bonds during the year.

- The City's governmental component units reported net position of $2.3 million at December 31, 2013, that was a decrease of $0.30 million from 2012.

- The City's business-type component units reported net position of $37.8 million at December 31, 2013, that was a $0.4 million increase from 2012.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

The government-wide financial statements can be found on Pages 32-35 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance Fund, Sales Tax Fund, Sales and Use Tax Construction Fund, and the Sales and Use Tax Bond Fund that are considered to be major funds. Data from the other seven (7) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on Pages 36-40 of this report.

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

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

The basic proprietary fund financial statements can be found on Pages 42-47 of this report.

Fiduciary fund. The City maintains a pension trust fund for its OPEB plan trust that is held for the purpose of providing future medical claims of retirees that become participants. The plan trust is an irrevocable trust entered into by the City during 2009 for benefit of its participants.

The fiduciary fund financial statements can be found on Pages 48-49 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on Pages 50-101 of this report.

Other 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 an analysis of funding progress for the City's fire and police pension plans. 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 103-106 of this report.

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 108-123 of this report.

Government-Wide Financial Analysis

City of Fort Smith
Net Position

	Governmental Activities		Business-Type Activites		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 116,191,210	$ 146,875,777	$ 44,138,578	$ 49,490,407	$ 160,329,788	$ 196,366,184
Capital assets	378,442,460	370,675,528	526,030,250	502,209,976	904,472,710	872,885,504
Total assets	494,633,670	517,551,305	570,168,828	551,700,383	1,064,802,498	1,069,251,688
Deferred outflows	-	-	261,556	-	261,556	-
Long-term liabilities	108,302,932	117,000,045	174,690,985	179,654,311	282,993,917	296,654,356
Other liabilities	18,596,672	19,269,727	12,319,413	12,798,475	30,916,085	32,068,202
Total liabilities	126,899,604	136,269,772	187,010,398	192,452,786	313,910,002	328,722,558
Deferred inflows	-	-	259,784	-	259,784	-
Net position:						
Net investment in capital assets	315,027,429	323,122,691	359,247,688	333,050,917	674,275,117	656,173,608
Restricted	41,087,435	46,300,461	18,623,298	18,173,298	59,710,733	64,473,759
Unrestricted	11,619,202	11,858,381	5,289,216	8,023,382	16,908,418	19,881,763
Total net position	$ 367,734,066	$ 381,281,533	$ 383,160,202	$ 359,247,597	$ 750,894,268	$ 740,529,130

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 $750.9 million at the close of 2013.

The largest portion of the City's net position (89.8%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8%) represents resources that are subject to restrictions as to how they may be used. Of the total $59.7 million restricted net position, $32.2 million is restricted for bond retirement, $19.9 million is restricted for construction projects, $7.6 million is restricted for police and fire retirement contribution, and a very small amount is restricted for other purposes. The remaining balance of net position is $16.9 million and is unrestricted.

At the end of the current fiscal year, the City is able to report positive balances in unrestricted net position for the government as a whole and for its separate governmental activities as was the case in the prior year. The business-type activities reported positive balances in unrestricted net position at the end of the current year, as was the case in the prior year.

The City's net position increased by $16.2 million during 2013. Total revenues increased by 4.3% between years. Revenues generated by fees, fines, and charges for services increased by 1.9%. Sales tax revenue on a government-wide basis decreased by 0.4%.

City of Fort Smith
Changes in Net Position

	Governmental Activities		Business-Type Activites		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Fees, fines, and charges for services	$ 7,520,952	$ 5,584,819	$ 52,874,071	$ 53,689,939	$ 60,395,023	$ 59,274,758
Operating grants and contributions	12,914,448	11,374,291	-	-	12,914,448	11,374,291
Capital grants and contributions	3,388,287	3,394,792	1,968,216	1,245,672	5,356,503	4,640,464
	23,823,687	20,353,902	54,842,287	54,935,611	78,665,974	75,289,513
General revenues						
Property taxes	11,514,707	11,111,344	-	-	11,514,707	11,111,344
Sales taxes	54,291,940	54,489,254	-	-	54,291,940	54,489,254
Utility franchise fees	6,478,637	6,071,893	-	-	6,478,637	6,071,893
Grants and contributions not restricted to specific programs	-	55,357	-	-	-	55,357
Unrestricted investment earnings	364,291	474	68,600	61,383	432,891	61,857
Other	3,462,503	527,041	(197,453)	609,901	3,265,050	1,136,942
Total revenues	99,935,765	92,609,265	54,713,434	55,606,895	154,649,199	148,216,160
Expenses						
General government	10,566,809	9,373,912	-	-	10,566,809	9,373,912
Public safety	40,463,203	36,537,493	-	-	40,463,203	36,537,493
Public works	16,688,875	14,541,430	-	-	16,688,875	14,541,430
Community services	11,431,562	11,633,976	-	-	11,431,562	11,633,976
Interest on long-term debt	4,958,960	4,099,571	-	-	4,958,960	4,099,571
Water and sewer	-	-	42,203,035	41,283,645	42,203,035	41,283,645
Sanitation	-	-	12,185,883	12,361,032	12,185,883	12,361,032
Total expenses	84,109,410	76,186,382	54,388,918	53,644,677	138,498,328	129,831,059
Increase in net assets before transfers and capital contributions	15,826,355	16,422,883	324,516	1,962,218	16,150,871	18,385,101
Transfers	(27,638,513)	(12,190,491)	27,638,513	12,190,491	-	-
Increase (decrease) in net position	(11,812,158)	4,232,392	27,963,029	14,152,709	16,150,871	18,385,101
Net Postion - January 1, Before Restatement	381,281,533	377,049,141	359,247,597	345,094,888	740,529,130	722,144,029
Adjustment for implementation of GASB 65	(908,342)	-	(4,050,424)	-	(4,958,766)	-
Adjustment applicable to prior years	(826,967)	-	-	-	(826,967)	-
Net Position – January 1, After Restatement	379,546,224	377,049,141	355,197,173	345,094,888	734,743,397	722,144,029
Net Position – December 31	$ 367,734,066	$ 381,281,533	$ 383,160,202	$ 359,247,597	$ 750,894,268	$ 740,529,130

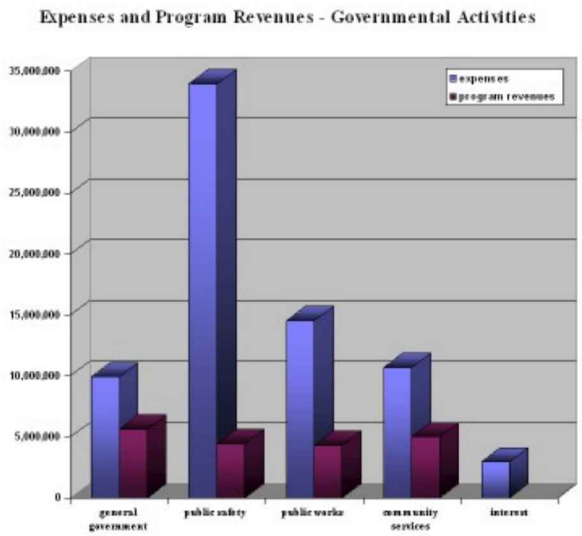
Governmental Activities. Governmental activities decreased the City's net position by $11.8 million. Key elements of the net decrease are as follows:

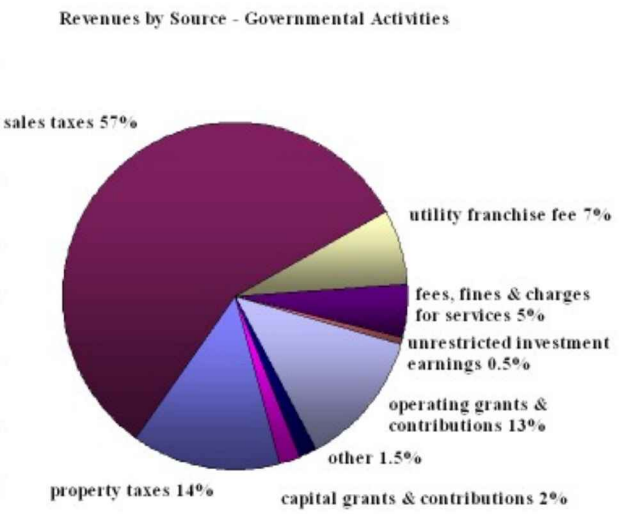
- Total revenues for 2013 exceeded total expenses by $15.8 million.
- Net capital asset acquisition exceeded depreciation by $37.6 million. This was offset by the $27.6 million capital contribution to the Water and Sewer Fund for wastewater improvements provided by the Sales & Use Tax Construction Fund.

- Sales tax revenue allocated for governmental purposes reflects a 0.4% decrease between years. The City's share of the county sales tax, accounted for in the General Fund, increased 0.5% in 2013 over 2012. The City's sales tax that is allocated for street projects and accounted for in the Sales Tax Fund decreased 0.7% between 2012 and 2013, as did the city sales tax allocated for redemption of the Sales and Use Tax Bonds, Series 2012 and fire and parks operations.

- Utility franchise fee revenues increased by $0.4 million or 6.7% during 2013 due to increased natural gas and electric usage between years.

The reported 2013 expenses were approximately $7.9 million more than in 2012. The increase resulted from additional spending for general government, public safety, street improvements and interest paid on the sales and use tax bonds.





Business-Type Activities. Business-type activities increased the City's net position by $28 million. Key elements of the increase are as follows:

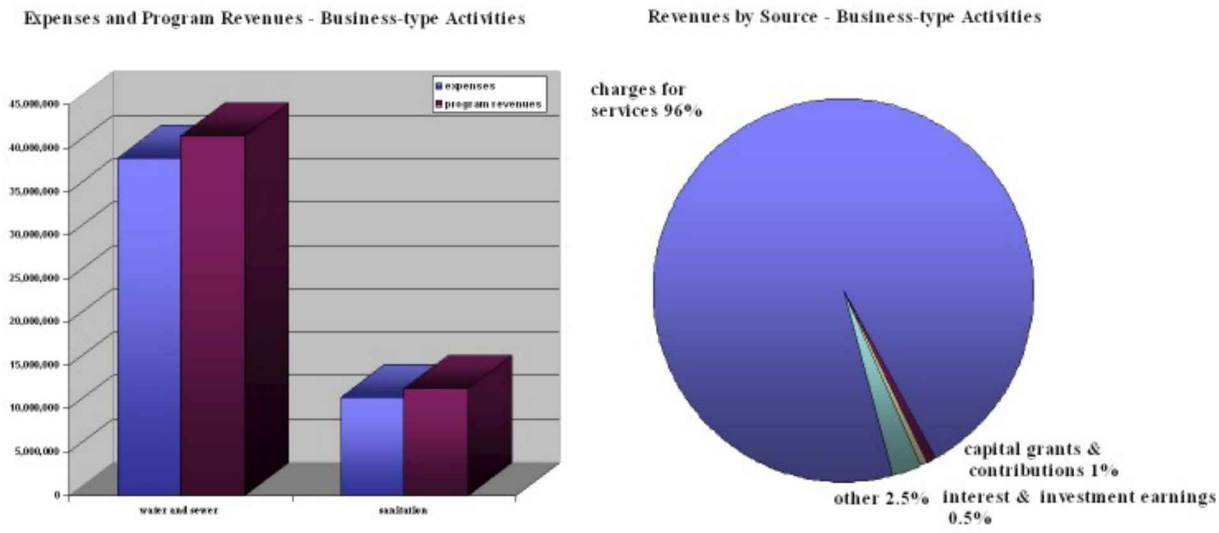
- The water and sewer system contributed $24.9 million to the increase in total net position. The most significant increase in net position was the $27.6 million capital contribution from the Sales & Use Tax Construction Fund, a capital projects fund in the governmental activities, for wastewater improvements during the year. The operating income for the system totaled $3.3 million in 2013.

- The solid waste system added $3.2 million to the increase in total net position. The operating income for the system in 2013 totaled $3.1 million.

Water and sewer system service charges contribute 71.5% of the operating revenue to business-type activities.

The solid waste system service charges accounted for 28.5% of the revenue to business-type activities.

Current year operating expenses for the business-type activities were 87.9% of current revenues.



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, 2013, the City's governmental funds reported combined ending fund balances of $94.1 million a decrease of $30.7 million in comparison with the prior year. Of this amount, $79.7 million represents restricted fund balance for construction projects, debt service coverage, police and fire retirement contributions, and other purposes. Approximately $0.7 million of the fund balances is non-spendable. A portion of the fund balance, $3.3 million, is assigned for specific uses by fund type. The remainder of the balance, $10.4 million, is unassigned in the General Fund and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At December 31, 2013, unassigned fund balance of the General Fund was $10.4 million, while the total fund balance was $11.7 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 23.8% of total General Fund expenditures, including transfers out, while total fund balances represents 26.7% of that same amount. The fund balances of the City's General Fund increased by $3 million during 2013.

Key factors in this increase are as follows:

- Revenues increased $5.9 million in 2013 as compared to 2012. The most significant increase was in sales taxes ($4.2 million) due to the first full year of the ¼% sales tax allocated for fire and parks operations and capital. Additional increases were franchise fees ($0.4 million) and other revenue sources ($.5 million).

- Total expenditures increased $3.9 million between 2012 and 2013. The increase was due to the operations for the new fire station ($2.1 million); additional parks operations ($0.3 million); additional costs for the police ($0.5 million); and higher capital acquisitions particularly for fire and parks ($1 million).

The Street Maintenance Fund and the Sales Tax Fund, both special revenue funds, are presented as major funds and account for 25.6% of the total governmental fund balances. Revenues include a one-percent (1%) local sales tax dedicated to streets, bridges and associated drainage, as well as gasoline tax and highway sales tax turnback from the state and federal transportation grants. The increase in fund balances for these two funds was $0.9 million between years.

The Sales & Use Tax Construction Fund is also presented as a major fund and accounts for 37.9% of the total governmental fund balances. This fund accounts for the capital projects approved by voters that include the new aquatics center; construction of a new fire station, purchase and replacement of fire apparatus, and improvements to existing fire stations; water improvements; and wastewater improvements. The fund balance decreased by $31.3 million due to expenditures for projects during 2013.

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 $351.8 million and $31.3 million for the Water and Sewer Fund and the Sanitation Fund, respectively. The increase in net position was $24.9 million for the Water and Sewer Fund and $3.2 million for the Sanitation Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

General Fund. The final amended General Fund budget had total appropriations of $49.8 million (total expenditures plus transfers out) compared to the original budget total of $49.9 million. The decrease in appropriations of $0.1 million is summarized briefly as follows:

- Supplemental appropriations totaling $0.5 million included additional capital assets for transit of $135,000, for police of $38,000, and for parks programs of $101,000; additional operating expenditures for the fire department of $169,000; and additional planning, contractual legal and informational services of $50,000.

- The reductions to the budget totaled $0.6 million were in the police department of $262,000; the adjustment for seized reserve funds of $250,000; and the general government programs and community service programs of $97,000.

Revenue estimates for the General Fund were decreased from an original budget of $43.7 million to the final estimate of $43.4 million. The $0.3 million decrease was due to ad valorem taxes expected to be $166,000 less and sales taxes to be $517,000 less. These decreases were offset by expected increases for franchise fees of $121,000, intergovernmental revenues of $108,000, and fines and forfeitures of $65,000.

Total actual revenue, including, "other financing sources", for the General Fund was $46.8 million or $0.6 million more than the final budget estimates. The increased revenues were due to further increases in franchise fee revenue of $237,000; fines and forfeitures of $266,000; and miscellaneous revenue of $560,000. These increases were offset by an additional decrease in intergovernmental revenue of $478,000 and an additional decrease in ad valorem taxes of $144,000. Total actual expenditures were $3.4 million less than the final appropriated budget of the General Fund. Actual expenditures were approximately $2.6 million lower for personnel and operating expenditures during the year. The actual capital outlay in 2013 was $0.4 million less than the budget due to the multi-year projects within the fire and parks departments.

The budget and actual schedule for the General Fund may be found on Page 104 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, 2013, amounts to $904.5 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park and library facilities, streets, and drainage systems. The total increase in the City's investment in capital assets was 3.7%, a 2.3% increase for governmental activities and a 4.7% increase for business-type activities.

City of Fort Smith
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activites		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 26,609,256	$ 26,848,258	$ 12,833,692	$ 12,816,003	$ 39,442,948	$ 39,664,261
Buildings	53,197,648	54,698,156	1,039,340	1,105,057	54,236,988	55,803,213
Water System	-	-	286,180,209	290,503,437	286,180,209	290,503,437
Sewer System	-	-	169,371,752	167,398,745	169,371,752	167,398,745
Improvement other than buildings	5,474,514	5,907,048	11,036,502	11,040,645	16,511,016	16,947,693
Infrastructure	248,615,786	246,819,436	-	-	248,615,786	246,819,436
Machinery and equipment	23,869,556	20,496,525	14,885,871	12,441,096	38,755,427	32,937,621
Construction in progress	20,675,700	15,079,138	30,682,884	6,904,993	51,358,584	21,984,131
Total	$ 378,442,460	$ 369,848,561	$ 526,030,250	$ 502,209,976	$ 904,472,710	$ 872,058,537

Major capital asset events during 2013 included the following:

- Net additions to construction in progress totaled $49.9 million. Of this amount, water and wastewater improvements accounted for an increase of $28.4 million and the additions for general government and streets were $19.8 million.
- Net additions to infrastructure totaled $10 million due to the completion of several street projects during 2013.
- Net additions to the sewer system totaled $6.4 million and to the water system totaled $2.4 million in 2013.
- Depreciation expense totaled $25 million.

Additional information on the City's capital assets can be found in *Note 3* on Pages 66-74 of this report.

Long-term debt. At December 31, 2013, the City had $262.58 million of long-term bonds outstanding, including $166.175 million of bonds secured solely by specified revenue sources, (i.e. revenue bonds).

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

	Governmental Activities		Business-Type Activites	
	2013	2012	2013	2012
Sales and Use Tax Bonds	$ 96,405,000	$ 109,310,000	$ -	$ -
Revenue Bonds	-	-	166,175,000	171,880,000
Total	$ 96,405,000	$ 109,310,000	$ 166,175,000	$ 171,880,000

The City's total bonded debt decreased by $18.7 million or 6.7% during 2013. The key factors in this decrease were the maturities during 2013 as well as the call of $2.515 million in Sales and Use Tax bonds during 2013. The City maintains bond ratings as follows: "AA" rating from Standard & Poor's on its water and sewer revenue bonds series 2005B; an "A" rating from Standard & Poor's on its water and sewer revenue bonds series 2007, 2008, 2011 and 2012; and an "AA" rating from Standard & Poor's on its sales and use tax bonds series 2012.

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 $336.9 million. The City has no general obligation debt at December 31, 2013. Sales and use tax bonds are special debt of the City and are not considered general obligation bonds by the state.

Additional information regarding the City's long-term debt can be found in *Note 4* on Pages 74-85 of this report.

Economic Factors and the Next Year's Budget and Rates

- The year-end unemployment rate for the City was 8.1%, which was higher than the 7.7% rate for 2012. The state unemployment rate for 2013 was 7.4% and the national was 7.4%. The City is slowly recovering from a down economy over the past few years.

- The City expects a 1% increase in its tax revenue for the coming year.

These factors were considered when the City prepared its 2014 Budget.

One of the major goals of the Board of Directors is to maintain financial stability in the General Fund by adopting a budget with a minimum unassigned fund balance at 15% of operating expenditures. Due to the economic slowdown in its major revenue sources, the City's General Fund budget for 2014 was approved at $47.9 million and includes a projected year end fund balance approximating 7.5%. It should be noted that the actual General Fund yearend balance for the past 10 years has always exceeded the projected yearend balance. The Board and management are aware of the declining balance and are working towards other funding options and reducing expenditures even further.

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.

City of Fort Smith, Arkansas

Statement of Net Position

December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Assets					
Cash	$ 3,790,049	$ 2,107,988	$ 5,898,037	$ 768,207	$ 2,702,425
Investments	38,770,339	20,672,603	59,442,942	408,537	459,913
Receivables, net					
Taxes	13,989,149	-	13,989,149	167,005	-
Sales taxes	3,238,464	-	3,238,464	145,594	-
Accounts	557,981	5,863,891	6,421,872	61,826	715,614
Interest	133,738	94,230	227,968	371	2,665
Due from other governments	2,128,481	-	2,128,481	-	-
Internal balances	(603,704)	603,704	-	-	-
Inventory	-	983,673	983,673	-	12,100
Prepaids and deposits	918,853	62,154	981,007	49,946	64,814
Restricted assets					
Cash	233,121	126,116	359,237	-	381,272
Investments	51,804,551	13,305,211	65,109,762	-	582,213
Accounts receivable, net	-	186,177	186,177	-	-
Sales tax receivable	1,196,721	-	1,196,721	-	-
Interest receivable	33,468	5,078	38,546	-	-
Prepaid items and deposits	-	127,752	127,752	-	-
Capital assets, net					
Nondepreciable	47,284,956	43,516,576	90,801,532	427,132	9,457,335
Depreciable	331,157,504	482,513,674	813,671,178	318,733	27,196,808
Total assets	494,633,670	570,168,828	1,064,802,498	2,347,351	41,575,159
Deferred Outflows of Resources					
Deferred loss on debt refunding	$ -	$ 261,556	$ 261,556	$ -	$ 164,149
Total deferred outflows of resources	-	261,556	261,556	-	164,149

City of Fort Smith, Arkansas
Statement of Net Position (Continued)
December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Accounts payable and accrued expenses	$ 7,406,092	$ 2,595,638	$ 10,001,730	$ 84,911	$ 675,483
Accrued interest	580,476	1,932,178	2,512,654	-	1,504
Deposits	-	528,786	528,786	-	-
Unavailable revenue	453,109	-	453,109	-	-
Noncurrent liabilities					
Other long-term liabilities due within one year	1,951,995	1,392,811	3,344,806	-	-
Current portion of long-term debt	8,205,000	5,870,000	14,075,000	-	300,000
Due in more than one year	108,302,932	174,690,985	282,993,917	-	2,933,166
Total liabilities	126,899,604	187,010,398	313,910,002	84,911	3,910,153
Deferred Inflows of Resources					
Deferred gain on debt refunding	-	259,784	259,784	-	-
Total deferred inflows of resources	-	259,784	259,784	-	-
Net Position					
Net investment in capital assets	315,027,429	359,247,688	674,275,117	745,865	33,420,977
Restricted for:					
Construction projects	18,828,338	1,075,471	19,903,809	-	56,019
Debt service	14,652,432	17,547,827	32,200,259	-	450,892
Parks & recreation	10,685	-	10,685	-	-
Housing and rehabilitation	4,031	-	4,031	-	-
Police & fire retirement contributions	7,591,949	-	7,591,949	-	-
Other purposes	-	-	-	150,479	-
Unrestricted	11,619,202	5,289,216	16,908,418	1,366,096	3,901,267
Total net position	$ 367,734,066	$ 383,160,202	$ 750,894,268	$ 2,262,440	$ 37,829,155

City of Fort Smith, Arkansas

Statement of Activities

For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Governmental Activities	Component Units: Business-Type Activities
Primary Government:									
Governmental Activities									
General Government									
Administration	$ 5,733,586	$ 841,531	$ 1,234,982	$ -	$ (3,657,073)		$ (3,657,073)		
Legal and courts	2,165,205	2,490,869	450,796	-	776,460		776,460		
Finance	2,668,018	679,308	-	-	(1,988,710)		(1,988,710)		
Public safety									
Police	22,353,306	696,103	1,923,609	172,432	(19,561,162)		(19,561,162)		
Fire	18,109,898	734,199	2,427,620	469,842	(14,478,237)		(14,478,237)		
Public works									
Operations	602,584	-	-	-	(602,584)		(602,584)		
Streets	13,889,121	421,635	4,586,768	1,722,924	(7,157,794)		(7,157,794)		
Traffic Control	2,197,170	-	-	-	(2,197,170)		(2,197,170)		
Community services									
Health and Social Services	380,684	-	51,506	-	(329,178)		(329,178)		
Parks and Recreation	4,580,452	308,744	6,669	400	(4,264,639)		(4,264,639)		
Convention Center	2,426,772	1,333,228	-	-	(1,093,544)		(1,093,544)		
Transit	2,680,428	-	1,054,587	880,834	(745,007)		(745,007)		
Housing and Rehabilitation	1,363,227	15,335	1,177,911	141,855	(28,126)		(28,126)		
Debt service									
Interest	4,958,960	-	-	-	(4,958,960)		(4,958,960)		
Total Governmental Activities	84,109,410	7,520,952	12,914,448	3,388,287	(60,285,723)		(60,285,723)		
Business-Type Activities:									
Water and Sewer	42,203,035	37,805,650	-	1,968,216		(2,429,169)	(2,429,169)		
Sanitation	12,185,883	15,068,421	-	-		2,882,538	2,882,538		
Total Business-Type Activities	54,388,918	52,874,071	-	1,968,216		453,369	453,369		
Total Primary Government	$ 138,498,328	$ 60,395,023	$ 12,914,448	$ 5,356,503	$ (60,285,723)	$ 453,369	$ (59,832,354)		
Component Units:									
Governmental									
Advertising & Promotion	$ 751,230	$ -	$ 3,140	$ -				$ (748,090)	
Public Library	2,988,034	177,252	189,988	-				(2,620,794)	
Subtotal	3,739,264	177,252	193,128	-				(3,368,884)	
Business-Type									
Parking Authority	316,166	187,704	-	-					$ (128,462)
Airport	4,847,723	2,606,338	-	2,140,455					(100,930)
Subtotal	5,163,889	2,794,042	-	2,140,455					(229,392)
Total Component Units	$ 8,903,153	$ 2,971,294	$ 193,128	$ 2,140,455				(3,368,884)	(229,392)

See accompanying notes to basic financial statements

City of Fort Smith, Arkansas

Statement of Activities (Continued)

For the Year Ended December 31, 2013

	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	$ 11,514,707	$ -	$ 11,514,707	$ 1,374,953	$ -
Sales taxes	54,291,940	-	54,291,940	921,239	-
Gross receipts utility franchise fees	6,478,637	-	6,478,637	-	-
Hospitality taxes	-	-	-	732,855	-
Unrestricted investment earnings	364,291	68,600	432,891	924	19,553
Payment from City of Fort Smith	-	-	-	-	250,000
Other	3,462,503	(197,453)	3,265,050	32,296	-
Transfers	(27,638,513)	27,638,513	-	-	-
Total general revenues and transfers	48,473,565	27,509,660	75,983,225	3,062,267	269,553
Change in net position	(11,812,158)	27,963,029	16,150,871	(306,617)	40,161
Net position, beginning of year, before restatement	381,281,533	359,247,597	740,529,130	2,569,057	38,266,840
Adjustment for implementation of GASB 65	(908,342)	(4,050,424)	(4,958,766)	-	(9,062)
Adjustment applicable to prior years	(826,967)	-	(826,967)	-	(468,784)
Net position, beginning of year, after restatements	379,546,224	355,197,173	734,743,397	2,569,057	37,788,994
Net position, end of year	$ 367,734,066	$ 383,160,202	$ 750,894,268	$ 2,262,440	$ 37,829,155

See accompanying notes to basic financial statements

City of Fort Smith, Arkansas

Balance Sheet – Governmental Funds
December 31, 2013

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	$ 2,001,775	$ 16,352	$ 1,237,583	$ -	$ -	$ 236,572	$ 3,492,282
Investments	6,857,466	1,539,089	20,183,237	-	-	8,815,696	37,395,488
Receivables, net of allowance for uncollectibles							
Taxes	8,890,236	2,185,249	-	-	-	2,913,664	13,989,149
Sales taxes	1,642,837	-	1,595,627	-	-	-	3,238,464
Accounts	433,069	-	54,902	-	-	40,772	528,743
Accrued interest	23,652	5,308	69,614	-	-	30,406	128,980
Due from other funds	20,215	-	-	-	-	-	20,215
Due from other governments	922,171	470,631	565,904	-	-	169,775	2,128,481
Restricted assets:							
Cash	-	-	-	-	233,121	-	233,121
Investments	-	-	-	38,584,328	13,220,223	-	51,804,551
Sales taxes receivable	-	-	-	-	1,196,721	-	1,196,721
Interest receivable	-	-	-	31,101	2,367	-	33,468
Prepaid items	16,727	-	-	-	-	-	16,727
Deposits	27,379	-	23,695	678,236	-	-	729,310
Total Assets	$ 20,835,527	$ 4,216,629	$ 23,730,562	$ 39,293,665	$ 14,652,432	$ 12,206,885	$ 114,935,700
Liabilities, Deferred Inflows and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 1,698,907	$ 360,996	$ 976,948	$ 2,263,765	$ -	787,760	$ 6,088,376
Retainage payable	26,857	-	411,260	762,176	-	-	1,200,293
Due to other funds	-	-	-	603,367	-	20,552	623,919
Unavailable revenue	-	-	-	-	-	453,109	453,109
Other	200,108	-	-	-	-	2,323	202,431
Total Liabilities	1,925,872	360,996	1,388,208	3,629,308	-	1,263,744	8,568,128
Deferred Inflows of Resources:							
Property taxes	7,224,318	2,145,183	-	-	-	2,860,243	12,229,744
Total Deferred Inflows of Resources	7,224,318	2,145,183	-	-	-	2,860,243	12,229,744
Fund Balances:							
Nonspendable	44,106	-	23,695	678,236	-	-	746,037
Restricted for:							
Construction projects	-	-	22,318,659	34,986,121	-	107,886	57,412,666
Debt service	-	-	-	-	14,652,432	-	14,652,432
Parks & recreation	-	-	-	-	-	10,685	10,685
Housing and rehabilitation	-	-	-	-	-	4,031	4,031
Police & fire retirement contributions	-	-	-	-	-	7,591,949	7,591,949
Assigned to:							
Convention center	-	-	-	-	-	368,347	368,347
Construction projects	510,411	-	-	-	-	-	510,411
Other purposes	695,568	1,710,450	-	-	-	-	2,406,018
Unassigned	10,435,252	-	-	-	-	-	10,435,252
Total Fund Balances	11,685,337	1,710,450	22,342,354	35,664,357	14,652,432	8,082,898	94,137,828
Total Liabilities, Deferred Inflows and Fund Balances	$ 20,835,527	$ 4,216,629	$ 23,730,562	$ 39,293,665	$ 14,652,432	$ 12,206,885	$ 114,935,700

See accompanying notes to basic financial statements

City of Fort Smith, Arkansas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

December 31, 2013

Total fund balances – governmental funds			$ 94,137,828
Amounts reported for governmental activities in the statement of net assets 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	$ 26,609,256		
Buildings	74,133,647		
Improvements other than buildings	13,517,226		
Machinery and equipment	46,365,937		
Infrastructure	337,769,674		
Accumulated depreciation	(140,628,980)		
	357,766,760		
Construction in progress	20,675,700		
Total	$ 378,442,460		378,442,460
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, however, those revenues would be recognized regardless of when they are collected.			12,229,744
Internal service funds are used by management to charge the costs of certain activities, such as fuel and insurance, to individual funds. A portion of the assets and liabilities are included in governmental activities in the statement of net assets.			51,376
Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Compensated absences	$ 2,410,572		
Claims payable	82,500		
Sales tax bonds payable, net	101,838,920		
Interest payable	580,476		
Capital leases payable	160,439		
OPEB liabilities	12,054,435		
	$ 117,127,342		(117,127,342)
Net position of governmental activities			$ 367,734,066

City of Fort Smith, Arkansas

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

For the Year Ended December 31, 2013

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 6,798,097	$ 2,008,917	$ -	$ -	$ -	$ 2,679,577	$ 11,486,591
Sales taxes	20,221,234	-	19,468,975	-	14,601,731	-	54,291,940
Licenses and permits	1,442,399	169,705	-	-	-	-	1,612,104
Utility franchise fees	6,478,637	-	-	-	-	-	6,478,637
Intergovernmental	5,131,812	4,586,768	775,712	-	-	2,928,796	13,423,088
Fines and forfeitures	2,440,645	-	-	-	-	129,528	2,570,173
Fees for services	669,559	-	-	-	-	663,669	1,333,228
Interest	13,959	3,143	49,760	41,682	9,516	19,158	137,218
Increase (decrease) in fair value of investments	-	-	-	248,629	(1,883)	-	246,746
Contributions	-	-	859,924	-	-	1,847,291	2,707,215
Miscellaneous	734,074	13,812	-	19,932	120	1,221	769,159
Total Revenues	43,930,416	6,782,345	21,154,371	310,243	14,609,484	8,269,240	95,056,099
Expenditures							
Current:							
General government							
Administration	3,788,689	215,539	-	-	-	-	4,004,228
Legal and courts	1,885,888	64,216	-	-	-	-	1,950,104
Finance	2,040,452	321,250	-	-	-	-	2,361,702
Public safety							
Police	15,243,401	-	-	-	-	3,486,887	18,730,288
Fire	11,764,795	-	-	-	-	4,002,720	15,767,515
Public works							
Operations	-	466,544	-	-	-	87,288	553,832
Streets	-	3,788,145	1,055,898	-	-	-	4,844,043
Traffic Control	-	2,063,248	-	-	-	-	2,063,248
Community services							
Health and Social Services	103,012	-	-	-	-	-	103,012
Parks and Recreation	1,956,563	246,785	-	-	-	6,669	2,210,017
Convention Center	-	-	-	-	-	1,511,665	1,511,665
Transit	2,058,503	-	-	-	-	-	2,058,503
Housing and Rehabilitation	-	-	-	-	-	1,316,766	1,316,766
Other	1,559,584	16,129	-	178,113	18,450	-	1,772,276
Capital Outlay	2,262,195	434,424	15,681,298	31,395,431	-	14,783	49,788,131
Debt Service:							
Principal	-	-	-	-	12,905,000	-	12,905,000
Interest	-	-	-	-	3,575,061	-	3,575,061
Total Expenditures	42,663,082	7,616,280	16,737,196	31,573,544	16,498,511	10,426,778	125,515,391
Excess (deficiency) in revenues over (under) expenditures	1,267,334	(833,935)	4,417,175	(31,263,301)	(1,889,027)	(2,157,538)	(30,459,292)

See accompanying notes to basic financial statements

City of Fort Smith, Arkansas

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)

For the Year Ended December 31, 2013

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)							
Transfers in	2,855,186	-	-	-	-	777,000	3,632,186
Transfers out	(1,117,000)	(146,300)	(2,568,000)	-	-	(18,410)	(3,849,710)
Total Other Financing Sources and Uses	1,738,186	(146,300)	(2,568,000)	-	-	758,590	(217,524)
Net Change in Fund Balances	3,005,520	(980,235)	1,849,175	(31,263,301)	(1,889,027)	(1,398,948)	(30,676,816)
Fund Balances, January 1	8,679,817	2,690,685	20,493,179	66,927,658	16,541,459	9,481,846	124,814,644
Fund Balances, December 31	$ 11,685,337	$ 1,710,450	$ 22,342,354	$ 35,664,357	$ 14,652,432	$ 8,082,898	$ 94,137,828

See accompanying notes to basic financial statements

City of Fort Smith, Arkansas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2013

Net change in fund balances – total governmental funds	$	(30,676,816)
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.		49,788,131
Capital contributions to the Water and Sewer Fund are rcognized as transfers out on the government-wide statement of activities		(27,649,003)
The net effect of various miscellaneous transactions decreases net position		2,036,133
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(12,235,937)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources of governmenal 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		9,964,889
Some property taxes will not be collected for several months after the City's fiscal year end and they are not considered "available" revenues in the governmental funds.		28,116
Some expenses, *i.e.* , the increase in compensated absences liability 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.		(3,398,074)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fuel, to individual funds. The net loss of the internal service funds is reported with governmental activities [net of the amount allocated to business-type activities of $(264,638) and the external activities adjustment of $191,723].		330,403
Change in net position of governmental activities	$	(11,812,158)

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City of Fort Smith, Arkansas

Statement of Fund Net Position –
Proprietary Funds
December 31, 2013

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Current Assets				
Cash	$ 498,238	$ 1,398,665	$ 1,896,903	$ 508,852
Investments	12,436,411	7,698,482	20,134,893	1,912,561
Receivables, net				
Accounts	4,657,629	1,192,248	5,849,877	43,251
Accrued interest	49,926	42,465	92,391	6,597
Restricted				
Cash	126,116	-	126,116	
Investments	8,829,707	-	8,829,707	-
Accounts receivable, net	-	186,177	186,177	-
Interest receivable	5,078	-	5,078	-
Inventory	891,719	45,450	937,169	46,504
Prepaid items	-	74	74	234,896
Due from other funds	-	603,367	603,367	337
Total Current Assets	27,494,824	11,166,928	38,661,752	2,752,998
Noncurrent Assets				
Restricted				
Investments	-	4,475,504	4,475,504	-
Prepaid items and deposits	127,752	-	127,752	-
Capital assets				
Land	12,459,920	373,772	12,833,692	-
Buildings	-	1,999,645	1,999,645	-
Improvements other than buildings	-	21,103,809	21,103,809	-
Leasehold improvements	-	709,952	709,952	-
Machinery and equipment	11,663,439	22,664,125	34,327,564	-
Water system	378,717,673	-	378,717,673	-
Sewer system	239,016,652	-	239,016,652	-
Construction in progress	28,788,566	1,894,318	30,682,884	-
Less accumulated depreciation	(168,990,341)	(24,371,280)	(193,361,621)	-
Total Noncurrent Assets	501,783,661	28,849,845	530,633,506	-
Total Assets	529,278,485	40,016,773	569,295,258	2,752,998
Deferred Outflows of Resources				
Deferred loss on debt refunding	261,556	-	261,556	-
Total Deferred Outflows of Resources	$ 261,556	$ -	$ 261,556	$ -

City of Fort Smith, Arkansas

Statement of Fund Net Position – Proprietary Funds (Continued)

December 31, 2013

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Current Liabilities				
Accounts payable and accrued liabilities	$ 1,059,090	$ 1,156,419	$ 2,215,509	$ 245,534
Retainage payable	175,937	76,080	252,017	-
Accrued vacation and sick leave	9,495	2,491	11,986	-
Accrued interest	1,932,178	-	1,932,178	-
Claims and judgments	-	-	-	2,380,153
Revenue bonds payable	5,870,000	-	5,870,000	-
Capital leases payable	52,425	658,877	711,302	-
Deposits	528,786	-	528,786	-
Total Current Liabilities	9,627,911	1,893,867	11,521,778	2,625,687
Noncurrent Liabilities				
Accrued vacation and sick leave	939,988	246,593	1,186,581	-
Landfill closure and postclosure care	-	4,475,504	4,475,504	-
Revenue bonds, net	162,896,139	-	162,896,139	-
Capital leases payable	54,271	300,920	355,191	
OPEB liabilities	3,940,873	1,836,697	5,777,570	-
Total Noncurrent Liabilities	167,831,271	6,859,714	174,690,985	-
Total Liabilities	177,459,182	8,753,581	186,212,763	2,625,687
Deferred Inflows of Resources				
Deferred gain on debt refunding	259,784	-	259,784	-
Total Deferred Inflows of Resources	259,784	-	259,784	-
Net Position				
Net investment in capital assets	335,833,144	23,414,544	359,247,688	-
Restricted for bond retirement	17,547,827	-	17,547,827	-
Restricted for asset replacement	950,000	125,471	1,075,471	-
Unrestricted	(2,509,896)	7,723,177	5,213,281	127,311
Total Net Position	$ 351,821,075	$ 31,263,192	383,084,267	$ 127,311
Reconciliation to government - wide statement of net position:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			75,934	
Net position of business type activities			$ 383,160,202	

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City of Fort Smith, Arkansas

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds

For the Year Ended December 31, 2013

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Operating Revenues				
Water service	$ 25,295,357	$ -	$ 25,295,357	$ -
Sewer service	11,622,767	-	11,622,767	-
Charges for services	852,679	15,068,421	15,921,100	9,615,397
Other	34,847	-	34,847	-
Total Operating Revenues	37,805,650	15,068,421	52,874,071	9,615,397
Operating Expenses				
Personnel services	12,874,668	6,117,775	18,992,443	-
Contractual services	3,305,919	1,162,521	4,468,440	801,834
Materials and supplies	4,827,724	3,449,518	8,277,242	1,021,856
Heat, light, and power	1,859,545	90,530	1,950,075	-
Depreciation	11,611,191	1,164,685	12,775,876	-
Insurance claims and expenses	-	-	-	9,387,295
Total Operating Expenses	34,479,047	11,985,029	46,464,076	11,210,985
Operating Income (Loss)	3,326,603	3,083,392	6,409,995	(1,595,588)
Nonoperating Revenues (Expenses)				
Interest revenue	35,482	33,118	68,600	6,478
Interest expense and fiscal charges	(7,854,191)	-	(7,854,191)	-
Other nonoperating revenues, net	2,342,472	177,208	2,519,680	78,372
Total Nonoperating Revenues (Expenses)	(5,476,237)	210,326	(5,265,911)	84,850
Income (Loss) Before Contributions and Transfers	(2,149,634)	3,293,718	1,144,084	(1,510,738)
Capital contributions	27,649,003	-	27,649,003	-
Transfers in	-	90,000	90,000	1,091,670
Transfers out	(566,210)	(171,950)	(738,160)	(454,000)
Change in Net Position	24,933,159	3,211,768	28,144,927	(873,068)
Net postion, beginning of year, before restatement	330,938,340	28,051,424		1,000,379
Adjustment for implementation of GASB 65	(4,050,424)	-		-
Net position, beginning of year, after restatement	326,887,916	28,051,424		1,000,379
Net position, ending	$ 351,821,075	$ 31,263,192		$ 127,311
Reconciliation to government - wide statement of activities:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			(181,898)	
Change in net position of business type activities for government - wide statement of activities			$ 27,963,029	

City of Fort Smith, Arkansas

Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2013

	Enterprise Funds			
	Water and Sewer	Sanitation	Total	Internal Service Funds
Operating Activities				
Cash received from customers	$ 37,749,957	$ 14,463,268	$ 52,213,225	$ -
Cash received from service users	-	-	-	1,517,908
Cash received from city and employee contributions	-	-	-	8,336,761
Cash payments for goods and services	(12,697,411)	(5,106,008)	(17,803,419)	(1,001,545)
Cash paid to employees	(11,990,814)	(5,669,076)	(17,659,890)	-
Cash payments for premiums and other operating expenses	-	-	-	(882,729)
Cash payments for claims paid	-	-	-	(8,970,287)
Cash received from other operating revenues	2,688,824	215,996	2,904,820	-
Net cash provided by (used by) operating activities	15,750,556	3,904,180	19,654,736	(999,892)
Noncapital Financing Activities				
Transfers in from other funds	-	90,000	90,000	1,100,000
Transfers out to other funds	(562,900)	(164,900)	(727,800)	(454,000)
Net cash provided by (used by) noncapital financing activities	(562,900)	(74,900)	(637,800)	646,000
Capital and Related Financing Activites				
Proceeds from sale of capital assets	96,992	51,274	148,266	-
Acquisition and construction of capital assets	(5,751,803)	(3,340,642)	(9,092,445)	-
Principal paid on bonds	(5,540,000)	-	(5,540,000)	-
Interest paid on bonds	(8,519,565)	-	(8,519,565)	-
Net cash used for capital and related financing activities	(19,714,376)	(3,289,368)	(23,003,744)	-
Investing Activities				
Proceeds from sales and maturities of investment securities	26,440,616	4,875,749	31,316,365	2,256,281
Outlays for purchases of investment securities	(22,095,802)	(4,501,865)	(26,597,667)	(1,940,626)
Interest on investments	58,311	53,936	112,247	10,931
Net cash provided by investing activities	4,403,125	427,820	4,830,945	326,586
Net increase (decrease) in cash	(123,595)	967,732	844,137	(27,306)
Cash, January 1	747,949	430,933	1,178,882	536,158
Cash, December 31	$ 624,354	$ 1,398,665	$ 2,023,019	$ 508,852

City of Fort Smith, Arkansas

Statement of Cash Flows – Proprietary Funds (Continued)

For the Year Ended December 31, 2013

	Enterprise Funds			
	Water and Sewer	Sanitation	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities				
Operating income (loss)	$ 3,326,603	$ 3,083,392	$ 6,409,995	$ (1,595,588)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities				
Depreciation	11,611,191	1,164,685	12,775,876	-
Miscellaneous revenue (expense)	3,684,196	714,528	4,398,724	70,042
Change in assets and liabilities				
Accounts receivable	(19,923)	(605,153)	(625,076)	169,524
Due from other funds	-	-	-	(294)
Inventory	12,608	(45,450)	(32,842)	(3,875)
Prepaid items	(10,571)	14,641	4,070	(195,922)
Accounts payable and accrued liabilities	(2,865,203)	(397,371)	(3,262,574)	145,681
Deposits	(923)	-	(923)	-
Accrued vacation and sick leave	15,978	(25,092)	(9,114)	-
Liability for claims and judgments	-	-	-	410,540
OPEB liabilities			-	-
Other liabilities	(3,400)	-	(3,400)	-
Total adjustments	12,423,953	820,788	13,244,741	595,696
Net cash provided by (used by) operating activities	$ 15,750,556	$ 3,904,180	$ 19,654,736	$ (999,892)

Noncash investing, capital and financing activities:

Enterprise funds:

The Water and Sewer Fund received contributions of capital assets of $27,649,003 for 2013. The 2005 advance refunding and the 2011 advance refunding for water and sewer revenue bonds resulted in cash flow savings of $26,265, and $928, respectively, for 2013.

City of Fort Smith, Arkansas

Statement of Fiduciary Net Position
OPEB Trust Fund
December 31, 2013

Assets		
Current Assets		
Investments:		
Government money market funds	$	7,565
Equities - agency bonds		176,880
Corporate bonds		251,209
US government bonds		480,383
Certificates of deposit		547,251
Total Investments		1,463,288
Total Current Assets		1,463,288
Total Assets		1,463,288
Liabilities		
Current Liabilities		
Accounts payable		3,704
Total Current Liabilities		3,704
Total Liabilities		3,704
Net Position		
Held in trust for OPEB		1,459,584
Total Net Position	$	1,459,584

City of Fort Smith, Arkansas

Statement of Changes in Fiduciary Net Position

OPEB Trust Fund

For the Year Ended December 31, 2013

Deductions:		
Investment expenses:		
Management fees	$	14,801
Net decrease in fair value of investments		33,063
Total investment expenses		47,864
Interest Earnings		11,770
Net investment losses		36,094
Total Deductions		36,094
Change in Net Position		(36,094)
Net position, beginning		1,495,678
Net position, ending	$	1,459,584

City of Fort Smith, Arkansas

Notes to Basic Financial Statements

December 31, 2013

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

Nature of Operations

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

Adoption of Accounting Principles

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*

Effective January 1, 2013, the City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. The objective of GASB Statement 65 is to properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). In addition, the statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the City reported debt issuance costs as deferred charges which were capitalized and amortized over the life of the debt. Deferred charges were reported as an asset on the statement of net position. Under GASB Statement No. 65, debt issuance costs are to be recognized in the period of the debt issuance. Implementation of GASB Statement No. 65 resulted in a restatement of previously reported net position for the retrospective removal of these debt issuance costs. The adoption of GASB Statement No. 65 did have a material impact in the previously issued financial statements and the net position has been restated as of January 1, 2013.

This resulted in a prior period adjustment to decrease previously reported net position as of December 31, 2012, as follows:

Government-Wide	
Governmental activities	$ 908,342
Proprietary Funds:	
Water and Sewer	4,050,424
Total	$4,958,766
Component Units:	
Business-Type Activities	$ 9,062

Another change resulting from the application of GASB 65 is the reclassification of property tax deferred revenue recorded in the fund statements for which revenues are not available as deferred inflows of resources. Additionally, deferred losses and deferred gains on refunding of debt are reclassified as a deferred outflow or deferred inflow of resources.

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 39, *Determining whether Certain Organizations Are Component Units,* as amended by GASB Statement 61*, The Financial Reporting Entity: Omnibus.* Generally, GASB Statements 14, 39 and 61 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, as well as 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 a "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.

Discretely Presented Component Units

Business-Type

Fort Smith Parking Authority (the Authority) - The Authority's governing board is appointed by the City's Board; the operation and administration of the Authority's property is conducted by City personnel; and the legal liability for the Authority's revenue bond obligation remains with the City. In addition, the City provides a subsidy to fund the Authority's operations; however, the Authority functions almost entirely for the benefit of residents and other customers. The Authority is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Authority. See *Note 14* on pages 100-101 of these notes for condensed financial statements.

Airport Commission **-** The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 6700 McKennon Boulevard, Suite 200, Fort Smith, Arkansas 72903, or from the City Clerk's office. See *Note 14* on pages 100-101 of these notes for condensed financial statements.

Governmental

Advertising and Promotion Commission (the Commission) **-** The Commission was established during 1989 to promote the City and increase tourism. The Commission is governed by seven members appointed by the Board. The Mayor and one board member serve as two of the seven members of the Commission. The City levies taxes for the Commission's revenue, performs administrative services for collection of taxes, and provides financial services to the Commission. However, the Commission functions for the benefit of the citizens and visitors to the City. The Commission is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Commission. See *Note 14* on pages 100-101 of these notes 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 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 14* on pages 100-101 of these notes for condensed financial statements.

Related Organizations

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a single column.

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

The City reports the following fiduciary fund type:

The *OPEB 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, Special Grants Fund, LOPFI Contribution Fund, Economic Development 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.

Governmental Fund Financial Statements

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

Cash and Investments

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

Inventories

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

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

Capital Assets

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

Capital assets are recorded at cost including interest during the construction period for business-type activities. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets, or on the units-of-production method based on filled capacity utilized for the City's landfill.

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

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

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

Interest is capitalized on enterprise fund capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There was no capitalized interest in 2013.

The City's capitalization policy states that capital assets are defined as assets with an initial value or cost greater than or equal to $5,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets that are defined as having a constructed cost greater than or equal to $250,000.

Property Tax Revenue

Taxes are levied on October 1 and are due and payable at that time. Property taxes attach an enforceable lien on property the first Monday in January. All unpaid taxes levied October 1 become delinquent October 10 of the following year.

Sebastian County is the collecting agent for the levy and remits the collections to the City, net of a collection fee.

The City is permitted by Arkansas State Law to levy taxes up to $0.50 per $100 of assessed valuation on real and personal property for general governmental services, $0.50 per $100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, $0.10 per $100 of assessed valuation on real and personal property for the police pension funds and $0.10 per $100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2013 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 $6.7 million of additional taxes could be raised per year based on the current year's assessed value of $980,472,019 for real property and $367,266,450 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 $8,888,345 in 2013, and are included in operating expenses in the Employee Insurance Fund. The City contributes fully for each employee and shares in the contribution for any dependents. Retired employees may continue coverage under the City's policy, but must bear the entire cost of these contributions. See *Note 8* on pages 92-94.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed $1,300,784 in 2013 to fund this program. There have been no significant reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

Sales Taxes

In November 1985, the City began assessing a 1% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled $19,468,975 for fiscal year 2013, 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 2015.

In August 1994, Sebastian County began assessing a 1% sales and use tax on retail sales in the county. Each city within Sebastian County receives a portion of the tax based upon the City's population. Currently, the City receives approximately 68% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes totaled $15,353,991 for fiscal year 2013. 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 as the tax was reapproved during May 2013 for the period August 2014 through August 2024.

In March 2012, the citizens approved a referendum to continue the 1% sales and use tax on retail sales in the city to refund the Sales and Use Tax Construction Bonds, Series 2006, 2008 and 2009, to fund a new aquatics center, construct a new fire station, purchase and replace fire apparatus, improve existing fire stations, water improvements and wastewater improvements. The 1% sales tax revenue is split at ¾% for the repayment of the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and ¼% for fire and parks departments operating and capital asset costs. These taxes are collected by the state and remitted to the City net of a collection fee. The taxes for this purpose totaled $19,468,975 for fiscal year 2013.

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 net assets.

Long-Term Obligations

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

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

Restricted Assets

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

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

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

Cash	$	233,121
Investments		51,804,551
Sales taxes receivable		1,196,721
Interest receivable		33,468
Total restricted assets - general government	$	53,267,861

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 statement of net position 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 depreciation account	$	112,500
Cash - water and sewer meter deposit account		13,616
Investments - water and sewer depreciation account		834,621
Investments - water and sewer meter deposit account		409,752
Investments - water and sewer bond account		4,535,264
Investments - water and sewer bond construction account		3,050,070
Accounts receivable - solid waste cleanup program account		186,177
Interest receivable - water and sewer depreciation account		2,879
Interest receivable - water and sewer meter deposit account		1,413
Interest receivable - water and sewer bond account		786
Total current assets - restricted		9,147,078
Noncurrent assets:		
Investments - solid waste landfill construction/closure and postclosure care account		4,475,504
Prepaid items and deposits - water and sewer operating account		10,225
Prepaid items and deposits - water and sewer bond construction account		117,527
Total noncurrent assets		4,603,256
Total restricted assets - enterprise funds	$	13,750,334

Unavailable Revenue

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

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

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 City Administrator has the authority to assign fund balances for particular purposes.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in other classifications.

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 of Resources and Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net position or fund balance by the city that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position or fund balance by the city that is applicable to a future period. Both deferred inflows and outflows are reported in the statement of net position and in the governmental funds balance sheet but are not recognized in the financial statements as revenues and expenditures/expenses until the period(s) to which they relate. Deferred outflows of resources and deferred inflows of resources on the statement of net position consist of deferred charges on bond refunding. The deferred inflows of resources on the governmental funds balance sheet are for property taxes.

Adjustments Applicable to Prior Years

Adjustments applicable to prior years were made to restate the beginning balance of governmental activities and parking authority's net position to correct errors in accumulated depreciation of capital assets. The adjustments related to the governmental activities and parking authority decreased beginning net position by $826,967 and $468,784, respectively. The effect of the corrections on the prior year change in net position was a decrease of $727,481 and $58,102 for the governmental activities and parking authority, respectively.

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*. The investments and deposits of the primary government are stated at quoted fair values. As a result, a net unrealized gain of $246,746 is recorded as an increase in fair value of investments for the primary government in 2013 related to the City's governmental funds.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. At December 31, 2013, all the City's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk. Independent third parties held securities in the City's name as collateral at December 31, 2013. The bank balances and carrying amount of the City's deposits held as of December 31, 2013 were as follows:

Pooled and Nonpooled Funds

Description	Bank Balance	Carrying Amount
Demand deposits	$ 38,904,684	$ 38,898,765
Certificates of deposit	7,579,630	7,579,630
	$ 46,484,314	$ 46,478,395

Component Units

At year-end, the carrying amount and the bank balance of the Advertising and Promotion Commission deposits was $6,648. At December 31, 2013, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Public Library's deposits was $761,559 and the bank balance was $790,709. At December 31, 2013, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount and the bank balance of the Parking Authority's deposits was $57,096. At December 31, 2013, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission's deposits was $3,135,329 and the bank balance was $3,209,356. At December 31, 2013, none of the balances were exposed to custodial credit risk.

Investments

State statutes and City ordinances authorize the City to invest funds in obligations of the U.S. Government. 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, 2013 were as follows:

Pooled and Nonpooled funds

Description	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years
U.S. Treasury Bills	$ 27,448,696	$ 27,448,696	$ -
U.S. Treasury Notes	57,149,401	-	57,149,401
	$ 84,598,097	$ 27,448,696	$ 57,149,401

Component Units

At year-end, the Advertising & Promotion Commission held $107,989 in U.S. Treasury Bills. The Advertising & Promotion Commission reports investments at fair value and the maturity dates of the bills are less than one year.

At year-end, the Public Library held $300,919 in money market funds. The Public Library reports investments at fair value.

At year-end, the Parking Authority fund held $553,794 in U.S. Treasury Bills. The Parking Authority reports investments at fair value and the maturity dates of the bills are less than one year.

At year-end, the Airport Commission held $382,269 in U.S. Treasury Bills. The Airport Commission reports investments at fair value and the maturity dates of the bills are less than one year.

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, 2013 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 assets:

Primary Government:

Carrying value of deposits -		
Pooled and nonpooled funds	$	46,478,395
Deposits classified as investments		(40,221,121)
	$	6,257,274
Cash as reported on the government-wide statement of net position	$	5,898,037
Restricted cash as reported on the government-wide statement of net position		359,237
	$	6,257,274
Carrying value of investments -		
Pooled and nonpooled funds	$	84,598,097
Deposits classified as investments		40,221,121
	$	124,819,218
As reported on the government-wide statement of net position:		
Investments	$	59,442,942
Interest receivable		227,968
Restricted investments		65,109,762
Restricted interest receivable		38,546
	$	124,819,218

Component Units:

Governmental type-		
Carrying value of deposits -		
Advertising and Promotion Commission	$	6,648
Public Library		761,559
Carrying value of investments -		
Advertising and Promotion Commission		107,989
Public Library		300,919
	$	1,177,115
As reported on the government-wide statement of net position:		
Cash	$	768,207
Investments		408,537
Interest receivable		371
	$	1,177,115
Business type-		
Carrying value of deposits -		
Parking Authority	$	57,096
Airport Commision		3,135,329
Carrying value of investments -		
Parking Authority		553,794
Airport Commision		382,269
	$	4,128,488
As reported on the government-wide statement of net position		
Cash	$	2,702,425
Investments		459,913
Interest receivable		2,665
Restricted cash		381,272
Restricted investments		582,213
	$	4,128,488

Note 3: Capital Assets

Capital assets activity for the year ended December 31, 2013 was as follows:

Primary Government:

	December 31, 2012	Additions	Deletions/ Transfers	December 31, 2013
Governmental activities:				
Capital assets not being depreciated				
Land	$ 26,848,258	$ 1,034,998	$ (1,274,000)	$ 26,609,256
Construction in progress	15,079,138	19,759,216	(14,162,654)	20,675,700
Total capital assets not being depreciated	41,927,396	20,794,214	(15,436,654)	47,284,956
Capital assets being depreciated				
Buildings	74,021,268	112,379	-	74,133,647
Improvements other than buildings	13,517,226	-	-	13,517,226
Infrastructure	327,732,940	-	10,036,734	337,769,674
Machinery and equipment	41,472,020	1,232,535	3,661,382	46,365,937
Total depreciable capital assets at historical cost	456,743,454	1,344,914	13,698,116	471,786,484
Less accumulated depreciation for				
Buildings	19,323,112	1,612,887	-	20,935,999
Improvements other than buildings	7,610,178	432,534	-	8,042,712
Infrastructure	80,913,504	8,240,384	-	89,153,888
Machinery and equipment	20,975,495	1,950,132	(429,246)	22,496,381
Total accumulated depreciation	128,822,289	12,235,937	(429,246)	140,628,980
Capital assets being depreciated, net	327,921,165	(10,891,023)	14,127,362	331,157,504
Governmental activies capital assets, net	$ 369,848,561	$ 9,903,191	$ (1,309,292)	$ 378,442,460

Primary Government:

	December 31, 2012	Additions	Deletions/ Transfers	December 31, 2013
Business-type activites:				
Capital assets not being depreciated:				
Land	$ 12,816,003	$ 17,689	$ -	$ 12,833,692
Construction in progress	6,904,992	30,150,068	(6,372,176)	30,682,884
Total capital assets not being depreciated	19,720,995	30,167,757	(6,372,176)	43,516,576
Capital assets being depreciated:				
Water system	376,353,478	991,869	1,372,326	378,717,673
Sewer system	232,658,100	1,358,966	4,999,586	239,016,652
Buildings	1,999,645	-	-	1,999,645
Improvements other than buildings	21,076,775	27,034	-	21,103,809
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	30,929,754	4,134,940	(737,130)	34,327,564
Total depreciable capital assets at historical cost	663,727,704	6,512,809	5,634,782	675,875,295
Less accumulated depreciation for:				
Water system	85,850,041	6,687,423	-	92,537,464
Sewer system	65,259,355	4,385,545	-	69,644,900
Buildings	894,588	65,717	-	960,305
Improvements other than buildings	10,036,130	31,177	-	10,067,307
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	18,488,657	1,606,014	(652,978)	19,441,693
Total accumulated depreciation	181,238,723	12,775,876	(652,978)	193,361,621
Capital assets being depreciated, net	482,488,981	(6,263,067)	6,287,760	482,513,674
Business-type activities capital assets, net	$ 502,209,976	$ 23,904,690	$ (84,416)	$ 526,030,250

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

Governmental activities:		
General government -		
Administration	$	9,564
Legal		1,271
Finance		137,487
Public safety -		
Police		1,204,746
Fire		289,734
Public works -		
Operations		5,919
Streets		8,470,860
Traffic control		19,313
Community services -		
Health and social services		7,078
Parks and recreation		1,095,177
Convention center		670,430
Transit		311,266
Housing and rehabilitation		13,092
Total governmental activities depreciation expense		12,235,937
Business type activities:		
Water and Sewer		11,611,191
Sanitation		1,164,685
Total business-type activites depreciation expense		12,775,876
Total depreciation expense	$	25,011,813

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

Capital asset activity (on page 67):		
Additions for capital assets not being depreciated	$	20,794,214
Additions for capital assets being depreciated		1,344,914
	$	22,139,128
Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	$	49,788,131
Less: capital contributions to the water and sewer fund		(27,649,003)
	$	22,139,128

Capital asset activity for the year ended December 31, 2013 for the major enterprise funds was as follows:

Primary Government:

	December 31, 2012	Additions	Deletions/ Transfers	December 31, 2013
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	$ 12,442,231	$ 17,689	$ -	$ 12,459,920
Construction in progress	6,724,247	28,436,495	(6,372,176)	28,788,566
Total capital assets not being depreciated:	19,166,478	28,454,184	(6,372,176)	41,248,486
Capital assets being depreciated:				
Water system	376,353,478	991,869	1,372,326	378,717,673
Sewer system	232,658,100	1,358,966	4,999,586	239,016,652
Machinery and equipment	10,796,235	1,570,509	(703,305)	11,663,439
Total depreciable capital assets at historical cost	619,807,813	3,921,344	5,668,607	629,397,764
Less accumulated depreciation for:				
Water system	85,850,041	6,687,423	-	92,537,464
Sewer system	65,259,355	4,385,545	-	69,644,900
Machinery and equipment	6,888,907	538,223	(619,153)	6,807,977
Total accumulated depreciation	157,998,303	11,611,191	(619,153)	168,990,341
Capital assets being depreciated, net	461,809,510	(7,689,847)	6,287,760	460,407,423
Total water and sewer fund capital assets, net	$ 480,975,988	$ 20,764,337	$ (84,416)	$ 501,655,909

	December 31, 2012	Additions	Deletions/ Transfers	December 31, 2013
Sanitation Fund:				
Capital assets not being depreciated:				
Land	$ 373,772	$ -	$ -	$ 373,772
Construction in progress	180,745	1,713,573	-	1,894,318
Total capital assets not being depreciated:	554,517	1,713,573	-	2,268,090
Capital assets being depreciated:				
Buildings	1,999,645	-	-	1,999,645
Improvements other than buildings	21,076,775	27,034	-	21,103,809
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	20,133,519	2,564,431	(33,825)	22,664,125
Total depreciable capital assets at historical cost	43,919,891	2,591,465	(33,825)	46,477,531
Less accumulated depreciation for:				
Buildings	894,588	65,717	-	960,305
Improvements other than buildings	10,036,130	31,177	-	10,067,307
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	11,599,750	1,067,791	(33,825)	12,633,716
Total accumulated depreciation	23,240,420	1,164,685	(33,825)	24,371,280
Capital assets being depreciated, net	20,679,471	1,426,780	-	22,106,251
Total sanitation fund capital assets, net	$ 21,233,988	$ 3,140,353	$ -	$ 24,374,341

Component Units-

	December 31, 2012	Additions	Deletions/ Transfers	December 31, 2013
Governmental Activities:				
Public Library				
Capital assets not being depreciated:				
Land	$ 422,132	$ -	$ -	$ 422,132
Rare book collection	5,000	-	-	5,000
Construction in progress	-	-		-
	427,132	-	-	427,132
Capital assets being depreciated:				
Equipment	1,100,405	9,885	-	1,110,290
Transportation equipment	139,952	-	-	139,952
Total depreciable capital assets at historical cost	1,240,357	9,885	-	1,250,242
Less accumulated depreciation	867,635	63,874	-	931,509
Capital assets being depreciated, net	372,722	(53,989)	-	318,733
Governmental activities capital assets, net				
Public Library	$ 799,854	$ (53,989)	$ -	$ 745,865

	December 31, 2012	Additions	Deletions/ Transfers	December 31, 2013
Business-type activities:				
Parking Authority				
Capital assets not being depreciated:				
Land	$ 1,359,160	$ -	$ -	$ 1,359,160
Capital assets being depreciated:				
Buildings	2,394,260	93,963	-	2,488,223
Machinery and equipment	73,525	-	-	73,525
Total depreciable capital assets at historical cost	2,467,785	93,963	-	2,561,748
Less accumulated depreciation for:				
Buildings	1,958,793	115,352	-	2,074,145
Machinery and equipment	66,485	-	-	66,485
Total accumulated depreciation	2,025,278	115,352	-	2,140,630
Capital assets being depreciated, net	442,507	(21,389)	-	421,118
Business-type activities capital assets, net				
Parking Authority	$ 1,801,667	$ (21,389)	$ -	$ 1,780,278

	December 31, 2012	Additions	Deletions/ Transfers	December 31, 2013
Airport Commission:				
Capital assets not being depreciated:				
Land	$ 6,195,295	$ -	$ -	$ 6,195,295
Construction in progress	23,360	1,879,839	(319)	1,902,880
Total capital assets not being depreciated	6,218,655	1,879,839	(319)	8,098,175
Capital assets being depreciated:				
Buildings	21,538,988	59,868	-	21,598,856
Runways & other airport infrastructure	45,002,351	123,018	-	45,125,369
Equipment, furniture & fixtures, and other	10,812,889	276,740	(130,805)	10,958,824
Total depreciable capital assets at historical cost	77,354,228	459,626	(130,805)	77,683,049
Less accumulated depreciation for:				
Buildings	10,348,338	694,809	-	11,043,147
Runways & other airport infrastructure	30,454,867	1,364,161	-	31,819,028
Equipment, furniture & fixtures, and other	7,606,802	542,463	(104,081)	8,045,184
Total accumulated depreciation	48,410,007	2,601,433	(104,081)	50,907,359
Capital assets being depreciated, net	28,944,221	(2,141,807)	(26,724)	26,775,690
Business-type activities capital assets, net				
Airport Commision	$ 35,162,876	$ (261,968)	$ (27,043)	$ 34,873,865

Construction-in-progress is composed of the following:

	Primary Appropriation	Expended to December 31, 2013	Committed
Primary government:			
Governmental activities	$ 62,529,341	$ 20,675,700	$ 41,853,641
Business-type activities			
Sanitation capital improvements	6,637,000	1,894,318	4,742,682
Water and sewer capital improvements	104,428,022	28,788,566	75,639,456
Total	$ 173,594,363	$ 51,358,584	$ 122,235,779

The City's governmental construction projects include major street and drainage improvements, a new aquatics park, a new fire station and improvements to the existing fire stations. Funding is in place for these projects. The water and sewer capital improvement projects include the water and wastewater projects that are being funded by the Sales and Use Tax Refunding and Construction Bonds, Series 2012. These assets are being transferred to the Water and Sewer Fund as contributed capital from a general government fund. Funds are available for these projects. The water and sewer capital improvement projects also include the waterline improvements in the southern areas of the City, wet weather wastewater improvements, and plant designs that are funded by the 2008 water and sewer system revenue bonds. The sanitation project currently includes construction of a new and expanded scale house for operations at the landfill. Funds are in place for the scale house project.

Reconciliation of Capital Assets to Invested in Capital Assets, Net of Related Debt on the Statement of Net Position:

		Business-Type		
	Governmental	Water and Sewer	Sanitation	Total
Primary Government:				
Net book value	$ 378,442,460	$ 501,655,909	$ 24,374,341	$ 526,030,250
Current and noncurrent debt	(101,999,359)	(168,872,835)	(959,797)	(169,832,632)
Restricted assets - unspent bond/not proceeds	38,584,328	3,050,070	-	3,050,070
Net investment in capital assets	$ 315,027,429	$ 335,833,144	$ 23,414,544	$ 359,247,688

	Governmental	Business-Type
Component Units:		
Net book value	$ 745,865	36,654,143
Current and noncurrent debt	-	(3,233,166)
Net investment in capital assets	$ 745,865	$ 33,420,977

Note 4: Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2013 were as follows:

Primary Government-

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013	Amount Due in One Year
Governmental Activies:					
Bonds Payable -					
Sales tax bonds	$ 109,310,000	$ -	$ 12,905,000	$ 96,405,000	$ 8,205,000
Add issuance premium	5,851,914	-	417,994	5,433,920	-
Sales tax bonds payable, net	115,161,914	-	13,322,994	101,838,920	8,205,000
Capital leases payable	294,355	-	133,916	160,439	134,759
Compensated Absences	2,454,855	162,766	207,049	2,410,572	24,106
Claims Payable - General Fund					
Legal	82,500	-	-	82,500	82,500
Employee insurance/workers' compensation	1,369,331	341,299	-	1,710,630	1,710,630
OPEB liabilities	8,656,361	3,398,074	-	12,054,435	-
Other	177,602	24,829		202,431	-
Total governmental activities long-term liabilities	$ 128,196,918	$ 3,926,968	$ 13,663,959	$ 118,459,927	$ 10,156,995
Business-Type Activities					
Bonds Payable -					
Revenue bonds	$ 171,880,000	$ -	$ 5,705,000	$ 166,175,000	$ 5,870,000
Less issuance discounts	(29,479)	-	(2,457)	(27,022)	-
Add issuance premium	2,890,414	-	272,257	2,618,157	-
Revenue bonds payable, net	174,740,935	-	5,974,800	168,766,135	5,870,000
Capial leases payable	910,196	900,776	744,477	1,066,495	711,302
Compensated absences	1,207,681	48,410	57,522	1,198,569	11,986
Claims Payable-Employee insurance and worker's compensation	600,282	69,241	-	669,523	669,523
OPEB liabilities	4,459,337	1,318,233	-	5,777,570	-
Closure/postclosure landfill costs	4,475,504	-	-	4,475,504	-
Total other long-term liabilities	11,653,000	2,336,660	801,999	13,187,661	1,392,811
Total business-type activities long-term liabilities	$ 186,393,935	$ 2,336,660	$ 6,776,799	$ 181,953,796	$ 7,262,811

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

Current Liabilities:	
Current portion of long-term debt	$ 5,870,000
Noncurrent liabilities:	
Due within one year	1,392,811
Due in more than one year	174,690,985
Total business-type activies long-term liabilities	$ 181,953,796

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

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

Changes in long-term liabilities for the year ended December 31, 2013 for the major enterprise funds were as follows:

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013	Amount Due in One Year
Water and Sewer Fund:					
Bonds Payable -					
Revenue bonds	$ 171,880,000	$ -	$ 5,705,000	$ 166,175,000	$ 5,870,000
Less issuance discounts	(29,479)	-	(2,457)	(27,022)	-
Add issuance premium	2,890,414	-	272,257	2,618,157	-
Revenue bonds payable, net	174,740,935	-	5,974,800	168,766,135	5,870,000
Capital leases payable	174,884	-	68,188	106,696	52,425
Compensated absences	933,505	37,159	21,181	949,483	9,495
OPEB liabilities	3,095,304	845,569	-	3,940,873	-
Other long-term liabilities	4,203,693	882,728	89,369	4,997,052	61,920
Total water and sewer fund	$ 178,944,628	$ 882,728	$ 6,064,169	$ 173,763,187	$ 5,931,920
Sanitation Fund:					
Capital leases payable	$ 735,312	$ 900,775	$ 676,289	$ 959,798	$ 658,877
Compensated absences	274,176	11,251	36,341	249,086	2,491
OPEB liabilities	1,364,033	472,664	-	1,836,697	-
Closure/postclosure landfill costs	4,475,504	-	-	4,475,504	-
Other long-term liabilities	6,849,025	1,384,690	712,630	7,521,085	661,368
Total sanitation fund	$ 6,849,025	$ 1,384,690	$ 712,630	$ 7,521,085	$ 661,368

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

	Water and Sewer Fund	Sanitation Fund
Current Liabilities		
Revenue bonds payable	$ 5,870,000	$ -
Capital leases payable	52,425	658,877
Accrued vacation and sick leave	9,495	2,491
Noncurrent Liabilities:		
Landfill closure and postclosure care	-	4,475,504
Revenue bonds, net	162,896,139	-
Capital leases payable	54,271	300,920
Accrued vacation and sick leave	939,988	246,593
OPEB liabilities	3,940,873	1,836,697
Total long-term liabilities for major enterprise funds	$ 173,763,191	$ 7,521,082

Changes in long-term liabilities for the year ended December 31, 2013, for the component units were as follows:

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013	Amount Due in One Year
Component Units:					
Business-type activities-					
Parking Authority:					
Bonds Payable -					
Revenue bonds payable, net	$ 500,000	$ -	$ 115,000	$ 385,000	$ 120,000
Less issuance discounts	(9,437)	-	(1,888)	(7,549)	-
Bonds payable, net	490,563	-	113,112	377,451	120,000
Compensated Absences	356	359	-	715	-
Total	490,919	359	113,112	378,166	120,000
Airport Commission:					
Bonds payable - Revenue Bonds	3,030,000	-	175,000	2,855,000	180,000
Total Component Units	$ 3,520,919	$ 359	$ 288,112	$ 3,233,166	$ 300,000

Operating Leases

The City leases office space under a noncancelable-operating lease. Total costs for the lease to the General Fund were $238,000 for the year ended December 31, 2013. The future minimum lease payments for the lease are as follows:

2014	$ 250,000
2015	42,000
Total	$ 292,000

Capital Leases

The City has entered into lease agreements for the acquisition of capital assets in 2009 through 2013. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the statement of net position.

The assets acquired through capital lease are as follows:

	Primary Government		
	Governmental Activities	Business - Type Activities	
		Water & Sewer	Sanitation
Machinery and Equipment	$ 404,311	$ 315,724	$ 2,009,877
Less accumulated depreciation	(404,311)	(158,280)	(203,922)
Total	$ -	$ 157,444	$ 1,805,955

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

	Primary Government		
	Governmental Activities	Business - Type Activities	
		Water & Sewer	Sanitation
2014	$ 143,557	$ 56,181	$ 683,346
2015	26,584	56,181	309,556
Total future minimum lease payments	170,141	112,362	992,902
Less interest	(9,702)	(5,666)	(33,104)
Net present value of future minimum lease payments	$ 160,439	$ 106,696	$ 959,798

In accordance with Amendment 78 of the Arkansas Constitution, Arkansas state statutes limit the amount of short-term financing, including capital leases, the City may have in any fiscal year to five percent (5%) of the assessed valuation of property within the City. The limit applies to the reporting entity governmental activities. The governmental activities had capital leases payable of $160,439 that is considered short-term financing as of December 31, 2013. The limit as of December 31, 2013 was $67.4 million; therefore management believes the City is in compliance with state statutes for short-term financing at December 31, 2013.

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 will be redeemed by September 1, 2014. The reacquisition price exceeded the carrying amount of the old debt by $1,483,000. The unamortized amount is a deferred inflow or deferred outflow and is being amortized over the refunded debt's life using the straight-line method. The bonds were also issued to fund $39.4 million in wastewater improvements; $20.7 million in water system improvements; $8.6 million in fire improvements; and $4 million in aquatic center improvements. The bonds are due May 1, 2013 through May 1, 2027 in varying amounts with interest ranging from 1% to 5%, payable semiannually. The effective interest rate on the 2012 bonds is 3.05%. On March 13, 2012, voters approved the reauthorization of two ½% sales and use taxes for these bonds and for operation costs. The bonds are supported by .75% sales and use tax. The bonds are subject to mandatory redemption in inverse order from surplus tax collections on any payment date. On November 1, 2013, $2,515,000 of the 2012 bonds was called. The remaining .25% sales and use tax is used for fire and park operations.

Bond Retirement - The City is required to maintain a debt service reserve equal to $5,533,000 during the life of the 2012 Bonds. The City held U.S. Treasury Bills at a carrying amount of $5,533,527 at December 31, 2013 for this purpose.

Maturity Schedule – The debt service requirements for the Sales Tax Bonds at December 31, 2013 is as follows:

	Principal	Interest
2014	$ 8,205,000	$ 3,400,805
2015	5,665,000	3,233,780
2016	5,835,000	3,061,280
2017	6,010,000	2,868,581
2018	6,220,000	2,654,556
2019-2023	34,780,000	9,409,423
2024-2027	29,690,000	1,816,238
Total	96,405,000	$ 26,444,663
Add unamortized bond premium	5,433,920	
Net bonds outstanding at December 31, 2013	$ 101,838,920	

Revenue Bonds - Business-Type Activities

Revenue bonds outstanding at December 31, 2013, are comprised of the following individual issues:

Water and Sewer:	
$7,330,000 of Series 2005B Water and Sewer Revenue Bonds; due in annual installments of varying amounts through October 1, 2025 with interest ranging from 4% to 4.375% payable semiannually; callable on and after October 1, 2015 and payable semiannually	$ 6,805,000
$24,470,000 of Series 2007 Water and Sewer Revenue Bonds; due in annual installments of varying amounts through October 1, 2027 with interest ranging from 4% to 5% payable semiannually; callable on and after October 1, 2017 and payable semiannually	19,060,000
$117,420,000 of Series 2008 Water and Sewer Refunding and Construction Revenue Bonds; due in varying amounts through October 1, 2033 with interest ranging from 4% to 5.25% payable semiannually; callable on and after October 1, 2018 and payable semiannually	113,645,000
$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; callable on and after October 1, 2012 and payable semiannually	15,215,000
$13,250,000 of Series 2012 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2019 with interest ranging from 2% to 3.807% payable semiannually	11,450,000
Bonds outstanding, December 31, 2013	166,175,000
Unamortized bond discount	(27,022)
Unamortized bond premium	2,618,157
Net bonds outstanding, December 31, 2013	$ 168,766,135

Water and Sewer-

On December 21, 2005, the City issued $7,330,000 Water and Sewer Revenue Bonds, Series 2005B. The 2005B Bonds were issued to fund the purchase of a portion of the South Sebastian County Water Users Association water system and to provide water services to the southern areas of Fort Smith.

On November 21, 2007, the City issued $24,470,000 Water and Sewer Revenue Bonds, Series 2007. The 2007 Bonds were issued to provide funding for improvements to the water and sewer facilities including new sewer pump stations, sewer extensions in the southern growth area of the City, the Mountainburg water treatment plant rehabilitation and expansion, Midland Boulevard water transmission line replacement, neighborhood water line replacements, new water line from Mountainburg to the City, water storage tank painting, Lee Creek water plant instrumentation, and water transmission system metering. The 2007 Bonds were issued as additional bonds on a parity of security with the 2005B bonds.

On August 6, 2008, the City issued $117,420,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2008. The 2008 Bonds were issued to advance refund the 2002A Bonds and to provide funding for improvements to the water and sewer facilities. The sewer improvements include extensions in growth areas of the City and the water improvements include the Mountainburg water treatment plant rehabilitation and expansion, the replacement of neighborhood water lines, and the Howard Hill elevated water storage tank. The 2008 Bonds advance refunded $66.475 million of the outstanding Series 2002A Bonds. The carrying amount of the old debt exceeded the reacquisition price by $440,770. The unamortized amount is now shown as a deferred outflow and is being amortized over the refunded debt's life using the straight-line method. The remaining unamortized deferred amount on refunding was $261,556 as of December 31, 2013. The 2008 Bonds were issued as additional bonds on a parity of security with the 2005B and 2007 bonds.

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 now shown as a deferred inflow and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was $70,219 as of December 31, 2013. The City completed the refunding to obtain an economic gain of $1,372,849 over the remaining life of the bonds.

On February 23, 2012, the City issued $13,250,000 Water and Sewer Revenue Refunding Bonds, Series 2012, to refund the outstanding 2005A Water and Sewer Revenue Refunding Bonds. The bonds are due in varying amounts on October 1, 2012 through 2019 with interest rates ranging from 2% to 3.807%, payable semiannually. The reacquisition price exceeded the carrying amount of the old debt by $265,391. The unamortized amount is now shown as a deferred inflow and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was $189,565 as of December 31, 2013. The City completed the refunding to reduce its total debt service payments over the next seven (7) years by $1,803,168 and to obtain an economic gain of $1,115,323.

The Series 2005B, 2007, 2008, 2011 and 2012 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, 2013, the City is in compliance with all applicable requirements.

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 $727,354 related to the 2005B Bonds, $1,891,369 related to the 2007 Bonds, $11,712,104, related to the 2008 Bonds, $1,892,000 related to the 2011 Bonds and $1,325,000 related to the 2012 Bonds. The City held surety bonds valued at $727,354, $1,891,369, $11,712,104, $1,892,000 and $1,325,000 at December 31, 2013 for this purpose.

Asset Replacement- The City is required to deposit 3% of the gross revenues of the water and sewer system for the then preceding month plus $5,000 per month until the sum of $500,000 has been accumulated in the Depreciation Fund. Amounts are to be used for replacements made necessary by the depreciation of the system. The City has accumulated $950,000 for asset replacement as of December 31, 2013.

Maturity Schedule

Aggregate debt service requirements at December 31, 2013 for business-type activity related bonds were as follows:

	Total Business-Type Activities Water and Sewer	
	Principal	**Interest**
2014	$ 5,870,000	$ 7,728,715
2015	6,085,000	7,512,744
2016	6,320,000	7,287,218
2017	6,525,000	7,073,983
2018	6,755,000	6,850,504
2019-2023	38,140,000	29,879,248
2024-2028	48,230,000	19,808,076
2029-2032	48,250,000	6,178,250
Total	$ 166,175,000	$ 92,318,738

Component Units Revenue Bonds-Business-Type Activities

Airport Commission-

On August 2, 2011, the Airport Commission issued $3,205,000 of City of Fort Smith, Arkansas Airport Refunding and Improvement Revenue Bonds, Series 2011, to refund the remaining outstanding Series 1999 Bonds. The bonds bear interest at 1.5% to 5.35%, payable semi-annually and the bonds are payable in annual installments through October 1, 2026. All the bonds still outstanding may be redeemed at the Airport's option on or after October 1, 2020. At December 31, 2013, bonds payable were $2,855,000.

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

	Principal	Interest
2014	180,000	124,388
2015	180,000	120,967
2016	190,000	115,658
2017	195,000	109,387
2018	200,000	102,368
2019-2023	1,140,000	372,525
2024-2026	770,000	79,852
Total Payments	$ 2,855,000	$ 1,025,145

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

Bond Retirement - The Airport Commission is required to maintain funds for the payment of principal, interest and trustee and paying agents' fees of $381,272, which are classified as restricted assets on the balance sheet, as of December 31, 2013. The Airport Commission held cash and investments equal to this amount at December 31, 2013.

Parking Authority-

In November 1998, the Parking Authority issued $2,025,000 of Parking Facilities and Refunding and Improvement Revenue Bonds, Series 1998. Together with $675,000 of existing funds, approximately $2,072,000 of the net proceeds were being used to acquire and improve off-street parking facilities, including necessary demolition, and $849,000 was used to redeem $825,000 of Series 1989 Bonds issued on January 1, 1989. The Parking Facilities Refunding and Improvement Revenue Bonds are collateralized by the revenues derived from the operations of parking facilities and by the revenues derived from parking meters located in the City. The restricted account required by the bond ordinance is as follows:

Bond Retirement - The Parking Authority is required to maintain funds for the payment of principal, interest, and trustee and paying agents' fees of $69,620. As of December 31, 2013, the Parking Authority held investments equal to this amount.

The Series 1998 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption. The Authority may prepay all or a portion of the bonds in inverse order or maturity in whole at any time, or in part on any interest payment date on or after December 1, 2003, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 1998 Bonds must be redeemed from proceeds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order or maturity. To the extent not previously redeemed, the Series 1998 Bonds with maturity on December 1, 2015 is subject to mandatory sinking fund redemption. On June 1, 2005, $415,000 of outstanding 1998 Bonds was redeemed. The redemption was accomplished with the sale of property to a hotel developer.

At December 31, 2013, Parking Authority Revenue Bonds payable was $385,000. The bonds are due in annual installments at varying amounts through December 1, 2017, with interest ranging from 4.65% to 4.75%, payable semiannually. The bonds outstanding net of unamortized discount at December 31, 2013, was $377,451.

Debt service requirements for the bonds at December 31, 2013 were as follows:

	Principal	Interest
2014	$ 120,000	$ 18,043
2015	125,000	12,462
2016	130,000	6,650
2017	10,000	475
Total Payments	$ 385,000	$ 37,630

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, 2013, 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, 2013, there were fourteen series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of $273,600,000, two series of Fair and Exhibition Facilities Bonds outstanding with an aggregate principal amount payable of $5,865,000, and two series of Residential Housing Facilities Board Multi-Family Housing Revenue Bonds outstanding with an aggregate principal payable of $6,375,000.

Note 5: Risk Management

The City is exposed to various risks of loss related to the City's self-insurance of workers' compensation and health and other medical benefits provided to employees and retirees, and their dependents and beneficiaries. The City accounts for these programs through the Employee Insurance Fund and Workers' Compensation Fund. Each fund is an internal service fund. In addition, the City limits property and casualty losses and manages risk through the purchase of insurance policies with several different carriers. The City has not recognized any settlements that exceeded insurance coverage during the past three years.

All funds of the City participate in the City's insurance programs and make payments to the respective self-insurance funds based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. The Airport Commission and the Fort Smith Public Library participate in the City's health plans by making contributions as required by the City. At December 31, 2013 the net position was $55,616 and $17,205 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of $1,560,424 and $819,729 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 2013 are detailed below:

	Employee Insurance	Workers' Compensation
Self-insurance liability, December 31, 2011	$ 1,350,625	$ 390,084
Current year claims and changes in estimate	8,873,663	591,962
Claim payments	(8,646,688)	(590,033)
Self-insurance liability, December 31, 2012	1,577,600	392,013
Current year claims and changes in estimate	8,180,374	1,617,461
Claim payments	(8,197,550)	(1,189,745)
Self-insurance liability, December 31, 2013	$ 1,560,424	$ 819,729

Note 6: Deferred Compensation Plan

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

The Plan, available to all permanent City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed $17,500. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 7: Pension Plans

(a) Public Employees Retirement System

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. 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. Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 10% of each covered employees' earnings. Employer contributions to the PERS plan totaled $2,491,319 for 2013.

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.

(b) District Judges and Court Clerk's Retirement System

On January 1, 2005, the district judges became members of the Arkansas District Judges Retirement System (ADJRS). ADJRS is administered by the state as a defined benefit plan. Employer contributions for 2013 were made by the State.

On January 1, 2005, the district court clerk became a member of the Arkansas Public Employees' Retirement System (APERS). APERS is administered by the state as a defined benefit plan. The employer contribution rate was 14.24% from January 1 through June 30, 2013 and it was 14.88% from July 1 through December 31, 2013 of covered payroll. The Clerk's contribution rate was 5% of covered payroll for 2012.

Covered payroll for the clerk was $89,919 for the fiscal year ended December 31, 2013. There is one retired clerk receiving benefits from APERS.

(c) Fire Relief and Pension Plan and Police Relief and Pension Plan (the Old Plans)

Plan Description

The Fire Relief and Pension Plan and the Police Relief and Pension Plan (the Old Plans) are cost-sharing multi-employer defined benefit pension plans for employees of the Fire and 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 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 Plan's net pension obligation over a 30 year open amortization period. The Old Plan's benefit structure remains unchanged under the administration by LOPFI. The Old Plans issue separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, PO Drawer 34164, Little Rock, Arkansas, 72203.

Members and participants of the Old Plans at December 31, 2013 are:

	Fire	Police
Active Members:		
Vested	5	1
Retirees and beneficiaries	118	93
Total	123	94

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.

Funding Policy and Funded Status

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 2013 plan year were based upon the December 31, 2012, actuarial report.

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.

The actuarially required contributions rate as of December 31, 2013, 2012, and 2011, and amounts required by the City and active participants of the Old Plans for 2013, 2012, and 2011 were as follows:

	Fire Plan			Police Plan		
	2013	2012	2011	2013	2012	2011
Employer actuarially required contribution rates	40.16%	40.68%	39.14%	30.36%	28.74%	27.53%
Employer contributions as a percentage of annual covered payroll	40.16%	40.68%	39.14%	30.36%	28.74%	27.53%
Employer contributions to LOPFI	$ 163,405	$ 217,033	$ 208,566	$ 56,259	$ 55,323	$ 51,745
Annual Pension Cost (APC)	$ 163,405	$ 217,033	$ 208,566	$ 56,259	$ 55,323	$ 51,745
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	-	-	-	-	-	-

The Fire portion of the Old Plan, as of December 31, 2012, the most recent actuarial valuation date, was 45.7% funded. The actuarial accrued liability for benefits was $34,902,373, and the actuarial value of assets was $15,942,926, resulting in an unfunded actuarial accrued liability (UAAL) of $18,959,447. The covered payroll (annual payroll of active employees covered by the plan) was $8,146,011 and the ratio of the UAAL to the covered payroll was 232.7%.

The Police portion of the Old Plan, as of December 31, 2012, the most recent actuarial valuation date, was 31% funded. The actuarial accrued liability for benefits was $24,681,528, and the actuarial value of assets was $7,641,672, resulting in an unfunded actuarial accrued liability (UAAL) of $17,039,856. The covered payroll (annual payroll of active employees covered by the plan) was $8,392,891 and the ratio of the UAAL to the covered payroll was 191.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 2013, for the Old Plans:

	Old Fire and Police Plans
Valuation date	December 31, 2012
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	24 years closed
Assumptions:	
Inflation rate	4.0%
Investment rate of return	8.0%
Projected salary increases	4.0%
Post-retirement benefit increases	3.0%

d) 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 retirement program 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, P. O. Drawer 34164, Little Rock, Arkansas 72203, or by calling (501) 682-1745.

Funding Policy and Funded Status

The City contributes 40.16% of covered employee salaries' to the new plan for firefighters and 30.36% of covered employee salaries' to the new plan for police officers. Employees contributed $1,313,618 to the contributory plan for the year ended December 31, 2012. City contributions to the new plans for the years ended December 31, 2013, 2012, and 2011, were approximately $5,967,157, $5,162,533, and $4,821,983, respectively, and were equal to 100% of the required contributions for each year. The contribution provisions applicable to the City are established by the LOPFI Board of Trustees and shall be based on the actuary's determination of the rate required to fund the New Plans.

Note 8: Other Postemployment Benefits (OPEB)

Plan Description

The City of Fort Smith sponsors and administers an informal single-employer defined benefit healthcare 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 Council 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. The plan has 884 active participants and 30 retirees and beneficiaries receiving benefits who pay monthly premiums between $452 for single coverage and $1,270 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of the plan are presented as a trust fund in the City's Comprehensive Annual Financial Report (CAFR) and are prepared on the accrual basis of accounting. Employer contributions 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 2 of the financial statements.

Funded Status and Funding Progress

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	$	4,900,338
30 - year amortization of net OPEB obligation		(706,482)
Interest on net OPEB obligation		613,673
Annual OPEB cost		4,807,529
Total annual employer contribution		91,242
Increase in net OPEB obligation		4,716,287
Net OPEB obligation - beginning of year		13,115,718
Net OPEB obligation - end of year	$	17,832,005

The net OPEB obligation is recorded in the government-wide statement of net position as non-current liabilities due in more than one year for governmental activities at $12,054,435 and for business-type activities at $5,777,570. Furthermore, the obligation for business-type activities is reflected on the statement of fund net position for proprietary funds as non-current liabilities for the Water and Sewer Fund ($3,940,873) and for the Sanitation Fund ($1,836,697).

The components of the annual required contribution (ARC) calculation reflecting a 30 year amortization period is as follows:

Normal cost	$	1,300,358
Amortization of transition obligation		3,507,191
Annual required contribution	$	4,807,549

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012, and 2011is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	$ 4,807,529	1.90%	$ 17,832,005
12/31/2012	4,437,022	1.98%	13,115,718
12/31/2011	3,450,496	35.15%	8,766,762

Funded Status and Funding Progress: As of January 1, 2014, the most recent actuarial valuation date, the plan was 5.3% funded. The actuarial accrued liability for benefits was $27,401,372, and the actuarial value of assets was $1,459,584, resulting in an unfunded actuarial accrued liability (UAAL) of $25,941,788. The covered payroll (annual payroll of active employees covered by the plan) was $42,584,483, and the ratio of the UAAL to the covered payroll was 60.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7% investment rate of return based upon funding the plan in the future, a 7.5% inflation rate, and an annual healthcare cost trend rate of 10% for 2014 and then reduced by decrements of 0.5% to 1.0% annually to an ultimate rate of 4.5% after seven years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2013, was twenty-five years.

Note 9: Commitments and Contingencies

Litigation

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City's financial position. The City appropriates funds necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable. At December 31, 2013 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.

For the past several years, the City has been subject to various administrative orders issued by the Environmental Protection Agency (EPA) with reference to the sanitary sewer system's ability to adequately handle wet weather flows. On September 9, 2005, the EPA issued an additional administrative order. The latest order specifically orders the removal of several planned and constructed overflow sites in the City's sanitary sewer system which are necessary to prevent harm resulting from the overflows during wet weather conditions. The City has been notified by the Department of Justice that the EPA has referred the City's file to the Department of Justice. The City is communicating with the Department of Justice in an effort to establish timelines for the wastewater improvements required. The 2006 Sales and Use Tax Refunding and Construction Bonds included $49.3 million for wastewater improvements in response to EPA regulations. Additionally, the Sales and Use Tax Construction Bonds, Series 2008, 2009, and 2010 included $14 million, $29.15 million, and $3.595 million, respectively, for wastewater improvements as required by the EPA. The 2012 Sales and Use Tax Refunding and Construction Bonds included $39.4 million for wastewater improvements. City management believes this matter will be resolved without litigation and penalty assessment.

Note 10: Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2013 are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	$ 20,215	$ -
Special Revenue Funds		
CDBG Fund	-	13,812
HOME Fund	-	6,740
Capital Project Fund		
Sales & Use Tax Construction Fund	-	603,367
Proprietary Funds:		
Sanitation Fund	603,367	-
Working Capital Fund	337	-
Total	$ 623,919	$ 623,919

The $20,215 receivable in the General Fund represents amounts paid for expenditures incurred by the Community Development Block Grant Fund ($13,475) and the HOME Investment Partnership Act Fund ($6,740). The $603,367 receivable in the Sanitation Fund represents landfill fees from a wastewater remediation project that is being constructed in the Sales and Use Tax Construction Fund, a capital projects fund. The $337 receivable in the Working Capital Fund, an internal service fund, represents charges to the Community Development Block Grant Fund for fuel and supplies.

Interfund transfers in (out) for the year ended December 31, 2013, is as follows:

Fund	Transfers In	Transfers Out
Primary Government -		
Governmental Funds:		
Major funds:		
General Fund	$ 2,855,186	$ 1,117,000
Special revenue -		
Street Maintenance Fund	-	146,300
Sales Tax Fund	-	2,568,000
Non-major funds:		
Special revenue -		
Convention Center Fund	777,000	15,410
CDBG	-	3,000
	-	
Total governmental funds	3,632,186	3,849,710
Proprietary Funds:		
Water and Sewer Fund	-	566,210
Sanitation Fund	90,000	171,950
Employee Insurance Fund	900,000	-
Workers' Compensation Fund	200,000	454,000
Total proprietary funds	1,190,000	1,192,160
Component Units -		
Advertising & Promotion Fund	-	27,946
Parking Authority Fund	250,000	2,370
Total component units	250,000	30,316
Total	$ 5,072,186	$ 5,072,186

The transfer out of $2,568,000 from the Sales Tax Fund is to the General Fund and represents the allocation of overhead costs provided by General Fund programs during 2013. The transfers out from the General Fund include $777,000 to the Convention Center Fund. Of the $900,000, transferred in to the Employee Insurance Fund, $454,000 was from the Workers' Compensation Fund, $274,500 was from the Water and Sewer Fund, $76,500 was from the Sanitation Fund, and $57,900 was from the Street Maintenance Fund.

Note 11: Landfill Closure and Post Closure Care Costs

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

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

The City's permitted landfill capacity is 72,607,000 cubic yards. The life of the landfill is projected to last for 203.5 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2013, is $4,475,504. The remaining estimated closure and postclosure care costs of approximately $33.3 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 10.5% at December 31, 2013. 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, 2013. 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, 2013, is $7,726,231. In order to comply with this requirement, the City held an irrevocable standby letter of credit with BancorpSouth that is pledged to the Arkansas Department of Environmental Quality in the amount of $7,579,537 at December 31, 2013. The city has also pledged a certificate of deposit investment as collateral for the letter of credit. The City will increase the value of the letter of credit and certificate of deposit held as collateral to meet the required level of financial assurance during 2014.

Note 12: New Applicable GASB Standards

GASB Statement No. 67 – Financial Reporting for Pension Plans – 2012

This statement establishes financial reporting standards for state and local government pension plans that are administered through trusts or equivalent arrangements. GASB 67 amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.* The provisions of GASB 67 are effective for periods beginning after June 15, 2013, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – 2012

This statement establishes standards of accounting and financial reporting for defined pension benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers that are administered through trusts or equivalent arrangements. GASB 68 amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The provisions of GASB 68 are effective for periods beginning after June 15, 2014, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 69 – Government Combinations and Disposals of Government Operations – 2013

This statement establishes accounting and financial reporting standards for government combinations and disposals of government operations. The provisions of GASB 68 are effective for periods beginning after December 15, 2013, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees – 2014

This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor, and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of GASB 70 are effective for periods beginning after June 15, 2013, and should be applied on a retroactive basis. Earlier application is encouraged. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

GASB Statement No. 71 – Pension Transition for Contributions made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68) – 2014

This statement amends Statement 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and nonemployer contributing entities. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other

deferred outflows of resources and deferred inflows of resources related to pensions should be recognized. GASB 71 is effective for periods beginning after June 15, 2014, and should be applied simultaneously with the provision of Statement 68. The City has not yet determined the potential impact, if any; this statement could have on its financial statements.

Note 13: Condensed Financial Statements-Discretely Presented Component Units

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

Statement of Net Position
December 31, 2013

	Governmental			Business-Type		
	Advertising and Promotion	Public Library	Total	Parking Authority	Airport Commission	Total
Assets						
Current assets	$ 170,537	$ 1,285,355	$ 1,455,892	$ 548,525	$ 4,303,315	$ 4,851,840
Sales taxes receivable from the City	-	145,594	145,594	-	-	-
Capital Assets, net of accumulated depreciation, as applicable	-	745,865	745,865	1,780,278	34,873,865	36,654,143
Noncurrent assets	-	-	-	69,176	-	69,176
Total Assets	170,537	2,176,814	2,347,351	2,397,979	39,177,180	41,575,159
Deferred Outflows of Resources						
Deferred charge on refunding	-	-	-	-	164,149	164,149
Total Deferred Outflows of Resources	-	-	-	-	164,149	164,149
Liabilities						
Current liabilities	20,058	64,853	84,911	126,997	849,990	976,987
Noncurrent liabilities	-	-	-	258,166	2,675,000	2,933,166
Total liabilities	20,058	64,853	84,911	385,163	3,524,990	3,910,153
Net Position						
Net investment in capital assets	-	745,865	745,865	1,402,112	32,018,865	33,420,977
Restricted	150,479	-	150,479	69,620	437,291	506,911
Unrestricted	-	1,366,096	1,366,096	541,084	3,360,183	3,901,267
Total net position	$ 150,479	$ 2,111,961	$ 2,262,440	$ 2,012,816	$ 35,816,339	$ 37,829,155

City of Fort Smith, Arkansas
Notes to Basic Financial Statements
December 31, 2013

Statement of Activities
For the Year Ended December 31, 2013

	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities: Advertising and Promotion	Governmental Activities: Public Library	Total
Advertising/Promotion	$ 751,230	$ -	$ 3,140	$ (748,090)	$ -	$ (748,090)
Public Library	2,988,034	177,252	189,988	-	(2,620,794)	(2,620,794)
Total	$ 3,739,264	$ 177,252	$ 193,128	(748,090)	(2,620,794)	(3,368,884)
General revenues						
Property taxes				-	1,374,953	1,374,953
Sales taxes				-	921,239	921,239
Hospitality hotel/motel taxes				732,855	-	732,855
Unrestricted investments earnings				244	680	924
Other				-	32,296	32,296
Total general revenues				733,099	2,329,168	3,062,267
Change in net position				(14,991)	(291,626)	(306,617)
Net position, beginning				165,470	2,403,587	2,569,057
Net position, ending				$ 150,479	$ 2,111,961	$ 2,262,440

	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities: Parking Authority	Business-Type Activities: Airport Commission	Total
Parking Authority	$ 316,166	$ 187,704	$ -	$ (128,462)	$ -	$ (128,462)
Airport Commission	4,847,723	2,606,338	2,140,455	-	(100,930)	(100,930)
Total	$ 5,163,889	$ 2,794,042	$ 2,140,455	(128,462)	(100,930)	(229,392)
General revenues						
Unrestricted investment earnings				1,415	18,138	19,553
Payment from City of Fort Smith				250,000	-	250,000
Total general revenues				251,415	18,138	269,553
Change in net position				122,953	(82,792)	40,161
Net position, beginning of year, before restatement				2,367,709	35,899,131	38,266,840
Adjustment for implementation of GASB 65				(9,062)	-	(9,062)
Adjustment applicable to prior years				(468,784)	-	(468,784)
Net position, beginning of year, after restatement				1,889,863	35,899,131	37,788,994
Net position, ending				$ 2,012,816	$ 35,816,339	$ 37,829,155

Note 14: Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Fort Smith, Arkansas

Required Supplementary Information

Analysis of Funding Progress – Pension and OPEB Plans

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1)/(2)	(4) Total Funded Excess (Unfunded) Actuarial Liability* (1) - (2)	(5) Annual Covered Payroll	(6) Ratio of Funded Excess (Unfunded) Actuarial Liability to Annual Covered Payroll (4)/(5)
Fire Relief and Pension Plan and Police Relief and Pension Plan (the Old Plans)						
Fire Plan:						
2012	$ 15,942,926	$ 34,902,373	45.7%	$ (18,959,447)	$ 8,146,011	-232.7%
2011	16,540,360	33,089,514	50.0%	(16,549,154)	7,532,651	-219.7%
2010	13,623,622	44,835,482	30.4%	(31,211,860)	7,333,658	-425.6%
Police Plan:						
2012	$ 7,641,672	$ 24,681,528	31.0%	$ (17,039,856)	$ 8,392,891	-203.0%
2011	7,749,397	23,537,921	32.9%	(15,788,524)	8,248,459	-191.4%
2010	11,728,706	35,427,310	33.1%	(23,698,604)	8,034,511	-295.0%
Other Post Employment Benefit Plan (OPEB)						
2013	$ 1,459,584	$ 27,401,372	5.3%	$ (25,941,788)	$ 42,584,483	-60.9%
2012	1,499,451	34,363,100	4.4%	(32,863,649)	40,638,488	-80.9%
2011	1,489,183	34,363,100	4.3%	(32,873,917)	38,782,126	-84.8%
Employer Contributions - OPEB						
2013	$ 91,242					
2012	88,066					
2011	1,212,760					

City of Fort Smith, Arkansas

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – General Fund

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	$ 7,107,660	$ 6,942,150	$ 6,798,097	$ -	$ 6,798,097	$ (144,053)
Sales taxes	20,715,747	20,197,854	20,221,234	-	20,221,234	23,380
Licenses and permits	1,315,000	1,387,701	1,442,399	-	1,442,399	54,698
Utility franchise fees	6,119,730	6,241,402	6,478,637	-	6,478,637	237,235
Intergovernmental	5,501,624	5,609,603	5,131,812	-	5,131,812	(477,791)
Fines and forfeitures	2,110,000	2,175,000	2,440,645	-	2,440,645	265,645
Fees for services	669,250	630,299	669,559	-	669,559	39,260
Interest	5,000	11,280	13,959	-	13,959	2,679
Miscellaneous	165,163	173,784	734,074	-	734,074	560,290
Total revenues	43,709,174	43,369,073	43,930,416	-	43,930,416	561,343
Expenditures						
Current:						
General government						
Administration	4,090,862	4,066,622	3,788,689	3,827	3,792,516	274,106
Legal	1,986,674	2,015,125	1,885,888	19,000	1,904,888	110,237
Finance	2,147,816	2,115,906	2,040,452	11,101	2,051,553	64,353
Public safety						
Police	16,572,200	16,060,055	15,243,401	71,788	15,315,189	744,866
Fire	12,228,400	12,397,102	11,764,795	7,059	11,771,854	625,248
Community services						
Health and social services	119,980	119,980	103,012	-	103,012	16,968
Parks and recreation	2,375,900	2,315,964	1,956,563	31,574	1,988,137	327,827
Transit	2,281,600	2,272,228	2,058,503	21,927	2,080,430	191,798
Other	1,592,289	1,642,289	1,559,584	12,000	1,571,584	70,705
Capital outlay	5,395,148	5,668,633	2,262,195	2,994,983	5,257,178	411,455
Total expenditures	48,790,869	48,673,904	42,663,082	3,173,259	45,836,341	2,837,563
Excess (deficiency) of revenues over (under) expenditures	(5,081,695)	(5,304,831)	1,267,334	(3,173,259)	(1,905,925)	3,398,906
Other Financing Sources (Uses):						
Transfers in	2,855,350	2,855,800	2,855,186	-	2,855,186	(614)
Transfers out	(1,117,000)	(1,117,000)	(1,117,000)	-	(1,117,000)	-
Total other financing sources and uses	1,738,350	1,738,800	1,738,186	-	1,738,186	(614)
Net change in fund balances	(3,343,345)	(3,566,031)	3,005,520	(3,173,259)	(167,739)	3,398,292
Fund Balances, January 1	6,897,451	7,343,091	8,679,817	-	8,679,817	-
Fund Balances, December 31	$ 3,554,106	$ 3,777,060	$ 11,685,337	$ (3,173,259)	$ 8,512,078	$ 3,398,292

City of Fort Smith, Arkansas

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Street Maintenance Fund

For the Year Ended December 31, 2013

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	$ 2,070,090	$ 1,987,286	$ 2,008,917	$ -	$ 2,008,917	$ 21,631
Licenses and permits	160,000	164,976	169,705	-	169,705	4,729
Intergovernmental	4,506,474	4,506,474	4,586,768	-	4,586,768	80,294
Interest	2,000	3,576	3,143	-	3,143	(433)
Miscellaneous	5,000	5,000	13,812	-	13,812	8,812
Total revenues	6,743,564	6,667,312	6,782,345	-	6,782,345	115,033
Expenditures						
Current:						
General government						
Administration	235,233	232,219	215,539	1,842	217,381	14,838
Legal	63,468	78,467	64,216	-	64,216	14,251
Finance	341,386	339,941	321,250	10,074	331,324	8,617
Public works						
Operations	464,530	467,799	466,544	1,108	467,652	147
Streets	3,587,610	3,809,718	3,788,145	1,504	3,789,649	20,069
Traffic control	2,140,850	2,080,676	2,063,248	3,994	2,067,242	13,434
Community services						
Parks and recreation	306,870	270,759	246,785	3,528	250,313	20,446
Other	40,000	16,130	16,129	-	16,129	1
Capital Outlay	507,753	590,630	434,424	474,428	908,852	(318,222)
Total expenditures	7,687,700	7,886,339	7,616,280	496,478	8,112,758	(226,419)
Excess (deficiency) of revenues over (under) expenditures	(944,136)	(1,219,027)	(833,935)	(496,478)	(1,330,413)	(111,386)
Other Financing Uses:						
Transfers in	-	-	-	-	-	-
Transfers out	(88,400)	(146,300)	(146,300)	-	(146,300)	-
Total Other Financing Uses	(88,400)	(146,300)	(146,300)	-	(146,300)	-
Net Change in Fund Balances	(1,032,536)	(1,365,327)	(980,235)	(496,478)	(1,476,713)	(111,386)
Fund Balances, January 1	1,905,949	1,962,170	2,690,685	-	2,690,685	-
Fund Balances, December 31	$ 873,413	$ 596,843	$ 1,710,450	$ (496,478)	$ 1,213,972	$ (111,386)

City of Fort Smith, Arkansas

Notes to Required Supplementary Information

December 31, 2013

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 for the General Fund and the Street Maintenance Fund, a special revenue fund.

The City Administrator is authorized to transfer budgeted amounts within departments; however, the Board must approve any revisions that alter the total expenditures of any department. The General Fund appropriations actually decreased by $116,965 for 2013 due to lower than expected revenues during the year. The net decrease was a combination of supplemental appropriations and reductions in appropriations. During 2013, supplemental appropriations (expenditures and transfers out) were adopted by the Board for the General Fund totaling $492,187 to provide for the acquisition of transit buses ($134,676); capital assets purchased with seized federal and state funds ($37,756); additional capital assets for the parks programs ($101,000); additional operating expenditures for the fire department ($168,702); and allocate additional planning, contractual legal and informational services ($50,053). The reductions to the 2013 General Fund budget totaled $609,152 including the decrease to the police department operations ($262,207); use of federal and seized reserve funds ($249,938); operating cost reductions in general government ($27,699); and reductions in operating expenditures for community services ($69,308). During 2013, the Board adopted supplemental appropriations for the Street Maintenance Fund totaling $256,539 to provide additional operating costs ($165,203) and capital acquisitions ($82,877) for the sidewalk construction program; a transfer to the Employee Health and Wellness Fund ($57,900); and for additional planning, contractual legal and informational services ($10,540). These were offset by decreases in budgets for community services and other expenditures ($59,981). For budgetary purposes, unencumbered appropriations lapse at year-end.

The budgets for the General Fund and the Street Maintenance Fund are prepared on a basis that differs from GAAP. The difference between budget and GAAP basis is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to an assignment of fund balance (GAAP). Accordingly, encumbrances have been reflected in the budget and actual schedules as budget adjustments to provide a more meaningful comparison. Budget and actual schedules are presented at the departmental level that is the legal level of budgetary control.

SUPPLEMENTARY INFORMATION SECTION

City of Fort Smith, Arkansas

Nonmajor Governmental Funds

For the Year Ended December 31, 2013

Special Revenue Funds:

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

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

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

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

LOPFI Contribution – To account for the funding of contributions made to the Police and Fire Relief and Pension Plans administered by Arkansas LOPFI.

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

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

City of Fort Smith, Arkansas

Combining Balance Sheet – Nonmajor Governmental Funds

December 31, 2013

	Special Revenue							Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Economic Development	Convention Center	
Assets								
Cash	$ 12,618	$ -	$ 23,439	$ 438	$ 87,998	$ -	$ 112,079	$ 236,572
Investments	-	10,250	-	497,872	7,980,612	-	326,962	8,815,696
Receivables, net of allowance for uncollectibles								
Taxes	-	-	-	-	2,913,664	-	-	2,913,664
Accounts	-	400	-	-	-	-	40,372	40,772
Accrued interest	-	35	-	1,717	27,526	-	1,128	30,406
Due from other governments	97,327	-	-	72,448	-	-	-	169,775
Total assets	109,945	10,685	23,439	572,475	11,009,800	-	480,541	12,206,885
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	89,694	-	9,527	49,436	557,608	-	81,495	787,760
Retainage payable	-	-	-	-	-	-	-	-
Due to other funds	13,812	-	6,740	-	-	-	-	20,552
Unavailable revenues	85	-	7,172	415,153	-	-	30,699	453,109
Other	2,323	-	-	-	-	-	-	2,323
Total liabilities	105,914	-	23,439	464,589	557,608	-	112,194	1,263,744
Deferred Inflows of Resources								
Property taxes	-	-	-	-	2,860,243	-	-	2,860,243
Total deferred inflows of resources	-	-	-	-	2,860,243	-	-	2,860,243
Fund Balances:								
Restricted for:								
Construction projects	-	-	-	107,886	-	-	-	107,886
Parks & recreation	-	10,685	-	-	-	-	-	10,685
Housing and rehabilitation	4,031	-	-	-	-	-	-	4,031
Police & fire retirement contributions	-	-	-	-	7,591,949	-	-	7,591,949
Assigned to:								
Convention center	-	-	-	-	-	-	368,347	368,347
Total Fund Balances	4,031	10,685	-	107,886	7,591,949	-	368,347	8,082,898
Total liabilities and fund balances	$ 109,945	$ 10,685	$ 23,439	$ 572,475	$ 11,009,800	$ -	$ 480,541	$ 12,206,885

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue							Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Economic Development	Convention Center	
Revenues								
Taxes	$ -	$ -	$ -	$ -	$ 2,679,577	$ -	$ -	$ 2,679,577
Intergovernmental	604,891	-	573,020	242,173	1,366,857	141,855	-	2,928,796
Fines and forfeitures	-	-	-	-	129,528	-	-	129,528
Fees for services	-	-	-	-	-	-	663,669	663,669
Interest	-	24	-	-	18,183	-	951	19,158
Contributions	-	400	-	-	1,846,891	-	-	1,847,291
Miscellaneous	-	-	-	-	1,221	-	-	1,221
Total revenues	604,891	424	573,020	242,173	6,042,257	141,855	664,620	8,269,240
Expenditures								
Current:								
Public safety								
Police	-	-	-	135,225	3,351,662	-	-	3,486,887
Fire	-	-	-	-	4,002,720	-	-	4,002,720
Public works								
Operations	-	-	-	87,288	-	-	-	87,288
Community services								
Parks and Recreation	-	-	-	6,669	-	-	-	6,669
Convention Center	-	-	-	-	-	-	1,511,665	1,511,665
Housing and Rehabilitation	601,891	-	573,020	-	-	141,855	-	1,316,766
Capital Outlay	-	-	-	14,783	-	-	-	14,783
Total expenditures	601,891	-	573,020	243,965	7,354,382	141,855	1,511,665	10,426,778
Excess (deficiency) of revenues over (under) expenditures	3,000	424	-	(1,792)	(1,312,125)	-	(847,045)	(2,157,538)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	777,000	777,000
Transfers out	(3,000)	-	-	-	-	-	(15,410)	(18,410)
Total Other Financing Sources and Uses	(3,000)	-	-	-	-	-	761,590	758,590
Net Change in Fund Balances	-	424	-	(1,792)	(1,312,125)	-	(85,455)	(1,398,948)
Fund Balances, January 1	4,031	10,261	-	109,678	8,904,074	-	453,802	9,481,846
Fund Balances, December 31	$ 4,031	$ 10,685	$ -	$ 107,886	$ 7,591,949	$ -	$ 368,347	$ 8,082,898

City of Fort Smith, Arkansas

Internal Service Funds

For the Year Ended December 31, 2013

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

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

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

City of Fort Smith, Arkansas
Combining Statement of Net Position
Internal Service Funds
December 31, 2013

	Working Capital	Employee Insurance	Workers' Compensation	Total
Assets				
Current Assets				
Cash	$ 79,480	$ 368,799	$ 60,573	$ 508,852
Investments	-	1,251,599	660,962	1,912,561
Receivables, net of allowance for uncollectibles				
Accounts	-	43,251	-	43,251
Accrued interest	-	4,317	2,280	6,597
Inventory	46,504	-	-	46,504
Prepaid items & deposits	-	121,777	113,119	234,896
Due from other funds	337	-	-	337
Total Current Assets	126,321	1,789,743	836,934	2,752,998
Total Assets	126,321	1,789,743	836,934	2,752,998
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	71,831	173,703	-	245,534
Claims and judgments	-	1,560,424	819,729	2,380,153
Total Current Liabilities	71,831	1,734,127	819,729	2,625,687
Total Liabilities	71,831	1,734,127	819,729	2,625,687
Net Assets				
Unrestricted	54,490	55,616	17,205	127,311
Total Net Position	$ 54,490	$ 55,616	$ 17,205	$ 127,311

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended December 31, 2013

	Working Capital	Employee Insurance	Workers' Compensation	Total
Operating Revenues				
Charges for services - internal	$ 1,030,868	$ 7,170,277	$ 935,281	$ 9,136,426
Charges for services - external	-	478,971	-	478,971
Total Operating Revenues	1,030,868	7,649,248	935,281	9,615,397
Operating Expenses				
Contractual services	-	690,795	111,039	801,834
Materials and supplies	1,021,856	-	-	1,021,856
Insurance claims and expenses	-	8,197,550	1,189,745	9,387,295
Total Operating Expenses	1,021,856	8,888,345	1,300,784	11,210,985
Operating Income (Loss)	9,012	(1,239,097)	(365,503)	(1,595,588)
Nonoperating Revenues				
Miscellaneous revenues	-	78,372	-	78,372
Investment earnings	-	4,298	2,180	6,478
Total Nonoperating Revenues	-	82,670	2,180	84,850
Income before transfers	9,012	(1,156,427)	(363,323)	(1,510,738)
Transfers in	-	891,670	200,000	1,091,670
Transfers out	-	-	(454,000)	(454,000)
Change in Net Position	9,012	(264,757)	(617,323)	(873,068)
Total net position, beginning	45,478	320,373	634,528	1,000,379
Total net position, ending	$ 54,490	$ 55,616	$ 17,205	$ 127,311

City of Fort Smith, Arkansas
Combining Statement of Cash Flows
Internal Service Funds
For the Year December 31, 2013

	Working Capital	Employee Insurance	Workers' Compensation	Total
Cash Flows from Operating Activities:				
Cash received from service users	$ 1,030,574	$ 487,334	$ -	$ 1,517,908
Cash received from city and employee contributions	-	7,240,319	1,096,442	8,336,761
Cash payments for goods and services	(1,001,545)	-	-	(1,001,545)
Cash payments for premiums and other operating expenses	-	(690,795)	(191,934)	(882,729)
Cash payments for claims paid	-	(8,208,258)	(762,029)	(8,970,287)
Net cash provided by (used for) operating activities	29,029	(1,171,400)	142,479	(999,892)
Noncapital Financing Activities				
Transfers in from other funds	-	900,000	200,000	1,100,000
Transfers out to other funds	-	-	(454,000)	(454,000)
Net cash provided by (used by) noncapital financing activities	-	900,000	(254,000)	646,000
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investment securities	-	1,157,793	1,098,488	2,256,281
Outlays for purchases of investment securities	-	(948,946)	(991,680)	(1,940,626)
Interest on investments	-	7,227	3,704	10,931
Net cash provided by investing activities	-	216,074	110,512	326,586
Net increase (decrease) in cash	29,029	(55,326)	(1,009)	(27,306)
Cash, January 1	50,451	424,125	61,582	536,158
Cash, December 31	$ 79,480	$ 368,799	$ 60,573	$ 508,852
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	$ 9,012	$ (1,239,097)	$ (365,503)	$ (1,595,588)
Miscellaneous revenue	-	70,042	-	70,042
Change in assets and liabilities				
Accounts receivable	-	8,363	161,161	169,524
Due from other funds	(294)	-	-	(294)
Inventory	(3,875)	-	-	(3,875)
Prepaid items	-	(115,027)	(80,895)	(195,922)
Accounts payable and accrued liabilities	24,186	121,495	-	145,681
Liability for claims and judgments	-	(17,176)	427,716	410,540
Total adjustments	20,017	67,697	507,982	595,696
Net cash provided by (used for) operating activities	$ 29,029	$ (1,171,400)	$ 142,479	$ (999,892)

City of Fort Smith, Arkansas

Discretely Presented Component Units

For the Year Ended December 31, 2013

Governmental Fund Types – Special Revenue Funds

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

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

Proprietary Fund Types – Enterprise Funds

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

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

City of Fort Smith, Arkansas
Combining Statement of Net Position
Governmental Component Units
December 31, 2013

	Advertising and Promotion	Public Library	Total
Assets			
Cash	$ 6,648	$ 761,559	$ 768,207
Investments	107,618	300,919	408,537
Receivables, net of allowance for uncollectibles			
Taxes	53,800	113,205	167,005
Sales taxes	-	145,594	145,594
Accounts	-	61,826	61,826
Accrued interest	371	-	371
Prepaid items	2,100	47,846	49,946
Capital assets			
Nondepreciable	-	427,132	427,132
Depreciable	-	318,733	318,733
Total Assets	170,537	2,176,814	2,347,351
Liabilities			
Accounts payable and accrued liabilities	20,058	64,853	84,911
Total Liabilities	20,058	64,853	84,911
Net Position			
Net investment in capital assets	-	745,865	745,865
Restricted for:			
Tourism & promotion	150,479	-	150,479
Unrestricted	-	1,366,096	1,366,096
Total Net Position	$ 150,479	$ 2,111,961	$ 2,262,440

City of Fort Smith, Arkansas

Combining Statement of Activities – Governmental Component Units

For the Year Ended December 31, 2013

	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities: Advertising & Promotion	Net (Expense) Revenue and Changes in Net Position: Governmental Activities: Public Library	Net (Expense) Revenue and Changes in Net Position: Governmental Activities: Total
Advertising & Promotion	$ 751,230	$ -	$ 3,140	$ (748,090)	$ -	$ (748,090)
Public Library	2,988,034	177,252	189,988	-	(2,620,794)	(2,620,794)
Total	$ 3,739,264	$ 177,252	$ 193,128	(748,090)	(2,620,794)	(3,368,884)
General revenues						
Property taxes				-	1,374,953	1,374,953
Sales taxes				-	921,239	921,239
Hospitality taxes				732,855	-	732,855
Unrestricted investment earnings				244	680	924
Other				-	32,296	32,296
Total general revenues				733,099	2,329,168	3,062,267
Change in net position				(14,991)	(291,626)	(306,617)
Net position, beginning				165,470	2,403,587	2,569,057
Net position, ending				$ 150,479	$ 2,111,961	$ 2,262,440

City of Fort Smith, Arkansas

Balance Sheet – Advertising and Promotion

Governmental Component Unit

December 31, 2013

Assets:		
Cash	$	6,648
Investments		107,618
Receivables, net of allowance for uncollectibles		
Taxes		53,800
Accrued interest		371
Prepaid items		2,100
Total Assets	$	170,537
Liabilities and Fund Balance:		
Current:		
Accounts payable and accrued liabilities	$	20,058
Total Liabilities		20,058
Fund Balance:		
Restricted for:		
Tourism & promotion		150,479
Total Liabilities and Fund Balance	$	170,537

City of Fort Smith, Arkansas

Statement of Revenues, Expenditures and Changes in Fund Balance
Advertising and Promotion - Governmental Component Unit
For the Year Ended December 31, 2013

Revenues		
Taxes	$	732,855
Interest		244
Contributions		3,140
Total revenues		736,239
Expenditures		
Other		723,284
Total Expenditures		723,284
Excess of revenues over expenditures		12,955
Other Financing Uses:		
Transfers out to primary government		(27,946)
Total other financing uses		(27,946)
Net change in fund balance		(14,991)
Fund Balance, January 1		165,470
Fund Balance, December 31	$	150,479

City of Fort Smith, Arkansas

Combining Statement of Net Position
Business-Type Component Units
December 31, 2013

	Parking Authority	Airport	Total
Assets			
Current Assets			
Cash	$ 57,096	$ 2,645,329	$ 2,702,425
Investments	459,913	-	459,913
Receivables, net of allowance for uncollectibles			
Accounts	5,131	710,483	715,614
Accrued interest	1,668	997	2,665
Restricted			
Cash	-	381,272	381,272
Investments	23,037	490,000	513,037
Prepaid items and deposits	1,680	63,134	64,814
Inventory	-	12,100	12,100
Total Current Assets	548,525	4,303,315	4,851,840
Noncurrent Assets			
Restricted			
Investments	69,176	-	69,176
Capital assets			
Nondepreciable	1,359,160	8,098,175	9,457,335
Depreciable	421,118	26,775,690	27,196,808
Total Noncurrent Assets	1,849,454	34,873,865	36,723,319
Total Assets	2,397,979	39,177,180	41,575,159
Deferred Outflows of Resources			
Deferred loss on debt refunding	-	164,149	164,149
Total deferred outflows of resources	-	164,149	164,149
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,493	669,990	675,483
Payable from restricted assets:			
Accrued interest	1,504	-	1,504
Revenue bonds payable, current	120,000	180,000	300,000
Total Current Liabilities	126,997	849,990	976,987
Noncurrent liabilities			
Due within one year	-	-	-
Due in more than one year	258,166	2,675,000	2,933,166
Total Noncurrent Liabilities	258,166	2,675,000	2,933,166
Total Liabilities	385,163	3,524,990	3,910,153
Net Position			
Net investment in capital assets	1,402,112	32,018,865	33,420,977
Restricted for bond retirement	69,620	381,272	450,892
Restricted for capital projects	-	56,019	56,019
Unrestricted	541,084	3,360,183	3,901,267
Total Net Position	$ 2,012,816	$ 35,816,339	$ 37,829,155

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses and Change in Net Position – Business-Type Component Units
For the Year Ended December 31, 2013

	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities: Parking Authority	Business-Type Activities: Airport Commission	Total
Parking Authority	$ 316,166	$ 187,704	$ -	$ (128,462)	$ -	$ (128,462)
Airport	4,847,723	2,606,338	2,140,455	-	(100,930)	(100,930)
Total	$ 5,163,889	$ 2,794,042	$ 2,140,455	(128,462)	(100,930)	(229,392)
General revenues						
Unrestricted investment earnings				1,415	18,138	19,553
Payment from City of Fort Smith				250,000	-	250,000
Total general revenues				251,415	18,138	269,553
Change in net position				122,953	(82,792)	40,161
Net position, beginning of year, before restatements				2,367,709	35,899,131	38,266,840
Adjustment for Implementation of GASB 65				(9,062)	-	(9,062)
Adjustment applicable to prior years				(468,784)	-	(468,784)
Net position, beginning of year, after restatements				1,889,863	35,899,131	37,788,994
Net position, ending				$ 2,012,816	$ 35,816,339	$ 37,829,155

City of Fort Smith, Arkansas

Combining Statement of Cash Flows – Business-Type Component Units

For the Year Ended December 31, 2013

	Parking Authority	Airport	Total
Operating Activities			
Cash received from customers	$ 182,490	$ 2,645,326	$ 2,827,816
Cash payments for goods and services	(62,016)	(1,248,948)	(1,310,964)
Cash paid to employees	(133,043)	(759,542)	(892,585)
Net cash provided by (used for) operating activities	(12,569)	636,836	624,267
Noncapital Financing Activities			
Operating transfers in from primary government	250,000	-	250,000
Net cash provided by noncapital financing activities	250,000	-	250,000
Capital and Related Financing Activities			
Proceeds from capital grants	-	1,334,851	1,334,851
Passenger facility charges received	-	336,113	336,113
Acquisition and construction of capital assets	(93,963)	(1,788,454)	(1,882,417)
Principal paid on bonds	(113,188)	(175,000)	(288,188)
Interest paid on bonds	(23,390)	(130,027)	(153,417)
Net cash used for capital and related financing activities	(230,541)	(422,517)	(653,058)
Investing Activities			
Proceeds from sales and maturities of investment securities	421,365	-	421,365
Outlays for purchases of investment securities	(426,893)	(490,000)	(916,893)
Interest on investments	2,055	17,463	19,518
Net cash used for investing	(3,473)	(472,537)	(476,010)
Net increase (decrease) in cash and restricted cash	3,417	(258,218)	(254,801)
Cash and restricted cash, January 1	53,679	3,284,819	3,338,498
Cash and restricted cash, December 31	$ 57,096	$ 3,026,601	$ 3,083,697
Reconciliation of cash and restricted cash at December 31 to statement of net position			
Cash	$ 57,096	$ 2,645,329	$ 2,702,425
Restricted cash	-	381,272	381,272
Total	$ 57,096	$ 3,026,601	$ 3,083,697

City of Fort Smith, Arkansas

Combining Statement of Cash Flows – Business-Type Component Units
(Continued)
For the Year Ended December 31, 2013

	Parking Authority	Airport	Total
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities			
Operating loss	$ (103,629)	$(2,090,474)	$ (2,194,103)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation	115,352	2,687,335	2,802,687
Miscellaneous expenses (net)	(1,823)	-	(1,823)
Change in assets and liabilities			
Accounts receivable	(3,391)	38,988	35,597
Inventory	-	4,823	4,823
Prepaid items	-	(1,558)	(1,558)
Accounts payable and accrued liabilities	(19,438)	(2,278)	(21,716)
Liabilities for accrued vacation and sick leave	360	-	360
Total adjustments	91,060	2,727,310	2,818,370
Net cash provided by operating activities	$ (12,569)	$ 636,836	$ 624,267

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STATISTICAL SECTION

City of Fort Smith, Arkansas

Statistical Section

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

Contents **Page**

Financial Trends (Tables 1-5)

These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time 127

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Table 1

City of Fort Smith, Arkansas

Net Position by Component

Last Ten Years

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year									
	2004 (Restated)	2005	2006	2007	2008	2009	2010	2011	2012 (Restated)	2013
Governmental activities										
Net investment in capital assets	$ 254,719,750	$ 260,483,758	$ 250,104,666	$ 275,722,692	$ 293,634,375	$ 294,746,494	$ 305,663,999	$ 323,022,637	$ 323,907,222	$ 315,027,429
Restricted	4,470,232	3,988,372	44,488,640	47,754,213	46,981,658	24,205,366	23,050,850	39,016,328	45,995,375	41,087,435
Unrestricted	55,390,169	66,055,588	33,741,938	29,580,570	27,130,241	38,763,651	34,297,504	15,010,176	11,588,210	11,619,202
Total governmental activities net position	$ 314,580,151	$ 330,527,718	$ 328,335,244	$ 353,057,475	$ 367,746,274	$ 357,715,511	$ 363,012,353	$ 377,049,141	$ 381,490,807	$ 367,734,066
Business-Type activities										
Net investment in capital assets	$ 152,618,444	$ 181,439,396	$ 229,748,148	$ 225,664,963	$ 249,818,159	$ 293,549,646	$ 314,941,959	$ 324,215,779	$ 329,000,477	$ 359,247,688
Restricted	24,005,631	26,844,476	23,486,930	20,514,957	27,385,513	24,102,177	24,385,436	18,608,798	18,173,298	18,623,298
Unrestricted (deficit)	(5,371,394)	(12,506,307)	(15,666,417)	1,390,057	(4,385,785)	(3,057,942)	(7,596,655)	2,270,311	8,023,382	5,289,216
Total business-type activities	$ 171,252,681	$ 195,777,565	$ 237,568,661	$ 247,569,977	$ 272,817,887	$ 314,593,881	$ 331,730,740	$ 345,094,888	$ 355,197,157	$ 383,160,202
Primary government										
Net investment in capital assets	$ 407,338,194	$ 441,923,154	$ 479,852,814	$ 501,387,655	$ 543,452,534	$ 588,296,140	$ 620,605,958	$ 647,238,416	$ 652,907,699	$ 674,275,117
Restricted	28,475,863	30,832,848	67,975,570	68,269,170	74,367,171	48,307,543	47,436,286	57,625,126	64,168,673	59,710,733
Unrestricted	50,018,775	53,549,281	18,075,521	30,970,627	22,744,456	35,705,709	26,700,849	17,280,487	19,611,592	16,908,418
Total business-type activities	$ 485,832,832	$ 526,305,283	$ 565,903,905	$ 600,627,452	$ 640,564,161	$ 672,309,392	$ 694,743,093	$ 722,144,029	$ 736,687,964	$ 750,894,268

Table 2

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

	Fiscal Year									
	2004 (Restated)	2005	2006	2007	2008	2009	2010	2011	2012 (Restated)	2013
Expenses										
Governmental Activities:										
General government	$ 6,291,295	$ 7,204,031	$ 7,401,742	$ 8,121,090	$ 10,384,215	$ 8,783,548	$ 9,464,539	$ 9,874,051	$ 9,373,912	$ 10,566,809
Public safety	22,814,182	25,007,200	28,283,667	29,635,609	28,634,055	31,836,140	32,350,902	34,009,318	37,263,101	40,463,203
Public works	8,547,371	8,624,464	11,583,305	10,862,082	12,091,319	12,169,873	13,226,363	14,541,350	14,541,430	16,688,875
Community services	10,319,043	10,723,724	11,465,302	10,559,736	9,637,947	13,438,158	12,165,578	10,732,048	11,633,976	11,431,562
Interest on long-term debt	128,042	-	671,893	3,757,618	4,109,187	3,917,534	3,838,008	2,933,735	4,099,571	4,958,960
Total govermental activities expenses	48,099,933	51,559,419	59,405,909	62,936,135	64,856,723	70,145,253	71,045,390	72,090,502	76,911,990	84,109,410
Business-Type Activities:										
Water and Sewer	29,270,855	29,678,171	32,920,994	36,693,984	41,745,466	34,198,511	37,974,129	38,875,863	41,283,645	42,203,035
Sanitation	9,300,590	9,075,365	10,507,258	11,455,050	11,465,629	11,403,090	11,670,602	11,287,956	12,361,032	12,185,883
Total business-type activities expenses	38,571,445	38,753,536	43,428,252	48,149,034	53,211,095	45,601,601	49,644,731	50,163,819	53,644,677	54,388,918
Total primary government expenses	$ 86,671,378	$ 90,312,955	$ 102,834,161	$ 111,085,169	$ 118,067,818	$ 115,746,854	$ 120,690,121	$ 122,254,321	$ 130,556,667	$ 138,498,328
Program Revenues										
Governmental Activities:										
Charges for services										
General government	3,141,036	3,445,662	3,551,771	3,370,526	4,267,976	3,644,887	3,874,758	3,935,526	3,864,179	4,011,708
Public safety	223,224	219,114	283,460	288,258	266,085	245,863	312,543	325,298	358,888	1,430,302
Public works	466,849	-	50	50	-	1,200	4,605	9,535	261,792	421,635
Community services	849,429	890,174	1,009,470	1,001,004	1,125,845	1,003,750	1,153,674	994,444	1,099,960	1,657,307
Operating grants and contributions	9,837,419	10,413,626	7,006,913	7,524,294	7,928,553	12,754,491	13,142,881	12,269,135	10,982,501	12,914,448
Capital grants and contributions	6,600,991	2,106,374	3,082,171	1,610,147	8,260,531	1,763,263	1,357,800	1,796,754	3,394,792	3,388,287
Total governmental activities program revenues	21,118,948	17,074,950	14,933,835	13,794,279	21,848,990	19,413,454	19,846,261	19,330,692	19,962,112	23,823,687
Business-Type Activities:										
Charges for services										
Water and sewer	28,995,627	30,402,025	32,645,032	33,238,901	36,391,791	35,652,828	38,509,851	40,818,042	41,049,517	37,805,650
Sanitation	10,474,818	11,129,352	11,811,666	12,561,103	14,095,412	12,560,096	13,246,801	12,337,186	12,640,422	15,068,421
Operating grants and contributions	343,786	-	-	-	-	-	-	-	-	-
Capital grants and contributions	980,093	1,376,054	1,954,879	2,197,861	2,731,780	3,683,324	512,378	638,698	1,245,672	1,968,216
Total business-type activities program revenues	40,794,324	42,907,431	46,411,577	47,997,865	53,218,983	51,896,248	52,269,030	53,793,926	54,935,611	54,842,287
Total primary government program revenues	$ 61,913,272	$ 59,982,381	$ 61,345,412	$ 61,792,144	$ 75,067,973	$ 71,309,702	$ 72,115,291	$ 73,124,618	$ 74,897,723	$ 78,665,974
Net (expense) revenue										
Governmental activities	$ (26,980,985)	$ (34,484,469)	$ (44,472,074)	$ (49,141,856)	$ (43,007,733)	$ (50,731,799)	$ (51,199,129)	$ (52,759,810)	$ (56,949,878)	$ (60,285,723)
Business-Type activities	2,222,879	4,153,895	2,983,325	(151,169)	7,888	6,294,647	2,624,299	3,630,107	1,290,934	453,369
Total primary government net expense	$ (24,758,106)	$ (30,330,574)	$ (41,488,749)	$ (49,293,025)	$ (42,999,845)	$ (44,437,152)	$ (48,574,830)	$ (49,129,703)	$ (55,658,944)	$ (59,832,354)

Table 2 (Continued)

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

	Fiscal Year									
	2004 (Restated)	2005	2006	2007	2008	2009	2010	2011	2012 (Restated)	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 8,812,154	$ 8,932,234	$ 9,392,423	$ 8,821,508	$ 9,360,659	$ 12,267,731	$ 10,623,101	$ 13,143,979	$ 10,927,877	$ 11,514,707
Sales taxes	30,940,060	31,236,465	40,747,820	53,014,309	57,837,124	52,601,763	52,091,471	53,838,552	54,489,254	54,291,940
Utility franchise fees	5,986,546	6,833,462	7,406,294	6,760,463	7,366,814	5,990,452	6,492,100	6,571,993	6,071,893	6,478,637
Alcoholic beverage taxes and miscellaneous tax	-	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	1,280,450	1,277,089	5,139,979	6,558,212	1,386,747	226,195	10,085	-	55,357	-
Unrestricted investment earnings	740,108	1,489,322	3,220,403	6,155,547	3,065,530	538,627	163,172	18,480	474	364,291
Gain (loss) on sale of capital assets	24,462	852	22,838	-	-	-	-	-	-	-
Insurance proceeds from hail storm	-	-	-	-	-	1,778,572	-	-	-	-
Other	14,907	768,612	1,088,665	251,941	309,447	1,318,649	1,199,332	1,539,449	527,041	3,462,503
Transfers	(589,294)	(206,000)	(24,738,822)	(7,697,893)	(21,629,789)	(34,020,953)	(14,083,290)	(8,315,855)	(12,190,491)	(27,638,513)
Total governmental activities	47,209,393	50,332,036	42,279,600	73,864,087	57,696,532	40,701,036	56,495,971	66,796,598	59,881,405	48,473,565
Business-type activities:										
Sales taxes	15,024,256	17,372,140	10,812,656	-	-	-	-	-	-	-
Unrestricted investment earnings	1,417,046	2,475,149	2,951,710	1,950,264	2,362,717	343,471	89,914	14,459	61,383	68,600
Other	212,889	317,700	304,583	504,328	1,247,516	1,116,923	339,356	1,403,727	609,901	(197,453)
Transfers	589,294	206,000	24,738,822	7,697,893	21,629,789	34,020,953	14,083,290	8,315,855	12,190,491	27,638,513
Total business-type activities	17,243,485	20,370,989	38,807,771	10,152,485	25,240,022	35,481,347	14,512,560	9,734,041	12,861,775	27,509,660
Total primary government	64,452,878	70,703,025	81,087,371	84,016,572	82,936,554	76,182,383	71,008,531	76,530,639	72,743,180	75,983,225
Changes in net position										
Governmental activities	$ 20,228,408	$ 15,847,567	$ (2,192,474)	$ 24,722,231	$ 14,688,799	$ (10,030,763)	$ 5,296,842	$ 14,036,788	$ 2,931,527	$ (11,812,158)
Business-tpe activities	19,466,364	24,524,884	41,791,096	10,001,316	25,247,910	41,775,994	17,136,859	13,364,148	14,152,709	27,963,029
Total primary government	$ 39,694,772	$ 40,372,451	$ 39,598,622	$ 34,723,547	$ 39,936,709	$ 31,745,231	$ 22,433,701	$ 27,400,936	$ 17,084,236	$ 16,150,871

Table 3

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

	2004 (Restated)	2005	2006	2007	2008	2009	2010	2011	2012 (Restated)	2013
Revenues										
Taxes (1)	$ 45,012,256	$ 46,694,358	$ 57,108,031	$ 68,510,896	$ 74,585,914	$ 69,476,528	$ 69,689,304	$ 71,868,941	$ 72,036,723	$ 72,257,168
Licenses and permits	1,271,411	1,499,151	1,473,234	1,501,022	2,126,151	1,559,950	1,489,526	1,628,157	1,553,688	1,612,104
Intergovernmental	16,120,435	12,952,988	12,734,833	13,395,035	13,608,213	13,117,444	12,881,250	12,552,267	12,672,787	13,423,088
Fines and forfeitures	1,888,668	2,064,332	2,063,755	2,858,829	2,188,504	2,098,901	2,299,274	2,356,809	2,408,231	2,570,173
Charges for services	941,582	978,987	1,099,840	1,088,811	1,215,016	1,172,312	1,237,853	1,108,213	1,277,269	1,333,228
Investment earnings	755,355	1,530,732	3,326,046	6,294,463	3,114,332	566,378	166,106	18,480	141,141	383,964
Contributions	774,010	808,149	2,166,420	1,027,818	3,926,800	1,511,328	1,338,330	1,341,458	1,395,068	2,707,215
Miscellaneous	696,478	250,361	470,606	316,373	274,696	189,946	341,329	470,997	343,630	769,159
Total revenues	67,460,195	66,779,058	80,442,765	94,993,247	101,039,626	89,692,787	89,442,972	91,345,322	91,828,537	95,056,099
Expenditures										
General government	5,908,918	6,879,247	7,522,720	8,190,325	8,317,788	8,226,444	7,879,961	7,969,047	7,972,590	8,316,034
Public safety	22,076,641	24,139,684	26,003,929	28,062,350	26,885,795	30,697,704	30,032,414	31,659,461	31,596,228	34,497,803
Public works	4,550,486	4,600,934	5,433,522	5,202,463	5,820,879	5,254,628	5,870,159	6,450,755	5,734,913	7,461,123
Community services	6,550,085	6,463,376	7,194,025	6,387,764	5,586,246	9,338,549	7,987,136	7,144,380	7,236,525	7,199,963
Other	2,113,409	2,334,916	3,245,313	3,776,800	3,550,903	1,830,124	2,335,524	2,368,766	1,812,324	1,772,276
Capital outlay	21,153,521	14,068,089	23,933,708	32,939,098	29,323,932	31,766,713	34,187,241	31,670,727	30,928,218	49,788,131
Debt service										
Principal	6,540,000	-	-	14,355,000	17,110,000	17,785,000	16,805,000	17,495,000	1,940,000	12,905,000
Interest	128,042	-	671,893	3,757,618	3,141,156	2,917,861	3,040,386	2,367,651	2,688,400	3,575,061
Issuance costs	-	-	-	-	-	259,839	75,892	-	349,650	-
Total expenditures	69,021,102	58,486,246	74,005,110	102,671,418	99,736,699	108,076,862	108,213,713	107,125,787	90,258,848	125,515,391
Excess (deficiency) of revenues over (under) expenditures	(1,560,907)	8,292,812	6,437,655	(7,678,171)	1,302,927	(18,384,075)	(18,770,741)	(15,780,465)	994,432	(30,459,292)
Other financing sources and (uses)										
Transfers in	2,459,809	4,101,090	63,067,680	2,602,260	17,313,147	29,689,472	6,809,336	3,531,999	77,142,266	3,632,186
Transfers out	(2,798,714)	(4,307,000)	(88,464,556)	(10,300,153)	(39,169,188)	(64,000,227)	(6,269,982)	(3,077,367)	(76,972,738)	(3,849,710)
Insurance proceeds from hail storm	-	-	-	-	-	1,778,572	-	-	-	-
Premiums on bond issuance	-	-	-	-	-	236,307	16,217	-	6,269,913	-
Bond issuance	-	-	88,299,286	-	15,685,899	29,150,000	3,595,000	-	110,660,000	-
Escrow deposits	-	-	-	-	-	-	-	-	(53,700,952)	-
Capital leases	613,023	1,241,713	341,156	(58,278)	-	-	-	-	-	-
Total other financing sources (uses)	274,118	1,035,803	63,243,566	(7,756,171)	(6,170,142)	(3,145,876)	4,150,571	454,632	63,398,489	(217,524)
Net change in fund balances	$ (1,286,789)	$ 9,328,615	$ 69,681,221	$ (15,434,342)	$ (4,867,215)	$ (21,529,951)	$ (14,620,170)	$ (15,325,833)	$ 64,392,921	$ (30,676,816)
Debt service as a % of noncapital expenditures	13.9%	0.0%	1.34%	26.0%	28.8%	27.1%	26.8%	26.3%	7.8%	21.8%

(1) See Table 3 for detail of tax revenues.

Table 4

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012 (Restated)	2013
General Fund										
Reserved	$ 2,850,478	$ 3,152,121	$ 4,706,017	$ 2,191,724	$ 3,654,013	$ 2,772,912	$ -	$ -	$ -	$ -
Unresrved	5,911,270	7,423,514	7,607,076	6,257,328	7,052,220	5,772,601	-	-	-	-
Nonspendable	-	-	-	-	-	-	126,037	66,707	264,783	44,106
Restricted	-	-	-	-	-	-	1,467,461	283,616	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	1,910,794	1,407,063	4,450,203	1,205,979
Unassigned	-	-	-	-	-	-	4,938,318	5,983,015	4,269,917	10,435,252
Total general fund	8,761,748	10,575,635	12,313,093	8,449,052	10,706,233	8,545,513	8,442,610	7,740,401	8,984,903	11,685,337
All other governmental funds										
Reserved	27,560,991	34,639,037	101,879,344	93,901,326	86,760,617	68,080,708	-	-	-	-
Unreserved, reported in:										
Special revenue funds	16,062,417	1,648,864	13,477,723	13,646,710	13,603,715	12,771,282	-	-	-	-
Debt service fund	-	-	3,634,024	-	-	-	-	-	-	-
Capital projects funds	367,067	394,212	457,785	457,547	516,855	709,966	-	-	-	-
Nonspendable	-	-	-	-	-	-	343,606	526,015	673,709	701,931
Restricted	-	-	-	-	-	-	62,360,676	51,037,382	114,702,230	79,671,763
Committed	-	-	-	-	-	-	508,840	443,933	-	-
Assigned	-	-	-	-	-	-	3,781,567	363,735	453,802	2,078,797
Total all other governmental funds	43,990,475	36,682,113	119,448,876	108,005,583	100,881,187	81,561,956	66,994,689	168,200,806	115,829,741	82,452,491
Total governmental fund balances	$ 52,752,223	$ 47,257,748	$ 131,761,969	$ 116,454,635	$ 111,587,420	$ 90,107,469	$ 75,437,299	$ 175,941,207	$ 124,814,644	$ 94,137,828

Table 5

City of Fort Smith, Arkansas

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012 (Restated)	2013
Revenues	$ 32,780,080	$ 33,972,924	$ 36,218,142	$ 37,164,047	$ 38,953,983	$ 36,683,453	$ 37,014,019	$ 37,744,298	$ 38,056,106	$ 43,930,416
Expenditures	33,032,858	34,663,140	38,309,177	43,059,070	38,654,800	41,671,672	39,433,872	40,670,109	38,750,928	42,663,082
Excess (deficiency) of revenues over (under) expenditures	(252,778)	(690,216)	(2,091,035)	(5,895,023)	299,183	(4,988,219)	(2,419,853)	(2,925,811)	(694,822)	1,267,334
Other financing sources (uses)	2,456,544	2,507,103	3,825,493	2,030,982	1,957,998	2,777,499	2,366,950	2,223,602	1,634,238	1,738,186
Net change in fund balances	2,203,766	1,816,887	1,734,458	(3,864,041)	2,257,181	(2,210,720)	(52,903)	(702,209)	939,416	3,005,520
Fund balance, January 1	6,557,982	8,761,748	10,578,635	12,313,093	8,449,052	10,706,233	8,495,513	8,442,610	7,740,401	8,679,817
Fund balance, December 31	$ 8,761,748	$ 10,578,635	$ 12,313,093	$ 8,449,052	$ 10,706,233	$ 8,495,513	$ 8,442,610	$ 7,740,401	$ 8,679,817	$ 11,685,337

Table 6

City of Fort Smith, Arkansas

General Governmental Taxes by Source

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Ad Valorem Taxes	Sales Taxes (1)	Utility Franchise Fees	Total
2004	8,085,650	30,940,060	5,986,546	45,012,256
2005	8,624,431	31,236,465	6,833,462	46,694,358
2006	8,953,917	40,747,820	7,406,294	57,108,031
2007	8,736,124	53,014,309	6,760,463	68,510,896
2008	9,381,976	57,837,124	7,366,814	74,585,914
2009	10,884,313	52,601,763	5,990,452	69,476,528
2010	11,105,733	52,091,471	6,492,100	69,689,304
2011	11,458,396	53,838,552	6,571,993	71,868,941
2012	11,475,576	54,489,254	6,071,893	72,036,723
2013	11,486,591	54,291,940	6,478,637	72,257,168

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

Table 7

City of Fort Smith, Arkansas

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

Fiscal Year	1% City Sales & Use Tax Allocated for Street (1)	City Share 1% County Sales & Use Tax (2)	1% or 3/4% City Sales & Use Tax Allocated for Bonds (3)	1/4% City Sales & Use Tax Allocated Fire & Parks (3)	Total
2004	16,465,972	13,032,372	16,465,972	-	45,964,316
2005	17,372,140	13,864,325	17,372,140	-	48,608,605
2006	18,420,915	14,718,645	18,420,915	-	51,560,475
2007	18,929,527	15,155,255	18,929,527	-	53,014,309
2008	20,613,205	16,610,714	20,613,205	-	57,837,124
2009	18,777,493	15,046,777	18,777,493	-	52,601,763
2010	18,599,727	14,892,017	18,599,727	-	52,091,471
2011	19,341,760	15,155,032	19,341,760	-	53,838,552
2012	19,605,123	15,279,008	18,836,899	768,224	54,489,254
2013	19,468,975	15,353,991	14,601,731	4,867,243	54,291,940
Total	$ 187,594,837	$ 149,108,136	$ 181,959,369	$ 5,635,467	$ 524,297,809

(1) The City Sales and Use Tax allocated for construction, repair and maintenance of street, bridge and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax has been reauthorized through 2015. The tax is accounted for in the Sales Tax Fund, a special revenue fund.

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

(3) Prior to May 2006, the City assessed two 1/2 % City sales and use taxes to total 1% for bond redemption. The first 1/2% was allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 1997. The 1997 Bonds were issued to fund the constuction for the convention center, public library facilities, and riverfront park projects. The tax became effective January 1, 1998. The second 1/2% was allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 2001. The 2001 Bonds were issued to fund a portion of the Lake Fort Smith water supply expansion project and to fund wastewater improvements. The tax for the 2001 Bonds became efffective May 1, 2001. The 1997 Bonds were redeemed in June 2004 and now the entire 1% tax is allocated to the repayment of the 2001 Bonds. In May 2006, the 1% sales and use tax was approved to support the issuance of City of Fort Smith Sales and Use Tax Refunding and Construction Bonds, Series 2006. The 2006 Bonds were issued to refund the outstanding 2001 Bonds, acquire a public safety and utility radio communication system, and provide wastewater improvements in accordance with an EPA administrative order. In November 2008, additional sales and use tax bonds were issued to provide more funding for the radio project and the wastewater projects. In September 2009, additional sales and use tax bonds were issued for more wastewater projects. The 2009 Bonds will be paid with the sales and use tax once the 2006 and 2008 Bonds are redeemed. The 2009 Bonds interest payments are currently being supported by a temporary sewer rate that is in effect until the 2006 and 2008 Bonds are redeemed. In January 2010, the City issued additional sales and use tax bonds for even more wastewater projects. The 2006, 2008, and 2010 Bonds are supported by the 1% sales and use tax. Once these bonds are redeemed, the 1% sales and use tax will support the 2009 Bonds and the temporary sewer rate will be discontinued. The 2010 were redeemed in full during 2010. In May 2012, the city issued sales and use tax bonds to provide for water improvements, wastewater impprovements, fire facilities and apparatus, and for an aquatics park in conjunction with Sebastian County. The outstanding 2006, 2008 and 2009 bonds were called by the 2012 bonds. The temporary sewer rate was removed in early July 2012. Beginning October 1, 2012, the 1% sales tax is split with 3/4% allocated to the redemption of the 2012 bonds and 1/4% allocated to operations in the fire and parks departments.

Table 8

City of Fort Smith, Arkansas

Property Tax Levies and Collections

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Collection Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2004	7,805,688	6,839,388	87.62%	268,913	7,108,301	91.07%	306,752	3.93%
2005	7,544,588	7,016,787	93.00%	270,725	7,287,512	96.59%	420,214	5.57%
2006	7,735,932	7,277,449	94.07%	397,572	7,675,021	99.21%	309,621	4.00%
2007	8,221,008	7,744,922	94.21%	337,687	8,082,609	98.32%	138,399	1.68%
2008	8,629,508	8,154,385	94.49%	434,209	8,588,594	99.53%	280,412	3.25%
2009	8,328,466	7,702,929	92.49%	305,640	8,008,569	96.16%	402,909	4.84%
2010	9,518,247	9,035,518	94.93%	411,376	9,446,894	99.25%	527,023	5.54%
2011	9,730,326	9,299,637	95.57%	344,396	9,644,033	99.11%	453,411	4.66%
2012	10,048,916	9,514,504	94.68%	396,701	9,911,205	98.63%	705,667	7.02%
2013	10,213,111	8,317,052	81.44%	424,158	8,741,210	85.59%	394,097	3.86%

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

Table 9

City of Fort Smith, Arkansas

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

Fiscal Year (1)	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual	Direct Tax Rate (per $100 assessed value)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2004	725,381,058	3,626,905,290	307,760,220	1,538,801,100	1,033,141,278	5,165,706,390	20.00%	0.70
2005	733,760,780	3,668,803,900	346,331,415	1,731,657,075	1,080,092,195	5,400,460,975	20.00%	0.70
2006	722,422,061	3,612,110,305	365,714,785	1,828,573,925	1,088,136,846	5,440,684,230	20.00%	0.70
2007	756,337,274	3,781,686,370	378,474,240	1,892,371,200	1,134,811,514	5,674,057,570	20.00%	0.70
2008	844,728,636	4,223,643,180	405,474,180	2,027,370,900	1,250,202,816	6,251,014,080	20.00%	0.70
2009	837,275,432	4,186,377,160	335,318,153	1,676,590,765	1,172,593,585	5,862,967,925	20.00%	0.70
2010	873,592,440	4,367,962,200	336,466,947	1,682,334,735	1,210,059,387	6,050,296,935	20.00%	0.70
2011	941,388,230	4,706,941,150	353,247,975	1,766,239,875	1,294,636,205	6,473,181,025	20.00%	0.70
2012	968,690,035	4,843,450,175	357,156,805	1,785,784,025	1,325,846,840	6,629,234,200	20.00%	0.70
2013	980,472,019	4,902,360,095	367,266,450	1,836,332,250	1,347,738,469	6,738,692,345	20.00%	0.70

(1) Fiscal year is year of valuation.

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

City of Fort Smith, Arkansas

Property Tax Rates and Tax Levies

All Direct and Overlapping Governments

Last Ten Fiscal Years

(Unaudited)

Tax rates (per $100 of assessed valuation):

			Overlapping Rates						Total Direct &	
	City of Fort Smith		Sebastian County		FS School District		FS Public Library		Overlapping Rates	
Fiscal Year (1)	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2004	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2005	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2006	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2007	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2008	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2009	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2010	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2011	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2012	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2013	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25

			Overlapping Rates						Total Direct &	
2004	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2005	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2006	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2007	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2008	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2009	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2010	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2011	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2012	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2013	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50

(1) Fiscal year is year of levy.

City of Fort Smith, Arkansas

Principal Taxpayers

Current Year and Nine Years Ago

(Unaudited)

Name of Taxpayer (1)	2013 Taxable Assessed Valuation (2)	2013 Rank	2013 Percentage of Total Assessed Valuation	2004 Taxable Assessed Valuation (2)	2004 Rank	2004 Percentage of Total Assessed Valuation
Fort Smith Health Management Assoc. LLC	$ 13,458,940	1	1.02%			
Fort Smith Mall LLC	11,767,765	2	0.89%	6,961,500	1	0.71%
Baldor Electric Company	9,704,240	3	0.73%			
OK Foods, Inc.	9,126,850	4	0.69%			
Halliburton Energy Services	7,266,915	5	0.55%			
Saint-Gobain Corporation/Norton	7,716,490	6	0.58%			
Dixie Consumer Products	7,443,755	7	0.56%			
Kraft Foods Global, Inc.	7,146,820	8	0.54%			
Gerber Products Company	6,665,165	9	0.50%	3,308,820	6	0.34%
Hiram Walker & Sons/Pernod Ricard USA	6,143,615	10	0.46%	2,664,120	10	0.27%
Beverly Corp.				6,330,490	2	0.65%
Whirlpool				5,800,000	3	0.59%
Arkansas Best				3,831,000	4	0.39%
Medical Office Buildings of Arkansas, LLC				3,549,750	5	0.36%
Mercy Medical Center				3,141,690	7	0.32%
Westphal Properties				2,799,790	8	0.29%
The Park Apartments of Fort Smith				2,792,810	9	0.29%
	$ 86,440,555		7.14%	$ 41,179,970		4.22%

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2013 are based upon 2012 assessed valuation of $1,325,846,840. Property taxes collected in 2004 were based upon the 2003 assessed valuation of $975,711,019.

Table 12

City of Fort Smith, Arkansas

Computation of Direct and Estimated Overlapping Debt

December 31, 2012

(Unaudited)

Taxing Jurisdiction	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Fort Smith	$ 101,999,359	100%	$ 101,999,359
Overlapping:			
Fort Smith Special School District	73,554,718	100%	73,554,718
Greenwood School District	35,415,000	5%	1,770,750
Sebastian County	-	76%	-
Total Overlapping	108,969,718		75,325,468
Total direct and estimated overlapping bonded debt	$ 210,969,077		$ 177,324,827
Ratio, direct and estimated overlapping debt to fiscal 2012 assessed valuation (3)			13.7%
Per capita direct and estimated overlapping bonded debt (4)			$ 2,028

(1) Excluding self-supporting debt.

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

(3) From Table 7, $1,325,846,840.

(4) Based on the estimated population for 2013 in Table 14.

Table 13

City of Fort Smith, Arkansas

Computation of Legal Debt Margin

Last Ten Fiscal Years

(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net assessed value (1)	$ 1,033,141,278	$ 1,080,092,195	$ 1,088,136,846	$ 1,134,811,514	$ 1,250,202,816	$ 872,593,585	$ 1,210,059,387	$ 1,294,636,205	$ 1,325,846,840	$ 1,347,738,469
Plus exempt propety (2)	-	-	-	-	-	-	-	-	-	-
Total assessed value	$ 1,033,141,278	$ 1,080,092,195	$ 1,088,136,846	$ 1,134,811,514	$ 1,250,202,816	$ 872,593,585	$ 1,210,059,387	$ 1,294,636,205	$ 1,325,846,840	$ 1,347,738,469
Debt limit - 25% of total assessed value (3)	$ 258,285,320	$ 270,023,049	$ 272,034,212	$ 283,702,879	$ 312,550,704	$ 218,148,396	$ 302,514,847	$ 323,659,051	$ 331,461,710	$ 336,934,617
Amout of debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Debt Margin	$ 258,285,320	$ 270,023,049	$ 272,034,212	$ 283,702,879	$ 312,550,704	$ 218,148,396	$ 302,514,847	$ 323,659,051	$ 331,461,710	$ 336,934,617

(1) From Table 7.
(2) Not available
(3) Limitation is established by state statute.
(4) lncludes general obligation debt net of assets available for bond retirement.

City of Fort Smith, Arkansas

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Unaudited)

	Governmental Activities			Business-Type Activities					
Fiscal Year	Sales Tax Bonds	Notes Payable	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2004	-	-	891,735	147,864,280	58,255,208	298,315	207,309,538	2.9%	2,534
2005	-	-	1,442,517	150,065,105	42,980,261	562,877	195,050,760	2.6%	2,365
2006	85,381,572	2,290,000	388,004	142,142,896	-	315,442	230,517,914	2.9%	2,761
2007	72,270,751	1,865,000	222,135	158,877,605	-	61,722	233,297,213	2.8%	2,769
2008	71,291,296	1,425,000	161,340	200,133,887	-	14,482	273,026,005	3.1%	3,223
2009	83,108,248	970,000	96,209	193,336,746	-	759,641	278,270,844	3.1%	3,245
2010	70,142,001	495,000	49,134	186,251,924	-	514,572	257,452,631	2.7%	2,986
2011	52,894,533	-	-	179,222,398	-	677,219	230,042,219	2.4%	2,639
2012	115,161,914	-	294,355	174,755,817	-	910,196	282,394,551	3.0%	3,229
2013	101,838,920	-	160,439	168,766,139	-	1,066,493	271,831,991	2.9%	3,109

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

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

City of Fort Smith, Arkansas

Revenue Bonds Debt Service Coverage

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year		Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
						Principal	Interest (3)	Total	
Water and Sewer System	2004		30,676,280	16,339,330	14,336,950	5,070,000	2,931,611	8,001,611	179%
	2005		32,668,644	17,116,764	15,551,880	5,700,000	3,016,704	8,716,704	178%
	2006		35,439,335	21,269,130	14,170,205	6,820,000	2,776,864	9,596,864	148%
	2007		35,181,555	19,365,972	15,815,583	7,115,000	6,245,962	13,360,962	118%
	2008		38,608,012	20,463,804	18,144,208	8,350,000	6,411,852	14,761,852	123%
	2009		37,118,841	21,489,095	15,629,746	5,665,000	9,335,000	15,000,000	104%
	2010		38,661,437	20,872,208	17,789,229	5,910,000	9,089,126	14,999,126	119%
	2011		40,820,838	20,759,793	20,061,045	6,170,000	8,828,313	14,998,313	134%
	2012		41,080,985	22,019,792	19,061,193	4,045,000	7,968,048	12,013,048	159%
	2013		37,841,132	22,867,856	14,973,276	4,045,000	7,896,016	11,941,016	125%
Solid Waste System	2004		10,622,644	8,069,676	2,553,268	805,000	260,782	1,065,782	240%
	2005		11,441,729	7,775,933	3,665,796	820,000	239,814	1,059,814	346%
	2006		12,216,101	9,108,943	3,107,158	850,000	214,021	1,064,021	292%
	2007		13,122,193	10,269,779	2,852,414	875,000	187,827	1,062,827	268%
	2008		14,650,900	10,346,750	4,304,150	910,000	153,320	1,063,320	405%
	2009		12,675,503	10,058,856	2,616,647	945,000	113,716	1,058,716	247%
	2010		13,390,293	10,476,471	2,913,822	1,020,000	83,220	1,103,220	264%
	2011		12,675,503	10,142,163	2,533,340	1,060,000	21,465	1,081,465	234%
	2012	(4)	12,927,934	10,925,530	2,002,404	-	-	-	N/A
	2013	(4)	15,278,747	10,820,344	4,458,403	-	-	-	N/A

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

2013 reconciliation of interest paid reported on this schedule to the statement of revenues, expenses, and changes in fund net assets for the proprietary funds:

	Water & Sewer
Interest paid - this schedule	$ 7,896,016
Capitalized interest	-
Accrued interest - 12/31/12	(1,974,004)
Accrued interest - 12/31/13	1,932,179
Interest expense - statement of revenues, expenses, and changes in fund net position	$ 7,854,191

(4) The solid waste system revenue bonds were redeemed in full during 2011. There are no revenue bonds outstanding at December 31, 2012 - 2013 for the solid waste system.

Table 16

City of Fort Smith, Arkansas

Demographic Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	City Population (1)	County Population (1)	Personal Income (2) (in thousands)	Per Capita Income (2)	Median Age (3)	Education Level in Years of Schooling (3)	School Enrollment (4)	Unemployment Rate (2)
2004	81,801	117,519	7,030,000	24,956	35.3	12	12,921	5.0%
2005	82,482	118,587	7,514,000	26,420	35.4	12	13,373	4.2%
2006	83,489	120,351	8,009,000	28,738	35.4	12	13,633	4.9%
2007	84,253	121,741	8,435,449	30,122	35.4	12	13,900	5.3%
2008	84,708	122,436	8,937,040	31,602	35.4	12	13,759	6.1%
2009	85,747	123,597	9,054,458	30,896	35.4	12	13,792	8.2%
2010	86,209	125,744	9,395,000	31,266	35.0	12	14,109	8.5%
2011	87,155	126,948	9,537,232	31,891	35.0	12	13,896	8.6%
2012	87,443	127,304	9,503,067	33,876	35.0	12	14,048	7.7%
2013	87,443	127,304	9,469,141 *	34,892 *	35.0	12	14,313	8.1%

Data Sources:

(1) Bureau of the Census

(2) U.S. Department of Commerce

(3) Community Development Department's estimate.

(4) Fort Smith School District

* Estimate

Table 17

City of Fort Smith, Arkansas

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

	2013			2004		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sparks Health Systems	2,400	1	2.0%	2,369	3	1.9%
Baldor Electric Company	2,393	2	2.0%	1,780	5	1.4%
O. K. Industries	1,800	3	1.5%	3,064	2	2.5%
Fort Smith Public Schools	1,783	4	1.5%	1,645	6	1.3%
St. Edward Mercy Medical Center	1,487	5	1.2%	1,876	4	1.5%
University of Arkansas at Fort Smith	951	6	0.8%			
City of Fort Smith	941	7	0.0%	865	9	
Arkansas Best Corp.	936	8	0.0%	865	8	0.7%
Rheem-Ruud	900	9	0.7%	1,612	7	1.3%
Golden Living/Beverly Enterprises	800	10	0.7%			0.0%
Whirlpool Corporation	-			4,300	1	3.5%
Cooper Clinic	-			822	10	0.7%
Total	14,391		10.4%	19,198		14.9%

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

2013	120,305
2004	122,907

Table 18

City of Fort Smith, Arkansas

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

(Unaudited)

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	123	124	124	128	125	125	127	127	126	126
Public safety:										
Police										
Officers	160	160	168	168	168	168	170	170	163	163
Civilians	47	47	46	46	46	52	59	59	59	59
Fire										
Firefighters and officers	125	126	126	129	129	129	129	129	129	149
Civilians	3	3	3	3	3	3	3	3	3	3
Public works:										
Operations	5	5	5	5	5	5	5	5	5	5
Streets	46	46	46	46	46	46	46	46	46	54
Traffic control	12	13	13	13	13	13	13	13	13	13
Parks and recreation	47	53	54	57	57	58	58	58	58	64
Transit	35	35	36	36	36	36	36	36	36	35
Water and sewer	183	185	191	191	191	191	192	189	191	192
Sanitation	75	76	77	78	78	78	78	78	78	78
Total	861	873	889	900	897	904	916	913	907	941

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations (2)	-	-	8	8	8	8	8	8	8	8
Patrol units	12	12	12	12	12	12	12	12	12	12
Fire:										
Stations	10	10	10	10	10	10	10	10	10	11
Apparatus	22	22	21	21	21	21	21	21	18	17
Streets										
Streets (miles)	590	558	562	566	578	590	590	590	590	590
Streetlights	5,285	5,957	5,971	5,971	6,029	6,029	6,029	6,053	6,053	6,053
Traffic signals	133	136	135	135	142	146	146	149	149	149
Parks and recreation										
Parks acerage (square feet)	315	260	273	273	273	273	273	273	273	273
Parks	26	26	26	26	25	25	25	25	25	25
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	12	12	12	12	12	12	12
Skatepark	1	1	1	1	1	1	1	1	1	1
Community centers	4	4	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	17	20	20	20	20	20	20	20	20	20
Water and sewer										
Water mains (miles)	584	584	560	560	627	626	626	626	626	626
Average daily production capacity (thousands of gallons)	55,000	55,000	54,100	54,100	55,000	59,000	41,999	63,400	63,400	63,400
Average daily consumption (thousands of gallons)	26,986	28,876	28,097	29,197	28,876	37,004	26,473	30,532	30,532	21,267
Sanitary sewers (miles)	503	503	505	505	505	516	516	500	500	545
Storm sewers	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900
Sanitation										
Collection trucks	52	52	52	52	52	52	53	53	45	45
Landfill capacity (in cubic yards) (1)	67,716,006	67,337,973	67,197,006	66,853,337	66,405,305	66,151,721	65,872,831	65,585,500	65,343,244	65,023,707

NA - not available

(1) During 2003, the City acquired an additional 400 acres of land for the landfill. The landfill permit was expanded from a storage capcity of 13,507,000 cubic yards to 72,607,000 cubic yards. The 2005 engineering survey indicated that the capacity remaining at the landfill increased between 2004 and 2005 due to the construction of Phase 4 of the landfill project.

(2) Police sub-stations were not reported prior to 2006.

Table 20

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Physical arrest	9,362	10,417	10,512	10,834	10,848	9,776	10,073	8,820	9,324	8,781
Parking violations	10,905	3,487	1,732	3,887	3,094	5,702	7,622	5,984	5,649	5,312
Traffic violations	19,287	19,289	20,442	21,129	24,191	19,593	16,296	14,841	14,841	14,946
Fire										
Number of calls answered	6,699	6,461	7,326	7,619	7,200	7,825	8,026	8,158	8,793	8,688
Transit										
Passenger trips	163,503	173,556	155,515	173,917	208,600	177,991	191,221	198,165	206,329	215,591
Water and sewer										
New connections	438	464	1,391	458	346	345	450	371	299	314
Average daily production (thousands of gallons)	26,986	28,876	28,097	29,197	23,567	23,934	26,473	30,532	28,554	26,850
Average daily sewage flow (thousands of gallons)	14,760	15,500	15,290	16,400	18,231	19,473	16,844	17,421	15,200	14,684
Sanitation										
Waste disposal (cubic yards/day)	1,008	1,168	1,299	1,234	1,042	1,040	1,137	1,052	1,352	1,024

Table 21

City of Fort Smith, Arkansas

Solid Waste System Statistics

Continuing Disclosure Requirement

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Annual # Sanitation System Customers	Cubic Yardage of Waste at Landfill	Useful Life of Landfill Remaining (1)	Remaining Storage Capacity at Landfill
2004	299,412	1,092,855	41 yrs	67,716,006 cubic yards
2005	300,624	1,263,149	40.5 yrs	67,337,973 cubic yards
2006	304,620	1,404,524	40 yrs	67,197,006 cubic yards
2007	306,864	1,334,806	40 yrs	66,853,337 cubic yards
2008	310,224	1,129,422	40 yrs	66,405,305 cubic yards
2009	312,972	1,124,130	39 yrs	66,151,721 cubic yards
2010	317,124	1,229,905	39 yrs	65,872,831 cubic yards
2011	321,048	1,137,597	21 yrs	65,585,500 cubic yards
2012	323,988	1,466,643	19 yrs	65,343,244 cubic yards
2013	327,036	1,107,403	16 yrs	65,023,707 cubic yards

(1) This is the remaining life of the current cell being filled at the landfill. The entire landfill has a remaining life of 203.5 years.

Table 22

City of Fort Smith, Arkansas

Water and Sewer Statistics
Continuing Disclosure Requirement
(Unaudited)

Fiscal Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons	Average Daily Sewage Flow in Gallons
2009	23,934,000	37,616,000	8,735,804,000	19,473,000
2010	26,473,000	41,999,000	8,340,570,000	16,844,000
2011	30,532,000	43,500,000	8,503,902,000	17,421,000
2012	28,554,000	41,594,000	10,450,796,000	15,200,000
2013	26,850,000	38,419,000	9,800,220,000	14,684,000

Water Customers

Fiscal Year	Residential	Commercial	Wholesale	Other	Total
2009	28,431	4,261	13	10	32,715
2010	28,877	4,108	13	10	33,008
2011	28,955	4,174	13	10	33,152
2012	29,104	4,196	13	132	33,445
2013	29,261	4,190	13	140	33,604

Sewer Customers

Fiscal Year	Residential	Commercial	Government	Total
2009	26,171	3,688	10	29,869
2010	26,699	3,618	10	30,327
2011	26,695	3,685	10	30,390
2012	26,833	3,691	83	30,607
2013	26,976	3,669	87	30,732

City of Fort Smith, Arkansas

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

For 2012: Entity	Water	Sewer	Total	% of Gross Revenues
City of Van Buren	$ 3,935,017	$ -	$ 3,935,017	9.80%
OK Foods	2,185,710	-	2,185,710	5.44%
Gerber Products	1,227,164	-	1,227,164	3.06%
Gerdau Macsteel	471,856	212,528	684,384	1.70%
St. Edward Mercy Medical Center	444,270	125,494	569,764	1.42%
Sparks Medical Center	245,312	293,568	538,880	1.34%
Mars Petcare US	118,613	113,440	232,053	0.58%
Kraft Foods	85,749	102,684	188,433	0.47%
Pernod Ricard (Hiram Walker)	90,325	61,920	152,245	0.38%
Sebastian County Park/Jail	141,599	-	141,599	0.35%
The Links Fort Smith	-	105,478	105,478	0.26%
Fort Smith Pavillion	-	86,929	86,929	0.22%
Henderson Properties	-	66,491	66,491	0.17%
James River Dixie	-	60,909	60,909	0.15%
Top Ten Users	$ 8,945,615	$ 1,229,441	$ 10,175,056	25.34%

For 2013: Entity	Water	Sewer	Total	% of Gross Revenues
City of Van Buren	$ 3,424,295	$ -	$ 3,424,295	9.06%
OK Foods	2,305,351	38,732	2,344,083	6.20%
Gerber Products	1,189,866	-	1,189,866	3.15%
Gerdau Macsteel	479,723	261,371	741,094	1.96%
Sparks Medical Center	261,313	263,323	524,636	1.39%
Mars Petcare US	139,807	57,329	197,136	0.52%
St. Edward Mercy Medical Center	190,095	47,100	237,195	0.63%
The Links Fort Smith	75,780	101,356	177,136	0.47%
Kraft Foods	76,020	97,221	173,241	0.46%
Pernod Ricard (Hiram Walker)	77,386	37,053	114,439	0.30%
James River Dixie	46,608	59,927	106,535	0.28%
Henderson Properties	41,563	53,327	94,890	0.25%
Sebastian County Park/Jail	90,778	230	91,008	0.24%
Top Ten Users	$ 8,398,585	$ 1,016,969	$ 9,415,554	24.91%

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Independent Accountants' Report on Compliance With Certain State Acts

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

We have examined management's assertions that the City of Fort Smith, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2011:

(1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;

(2) Arkansas District Courts and City Courts Accounting Law, § 16-10-210 et seq.;

(3) Improvement contracts, §§ 22-9-202 – 22-9-204;

(4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and 14-58-301 et seq.;

(5) Investment of public funds, § 19-1-501 et seq.; and

(6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for the City's compliance with these requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Fort Smith, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2012.

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

BKD, LLP

June 27, 2014

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS