

Mayor – Sandy Sanders

City Administrator – Carl Geffken

City Clerk – Sherri Gard

**Board of Directors**

Ward 1 – Keith Lau

Ward 2 – Andre’ Good

Ward 3 – Mike Lorenz

Ward 4 – George Catsavis

At Large Position 5 – Tracy Pennartz

At Large Position 6 – Kevin Settle

At Large Position 7 – Don Hutchings

# **AGENDA**

**Fort Smith Board of Directors**

**REGULAR MEETING**

**November 15, 2016 ~ 6:00 p.m.**

**Fort Smith Public Schools Service Center**

**3205 Jenny Lind Road**

***THIS MEETING IS BEING TELECAST LIVE ON THE GOVERNMENT ACCESS CHANNEL 214 AND ONLINE AT <http://www.ustream.tv/channel/city-of-fort-smith-board-of-directors-meetings>***

**INVOCATION & PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**PRESENTATION BY MEMBERS OF THE BOARD OF DIRECTORS OF ANY ITEMS OF BUSINESS NOT ALREADY ON THE AGENDA FOR THIS MEETING**

*(Section 2-37 of Ordinance No. 24-10)*

**APPROVE MINUTES OF THE NOVEMBER 1, 2016 REGULAR MEETING**

**ITEMS OF BUSINESS:**

1. Ordinance authorizing the issuance of Water and Sewer Refunding Revenue Bonds; providing for the payment of the principal of and interest on the bonds; prescribing other matters relating thereto; and declaring an emergency
2. Public hearing and ordinance certifying to the Sebastian County Tax Collector delinquent property cleanup liens
3. Ordinance amending Section 2-26 of the Fort Smith Municipal Code setting the dates, time and location for regular meetings of the Board of Directors for the year 2017 ~ *Lau/Hutchings placed on agenda at the November 8, 2016 study session ~*

4. Ordinance changing meeting location of the City of Fort Smith Board of Directors December 6, 2016 regular meeting
5. Ordinance ordering the owners of a certain dilapidated and substandard structure to demolish same, authorizing the City Administrator to cause the demolition of such structure to occur, and for other purposes *(3709 Park Avenue)*
6. Ordinance authorizing and directing permit and inspections system to ensure Plumbing Code compliance with reference to water utility service provided by Fort Smith in Crawford County and establishing fees therefore
7. Ordinance amending Ordinance No. 46-16 to adjust the Transit Department rate schedule to include University of Arkansas Fort Smith (UAFS) ridership incentives
8. Ordinance amending Appendix A, Section XVI of the Fort Smith Municipal Code regarding the City of Fort Smith Education Reimbursement Policy ~ *Pennartz/Lorenz placed on agenda at the September 27, 2016 study session / Tabled to the November 1, 2016 regular meeting at the October 4, 2016 regular meeting / Tabled to the November 15, 2016 regular meeting at the November 1, 2016 regular meeting ~*
9. Consent Agenda
  - A. Resolution authorizing partial payment to Forsgren, Inc. for the construction of Jenny Lind Road and Ingersoll Avenue Widening Project, AHTD Job 040471, City of Fort Smith Project No. 07-01-A *(\$2,140,075.11 / Engineering Department / Budgeted – Sales Tax Program) ♦*
  - B. Resolution accepting Change Order No. 1 with Forsgren, Inc. for construction of the Rice Carden Walking Trail *(\$11,898.00 / Parks Department / Budgeted – 1/8 Cent Sales Tax) ♦*
  - C. Resolution authorizing partial payment to S.J. Louis Construction of Texas, LTD for construction of the Lake Fort Smith Water Transmission Line - Phase I *(\$1,865,599.49 / Utility Department / Budgeted – 2012 & 2014 Sales and Use Tax Bonds) ♦*
  - D. Resolution authorizing the Mayor to enter into a memorandum of understanding with the United States Department of Energy, National Nuclear Security Administration, Office of Secure Transportation for the use of Fort Smith Transit property at 6821 Jenny Lind to conduct drive training using semi-tractor trailers

**OFFICIALS FORUM ~ presentation of information requiring no official action**  
*(Section 2-36 of Ordinance No. 24-10)*

- Mayor
- Directors
- City Administrator

**EXECUTIVE SESSION**

Appointments: Animal Services Advisory Board (2)

**ADJOURN**

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AUTHORIZING THE ISSUANCE OF WATER AND SEWER REFUNDING REVENUE BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; PRESCRIBING OTHER MATTERS RELATING THERETO; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Fort Smith, Arkansas (the "City") owns and operates its (combined) water and sewer system (the "System"); and

WHEREAS, the City has outstanding (i) its Water and Sewer Revenue Bonds, Series 2007 (the "2007 Bonds") authorized by Ordinance No. 74-07, adopted October 16, 2007, and (ii) its Water and Sewer Refunding and Construction Revenue Bonds, Series 2008 (the "2008 Bonds") authorized by Ordinance No. 29-08, adopted July 1, 2008; and

WHEREAS, in order to achieve debt service savings, the Board of Directors of the City has determined that it is in the best interest of the City to advance refund (i) all of the outstanding 2007 Bonds and (ii) a portion of the 2008 Bonds (the "2008 Bonds to be Refunded" and, collectively with the 2007 Bonds, the "Refunded Bonds"); and

WHEREAS, the City can obtain the necessary funds to accomplish the refunding of the Bonds Refunded, pay a premium for a debt service reserve insurance policy and pay costs of issuing bonds by issuing its Water and Sewer Refunding Revenue Bonds, Series 2016 in the principal amount of \$\_\_\_\_\_ (the "Bonds"); and

WHEREAS, the portion of the 2008 Bonds that will not be refunded with proceeds of the Bonds and that will remain outstanding will be secured by a pledge of System revenues senior to the pledge in favor of the Bonds (the "Senior Bonds"); and

WHEREAS, the City has outstanding its Water and Sewer Refunding Revenue Bonds, Series 2011 (the "2011 Bonds"), authorized by Ordinance No. 74-11, adopted on October 4, 2011 (the "2011 Ordinance"), its Water and Sewer Refunding Revenue Bonds, Series 2012 (the "2012 Bonds"), authorized by Ordinance No. 6-12, adopted on January 17, 2012 (the "2012 Ordinance") and its Water and Sewer Refunding and Construction Revenue Bonds, Series 2015 (the "2015 Bonds" and, collectively with the 2011 Bonds and the 2012 Bonds, the "Parity Bonds"), authorized by Ordinance No. 79-15, adopted on November 17, 2015 (the "2015 Ordinance" and, collectively with the 2011 Ordinance and the 2012 Ordinance, the "Parity Ordinances"); and

WHEREAS, the parity provisions of the Parity Ordinances have been or will be met so that the Bonds can be issued on a parity of security with the Parity Bonds; and

WHEREAS, the Preliminary Official Statement, dated November 7, 2016, offering the Bonds for sale (the "Preliminary Official Statement") has been presented to and is before this meeting; and

WHEREAS, the Continuing Disclosure Agreement between the City and BancorpSouth Bank, Stuttgart, Arkansas, as Dissemination Agent (the "Disclosure Agreement"), providing for the ongoing disclosure obligations of the City with respect to the Bonds, has been presented to and is before this meeting; and

WHEREAS, Build America Mutual Assurance Company (the "Insurer") will be issuing a municipal bond debt service reserve insurance policy (the "Reserve Policy") in order to provide a debt service reserve for the Bonds; and

WHEREAS, the Debt Service Reserve Agreement between the City and the Insurer (the "Reserve Agreement") has been presented to and is before this meeting; and

WHEREAS, the Insurer will also be issuing a municipal bond insurance policy with respect to the Bonds (the "Insurance Policy"); and

WHEREAS, the City has made arrangements for the sale of the Bonds to Stephens Inc. and Raymond James & Associates, Inc. (the "Underwriters") pursuant to a Bond Purchase Agreement (the "Purchase Agreement") that has been presented to and is before this meeting;

NOW THEREFORE, BE IT ORDAINED by the Board of Directors of the City of Fort Smith, Arkansas:

Section 1. The refunding of the Refunded Bonds, by use of the proceeds of the Bonds and other available funds, is hereby authorized. All of the outstanding 2007 Bonds shall be redeemed in full on October 1, 2017. The 2008 Bonds to be Refunded, which are identified on Exhibit A attached hereto, shall be redeemed in full on October 1, 2018. The Mayor and other officials of the City are hereby authorized to take, or cause to be taken, all action necessary to accomplish the refunding and to execute all required contracts.

Section 2. The Preliminary Official Statement is hereby approved and the use of the Preliminary Official Statement in connection with the sale of the Bonds is hereby authorized, and the Mayor is hereby authorized and directed, for and on behalf of the City, to execute the Preliminary Official Statement and the final Official Statement in the name of the City for use in connection with the sale of the Bonds.

Section 3. The Board of Directors hereby finds and declares that the period of usefulness of the System will be more than 20 years, which is longer than the term of the Bonds.

Section 4. The sale of the Bonds to the Underwriters pursuant to the terms and conditions set out in the Purchase Agreement at a price of \$\_\_\_\_\_ (principal amount of \$\_\_\_\_\_ less \$\_\_\_\_\_ of Underwriters' discount plus net original issue premium of \$\_\_\_\_\_) (the "Purchase Price") for Bonds bearing interest, maturing and otherwise subject to the terms and provisions hereafter in this Ordinance set forth in detail be,

and the same are hereby, approved and confirmed. The Purchase Agreement is approved and the Mayor is authorized to execute and deliver it on behalf of the City and to take all action required on the part of the City to fulfill its obligations under the Purchase Agreement.

Section 5. Under the authority of the Constitution and laws of the State of Arkansas, including particularly Arkansas Code of 1987 Annotated, Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2, and Title 14, Chapter 164, Subchapter 4, and applicable decisions of the Supreme Court of the State of Arkansas, including City of Harrison v. Braswell, 209 Ark. 1094, 194 S.W.2d 12 (1946), City of Fort Smith, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2016 are hereby authorized and ordered issued in the principal amount of \$ \_\_\_\_\_ for the purpose of refunding the Refunded Bonds, paying premiums for the Insurance Policy and the Reserve Policy and paying necessary expenses incidental thereto and to the issuance of the Bonds. The Bonds shall be dated the date of their delivery to the Underwriters, with interest payable semiannually on April 1 and October 1 of each year, commencing April 1, 2017, shall be numbered consecutively from 1 upward, in order of issuance, and shall be in the denomination of \$5,000 or an integral multiple thereof. The Bonds shall mature on October 1 in the years, in the amounts and shall bear interest as follows:

<u>Year</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate (%)</u>
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		

Payment of each installment of interest shall be made to the person in whose name the Bond is registered on the registration books of the City maintained by BancorpSouth Bank, Stuttgart, Arkansas, as Trustee (the "Trustee"), at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of any such Bond subsequent to such Record Date and prior to such interest payment date.

The Bonds shall be registered initially in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), which shall be considered to be the registered owner of the Bonds for all purposes under this Ordinance, including, without limitation, payment by the City of principal of, redemption price, premium, if any, and interest on the Bonds, and receipt of notices and exercise of rights of registered owners. There shall be one certificated, typewritten Bond for each stated maturity date which shall be immobilized in the custody of or on behalf of DTC with the beneficial owners having no right to receive the Bonds in the form of physical securities or certificates. DTC and its participants shall be responsible for maintenance of records of the ownership of beneficial interests in the Bonds by book-entry on the system maintained and operated by DTC and its participants, and transfers of ownership of beneficial interests shall be made only by DTC and its participants, by book-entry, the City having no responsibility therefor. DTC is expected to maintain records of the positions of participants in the Bonds, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the Bonds. The Bonds as such shall not be transferable or exchangeable, except for transfer to another securities depository or to another nominee of a securities depository, without further action by the City.

If any securities depository determines not to continue to act as a securities depository for the Bonds for use in a book-entry system, the City may establish a securities depository/book-entry system relationship with another securities depository. If the City does not or is unable to do so, or upon request of the beneficial owners of all outstanding Bonds, the City and the Trustee, after the Trustee has made provision for notification of the beneficial owners by the then securities depository, shall permit withdrawal of the Bonds from the securities depository, and authenticate and deliver Bond certificates in fully registered form (in denominations of \$5,000 or integral multiples thereof) to the assigns of the securities depository or its nominee, all at the cost and expense (including costs of printing definitive Bonds) of the City, if the City fails to maintain a securities depository/book-entry system, or of the beneficial owners, if they request termination of the system.

Prior to issuance of the Bonds, the City shall have executed and delivered to DTC a written agreement (the "Representation Letter") setting forth (or incorporating therein by reference) certain undertakings and responsibilities of the City with respect to the Bonds so long as the Bonds or a portion thereof are registered in the name of Cede & Co. (or a substitute nominee) and held by DTC. Notwithstanding such execution and delivery of the Representation Letter, the terms thereof shall not in any way limit the provisions of this Section or in any other way impose upon the City any obligation whatsoever with respect to persons having interests in the Bonds other than the registered owners, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the City in the Representation Letter with respect to the Trustee to at all times be complied with.

The authorized officers of the Trustee and the City shall do or perform such acts and execute all such certificates, documents and other instruments as they or any of them deem necessary or advisable to facilitate the efficient use of a securities depository for all or any portion of the Bonds; provided that neither the Trustee nor the City may assume any obligations to such securities depository or beneficial owners of Bonds that are inconsistent with their obligations to any registered owner under this Ordinance.

Each Bond shall bear interest from the payment date next preceding the date on which it is authenticated unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or unless it is authenticated prior to the first interest payment date, in which event it shall bear interest from its dated date, or unless it is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of authentication thereof interest is in default thereon, in which event it shall bear interest from the date to which interest has been paid.

Only such Bonds as shall have endorsed thereon a Certificate of Authentication substantially in the form set forth in Section 7 hereof (the "Certificate") duly executed by the Trustee shall be entitled to any right or benefit under this Ordinance. No Bond shall be valid and obligatory for any purpose unless and until the Certificate shall have been duly executed by the Trustee, and the Certificate upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The Certificate on any Bond shall be deemed to have been executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the Certificate on all of the Bonds.

In case any Bond shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and the Trustee may authenticate and deliver a new Bond of like date, maturity and tenor in exchange and substitution for and upon cancellation of such mutilated Bond, or in lieu of and in substitution for such Bond destroyed or lost, upon the owner paying the reasonable expenses and charges of the City and Trustee in connection therewith, and, in the case of a Bond destroyed or lost, his filing with the Trustee evidence satisfactory to it that such Bond was destroyed or lost, and of his ownership thereof, and furnishing the City and Trustee with indemnity satisfactory to them. The Trustee is hereby authorized to authenticate any such new Bond. In the event any such Bond shall have matured, instead of issuing a new Bond, the City may pay the same without the surrender thereof. Upon the issuance of a new Bond under this Section, the City may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

The City shall keep or cause to be kept books for the registration and for the transfer of the Bonds as provided herein and in the Bonds. The Trustee shall act as the bond registrar. Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Bond for the privilege of transfer or exchange, but any owner of any Bond requesting any such transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. The City shall not be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Section 6. The Bonds shall be executed on behalf of the City by the Mayor and City Clerk and shall have impressed thereon the seal of the City. The Bonds, together with interest thereon, shall be payable solely out of the 2016 Water and Sewer Revenue Bond Fund, hereafter described, and shall be a valid claim of the owners thereof only against such fund and the amount of revenues pledged thereto, which revenues are hereby pledged and mortgaged for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal, premium, if any, interest and Trustee's fees on and in connection with the Bonds and to make other disbursements authorized hereby.

The pledge of System revenues in favor of the Bonds is (1) subordinate to the pledge of System revenues in favor of the Senior Bonds (i.e., that portion of the 2008 Bonds that will not be refunded with proceeds of the Bonds) and (2) on a parity with the pledge of System revenues in favor of the Parity Bonds. The Bonds shall not constitute an indebtedness of the City within any constitutional or statutory limitation.

Payment of the scheduled principal of and interest on the Bonds when due (by stated maturity or by scheduled mandatory redemption) is guaranteed by the Insurer, pursuant to the Insurance Policy, as set forth in the Insurance Policy.

Section 7. The Bonds shall be in substantially the following form and the Mayor and City Clerk are hereby expressly authorized and directed to make all recitals contained therein:

(Form of Bond)

REGISTERED

REGISTERED

No. \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF ARKANSAS  
COUNTY OF SEBASTIAN  
CITY OF FORT SMITH  
WATER AND SEWER REFUNDING  
REVENUE BOND  
SERIES 2016

Interest Rate: \_\_\_\_\_%

Maturity Date: October 1, \_\_\_\_

Dated Date: \_\_\_\_\_, 2016

Registered Owner: Cede & Co.

Principal Amount: \_\_\_\_\_ Dollars

CUSIP No.: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS:

That the City of Fort Smith, Arkansas (the "City"), for value received, hereby promises to pay, but solely from the source as hereinafter provided and not otherwise, to the Registered Owner shown above, upon the presentation and surrender hereof at the principal corporate office of BancorpSouth Bank, in Stuttgart, Arkansas, or its successor or successors, as Trustee (the "Trustee"), on the Maturity Date shown above, the Principal Amount shown above, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay by check or draft interest thereon, but solely from the source as hereinafter provided and not otherwise, in like coin or currency, at the Interest Rate per annum shown above, payable semiannually on the 1st days of April and October of each year, commencing April 1, 2017 until payment of such principal sum or, if this Bond or a portion hereof shall be duly called for redemption, until the date fixed for redemption, and to pay interest on overdue principal and interest (to the extent legally enforceable) at the rate borne by this Bond. Payment of each installment of interest shall be made to the person in whose name this Bond is registered on the registration books of the City maintained by the Trustee at the close of business on the fifteenth day of the month (whether or not a business day) next preceding each interest payment date (the "Record Date"), irrespective of any transfer or exchange of this Bond subsequent to such Record Date and prior to such interest payment date. Interest on this Bond is payable from the interest payment date next preceding the date on which this Bond is authenticated unless this Bond is authenticated on an interest payment date, in which case it shall bear interest from such date, or unless this Bond is authenticated prior to April 1, 2017, in which case it shall bear interest from the Dated Date shown above, or unless this Bond is authenticated during the period from the Record Date to the next interest payment date, in which case it shall bear interest from such interest payment date, or unless at the time of

authentication of this Bond interest is in default hereon, in which case it shall bear interest from the date to which interest has been paid.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is required by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond is one of an issue of City of Fort Smith, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2016, aggregating \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$ \_\_\_\_\_) in principal amount (the "Bonds"), and is issued for the purpose of refunding all of the City's outstanding Water and Sewer Revenue Bonds, Series 2007 and a portion of the City's outstanding Water and Sewer Refunding and Construction Revenue Bonds, Series 2008.

THE BONDS ARE ISSUED PURSUANT TO AND IN FULL COMPLIANCE WITH THE CONSTITUTION AND LAWS OF THE STATE OF ARKANSAS, INCLUDING PARTICULARLY TITLE 14, CHAPTER 234, SUBCHAPTER 2, TITLE 14, CHAPTER 235, SUBCHAPTER 2 AND TITLE 14, CHAPTER 164, SUBCHAPTER 4 OF THE ARKANSAS CODE OF 1987 ANNOTATED AND APPLICABLE DECISIONS OF THE SUPREME COURT OF THE STATE OF ARKANSAS, INCLUDING CITY OF HARRISON V. BRASWELL, 209 ARK. 1094, 194 S.W.2d 12 (1946) AND PURSUANT TO ORDINANCE NO. \_\_\_\_\_, DULY ADOPTED ON \_\_\_\_\_, 2016 (THE "AUTHORIZING ORDINANCE"), AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN ANY CONSTITUTIONAL OR STATUTORY LIMITATION. The Bonds are not general obligations of the City but are special obligations secured by and payable solely from the revenues derived from the operation of the City's municipal water and sewer (combined) system (the "System"). The pledge of System revenues in favor of the Bonds is (a) subordinate to the pledge in favor of the portion of the City's outstanding Water and Sewer Refunding and Construction Revenue Bonds, Series 2008 that will not be refunded with proceeds of the Bonds and (b) on a parity with the pledge in favor of the City's Water and Sewer Refunding Revenue Bonds, Series 2011, the City's Water and Sewer Refunding Revenue Bonds, Series 2012 and the City's Water and Sewer Refunding and Construction Revenue Bonds, Series 2015. An amount of System revenues sufficient to pay the principal of and interest on the Bonds has been duly pledged and set aside into the 2016 Water and Sewer Revenue Bond Fund established by the Authorizing Ordinance. Reference is hereby made to the Authorizing Ordinance for a detailed statement of the terms and conditions upon which the Bonds are issued, of the nature and extent of the security for the Bonds, the reservation of the power to issue additional (parity) bonds, and the rights and obligations of the City, the Trustee and the owners of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as follows:

1. The Bonds may be redeemed at the option of the City, from funds from any source, in whole or in part at any time, on and after October 1, 2024, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

2. To the extent not previously redeemed, the Bonds maturing on October 1 in the years 20\_\_ and 20\_\_ are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on October 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Bonds Maturing October 1, 20\_\_

<u>Year</u>	<u>Principal Amount</u>
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Bonds Maturing October 1, 20\_\_

<u>Year</u>	<u>Principal Amount</u>
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In case any outstanding Bond is in a denomination greater than \$5,000, each \$5,000 of face value of such Bond shall be treated as a separate Bond of the denomination of \$5,000.

Notice of redemption identifying the Bonds or portions thereof (which shall be \$5,000 or a multiple thereof) to be redeemed shall be given by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first class mail, postage prepaid; or by other standard means, including facsimile transmissions and electronic communications, to all registered owners of Bonds to be redeemed. Failure to send an appropriate notice or any such notice to one or more registered owners of Bonds to be redeemed shall not affect the validity of the proceedings for redemption of other Bonds as to which notice of redemption is duly given in proper and timely fashion. All such Bonds or portions thereof thus called for redemption and for the retirement of which funds are duly provided in accordance with the Authorizing Ordinance prior to the date fixed for redemption will cease to bear interest on such redemption date. With respect to notice of redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the

Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice, such notice shall state that such redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption.

The City and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable only as fully registered bonds in the denomination of \$5,000, and any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the Authorizing Ordinance, Bonds may be exchanged for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law; that the indebtedness represented by the Bonds, together with all obligations of the City, does not exceed any constitutional or statutory limitation; and that the above referred to revenues pledged to the payment of the principal of and premium, if any, and interest on the Bonds as the same become due and payable will be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Authorizing Ordinance until the Certificate of Authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the City of Fort Smith, Arkansas has caused this Bond to be executed by its Mayor and City Clerk and its corporate seal to be impressed on this Bond, all as of the Dated Date shown above.

CITY OF FORT SMITH, ARKANSAS

ATTEST:

\_\_\_\_\_

City Clerk

(SEAL)

By \_\_\_\_\_

Mayor

STATEMENT OF INSURANCE

[A Statement of Insurance provided by the Insurer shall be placed on the Bonds.]

(Form of Trustee's Certificate)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds designated Water and Sewer Refunding Revenue Bonds, Series 2016, in and issued under the provisions of the within mentioned Authorizing Ordinance.

BANCORPSOUTH BANK  
TRUSTEE

By \_\_\_\_\_  
Authorized Signature

Date of Authentication: \_\_\_\_\_

(A Form of Assignment shall be  
attached to each Bond.)

Section 8. (a) The rates charged for services of the System heretofore fixed, and the conditions, rights and obligations pertaining thereto, as set out in the ordinances fixing such rates, are hereby ratified, confirmed and continued.

The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the Net Revenues of the System (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)), with the reduced rates, will be at least equal to 110% of the maximum annual principal and interest requirements on all bonds payable from revenues of the System ("System Bonds"), plus the amount needed to make all deposits required to be made into the Depreciation Fund (hereinafter identified) and any debt service reserves for System Bonds and to reimburse the Insurer and the insurers of System Bonds for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Bonds, including the Reserve Policy (collectively, the "Debt Service Reserve Policies"). The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues at least equal to 110% of the current year's debt service on all System Bonds and the amount needed to make the deposits into the Depreciation Fund and any debt service reserves for System Bonds and to reimburse the insurers of any System Bonds for any amounts owed in connection with Debt Service Reserve Policies.

(b) The System shall be continuously operated as a revenue producing undertaking, and all moneys received from its operation shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City, subject, however, to the

giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation ("FDIC").

So long as the Bonds are outstanding or any amounts are due and payable to the Insurer, the City shall not sell, lease, transfer or otherwise dispose of the System or any material portion thereof, except upon obtaining the prior written consent of the Insurer.

Section 9. All revenues derived from the operation of the System shall be paid into a special fund heretofore created and designated "Water and Sewer Fund." The revenues in the Water and Sewer Fund shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the System, to the payment of the principal of and interest on the Bonds and other System Bonds, to the maintenance of the debt service reserves at the required level, to the providing of the Depreciation Fund, and otherwise as described herein.

Section 10. There shall first be paid from the Water and Sewer Fund into a special fund heretofore created and designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), in a bank selected by the City that is a member of FDIC, on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of the deficiency shall be added to the amount otherwise required to be transferred and paid into the fund the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred into bond funds for System Bonds or into the Depreciation Fund, to the extent of any deficit therein, and in the absence of any such deficit, to the Water and Sewer Fund.

Section 11. After making the deposit into the Operation and Maintenance Fund, there shall be transferred and paid from the Water and Sewer Fund into the "Water and Sewer Revenue Bond Fund" (the "Senior Bond Fund") the deposits required by the ordinance authorizing the Senior Bonds plus any amounts necessary to reimburse the insurer of the Senior Bonds for any amounts due under the municipal bond debt service reserve insurance policy securing the Senior Bonds.

Section 12. After making the payments required above, there shall next be transferred and paid from the Water and Sewer Fund, pro rata, into the bond funds (and debt service reserves therein) being maintained in connection with the Parity Bonds and any additional parity bonds (the "Parity Bond Funds") and into a special fund, created by the Authorizing Ordinance and designated "2016 Water and Sewer Revenue Bond Fund" (the "Bond Fund") in a bank selected

by the City that is a member of FDIC, the sums in the amounts and at the times set forth below. The obligation to make the required monthly deposits into the Bond Funds and the Parity Bond Funds shall rank on a parity of security.

There shall be paid into the Parity Bond Funds the required monthly deposits pursuant to the Parity Bond Ordinances and any additional parity bonds.

There shall be paid into the Bond Fund until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment, on the first business day of each month commencing January 2017 (i) a sum equal to 1/6 of the next installment of interest on the Bonds and a sum equal to 1/12 of the next installment of principal due during the then next twelve months (either at maturity or in accordance with any mandatory redemption provisions) on the Bonds (provided that the interest installments through March 2017 shall be increased to 1/3 of the interest on the Bonds due April 1, 2017 and the principal installments through September 2017 shall be increased to 1/9 of the principal of the Bonds due October 1, 2017), plus (ii) an amount sufficient to provide for Trustee's fees, on the Bonds.

If the revenues of the System are insufficient to make the required payment on the first business day of any month into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

There is established and shall be maintained within the Bond Fund a "Debt Service Reserve Account." The Reserve Policy shall be deposited by the Trustee into the Debt Service Reserve Account and shall be in an amount equal to the lesser of 10% of the principal amount of the Bonds or the maximum annual principal and interest requirements on the Bonds (the "Required Level").

If for any reason there shall be a deficiency in payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds as the same become due, any sums received from the Reserve Policy in the Debt Service Reserve Account shall be used to the extent necessary for the payment of the principal of or interest on the Bonds. The Debt Service Reserve Account shall secure only the Bonds and be used to pay debt service only on the Bonds. The City shall reimburse the Insurer for all amounts drawn under the Reserve Policy in accordance with the Reserve Agreement and as hereinafter provided. The repayment of Reserve Policy Payments (as defined in Section 13 hereof) shall be made after the payment of debt service on the bonds, the Parity Bonds and any additional parity bonds issued pursuant to Section 16 hereof.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the next succeeding twelve-month period, and reimbursing the Insurer for all amounts drawn under the Reserve Policy, such surplus (1) shall be applied at the direction of the City to the payment of the principal of and interest on Bonds that may be called for redemption prior to maturity or (2) shall be paid to the City and deposited into the Water and Sewer Fund. Otherwise moneys in the Bond Fund shall be used solely for the payment of principal and interest on the Bonds and Trustee's fees.

The City Treasurer shall withdraw from the Bond Fund and deposit with the Trustee at least five (5) business days prior to the due date of any Bond or interest payable therefrom, at maturity or redemption prior to maturity, an amount equal to the amount of such Bond or interest payment for the sole purpose of paying the same, together with the Trustee's fee.

Section 13. Notwithstanding any provision of this Ordinance to the contrary:

(a) The City shall repay any draws under the Reserve Policy and pay all related reasonable expenses in connection therewith incurred by the Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, at its principal office in the City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, the Prime Rate shall be the publicly announced prime or base lending rate of such other bank, banking association or trust company bank as the Insurer, in its sole and absolute discretion, shall specify.

Repayment of draws under the Reserve Policy and accrued interest thereon at the Late Payment Rate ("Reserve Policy Payments") and payment of expenses ("Reserve Policy Expenses") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Policy Payments and Reserve Policy Expenses (collectively, "Reserve Policy Costs") related to such draw.

Amounts in respect of Reserve Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Debt Service Reserve Account shall be transferred to the Bond Fund for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy.

Payment of any Reserve Policy Cost shall be made prior to replenishment of any cash amounts in the Debt Service Reserve Account. Draws on the Reserve Policy shall be made after applying any available cash and investments in the Debt Service Reserve Account.

(b) Draws under the Reserve Policy may only be used to make payments on the Bonds.

(c) If the City shall fail to pay any Reserve Policy Costs in accordance with the requirements of paragraph (a) above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Ordinance other than remedies which would adversely affect owners of the Bonds.

(d) This Ordinance shall not be discharged until all Reserve Policy Costs owing to the Insurer shall have been paid in full. The City's obligation to pay such amount shall expressly survive payment in full of the Bonds.

(e) The Reserve Policy shall expire and terminate on the earlier of the date the Bonds are no longer outstanding and the final maturity of the Bonds.

(f) The Trustee shall ascertain the necessity for a claim under the Reserve Policy in accordance with the provisions of paragraph (a) above and provide notice to the Insurer at least three business days prior to each date upon which interest or principal is due on the Bonds.

Section 14. There shall next be paid from the Water and Sewer Fund into a fund heretofore created and designated "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), in a bank, selected by the City, that is a member of the FDIC, on the first business day of each month while any of the Bonds are outstanding, a sum equal to three percent (3%) of the gross revenues of the System for the then preceding month plus \$5,000 per month until there is accumulated the sum of \$500,000. When the sum of \$500,000 has been accumulated, the payments may be discontinued. If the moneys in the Depreciation Fund fall below \$500,000, the monthly payments shall resume until the balance again reaches \$500,000. The moneys in the Depreciation Fund shall be used solely for the purpose of providing for replacements made necessary by the depreciation of the System and for the purpose of paying costs of damage caused by unforeseen catastrophes, except that moneys in the Depreciation Fund shall be used to the extent necessary at any time to prevent default in the payment of principal, interest, and Trustee's fees on the Bonds and any other System Bonds.

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to cover probable replacement costs during the current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Senior Bond Fund and the Bond Fund, to the extent of any deficit therein, and, in the absence of any such deficit, to the Water and Sewer Fund.

Section 15. Any surplus in the Water and Sewer Fund, after making all required disbursements and making full provision for the funds herein described shall be used for the payment of interest on amounts advanced under the Reserve Policy and any other Debt Service Reserve Policies for System Bonds and any amounts owed the Insurer and the insurers of the System Bonds, and may be used, at the option of the City, for the redemption of System Bonds prior to maturity in accordance with their respective redemption provisions; for constructing extensions, betterments and improvements to the System; or for any other lawful municipal purpose.

Section 16. As long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on the revenues of the System over the lien securing the Bonds.

The City may issue additional bonds to finance or refinance the cost of extensions, betterments and improvements to the System. However, the City may not authorize or issue any such additional bonds ranking on a parity of security with outstanding Bonds, unless and until either: (1) there shall have been procured and filed with the Trustee a statement by an Accountant reciting that, based upon necessary investigation, the Net Revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the average annual principal and interest requirements on the System Bonds then outstanding and the additional bonds proposed to be issued; or (2) there shall have been procured and filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that the Net Revenues of the System for the next ensuing fiscal year as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City and approved by the Trustee, and taking into consideration any rate increase, shall be equal to not less than 130% of the average annual principal and interest requirements on all of the System Bonds then outstanding and the additional bonds then proposed to be issued. For purposes of the required computation, there may be added to the Net Revenues of the System of the fiscal year immediately preceding the fiscal year in which it is proposed to issue additional bonds the following: if prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year the City shall have increased the rates charged for water services or sewer services, the additional net revenues which would have been received from the operation of the System had the increase been in effect throughout such fiscal year. For purposes of the required computation, there shall be added to the average annual principal and interest requirement any amounts due and owing under any Debt Service Reserve Policies.

The additional bonds the issuance of which is restricted and conditioned as hereinabove described shall not be deemed to include other obligations the security and source of payment of which is subordinate and subject to the priority of the Bonds.

Section 17. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year. A copy of the audit shall be delivered to the Trustee not later than 180 days after the end of each fiscal year and shall be made available to any Bondholder making request therefor. In the event that the City fails or refuses to make the audit, the Trustee or any owner of the Bonds, may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Section 18. The City covenants that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. The City agrees that, to the extent that comparable protection is not otherwise provided to the satisfaction of the Trustee, it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a

responsible insurance company or companies authorized and qualified under the laws of the State of Arkansas to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses, against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in Arkansas. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and are either to be placed in the custody of the Trustee or satisfactory evidence of such insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Water and Sewer Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Water and Sewer Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Section 19. The Bonds shall be subject to redemption prior to maturity as set forth in Section 7 hereof. The City covenants and agrees to cause to be paid into the Bond Fund sufficient funds to redeem Bonds subject to mandatory sinking fund redemption in the amounts and on the dates set forth in the Bonds. Therefore, in calculating the monthly payments to be deposited into the Bond Fund, the term "next installment of principal" shall include the principal of the Bonds maturing on the next principal payment date and the principal of the Bonds which will be redeemed in accordance with the mandatory sinking fund redemption provisions of the Bonds on the next interest payment date scheduled for such redemption.

Section 20. There shall be a statutory mortgage lien upon the water facilities which are part of the System (including all extensions, improvements and betterments now or hereafter existing) which shall exist in favor of the owners of the Bonds, and each of them and such water facilities shall remain subject to such statutory mortgage lien until payment in full of the interest on and principal of the Bonds, provided, however, that such statutory mortgage lien shall be interpreted according to the decision of the Supreme Court of the State of Arkansas in City of Harrison v. Braswell, supra.

Section 21. (a) Subject to the provisions of subparagraph (g) below, if there be any default in the payment of the principal of or interest on any of the Bonds, if the City declares bankruptcy, or if the City defaults in any Bond Fund requirements or in the performance of any of the other covenants contained and set forth in this Ordinance, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than 10% in principal amount of the Bonds shall, by proper suit compel, by mandamus or otherwise, the performance of the duties of the officials of the City under the laws of Arkansas. And, in the case of a default in the payment of the principal of and interest on any of the Bonds, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the registered owners of not less than 10% in principal amount of the

Bonds shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the registered owners with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the revenue in conformity with the laws of Arkansas and with this Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

(b) No owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under this Ordinance or under the laws of Arkansas unless (1) such owner or the Trustee shall have given written notice of such default to the Insurer and (2) such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 10% in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted by the laws of Arkansas, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Ordinance or to any other remedy hereunder. It is understood and intended that no one or more owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Ordinance, or to enforce any right hereunder except in the manner herein provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all owners of all outstanding Bonds, and that any individual rights of action or other right given to one or more of such owners by law are restricted by this Ordinance to the rights and remedies herein provided.

(c) All rights of action under this Ordinance or under any of the Bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the owners of the Bonds, subject to the provisions of this Ordinance.

(d) No remedy herein conferred upon or reserved to the Trustee, the Insurer or to the owners of the Bonds is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or given by law.

(e) No delay or omission of the Trustee or of any owners of the Bonds to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Ordinance to the Trustee and to the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(f) The Trustee may, and upon the written request of the owners of not less than 50% in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of this Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(g) Notwithstanding the above, upon the occurrence and continuance of a default, the Insurer shall be deemed to be the sole holder of the Bonds for all purposes under this Ordinance, including, without limitation, for purposes of exercising remedies and approving amendments.

Section 22. (a) This Ordinance shall constitute a binding contract between the City and the owners of the outstanding Bonds. The City will at all times strictly adhere to the terms and provisions hereof and will fully discharge all of its obligations hereunder. No variation or change in the undertaking herein set forth shall be made while any of the Bonds are outstanding, except as hereinafter set forth in subsections (b) and (c).

(b) With the prior written consent of the Insurer, the Trustee may make any change in this Ordinance that the Trustee determines is not to the material prejudice of the owners of the Bonds.

(c) The Insurer and the owners of not less than 75% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Ordinance or in any supplemental ordinance; provided, however, that nothing contained in this Section shall permit or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) the creation of a lien or pledge superior to the lien and pledge created by this Ordinance, or (iv) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

(d) The City shall send copies of any amendments or supplements to this Ordinance to the Insurer and the rating agencies which have assigned a rating to the Bonds. Any amendments or supplements to this Ordinance shall require the prior written consent of the Insurer with the exception of amendments or supplements: (i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in this Ordinance or in any supplement hereto, or (ii) to grant or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted or conferred upon the holders of the Bonds, or (iii) to add to the conditions, limitations and restrictions on the issuance of Bonds or other obligations under the provisions of this Ordinance other conditions, limitations and restrictions thereafter to be observed, or (iv) to add to the covenants and agreements of the City in this Ordinance other covenants and agreements thereafter to be observed by the City or to surrender any right or power therein reserved to or conferred upon the City, or (v) to issue additional parity bonds pursuant to Section 16 hereof.

Section 23. (a) Moneys held for the credit of the Bond Fund shall be invested and reinvested pursuant to the direction of the City (or at the discretion of the Trustee in the absence of direction by the City) in (i) direct obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America ("Government Securities") or (ii) in demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by Arkansas law to secure public deposits, held by a third party and in which securities the Trustee has a perfected security interest, or (iii) savings accounts, deposit accounts or money market deposits in banks, including the Trustee, which are fully insured by the FDIC, or (iv) bonds or notes issued by the State or a municipality or county thereof which are rated by Moody's and S&P in one of the highest rating categories assigned by such agencies, or (v) money market funds comprised exclusively of Government Securities and registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 and having a rating by S&P of "AAAm-G," "AAAm," or "AAm" (collectively, "Permitted Investments"), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys will be required for payment of the principal of or interest on the Bonds when due.

(b) Moneys held for the credit of the Cost of Issuance Fund (hereinafter identified) may be invested and reinvested pursuant to the direction of the City in Permitted Investments or other investments permitted by Arkansas law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when such money will be required for the purposes intended.

(c) Obligations so purchased as an investment of moneys in any fund established by this Ordinance shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

Section 24. Any Bond shall be deemed to be paid within the meaning of this Ordinance when payment of the principal of and interest on such Bond (whether at maturity or upon redemption as provided herein, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) cash sufficient to make such payment and/or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Investment Securities") (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee pertaining thereto shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any Bonds within the meaning of this Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Investment Securities.

When all the Bonds shall have been paid within the meaning of this Ordinance, if the Trustee has been paid its fees and expenses and if any arbitrage rebate due the United States Treasury has been paid or provided for to the satisfaction of the Trustee, and if there are not amounts due the Insurer with respect to the Reserve Policy, the Trustee shall take all appropriate action to cause (i) the pledge and lien of this Ordinance to be discharged and cancelled, and (ii) all moneys held by it pursuant to this Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Investment Securities there shall be considered the principal amount of such Investment Securities and interest to be earned thereon until the maturity of such Investment Securities.

At least three business days prior to any defeasance with respect to the Bonds, the City shall, unless waived by the Insurer, deliver to the Insurer draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Bonds and a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer. Such Verification Report shall be in the form and substance satisfactory to the Insurer and, unless waived by the Insurer, shall either be addressed to the Insurer or shall include a statement to the effect that such Verification Report may be relied upon by the Insurer. In addition, the escrow agreement shall provide that:

(1) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(2) The City will not exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(3) The City shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Section 25. When the Bonds have been executed and sealed as herein provided, they shall be delivered to the Trustee. The Trustee shall authenticate the Bonds and deliver them to or at the direction of the Underwriters upon payment of the Purchase Price. Unless paid by the Underwriters as part of the Purchase Price, the amount necessary to pay the premiums for the Insurance Policy and the Reserve Policy shall be paid to the Insurer. The Trustee shall disburse the Purchase Price received by it as set forth in detail in a letter of delivery instructions signed by the Mayor and delivered to the Trustee (the "Delivery Instructions"), as follows:

(a) The amount of the Purchase Price necessary to accomplish the refunding of the Refunded Bonds shall be deposited with the trustee of the Refunded Bonds.

(b) The amount necessary to pay the costs of issuance of the Bonds shall be deposited into a special account in the name of the City designated "Cost of Issuance Fund, Series 2016" (the "Cost of Issuance Fund") in the Trustee. Moneys in the Cost of Issuance Fund shall be used to pay costs of issuance as directed in the Delivery Instructions or in requisitions. Requisitions shall contain at least the following information: the person to whom payment is being made; the amount of the payment; and the purpose by general classification of the payment. Each requisition must be signed by the City Administrator or Deputy City Administrator and the City Treasurer. Any amount remaining in the Cost of Issuance Fund on March 1, 2017 shall be transferred by the Trustee to the Bond Fund.

Section 26. All moneys in the Senior Bond Fund that are allocated to the Refunded Bonds are hereby appropriated and shall be used as set forth in the Delivery Instructions for one or both of the following purposes: to accomplish the refunding of the Refunded Bonds and to pay a portion of the interest on the Bonds due April 1, 2017 by depositing such amount in the Bond Fund.

Section 27. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The recitals in this Ordinance and in the face of the Bonds are the recitals of the City and not of the Trustee. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Insurer or by the owners of not less than 10% in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by 30 days' notice in writing to the City Clerk, the Insurer and the owners of the Bonds then outstanding. At any time, with or without cause, the City, the Insurer or a majority in principal amount of the Bonds may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk. The original Trustee and any successor Trustee shall execute a written acceptance of the trust imposed upon it or them by this Ordinance, but only upon the terms and conditions set forth in this Ordinance and subject to the provisions of this Ordinance, to all of which the respective owners of the Bonds agree. Such written acceptance shall be filed with the City Clerk and a copy thereof shall be placed in the bond transcript. Any successor Trustee shall have all the powers herein granted to the original Trustee. The Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Notwithstanding the above, neither the removal of the

Trustee nor the resignation by the Trustee shall be effective until a successor Trustee, acceptable to the Insurer, shall be qualified and appointed.

(b) The Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets or (C) otherwise approved by the Insurer in writing.

Section 28. (a) The City covenants that it shall not take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest payable on the Bonds to be subject to federal income taxation. Without limiting the generality of the foregoing, the City represents and covenants that the proceeds of the Bonds and System revenues will not be used directly or indirectly in such manner as to cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

(b) The City shall assure that (i) not in excess of 10% of the Net Proceeds of the Bonds is used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed moneys used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for a Private Business Use, the excess over such 5% of Net Proceeds of the Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System.

The City shall assure that not in excess of 5% of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan to persons other than state or local governmental units.

As used in this subsection (b), the following terms shall have the following meanings:

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, less any amount deposited into the Debt Service Reserve Account which is derived from the sale proceeds of the Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

(c) The City covenants that it will take no action which would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code. Nothing in this Section shall prohibit investments in bonds issued by the United States Treasury.

(d) The City covenants that it will submit to the Secretary of the Treasury of the United States, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, the statement required by Section 149(e) of the Code.

(e) The City covenants that it will, in compliance with the requirements of Section 148(f) of the Code, pay with moneys in the Water and Sewer Fund that remain after all required deposits have been made into the Operation and Maintenance Fund and the Bond Fund, to the United States Government in accordance with the requirements of Section 148(f) of the Code, from time to time, an amount equal to the sum of (1) the excess of (A) the amount earned on all Nonpurpose Investments (as therein defined) attributable to the Bonds, other than investments attributable to such excess over (B) the amount which would have been earned if such Nonpurpose Investments attributable to the Bonds were invested at a rate equal to the Yield (as defined in the Code) applicable to the particular series or issuance of Bonds, plus (2) any income attributable to the excess described in (1), subject to the exceptions set forth in Section 148 of the Code. The City further covenants that in order to assure compliance with its covenants herein, it will employ a qualified consultant to advise the City in making the determination required to comply with this subsection (e). Anything herein to the contrary notwithstanding, this provision may be modified or rescinded if in the opinion of Bond Counsel such modification or rescission will not affect the tax-exempt status of the Bonds for federal income tax purposes. As used herein, the term "Bond Counsel" means any lawyer or firm of lawyers of national reputation with respect to the exemption from income tax for interest on state and local debt obligations.

Section 29. (a) The City will provide the Insurer with all notices and other information it is obligated to provide under the Disclosure Agreement and to the holders of the Bonds or the Trustee under this Ordinance.

The notice address of the Insurer is: Build America Mutual Assurance Company, 1 World Financial Center, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: [notices@buildamerica.com](mailto:notices@buildamerica.com). In each case in which notice or other communication refers to an event of default or a claim on the Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at [claims@buildamerica.com](mailto:claims@buildamerica.com) or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) In the event that principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, the assignment and pledge granted hereby and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on such payment date, the Trustee shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (1) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Bonds, (2) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, (3) segregate all such payments in a separate account (the "BAM Policy Account") to only be used to make scheduled payments of principal of and interest on the Bonds, and (4) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (1) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Bonds surrendered to the Insurer, (2) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Insurance Policy payment therefore from the Insurer, (3) segregate all such payments in the BAM Policy

Payment Account to only be used to make scheduled payments of principal of and interest on the Bonds and (4) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the City on any Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the City with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. This Ordinance shall not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the City and the Trustee agree for the benefit of the Insurer that:

(i) To the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the City with interest on Bond principal (but not Bond interest), as provided and solely from the sources stated in this Ordinance and the Bonds; and

(ii) The Insurer will be paid the amount of such principal and interest, with interest on Bond principal (but not Bond interest), as provided herein and in the Bonds, but only from the sources and in the manner provided herein and therein for the payment of principal of and interest on the Bonds to holders, and the Insurer will be treated as the owner of such rights to the amount of such principal and interest.

(c) The City agrees unconditionally that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Ordinance ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of

employees of the Insurer spent in connection with the actions described in the preceding sentence.

Notwithstanding anything herein to the contrary, the City agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy and (ii) interest on Bond principal (but not Bond interest) from the date paid by the Insurer until payment thereof in full by the City, payable to the Insurer at the stated interest rate for each such Bond (collectively, the "Bond Insurer Reimbursement Amounts") compounded semi-annually. The City hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the Revenues and other collateral pledged to the Bonds on a parity with debt service due on the Bonds.

(d) The rights granted to the Insurer under this Ordinance to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the holders of the Bonds or any other person is required in addition to the consent of the Insurer.

(e) The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Insurance Policy) in accordance with this Ordinance, whether or not the Insurer has received a claim upon the Insurance Policy.

(f) Any amendment, supplement, modification to, or waiver of, this Ordinance that requires the consent of holders of the Bonds or adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(g) Any reorganization or liquidation plan with respect to the City must be acceptable to the Insurer. The Trustee and each owner of the Bonds hereby appoint the Insurer as their agent and attorney-in-fact with respect to the Bonds and agree that the Insurer may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (i) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Bonds delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Bonds with respect to the Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any Insolvency Proceeding

(h) Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of a default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the holders of the Bonds under this Ordinance. No default may be waived without the Insurer's written consent.

(i) If an Insurer Default (as defined below) shall occur and be continuing, then, notwithstanding anything herein to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Insurance Policy, to the extent of such payment the Insurer shall be treated like any other holder of the Bonds for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Insurance Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) the Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

(j) The Insurer is recognized as and shall be deemed to be a third party beneficiary of this Ordinance and may enforce the provisions of this Ordinance.

(k) No grace period shall be permitted for payment defaults on the Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Insurer.

Section 30. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Trustee and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the registered owners of the Bonds.

Section 31. The Disclosure Agreement, in substantially the form submitted to this meeting, is approved, and the Mayor is hereby authorized and directed to execute and deliver the Disclosure Agreement on behalf of the City. The Mayor and City Administrator are each

authorized and directed to take all action required on the part of the City to fulfill the City's obligations under the Disclosure Agreement.

Section 32. The Reserve Agreement, in substantially the form submitted to this meeting is hereby approved, and the Mayor and the City Clerk are hereby authorized and directed to execute and deliver the Reserve Agreement on behalf of the City, and the Mayor and other officers of the City are authorized to execute and deliver such undertakings as may be appropriate to the securing of the Reserve Policy.

Section 33. The Mayor, and other officers of the City in accordance with their offices, are authorized to execute such writings and take such action as may be appropriate to cause the Bonds to be issued.

Section 34. The provisions of this Ordinance are hereby declared to be separable and if any provision shall for any reason be held illegal or invalid, such holding shall not affect the validity of the remainder of the Ordinance.

Section 35. All ordinances and resolutions or parts thereof, in conflict herewith are hereby repealed to the extent of such conflict.

Section 36. It is hereby ascertained and declared that the refunding of the Refunded Bonds must be accomplished as soon as possible in order to lower the interest cost on obligations of the System. The refunding cannot be accomplished without the issuance of the Bonds, and therefore, it is declared that an emergency exists and this Ordinance being necessary for the preservation of the public peace, health and safety shall be in force and take effect immediately upon and after its passage.

PASSED: \_\_\_\_\_, 2016.

APPROVED:

ATTEST:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk

(SEAL)

CERTIFICATE

The undersigned, City Clerk of the City of Fort Smith, Arkansas, hereby certifies that the foregoing pages are a true and correct copy of Ordinance No. \_\_\_\_\_, adopted at a regular session of the Board of Directors of the City, held at the regular meeting place of the Board of Directors in the City at 6:00 p.m., on the \_\_\_\_\_ day of November, 2016, and that said Ordinance is of record in Ordinance Record Book No. \_\_\_\_\_, Page \_\_\_\_\_, now in my possession.

GIVEN under my hand and seal this \_\_\_\_\_ day of November, 2016.

---

City Clerk

(SEAL)

EXHIBIT A

The following chart illustrates the current outstanding principal amount of the 2008 Bonds, the principal amount of the 2008 Bonds that will be refunded with proceeds of the Bonds (i.e., the 2008 Bonds to be Refunded) and the principal amount of the 2008 Bonds that will remain outstanding after the Bonds are issued (i.e., the Senior Bonds):

<u>Maturity</u> <u>(October 1)</u>	Total Principal Amount of 2008 Bonds <u>Outstanding</u>	Principal Amount of 2008 Bonds <u>to be Refunded</u>	Principal Amount of 2008 Bonds to Remain Outstanding After Issuance of <u>the Bonds</u>
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PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 7, 2016

NEW ISSUE  
BOOK-ENTRY ONLY

(BAM Insured) S&P: "AA" (stable outlook)  
(Underlying Rating) S&P: "A-" (stable outlook)

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax, provided that with respect to corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax. Under existing law, Bond Counsel is of the opinion that the Bonds and the interest thereon are exempt from all state, county and municipal taxes in the State of Arkansas. See LEGAL MATTERS, Tax Exemption.

\$56,675,000\*  
CITY OF FORT SMITH, ARKANSAS  
WATER AND SEWER REFUNDING  
REVENUE BONDS  
SERIES 2016

Dated: Date of Delivery

Due: October 1, as shown below

The Bonds will not be general obligations of the City of Fort Smith, Arkansas (the "City"), but will be special obligations, secured by a pledge of and payable from revenues derived from the operation of the City's Water and Sewer System (a) subordinate to the pledge in favor of the City's outstanding Water and Sewer Refunding and Construction Revenue Bonds, Series 2008 and (b) on a parity with the pledge in favor of the City's outstanding Water and Sewer Refunding Revenue Bonds, Series 2011, Water and Sewer Refunding Revenue Bonds, Series 2012 and Water and Sewer Refunding and Construction Revenue Bonds, Series 2015.

The Bonds of each maturity will be initially issued as a single registered Bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by BancorpSouth Bank, Stuttgart, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2017. The Bonds mature on October 1 in the years and in the amounts, bear interest at the rates and are priced to yield as follows:

MATURITY SCHEDULE\*

<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2017	\$1,600,000			2025	\$4,260,000		
2018	1,845,000			2026	4,510,000		
2019	1,900,000			2027	4,745,000		
2020	2,795,000			2028	3,980,000		
2021	2,880,000			2029	4,180,000		
2022	2,965,000			2030	4,385,000		
2023	3,055,000			2031	4,605,000		
2024	4,135,000			2032	4,835,000		

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds are offered when, as and if issued and received by the Underwriters named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to satisfaction of certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 22, 2016.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.

RAYMOND JAMES®

Dated: \_\_\_\_\_, 2016

\*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under BOND INSURANCE and Exhibit C - Specimen Municipal Bond Insurance Policy.

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## OFFICIAL STATEMENT

**\$56,675,000\***  
**CITY OF FORT SMITH, ARKANSAS**  
**WATER AND SEWER REFUNDING**  
**REVENUE BONDS**  
**SERIES 2016**

### INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof and exhibits hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Fort Smith, Arkansas (the "City") of its Water and Sewer Refunding Revenue Bonds, Series 2016, in the aggregate principal amount of \$56,675,000\* (the "Bonds"). The Bonds are being issued to (i) advance refund the City's Water and Sewer Revenue Bonds, Series 2007 (the "2007 Bonds"), (ii) advance refund a portion of the City's Water and Sewer Refunding and Construction Revenue Bonds, Series 2008 (the "2008 Bonds"), (iii) pay premiums for a municipal bond insurance policy and a municipal bond debt service reserve insurance policy and (iv) pay costs incidental thereto and of issuing and insuring the Bonds. See **THE BONDS, Purposes for Bonds**.

The City is a city of the first class organized under the laws of the State of Arkansas (the "State") located in Sebastian County, Arkansas which is in northwestern Arkansas. The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2 and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTY**.

The Bonds are not general obligations of the City, but are special obligations equally and ratably secured by and payable solely from the revenues derived from the operation of the City's water and sewer (combined) system (the "System"). The pledge of System revenues to the payment of the Bonds is (a) subordinate to the pledge in favor of the 2008 Bonds that are not being refunded with proceeds of the Bonds (the "Senior Bonds") and (b) on a parity with the pledge in favor of the City's Water and Sewer Refunding Revenue Bonds, Series 2011 (the "2011 Bonds"), Water and Sewer Refunding Revenue Bonds, Series 2012 (the "2012 Bonds") and Water and Sewer Refunding and Construction Revenue Bonds, Series 2015 (the "2015 Bonds") and together with the 2011 Bonds and the 2012 Bonds, the "Parity Bonds"). See **THE BONDS, Security**. The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation and Ordinance No. \_\_\_\_\_, adopted on \_\_\_\_\_, 2016 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS, Book-Entry Only System**. The Bonds will contain such other terms and provisions as described herein **THE BONDS, Generally**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable semiannually on each April 1 and October 1, commencing April 1, 2017. Principal is payable at the principal office of BancorpSouth Bank, Stuttgart, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

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\*Preliminary; subject to change.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the “Insurance Policy”) to be issued by Build America Mutual Assurance Company (the “Insurer” or “BAM”) simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Exhibit C. It is expected that Standard & Poor’s Global Ratings will assign a rating of “AA” (stable outlook) to the Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE** and **RATINGS**.

The Bonds are subject to optional redemption on and after October 1, 2024. See **THE BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) with respect to corporations, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, (iv) interest on the Bonds is exempt from State income tax and (v) the Bonds are not subject to property taxes in the State. See **LEGAL MATTERS, Tax Exemption**.

The City and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Continuing Disclosure Agreement”). See **CONTINUING DISCLOSURE AGREEMENT**.

It is expected that the Bonds will be available for delivery on or about December 22, 2016, through the facilities of The Depository Trust Company in New York, New York.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., P. O. Box 3507, Little Rock, Arkansas 72201, Attention: Public Finance.

## **THE BONDS**

**Book-Entry Only System.** The Depository Trust Company (“DTC”), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate for each maturity date will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriters nor the City make any representation or warranty regarding the accuracy or completeness thereof.

**So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.**

Generally. The Bonds shall be dated, mature and bear interest and interest is payable on the Bonds as set forth on the cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Bond for the privilege of registration, but any owner of any Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Bonds are subject to redemption at the option of the City, from funds from any source on and after October 1, 2024, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the City in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

Notice of redemption identifying the Bonds or portions thereof (which shall be \$5,000 or a multiple thereof) to be redeemed shall be given by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, by mailing a copy of the redemption notice by first class mail, postage prepaid, or by other standard means, including facsimile transmission and electronic communication, to all registered owners of Bonds to be redeemed. Failure to send an appropriate notice or any such notice to one or more registered owners of Bonds to be redeemed shall not affect the validity

of the proceedings for redemption of other Bonds as to which notice of redemption is duly given in proper and timely fashion. All such Bonds or portions thereof thus called for redemption and for the retirement of which funds are duly provided in accordance with the Authorizing Ordinance prior to the date fixed for redemption will cease to bear interest on such redemption date. With respect to notice of redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice, such notice shall state that such redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If such moneys shall not have been so received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of an issue are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.**

Purposes for Bonds. The Bonds are being issued to (i) advance refund the 2007 Bonds, (ii) advance refund a portion of the 2008 Bonds (the “2008 Bonds to be Refunded” and together with the 2007 Bonds, the “Bonds Refunded”) as described in the following chart, (iii) pay premiums for the Insurance Policy and a municipal bond debt service reserve insurance policy and (iv) pay the costs incidental thereto and of issuing and insuring the Bonds.

The following chart describes the maturities of the 2008 Bonds, the current outstanding principal amounts of the 2008 Bonds, a description of the principal amount of the 2008 Bonds to be refunded with proceeds of the Bonds (i.e., the 2008 Bonds to be Refunded), and a description of the principal amounts of the 2008 Bonds that will remain outstanding after the Bonds are issued (i.e., the Senior Bonds):

<u>Maturity (October 1)</u>	<u>Total Principal of 2008 Bonds Outstanding</u>	<u>Principal Amount of 2008 Bonds to be Refunded*</u>	<u>Principal Amount of 2008 Bonds to Remain Outstanding*</u>
2017	\$ 1,385,000	\$ 535,000	\$ 850,000
2018	1,435,000	555,000	880,000
2019	1,495,000	580,000	915,000
2020	3,715,000	1,445,000	2,270,000
2021	3,900,000	1,515,000	2,385,000
2022	4,090,000	1,590,000	2,500,000
2023	4,300,000	1,675,000	2,625,000
2028	41,280,000	16,065,000	25,215,000
2032	48,250,000	18,785,000	29,465,000

The 2007 Bonds financed the costs of the acquisition, construction and equipping of extensions, betterments and improvements to the water and sewer facilities of the System.

The 2008 Bonds (i) financed the costs of the acquisition, construction and equipping of extensions, betterments and improvements to the water and sewer facilities of the System and (ii) advance refunded the City's Water and Sewer Refunding and Construction Revenue Bonds, Series 2002A (the “2002A Bonds”). The 2002A Bonds financed the costs of acquiring, constructing and equipping extensions, betterments and improvements to the water facilities of the System. The portion of the 2008 Bonds being advance refunded by the Bonds is the outstanding principal amount of the 2008 Bonds that is allocated to the cost of financing the acquisition, construction and equipping of extensions, betterments and improvements to the water and sewer facilities of the System.

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\*Preliminary; subject to change.

A portion of the Bond proceeds and other available funds will be held by the trustee for the 2007 Bonds and invested in United States Treasury Obligations, which will mature and bear interest at such times and in such amounts as will, together with uninvested cash, provide a cash flow sufficient (i) to pay the principal of and interest on the 2007 Bonds through October 1, 2017 and (ii) to redeem the 2007 Bonds maturing on and after October 1, 2018 on October 1, 2017.

A portion of the Bond proceeds and other available funds will be held by the trustee for the 2008 Bonds and invested in United States Treasury Obligations, which will mature and bear interest at such times and in such amounts as will, together with uninvested cash, provide a cash flow sufficient (i) to pay the principal of and interest on the 2008 Bonds to be Refunded through October 1, 2018 and (ii) to redeem the 2008 Bonds to be Refunded maturing on and after October 1, 2019 on October 1, 2018.

The proceeds of the Bonds plus funds from the Bonds Refunded are estimated to be expended by the City as follows:

<b>PROCEEDS:*</b>	
Principal Amount of Bonds	\$56,675,000
Net Original Issue Premium	6,498,458
Available Funds from Bonds Refunded	<u>762,790</u>
 Total Proceeds	 \$63,936,248
 <b>USES:*</b>	
Costs of Refunding the Bonds Refunded	\$62,952,774
Underwriters' Discount, Costs of Issuance, Insurance Policy Premium and Reserve Policy Premium	<u>983,474</u>
 Total Uses	 \$63,936,248

The payment of Underwriters' discount, bond insurance policy premium, debt service reserve insurance policy premium and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS**, Underwriting for a description of the Underwriters' discount. The Underwriters will also be reimbursed certain costs of closing and delivering the Bonds.

Security. The Bonds are not general obligations of the City but are special obligations, equally and ratably secured by a pledge of System revenues. The pledge of System revenues in favor of the Bonds is subordinate to the pledge in favor of the Senior Bonds (i.e., the 2008 Bonds that will not be refunded with proceeds of the Bonds) and is on a parity with the pledge in favor of the Parity Bonds.

The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein.

The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE**, Additional Parity Bonds.

The City has covenanted to maintain rates sufficient to produce net System revenues of at least 110% of the current year's debt service plus reserve payments and amounts due bond insurers. See **THE AUTHORIZING ORDINANCE**, Rates and General Covenants to Operate herein. The City did not meet the rate covenant for the fiscal year ended December 31, 2014. Debt service coverage for 2014 was 97%. The City instituted sewer rate increases effective May 1, 2015, January 1, 2016 and January 1, 2017. Debt service coverage for 2015 was 143%. See **FINANCIAL INFORMATION**.

Debt Service Reserve; Reserve Account Insurance Policy. The Bonds are secured by a Debt Service Reserve Account, established within the Bond Fund (as hereinafter defined), which will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by Build America Mutual Assurance Company (the "Reserve Insurer"). The face amount of the Reserve Policy will be an amount

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\*Preliminary; subject to change.

equal to the lesser of 10% of the principal amount of the Bonds or the maximum annual debt service requirements on the Bonds. The Debt Service Reserve Account will only secure the Bonds and will not secure any parity bonds.

### **THE CITY AND THE COUNTY**

Location. The City, incorporated in 1842, is located in Sebastian County (the “County”) and in northwest Arkansas, on the Oklahoma state line and 159 miles west of Little Rock, Arkansas and 145 miles southeast of Tulsa, Oklahoma. The City is the seat of government for the upper district of the County and 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.

Population. Population trends of the City and the County are estimated as follows:<sup>(1)</sup>

<u>Year</u>	<u>City</u>	<u>County</u>
2010	86,209	125,744
2011	87,155	126,948
2012	87,443	127,304
2013	87,489	127,118
2014	87,351	126,776
2015	88,194	127,780

Transportation. The City is served by U.S. Highways Nos. 271, 71 and 64 as well as Interstate Nos. 540 and 40. The City is also served by two short line railroads with access to three class 1 railroads, more than 30 motor freight carriers and an airport for which two commercial carriers provide service. The City is located on the Arkansas River and has available a public port with a barge-rail terminal.

Government. Since 1967, the City has operated under a City Administrator-Director form of government. Four directors are elected from wards, three are elected at large, and the Mayor is elected at large. Carl Geffken has served as City Administrator since May 9, 2016. Mr. Geffken previously served as the Chief Operating Officer and the Interim Executive Director of the Department of Children and Youth Services for the County of Berks, Pennsylvania. Prior to serving in that position, Mr. Geffken was the City Managing Director and Finance Director for the City of Reading, Pennsylvania. Mr. Geffken has 26 years of government and nonprofit experience and has earned a bachelor's degree in economics from State University of New York and a master's degree in business administration from City University of New York. Jeff Dingman, a city management professional with more than 18 years of experience, serves as Deputy City Administrator.

The following are the Mayor and the members of the Board of Directors, their occupations and their terms of office:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires</u>
Sandy Sanders, Mayor	Retired, Executive Management	December 31, 2018
Kevin Settle, Vice Mayor	Industrial Management	December 31, 2018
Tracy Pennartz	Consultant	December 31, 2018
Don Hutchings	Pastor	December 31, 2018
Keith Lau	Real Estate	December 31, 2016
André Good	Federal Express Service	December 31, 2016
Mike Lorenz	Health Care Administration	December 31, 2016
George Catsavis	Restaurant Owner	December 31, 2016

City Services. The City provides through its budget the following services: administrative, code enforcement, police protection, fire protection, parks and recreation, downtown parking, public transit, water and sewer, solid waste disposal and collection, planning, airport, district court, street construction and maintenance, library, convention center and information technology services.

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<sup>(1)</sup>Sources: University of Arkansas Institute for Economic Development; U.S. Census Bureau.

Medical Facilities. The City serves as a regional medical center with St. Edward Mercy Medical Center and Sparks Regional Medical Center having approximately 850 acute care beds. In addition, a 54-bed rehabilitation center is located in the City. There are over 275 physicians practicing in the area.

Financial Institutions. The City is served by two banks having their principal offices in the City and by nine banks that have branch offices in the City. Bank deposits in the County have been as follows for the years indicated:<sup>(1)</sup>

<u>Year</u>	<u>Total Deposits</u>	<u>Percent Change</u>
1970	\$ 150,086,000	--
1980	459,908,000	206.43
1990	862,752,000	87.59
2000	1,786,774,000	107.10
2010	2,417,335,000	35.29
2015	2,380,226,000	(1.54)

Education. The Fort Smith School District system (elementary and secondary) has approximately 29 schools. There are several private schools in the City providing education for kindergarten through high school. The southern most area of the City is served by the Greenwood School District.

University of Arkansas-Fort Smith, with an enrollment of approximately 6,707 (expressed as FTE) for the fall semester of 2015, has four-year degree programs and continues its collaboration with other universities to offer graduate degrees locally. Webster University and John Brown University also offer undergraduate and graduate degrees in the City.

The Arkansas College of Osteopathic Medicine has established in the City and will enroll its inaugural class in the fall of 2017. The college anticipates graduating 170 doctors of osteopathy annually beginning in 2021.

Economy. The economy of the City is a mixture of industrial, medical, corporate and commercial trade. According to the Fort Smith Chamber of Commerce, the ten largest employers in the City are as follows:

<u>Employer</u>	<u>Business or Product</u>	<u>Number of Employees<sup>(2)</sup></u>
O.K. Industries	Poultry processing	3,235
Mercy Medical Center	Hospital	2,300
Baldor Electric Company	Electric motors	1,942
Fort Smith Public Schools	Primary and secondary education	1,773
Sparks Health System	Hospital	1,578
Arkansas Best Corp.	Trucking	1,243
City of Fort Smith	Government	1,001
Rheem-Rudd	Commercial heating and cooling equipment	900
Golden Living/Beverly Enterprises	Nursing homes	850
Bost Human Development Services	Developmental disabilities	800

Golden Living, a nursing home and rehabilitation facilities operator, employs approximately 850 persons at its administration building in the City. The company has announced that it will begin a series of layoffs in November 2016. The first round of layoffs will include 27 positions. According to press reports, Golden Living has stated that it has no intention of closing its operations in the City.

Litigation. The City is a party to multiple matters of litigation and regulatory proceedings arising from the City's various governmental activities. In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, 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

<sup>(1)</sup> Source: Federal Deposit Insurance Corporation.

<sup>(2)</sup> Approximate as of June 30, 2016.

a material adverse effect on the City's financial position. The City appropriates funds as necessary to meet settlements and awards.

The City recently negotiated with the United States Environmental Protection Agency and the United States Department of Justice the terms of a Consent Decree, which concerns the City's compliance with federal regulations involving discharges, including wet weather overflows, from the System. The Board of Directors of the City approved the terms of the Consent Decree, and the Consent Decree was filed as the Decree of the United States Court for the Western District of Arkansas. See **THE SYSTEM, Sewer System** for further discussion of the Consent Decree.

County Economic Data. Per capita personal income estimates for the County and the State are as follows for the years indicated:<sup>(1)</sup>

Year	County		State	
	Per Capita Personal Income	Average Annual Growth (Decline) (%)	Per Capita Personal Income	Average Annual Growth (%)
2010	\$32,885	--	\$31,991	--
2011	34,558	5.09	33,961	6.16
2012	35,948	4.02	36,291	6.86
2013	35,987	0.11	36,529	0.66
2014	37,658	4.64	37,782	3.43
2015	N/A <sup>(A)</sup>	--	39,107	3.51

<sup>(A)</sup>Not yet available.

Total personal income estimates for the County and the State are as follows for the years indicated:<sup>(1)</sup>

Year	County		State	
	Total Personal Income	Average Annual Growth (Decline) (%)	Total Personal Income	Average Annual Growth (%)
2010	\$4,137,701,000	--	\$ 93,486,029,000	--
2011	4,385,954,000	6.00	99,791,639,000	6.75
2012	4,578,703,000	4.40	107,032,727,000	7.26
2013	4,574,622,000	(0.09)	108,080,656,000	0.98
2014	4,774,149,000	4.36	112,076,107,000	3.70
2015	N/A <sup>(A)</sup>	--	116,485,302,000	3.93

<sup>(A)</sup>Not yet available.

The annual average unemployment rates for the County and the State since 2011 are as follows according to the Arkansas Department of Workforce Services:

Year	Annual Average Unemployment Rate(%)	
	County	State
2011	8.7	8.3
2012	7.9	7.6
2013	7.5	7.3
2014	5.8	6.1
2015	5.0	5.2
2016 <sup>(1)</sup>	3.5	3.8

<sup>(1)</sup> As of August 2016.

<sup>(1)</sup> Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Construction Activity and Estimated Values. The following are the construction activity for the years indicated and the estimated real property values resulting from construction in the City.<sup>(1)</sup>

<u>Year</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	<u>Number Of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
2011	43	\$64,716,229	339	\$45,224,255
2012	32	25,389,627	303	46,405,142
2013	46	89,440,083	316	46,604,682
2014	49	72,768,852	345	47,507,085
2015	55	102,967,080	303	40,852,590

### **THE SYSTEM**

General. The System, consisting of water and sewer utilities, is owned and operated by the City. The names, ages and length of service of the key employees of the System are as follows:

<u>Name</u>	<u>Title</u>	<u>Age</u>	<u>Length of Service</u>
Kevin Sandy	Deputy Director of Business Administration	55	26 years
Lance McAvoy	Deputy Director of Operations	47	20 years
Jimmie Johnson	Deputy Director of Systems	51	25 years

Steve Parke, who served as Director of Utilities prior to resigning on April 1, 2016, had 39 years of service with the System. Bob Roddy has been named Interim Superintendent.

The System employs approximately 264 persons that are assigned by the following categories:

Administrative	61
Sewer Treatment	31
Water Treatment	22
Water and Sewer Line Maintenance	79
Water and Sewer Line Construction	15
Environmental Quality	20
Fleet, Building & Station Maintenance	36

Water System. The City’s water supply includes Lake Fort Smith and Lee Creek Reservoir and has a combined surface area of 2,124 acres and a storage capacity of 91,120 acre feet. The water supply has the combined capacity of producing a firm yield of 54.1 million gallons per day (“MGD”). The current average delivery of water to the water system is approximately 26.7 MGD with a maximum daily delivery of 34.1 MGD. Raw water lines with the capacity of approximately 94 MGD transport the water from the two lakes to the treatment plants, which have a combined rated capacity of 64 MGD. Once the water is delivered to the City, it is transported to storage facilities throughout the City through 16” and larger transmission lines. The maximum storage capacity is a 9.5 million gallon clearwell storage volume at the water treatment plants with an inter-city reservoir capacity of 32.95 million gallons. There are approximately 560 miles of water distribution lines within the City.

<sup>(1)</sup> City of Fort Smith Building Department Estimate.

The average number of water users by category for the years indicated is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Wholesale</u>	<u>Other</u>	<u>Total</u>
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
2014	29,346	4,222	13	151	33,732
2015	29,474	4,205	13	158	33,850

The City supplies water to all residents in the City. There are approximately 1,354 retail users located outside the City. The City sells water wholesale to six municipalities, one water district, one public facilities board, four water users associations and Fort Chaffee. The City also has a contract with a public facilities board to sell water on an emergency basis. The largest user is the City of Van Buren, Arkansas which purchased 21.75% of the water sold by the City in 2015 and accounted for approximately 7.51% of System revenues for 2015. The remaining wholesale users as a group purchased 17.91% of the water sold by the City in 2015 and accounted for approximately 7.78% of System revenues for 2015. The wholesale water users serve approximately 31,456 retail customers.

The following sets forth the average daily water use, the maximum daily water use and the total water use for the years indicated:

<u>Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use for Year in Gallons</u>
2011	30,532,000	43,500,000	8,503,902,000
2012	28,554,000	41,594,000	10,450,796,000
2013	26,850,000	38,419,000	9,800,220,000
2014	22,137,000	38,157,000	8,079,966,000
2015	26,859,000	36,791,000	9,803,481,000

Sewer System. The City owns and operates two treatment plants with a combined permitted treatment capacity of 20 MGD. The average dry weather flow capacity is 13.5 MGD and the peak dry weather flow capacity is 21.5 MGD. The City has approximately 510 miles of sewage lines and 23 lift stations.

On January 2, 2015, the City entered into a Consent Decree with the United States of America and the State providing for improvements to its sewer collection and treatment system to satisfy the requirements of the Clean Water Act and the National Pollutant Discharge Elimination System permits issued for the City's wastewater treatment plants. The Consent Decree provides for capital improvements and agreed operating and maintenance procedures on which the City anticipates to spend \$480 million during the 12 year period of the Consent Decree. Of the \$480 million, the City anticipates spending \$286 million on capital improvements to the sewer facilities of the System and expects to finance all or a portion of such improvements by issuing water and sewer revenue bonds. See **THE SYSTEM, Capital Improvement Plans**. The agreed improvements and procedures are designated to obtain significant reduction in both dry weather and wet weather overflows from the sewer facilities of the System.

The average number of sewer users by category for the years indicated is as follows:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Government</u>	<u>Total</u>
2011	26,695	3,685	10	30,390
2012	26,833	3,691	83	30,607
2013	26,976	3,669	87	30,732
2014	27,062	3,654	91	30,807
2015	27,185	3,664	94	30,943

The following sets forth the average daily sewage flow for the years indicated:

<u>Year</u>	<u>Gallons</u>
2011	17,421,000
2012	15,200,000
2013	14,684,000
2014	17,100,000
2015	21,040,000

Largest Users of System. No user of the System accounts for 5% or more of gross revenues of the System except for the City of Van Buren, Arkansas and OK Foods. The following are the largest users of the System which collectively accounted for approximately 22.73% of gross revenues of the System for the fiscal year ended December 31, 2015:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>% of Gross Revenues</u>
City of Van Buren	\$3,274,344		\$3,274,344	7.51
OK Foods	2,693,635	\$157,071	2,850,706	6.54
Gerber Products	1,067,001		1,067,001	2.45
Gerdau Macsteel	401,239	503,580	904,819	2.07
Sparks Medical Center	286,574	244,224	530,799	1.22
Mars Petcare US	145,151	85,609	230,760	0.53
St. Edward Mercy Medical Center	142,776	77,738	220,514	0.51
Georgia Pacific Dixie	66,716	128,980	195,686	0.45
Kraft Foods	68,651	123,571	192,222	0.44
The Links Fort Smith	57,794	104,042	161,836	0.37
Henderson Properties	42,331	77,362	119,693	0.27
Pernod Ricard (Hiram Walker)	57,991	33,283	91,274	2.21
Sebastian County Park/Jail	<u>70,122</u>	<u>925</u>	<u>71,047</u>	<u>0.16</u>
Top Ten Users	<u>\$8,374,325</u>	<u>\$1,536,386</u>	<u>\$9,910,711</u>	<u>22.73%</u>

Litigation. There is no material litigation or administrative proceeding pending or threatened against the System except as described above under **THE SYSTEM, Sewer System.**

Capital Improvement Plans. The City has entered into a Consent Decree with the United States of America and the State. See **THE SYSTEM, Sewer System.** In order to meet the requirements of the Consent Decree, the City must make certain improvements to its sewer collection and treatment facilities and improve its sewer operations and maintenance programs. Over the next ten-year period, the City anticipates the need for capital improvements to the sewer facilities of the System in the approximate amount of \$286,000,000. To finance all or a portion of such costs, the City anticipates that it will issue water and sewer revenue bonds or sales and use tax bonds or a combination thereof in 2017, 2019, 2021, 2023 and 2025.

In addition, the City has developed a long term plan for its future growth and demand on the water facilities of the System, including that of its wholesale customers, by identifying water source, treatment and transmission needs through year 2040, and inter-city water transmission and storage needs through 2025. The City anticipates the need for capital improvements to the water facilities of the System in the approximate amount of \$325,000,000. The City's ability to finance these water improvements depends on System demand and availability of funding sources.

Rates. Set forth below are the monthly rates for the System.

Water Rates

Set forth below are the monthly minimum charge and volume charge rates for the water services of the System in effect since January 1, 2006 and as increased for one or more classes of customers as of October 1, 2007, January 1, 2009, January 1, 2010 and January 1, 2011:

A. Retail Customers:

Monthly <u>Minimum Charge</u>	<u>Volume Charge</u>	Effective <u>1/1/06</u>	Effective <u>10/1/07</u>	Effective <u>1/1/09</u>	Effective <u>1/1/10</u>	Effective <u>1/1/11</u>
5/8"-3/4" -- \$ 4.97	Residential-each ccf of usage	\$1.96				
1" -- 9.98	0.5 ccf		\$2.03	\$2.09	\$2.17	\$2.28
1"-1/4" -- 11.78	6-15		2.64	2.72	2.82	2.96
1"-1/2" -- 21.24	16 ccf and above		2.99	3.08	3.19	3.35
2" -- 30.69	Commercial-each ccf of usage	1.65	2.17	2.21	2.29	2.40
3" -- 92.72	Industrial-each ccf of usage	1.62/1.74	2.13/2.28	2.15/2.32	2.22/2.39	2.33/2.51
4" -- 151.77						
6" -- 219.82						
8" -- 338.45						
10" -- \$449.30						

B. The monthly minimum charge for the City of Van Buren, Arkansas is the sum of \$7,182.33 plus, effective January 1, 2006, a volume charge of \$1.25 per ccf of metered water use; effective October 1, 2007, a volume charge of \$1.37 per ccf of metered water use; and effective January 17, 2011, a volume charge of \$1.44 per ccf of metered water use.

C. All other customers:

Monthly <u>Minimum Charge</u>	<u>Volume Charge</u>	Effective <u>1/1/06</u>	Effective <u>10/1/07</u>	Effective <u>1/1/09</u>	Effective <u>1/1/11</u>
2" -- \$ 104.03	Each ccf of usage	\$1.31	\$1.64	\$1.71	\$1.80
3" -- 206.54					
4" -- 321.85					
6" -- 642.16					
8" -- 1,026.54					
10" -- 1,474.99					
12" -- 2,756.26					

Sewer Rates

Set forth below are the monthly sewer rates for the System in effect since January 1, 2006 and as increased as of October 1, 2007, January 1, 2009, January 1, 2010, January 1, 2011, May 1, 2015, January 1, 2016 and January 1, 2017:

<u>User Class</u>	<u>Unit</u>	Effective 1/1/06 <u>Dollars</u>	Effective 10/1/07 <u>Dollars</u>	Effective 1/1/09 <u>Dollars</u>	Effective 7/1/09 <u>Dollars</u>	Effective 1/1/10 <u>Dollars</u>	Effective 1/1/11 <u>Dollars</u>	Effective 5/1/15 <u>Dollars</u>	Effective 1/1/16 <u>Dollars</u>	Effective 1/1/17 <u>Dollars</u>
Billing Charge	Per Account	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43	\$1.43	\$2.50	\$3.50	\$4.50
Sewer Surcharge Volume Charge	ccf				0.12	0.12	0.12			
Residential	ccf	2.40	2.75	2.91	2.91	3.05	3.21	5.30	7.10	8.45
Industrial and Commercial	ccf	2.40	2.75	2.91	2.91	3.05	3.21	5.30	7.10	8.45
High-Strength charge (for strengths above 250mg/l)										
BOD	lb.	0.1309	0.1548	0.1620	0.1620	0.1699	0.1699	0.2786	0.3762	0.4476
TSS	lb.	0.0998	0.1180	0.1235	0.1235	0.1295	0.1295	0.2124	0.2867	0.3412
Monitoring	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost
Contract/Wholesale Users	ccf	0.89	0.89	0.93	0.93	0.97	1.02	1.68	2.26	2.69
High-Strength charge (for strengths above 250mg/l)										
BOD	lb.	0.1309	0.1548	0.1620	0.1620	0.1699	0.1699	0.2786	0.3762	0.4476
TSS	lb.	0.0908	0.1180	0.1235	0.1235	0.1295	0.1295	0.2124	0.2867	0.3412
Monitoring	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue the Insurance Policy. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as Exhibit C to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.9 million, \$53.4 million and \$432.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading **BOND INSURANCE**.

*Additional Information Available from BAM*

Credit Insights Videos

For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditinsights/](http://buildamerica.com/creditinsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles

Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers

The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriters for the Bonds, and the issuer and underwriters assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

**THE AUTHORIZING ORDINANCE**

The Bonds are being issued and secured pursuant to the Authorizing Ordinance, to which reference may be had in its entirety for a detailed statement of its provisions, the description set forth below being a summary of certain provisions. The City will covenant as set forth below in the Authorizing Ordinance.

Rates and General Covenants to Operate. (a) The rates charged for services of the System heretofore fixed by ordinances of the City and the conditions, rights and obligations pertaining thereto, as set out in those ordinances, are ratified, confirmed and continued.

The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant (“Accountant”) a certificate that the net revenues of the System (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)), with the reduced rates, will be at least equal to 110% of the maximum annual principal and interest requirements on all bonds payable from revenues of the System (“System Bonds”), plus the amount needed to make all deposits required to be made into the Depreciation Fund and any debt service reserves for System Bonds and to reimburse the insurers of System Bonds for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Bonds, including the Reserve Policy. The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues at least equal to 110% of the current year’s debt service on all System Bonds and the amount needed to make the deposits into the Depreciation Fund and any debt service reserves for System Bonds and to reimburse the insurers of any System Bonds for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Bonds, including the Reserve Policy.

(b) The System shall be continuously operated as a revenue producing undertaking, and all moneys received from its operation shall be deposited in such depository or depositories for the City as may be lawfully designated from time to time by the City, subject, however, to the giving of security as now or as hereafter may be required by law, and provided that such depositories shall hold membership in the Federal Deposit Insurance Corporation (“FDIC”).

Funds and Disposition of Revenues. (a) All revenues derived from the operation of the System shall be paid into a special fund designated “Water and Sewer Fund.” The revenues in the Water and Sewer Fund shall be applied to the payment of the reasonable and necessary expenses of operation and maintenance of the System, to the payment of the principal of and interest on the Bonds and other System Bonds, to the maintenance of the debt service reserves at the required level, to the providing of the Depreciation Fund, and otherwise as described herein.

(b) There shall first be paid from the Water and Sewer Fund into a special fund designated “Water and Sewer Operation and Maintenance Fund” (the “Operation and Maintenance Fund”), in a bank selected by the City that is a member of FDIC, on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of the deficiency shall be added to the amount otherwise required to be transferred and paid into the fund the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to defray the reasonable and necessary costs of operation and maintenance of the System during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred into the bond funds for System Bonds or into the Depreciation Fund, to the extent of any deficit therein, and in the absence of any such deficit, to the Water and Sewer Fund.

(c) After making the deposit into the Operation and Maintenance Fund, there shall be transferred and paid from the Water and Sewer Fund into the “Water and Sewer Revenue Bond Fund” (the “Senior Bond Fund”) the deposits required in connection with the Senior Bonds (i.e., the 2008 Bonds that are not being refunded with proceeds of the Bonds) plus any amount necessary to reimburse the insurer of the Senior Bonds for any amounts due under the municipal bond debt service reserve insurance policy securing the Senior Bonds.

(d) After making the payments required above, there shall next be transferred and paid from the Water and Sewer Fund, pro rata, into the bond funds (and debt serve reserves therein) being maintained in connection with the Parity Bonds and any additional parity bonds (the “Parity Bond Funds”) and into a special fund, created by the Authorizing Ordinance and designated “2016 Water and Sewer Revenue Bond

Fund” (the “Bond Fund”) in a bank selected by the City that is a member of FDIC, the sums in the amounts and at the times set forth below.

There shall be paid into the Parity Bond Funds the required monthly deposits pursuant to the ordinances authorizing the Parity Bonds and any additional parity bonds.

There shall be paid into the Bond Fund until all outstanding Bonds, with interest thereon, have been paid in full or provision made for such payment, on the first business day of each month commencing January 2017 (i) a sum equal to 1/6 of the next installment of interest on the Bonds and a sum equal to 1/12 of the installment of principal due during the then next twelve months (either at maturity or in accordance with any mandatory redemption provisions) on the Bonds (provided that the interest installments through March 2017 shall be increased to 1/3 of the interest on the Bonds due April 1, 2017, and the principal installments through September 2017 shall be increased to 1/9 of the principal of the Bonds due October 1, 2017), plus (ii) an amount sufficient to provide for Trustee’s fees, on the Bonds.

If the revenues of the System are insufficient to make the required payment on the first business day of any month into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

There shall be established and maintained, as a part of the Bond Fund, a “Debt Service Reserve Account.” There shall be deposited into the Debt Service Reserve Account by the Trustee the Reserve Policy issued by the Reserve Insurer, which shall be in an amount equal to the lesser of 10% of the principal amount of the Bonds or the maximum annual principal and interest requirements on the Bonds.

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds as the same become due, any amount received from the Reserve Policy in the Debt Service Reserve Account shall be used to the extent necessary to pay such principal and interest. The City shall reimburse the Reserve Insurer for all amounts drawn under the Reserve Policy.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the next succeeding twelve-month period, and reimbursing the Reserve Insurer for all amounts drawn under the Reserve Policy, such surplus (1) shall be applied at the direction of the City to the payment of the principal of and interest on Bonds that may be called for redemption prior to maturity or (2) shall be paid to the City and deposited into the Water and Sewer Fund. Otherwise moneys in the Bond Fund shall be used solely for the payment of principal and interest on the Bonds and Trustee’s fees.

The City Treasurer shall withdraw from the Bond Fund on or before two business days prior to the due date of any Bond or interest payable therefrom, at maturity or redemption prior to maturity, and deposit with the Trustee at least one business day prior to the due date, an amount equal to the amount of such Bond or interest payment for the sole purpose of paying the same, together with the Trustee’s fee.

(e) There shall next be paid from the Water and Sewer Fund into a fund designated Water and Sewer Depreciation Fund (the “Depreciation Fund”), in a bank, selected by the City, that is a member of the FDIC, on the first business day of each month while any of the Bonds are outstanding, a sum equal to three percent (3%) of the gross revenues of the System for the then preceding month plus \$5,000 per month until there is accumulated the sum of \$500,000. When the sum of \$500,000 has been accumulated, the payments may be discontinued. If the moneys in the Depreciation Fund fall below \$500,000, the monthly payments shall resume until the balance again reaches \$500,000. The moneys in the Depreciation Fund shall be used solely for the purpose of providing for replacements made necessary by the depreciation of the System and for the purpose of paying costs of damage caused by unforeseen catastrophes, except that moneys in the Depreciation Fund shall be used to the extent necessary at any time to prevent default in the payment of principal, interest, and Trustee’s fees on the Bonds and any other System Bonds. (It is not expected that moneys remaining in the Depreciation Fund would be sufficient to prevent such a default.)

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to cover probable replacement costs during the current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Senior Bond Fund and the Bond Fund, to the extent of any deficit therein, and, in the absence of any such deficit, to the Water and Sewer Fund.

(f) Any surplus in the Water and Sewer Fund, after making all required disbursements and making full provision for the funds herein described, shall be used for the payment of interest on amounts advanced under the Reserve Policy and any surety bonds and debt service reserve insurance policies for the System Bonds and any amounts owed the Insurer and insurers of the System Bonds, and may be used, at the option of the City, for the redemption of Bonds or additional bonds prior to maturity in accordance with their respective redemption provisions; for constructing extensions, betterments and improvements to the System; or for any other lawful municipal purpose.

Additional Parity Bonds. As long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of lien on the revenues of the System over the lien securing the Bonds.

The City may issue additional bonds to finance or refinance the cost of extensions, betterments and improvements to the System. However, the City may not authorize or issue any such additional bonds ranking on a parity of security with outstanding Bonds, unless and until either: (1) there shall have been procured and filed with the Trustee a statement by an Accountant reciting that, based upon necessary investigation, the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the average annual principal and interest requirements on the System Bonds then outstanding and the additional bonds proposed to be issued; or (2) there shall have been procured and filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that the net revenues of the System for the next ensuing fiscal year as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City and approved by the Trustee, and taking into consideration any rate increase, shall be equal to not less than 130% of the average annual principal and interest requirements on all of the System Bonds then outstanding and the additional bonds then proposed to be issued. For purposes of the required computation, there may be added to the net revenues of the fiscal year immediately preceding the fiscal year in which it is proposed to issue additional bonds the following: if prior to the issuance of the additional bonds and subsequent to the first day of such preceding fiscal year the City shall have increased the rates charged for water services or sewer services, the additional net revenues which would have been received from the operation of the System had the increase been in effect throughout such fiscal year. The term "net revenues" means gross revenues of the System less the amounts required to pay the costs of operation, maintenance and repair of the System (exclusive of depreciation, interest and amortization expenses), as described under **AUTHORIZING ORDINANCE, Rates and General Covenants To Operate.**

The additional bonds the issuance of which is restricted and conditioned as hereinabove described shall not be deemed to include other obligations the security and source of payment of which is subordinate and subject to the priority of the Bonds.

Accounts and Records. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year. A copy of the audit shall be delivered to the Trustee not later than 180 days after the end of each fiscal year and shall be made available to any Bondholder making request therefor. In the event that the City fails or refuses to make the audit, the Trustee or any owner of the Bonds, may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Maintenance; Insurance. The City covenants that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. The City agrees that, to the extent that comparable protection is not otherwise provided to the satisfaction of the Trustee, it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State of Arkansas to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in

similar types of businesses, against loss or damage thereto from fire and other perils included in extended coverage insurance in effect in Arkansas. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and are either to be placed in the custody of the Trustee or satisfactory evidence of such insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Water and Sewer Fund, and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Water and Sewer Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Defeasance. Any Bond shall be deemed paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond, either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) cash sufficient to make such payment and/or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America (“Investment Securities”) (provided that such deposit will not affect the tax exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code), maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee pertaining thereto shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any Bonds within the meaning of the Authorizing Ordinance, the Trustee will hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Investment Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if any arbitrage rebate due the United States Treasury under Section 148(f) of the Code has been paid or provided for to the satisfaction of the Trustee, and if the Trustee has been paid its fees and expenses, and if there are not amounts due the Reserve Insurer with respect to the Reserve Policy, the Trustee will take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and canceled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Investment Securities there will be considered the principal amount of such Investment Securities and interest to be earned thereon until the maturity of such Investment Securities.

Defaults and Remedies. (a) Subject to the provisions of subparagraph (e) below, if there be any default in the payment of the principal of or interest on any of the Bonds, if the City defaults in any Bond Fund requirements or in the performance of any of the other covenants contained in the Authorizing Ordinance, or if the City declares bankruptcy, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of Arkansas. And, in the case of a default in the payment of the principal of and interest on any of the Bonds, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the owners of the Bonds, with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the revenues in conformity with the laws of Arkansas and with the Authorizing Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

(b) No owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Authorizing Ordinance or under the laws of the State unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more owners of the Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Authorizing Ordinance or to enforce any right thereunder except in the manner herein described. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all owners of the outstanding Bonds.

(c) No remedy conferred upon or reserved to the Trustee, the Insurer, or the owners of the Bonds is intended to be exclusive of any other remedy or remedies, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Authorizing Ordinance or by law.

(d) The Trustee may, and upon the request of the owners of not less than fifty percent (50%) in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(e) Notwithstanding the above, the Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Bonds are entitled to take pursuant to the Authorizing Ordinance.

Amendment of Authorizing Ordinance. (a) The Authorizing Ordinance provides that it shall constitute a binding contract between the City and the owners of the outstanding Bonds and that the City will at all times strictly adhere to the terms and provisions thereof and fully discharge all of its obligations thereunder. No variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth in subsections (b) and (c).

(b) The Trustee may consent to any variation or change in the Authorizing Ordinance to cure any ambiguity, defect or omission in the Authorizing Ordinance or any amendment thereto or, with the prior written consent of the Insurer, to make any change that the Trustee determines is not to the material prejudice of the owners of the Bonds, without the consent of the owners of the outstanding Bonds.

(c) The Insurer and owners of not less than 75% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Authorizing Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance; provided, however, that nothing contained herein shall permit or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) the creation of a lien or pledge superior to the lien and pledge created by the Authorizing Ordinance, or (iv) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Insurer or by the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by thirty (30) days' notice in writing to the City Clerk, the Insurer and the owners of the Bonds. The Insurer, the majority in principal amount of the owners of the outstanding Bonds, or the City, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk and with the Insurer. The original Trustee and any successor Trustee shall execute a written acceptance of the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. No resignation or removal of the Trustee shall become effective until a successor, acceptable to the Insurer, has been appointed and has accepted the duties of Trustee under the Authorizing Ordinance.

Investments. Moneys held for the credit of the Bond Fund shall be invested and reinvested pursuant to the direction of the City (or at the discretion of the Trustee in the absence of direction by the City) in (i) direct obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America ("Government Securities") or (ii) in demand deposits or certificates of deposit of banks, including the Trustee, which are insured by the FDIC, or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by Arkansas law to secure public deposits, held by a third party and in which securities the Trustee has a perfected security interest, or (iii) savings accounts, deposit accounts or money market deposits in banks, including the Trustee, which are fully insured by the FDIC, or (iv) bonds or notes issued by the State or a municipality or county thereof which are rated by Moody's and S&P in one of the highest rating categories assigned by such agencies, or (v) money market funds comprised exclusively of Government Securities and registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 and having a rating by S&P of "AAAm-G," "AAAm," or "AAm" (collectively, "Permitted Investments"), all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys will be required for payment of the principal of or interest on the Bonds when due.

## **CONTINUING DISCLOSURE AGREEMENT**

During the past five years the City has been obligated to comply with continuing disclosure agreements involving approximately 9 bond issues. Such agreements require the City to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within certain time periods set forth in the agreements. The following constitutes a non-exhaustive summary of the City's compliance with its continuing disclosure obligations over the past five years.

As part of each annual report, the City has been obligated to file annual audited financial statements. For 8 bond issues, the City was required to file audited financial statements of the City's general purpose funds or audited financial statements of the System, both of which are contained in the City's Comprehensive Annual Financial Report ("CAFR"). For one bond issue, the City was required to file the audited financial statements of the Fort Smith Regional Airport (the "Airport").

For the bond issues that required the City to file its CAFR, the City filed the CAFR on a timely basis for years ended December 31, 2011 through 2015. For the bond issue that required the City to file the audited financial statements of the Airport, the audited financial statements for the years ended December 31, 2010 through 2015 were filed in a timely manner.

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies depending on the type of bond issue and how each is secured.

For bond issues secured by sales and use taxes levied by the City or by System revenues, all supplemental data was filed in a timely manner. For the bond issues secured by Airport revenues, all supplemental data was included in the audited financial statements of the Airport, which was filed in a timely manner each year.

For the bond issue secured by parking revenues of the City, the City intended that all supplemental data be included in the City's CAFR. However, the supplemental data contained in the CAFR was not in the form required of it by the applicable continuing disclosure agreement and certain data was missing. That issue is no longer outstanding.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the list of events are rating changes. During the past five years, rating changes concerning changes to the ratings of its bond insurers were either not filed or were filed but not uploaded to all applicable CUSIPs. The City has filed such notices under all CUSIPs of bonds that are currently outstanding.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement entered into in connection with the Bonds. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriters in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

“Beneficial Owner” of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed hereunder.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than 180 days after the end of the City's fiscal year (presently December 31), commencing with the report after the end of the 2016 fiscal year, provide to the Insurer and the MSRB, through its continuing disclosure service portal EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such

event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City.

(b) No later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in (a)(1) under Content of Annual Reports, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB and the Insurer.

Content of Annual Reports. (a) The City's Annual Report shall contain or incorporate by reference the following:

(1) Information of the type set forth in this Official Statement under the caption **THE SYSTEM** with respect to (i) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (ii) the number of water and sewer users for the fiscal year then ended and the four previous fiscal years; and (iii) the top ten users of the System for the previous fiscal year and a statement as to which users, if any, accounted for 5% or more of System revenues for the preceding fiscal year; and

(2) The financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

(b) Any or all of the items listed in (a) above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been filed with the MSRB's website or submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.

11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) After the occurrence of a Listed Event, the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of any of the Listed Events, the City shall file (or cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent) and the Insurer. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change

of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Insurer, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriters or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or omissions.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Insurer, the Underwriters and the Beneficial Owners and shall create no rights in any other person or entity.

## **PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS**

### Pension Plans

The City participates in four defined benefit pension plans. Such plans are comprised of two agent multiple-employer defined benefit pension plans and two cost-sharing multiple-employer defined benefit pension plans. The City also contributes to the Public Employees Retirement System.

#### *(a) Arkansas Public Employees' Retirement System (APERS)*

On January 1, 2005, the District Court Clerk became a member of APERS. APERS is administered by the State as a defined benefit plan. The employer contribution rate was 14.76% from January 1 through June 30, 2015, and it was 14.50% from July 1 through December 31, 2015 of covered payroll. The Clerk's contribution rate was 5% of covered payroll for 2015. Covered payroll for the Clerk was \$86,267 in 2015. The City's contributions to APERS for the year ended December 31, 2015 were \$12,815.

Pursuant to the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, the City was required to reflect on its 2015 year-end financial statements a portion of the unfunded pension liability of APERS. At December 31, 2015, the City reported a liability of \$90,125 for its proportionate share

of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to APERS during the measurement period to total employee contributions to APERS of the year for the measurement period. At June 30, 2015, the City's proportion was 0.00489349%, which is an increase of 0.00002730% from its proportion as of June 30, 2014 of 0.00486619%.

(b) *Fire Relief and Pension Plan ("FRPF" or the "Old Fire Plan")*

The Old Fire Plan is an agent multiple-employer defined benefit pension plan for employees of the fire department who were hired prior to January 1, 1983. The Old Fire Plan provides retirement benefits to firemen who became permanently disabled, unless the disability is the direct result in gainful employment performed outside the fire department. The Old Fire Plan also provides benefits for surviving spouses and dependent children of deceased firemen. No participants' benefits vest until normal retirement age. Employees become vested after 20 years of service. Members 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. Members with more than 25 years of service credit may be entitled to a maximum of 100% of their highest annual salary. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System ("LOPFI"); thus, the Old Fire Plan is effectively closed to new members.

The Old Fire Plan was established in accordance with State statutes and was closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement LOPFI, whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Fire Plan pursuant to Act 364 of 1981, as amended and Act 655 of 1983 of the General Assembly of the State. Pension benefit provisions for the Old Fire Plan and all other requirements, including vesting, are established by State statutes.

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.

The contributions for the 2015 plan year were based upon the December 31, 2014 actuarial report. Contributions to the Old Fire Plan by the City equaled \$1,609,084 for the year ended December 31, 2015, and the City's pension expense associated with the Old Fire Plan was \$1,778,839 for the same period. The City's net pension liability of \$17,828,703 as of December 31, 2015, was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

(c) *Police Relief and Pension Plan ("PRPF" or the "Old Police Plan")*

The Old Police Plan is an agent multiple-employer defined benefit pension plan for employees of the police department who were hired prior to January 1, 1983. The Old Police Plan provides retirement benefits to policemen who became permanently disabled, unless the disability is the direct result in gainful employment performed outside the police department. The Old Police Plan also provides benefits for surviving spouses and dependent children of deceased policemen. No participants' benefits vest until normal retirement age. Employees become vested after 20 years of service. Members 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. Members with more than 25 years of service credit may be entitled to a maximum of 100% of their highest annual salary. All policemen hired after January 1, 1983, participate in LOPFI; thus, the Old Police Plan is effectively closed to new members.

The Old Police Plan was established in accordance with State statutes and was closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement LOPFI, whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Police

Plan pursuant to Act 364 of 1981, as amended and Act 655 of 1983 of the General Assembly of the State. Pension benefit provisions for the Old Police Plan and all other requirements, including vesting, are established by State statutes.

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.

The contributions for the 2015 plan year were based upon the December 31, 2014 actuarial report. Contributions to the Old Police Plan by the City were \$1,372,907 for the year ended December 31, 2015, and the City's pension expense associated with the Old Police Plan was \$1,894,381 for the same period. The City's net pension liability of \$16,818,160 as of December 31, 2015, was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

*(d) Arkansas Local Police and Fire Retirement System ("LOPFI")*

LOPFI is a statewide cost-sharing multiple employer defined benefit pension plan that provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. 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. Contributions to LOPFI are made by both the member and the employers. Member contributions rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis.

The City contributes 38.94% of covered employee salaries' to the new plan for firefighters and 31.36% of covered employee salaries' to the new plan for police officers. Employees contributed \$1,466,587 to the contributory plan for the year ended December 31, 2015. City contributions to the LOPFI plan for the year ended December 31, 2015, were \$3,043,184 and were equal to 100% of the required contributions for each year.

At December 31, 2015, the City reported a liability of \$17,804,470 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to LOPFI during the measurement period to the total employer contributions to LOPFI of the group for the measurement period. At December 31, 2014, the City's proportion was 4.9183%, which was unchanged from the prior year.

Aggregate amounts for the foregoing pension plans are as follows for the year ended December 31, 2015:

	<u>APERS</u>	<u>FRPF</u>	<u>PRPF</u>	<u>LOPFI</u>	<u>Total</u>
Net Pension Liability	\$90,125	\$17,828,703	\$16,818,160	\$17,804,470	\$52,541,458
Deferred Outflows or Resources	13,692	98,294	54,222	375,381	541,589
Deferred Outflows or Resources—Contributions	6,868	1,609,084	1,372,907	3,043,184	6,032,043
Deferred Inflows or Resources	10,380	--	--	13,754	24,134
Pension Expense	10,799	1,778,839	1,894,381	2,877,111	6,561,130

The City also contributes to the Public Employees Retirement System (“PERS”). Effective April 1, 1997, PERS was converted to a money purchase retirement plan, a defined contribution plan that is qualified under Section 401(a) of the Code. All full-time, non-uniformed City employees with the exception of the three district judges and the District Court Clerk are covered by PERS. Plan provisions and contribution rates are established by an agreement between the City and ICMARC, the plan administrator. City employees make no contributions to the plan; however, the City makes contributions equal to 5% of each covered employee's earnings. Employer contributions to the PERS plan totaled \$2,514,452 for 2015.

Other Post-Employment Benefits

The City sponsors and administers an informal single-employer defined benefit healthcare plan that provides coverage for medical, dental and vision benefits. Arkansas statutes provide 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 five years with age plus service exceeding 70 at retirement are eligible for benefits.

The contribution requirements of plan members are established by the City 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 876 active participants and 26 retirees and beneficiaries receiving benefits who pay monthly premiums between \$459 for single coverage and \$1,289 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

The following table show the components of the City's annual Other Postemployment Benefits ("OPEB") cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligations:

Annual required contribution (ARC)	\$4,955,257
Adjustment of ARC	(1,373,204)
Interest on net OPEB obligation	<u>1,031,922</u>
Annual OPEB cost	4,613,975
Total annual employer contribution	<u>167,607</u>
Increase in net OPEB obligation	4,446,368
Net OPEB obligation - beginning of year	<u>21,724,664</u>
Net OPEB obligation - end of year	<u>\$26,171,032</u>

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 \$17,639,276 and for business-type activities at \$8,531,756. Furthermore, the obligation for business-type activities is reflected on the statement of fund net position for a proprietary funds as non-current liabilities for the Water and Sewer Fund (\$5,966,995) and for the Sanitation Fund (\$2,564,761).

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

Normal cost	\$2,485,299
Amortization of transition obligation	<u>2,267,254</u>
Annual required contribution	<u>\$4,955,257</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, 2013, 2012 and 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	Percentage of Annual <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$4,613,975	4.05%	\$26,171,032
12/31/2014	3,902,856	0.26%	21,724,664
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

As of January 1, 2014, the most recent actuarial valuation date, the plan was 4.1% funded. The actuarial accrued liability for benefits was \$35,992,306, and the actuarial value of assets was \$1,483,531, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$34,508,775. The covered payroll (annual payroll of active employees covered by the plan) was \$42,608,739, and the ratio of the UAAL to the covered payroll was 81.0%.

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 costs 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 following schedule of funding progress presents 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.

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 4.75% investment rate of return based upon funding the plan in the future, a 4.75% 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, 2015, was twenty-three years.

**INFORMATION REGARDING THE PENSION PLANS AND OPEB IS FOUND IN NOTES 7 AND 8 TO THE CITY'S CAFR FOR THE YEAR ENDED DECEMBER 31, 2015, WHICH IS ATTACHED AS EXHIBIT A HERETO.**

## FINANCIAL INFORMATION

Historical Financial Information. Set forth in Exhibit A to this Official Statement is the City's Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2015. The financial statements of the City's Water and Sewer Fund (the "Fund") are set forth therein and were prepared in accordance with accounting principles generally accepted in the United States of America and were audited 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. Reference should be made to the CAFR for disclosures and required supplementary information necessary to fairly present the financial position and results of operations of the Fund. The CAFR contains the audited general purpose financial statements of the City for the fiscal year ended December 31, 2015. The Bonds are not general obligations of the City but are special obligations payable solely from System revenues. The City did not request its independent auditor, BKD, LLP, to perform updating procedures subsequent to the date of its audit report on the financial statements in the 2015 CAFR.

Set forth in Exhibit B to this Official Statement are the unaudited financial statements of the System as of and for the nine month periods ended September 30, 2016 and 2015 that have been prepared by the City. The unaudited financial statements were prepared by management of the City.

Operating revenues and expenses of the System have been summarized by management of the City for the five fiscal years ended December 31, 2015 - 2011 from the audited financial statements of the City, and for the nine month periods ended September 30, 2016 and 2015 from the internal financial statements of the City that are unaudited, as follows:

	Fiscal Years Ended December 31					Nine Month Periods Ended September 30, 2016 and 2015	
	Audited <u>2015</u>	Audited <u>2014</u>	Audited <u>2013</u>	Audited <u>2012</u>	Audited <u>2011</u>	Unaudited <u>2016</u>	Unaudited <u>2015</u>
Operating Revenues	\$43,606,954	\$35,918,255	\$37,805,650	\$41,049,517	\$40,818,042	\$32,535,155	\$25,131,752
Operating Expenses Excluding Depreciation	<u>(24,179,774)</u>	<u>(23,037,349)</u>	<u>(22,867,856)</u>	<u>(22,019,792)</u>	<u>(20,759,793)</u>	<u>(15,919,897)</u>	<u>(16,204,413)</u>
Net Operating Income Before Depreciation	19,427,180	12,880,906	14,937,794	19,029,725	20,058,249	16,615,258	8,927,339
Depreciation	<u>(12,112,035)</u>	<u>(11,861,667)</u>	<u>(11,611,191)</u>	<u>(10,447,574)</u>	<u>(8,791,515)</u>	<u>(9,330,446)</u>	<u>(9,055,704)</u>
Operating Income (Loss)	<u>\$7,315,145</u>	<u>\$1,019,239</u>	<u>\$3,326,603</u>	<u>\$8,582,151</u>	<u>\$11,266,734</u>	<u>\$7,284,812</u>	<u>(\$128,365)</u>

Water and Sewer  
Revenue Bond Debt Service Coverage

Last Ten Fiscal Years

Fiscal Year	Revenue <sup>(1)</sup>	Direct Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest <sup>(3)</sup>	Total	
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	5,705,000	7,896,016	13,601,016	110
2014	36,176,568	23,037,349	13,139,219	5,870,000	7,728,715	13,598,715	97 <sup>(4)</sup>
2015	43,646,523	24,179,774	19,466,749	6,085,000	7,567,304	13,652,304	143

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

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

<sup>(3)</sup>Total interest paid for the fiscal year is presented in this schedule including capitalized interest or accrued interest.

<sup>(4)</sup>The City increased sewer rates on April 7, 2015. The first increase became effective on May 1, 2015, with additional increases effective January 1, 2016 and January 1, 2017. See **THE SYSTEM, Rates**.

## ESTIMATED DEBT SERVICE COVERAGE

The following table shows the estimated net revenues available for debt service on the Bonds, the Parity Bonds and the Senior Bonds (i.e., the 2008 Bonds that are not being refunded with proceeds of the Bonds) for the fiscal year ending December 31, 2015, the amount of maximum annual debt service expected to be due and the extent to which debt service is covered by such funds:

Estimated Net Revenues Available for Debt Service <sup>(A)(1)</sup>	\$19,466,749
Maximum Annual Debt Service Requirements for Bonds, Parity Bonds and Senior Bonds <sup>(B)(2)</sup>	15,633,738
Debt Service Coverage <sup>(A)/(B)</sup>	1.25x

<sup>(1)</sup> Net Revenues available for debt service are defined to mean gross revenues of the System (including interest earnings) less the expenses of operation, maintenance and repair of the System (excluding depreciation, interest and amortization expenses).

<sup>(2)</sup> Assuming an average coupon rate of 4.37% for the Bonds.

## DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for each year:

<u>Year</u>	<u>Principal*</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$1,600,000		
2018	1,845,000		
2019	1,900,000		
2020	2,795,000		
2021	2,880,000		
2022	2,965,000		
2023	3,055,000		
2024	4,135,000		
2025	4,260,000		
2026	4,510,000		
2027	4,745,000		
2028	3,980,000		
2029	4,180,000		
2030	4,385,000		
2031	4,605,000		
2032	4,835,000		
<b>TOTALS</b>	<b>\$56,675,000</b>		

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\*Preliminary; subject to change.

Set forth below are the debt service requirements for the Bonds, the Parity Bonds and the Senior Bonds (i.e., the 2008 Bonds that are not being refunded with proceeds of the Bonds) for each of the following years:

<u>Year</u>	<u>Bonds</u>	<u>Parity Bonds</u>	<u>Senior Bonds</u> <sup>(1)</sup>	<u>Total</u>
2017		\$6,285,422.50	\$4,232,557.50	
2018		6,286,772.50	4,228,557.50	
2019		6,285,260.00	4,227,257.50	
2020		4,145,940.00	5,542,912.50	
2021		4,137,412.50	5,544,412.50	
2022		4,141,212.50	5,540,162.50	
2023		4,136,550.00	5,540,162.50	
2024		2,326,300.00	7,092,037.50	
2025		2,331,050.00	7,096,550.00	
2026		2,331,100.00	7,158,987.50	
2027		2,330,100.00	7,155,675.00	
2028		2,328,350.00	8,309,237.50	
2029		2,328,600.00	8,308,250.00	
2030		2,330,600.00	8,311,500.00	
2031		2,329,100.00	8,307,500.00	
2032		2,329,100.00	8,310,750.00	
2033		2,330,350.00		
2034		2,327,600.00		
2035		2,330,850.00		
2036		2,329,600.00		
2037		2,328,000.00		
2038		2,328,400.00		
2039		2,330,600.00		
2040		2,324,400.00		
<b>TOTALS</b>		<b>\$75,012,670.00</b>	<b>\$104,906,510.00</b>	

<sup>(1)</sup>Debt service on the portion of the 2008 Bonds not being refunded with proceeds of the Bonds.

### LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel. Certain matters will be passed upon for the City by its counsel, Daily & Woods, P.L.L.C., Fort Smith, Arkansas.

Tax Exemption. In the opinion of Bond Counsel, interest on the Bonds under existing law (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied

subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Bonds and the System. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (ii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

Prospective purchasers of the Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

In the further opinion of Bond Counsel, under existing law, the interest on the Bonds is exempt from all State income taxes and the Bonds are exempt from property taxation in the State.

As shown on the front cover of this Official Statement, certain of the Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excludable from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

As shown on the front cover of this Official Statement, certain of the Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using

constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

### MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Underwriting. Stephens Inc. and Raymond James & Associates, Inc., the Underwriters, have agreed, subject to certain conditions precedent, to purchase the Bonds from the City at an aggregate purchase price of \$\_\_\_\_\_ (principal amount plus net original issue premium of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_). The Underwriters are committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriters for reoffering in the normal course of the Underwriters' business activities. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

Ratings. S&P will assign a credit rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer. The underlying credit rating for the Bonds is "A-" (stable outlook) by S&P. Any explanation of such ratings may only be obtained from S&P. Generally, rating agencies base their ratings upon information and materials supplied to them and on their own investigations, studies and assumptions. There is no assurance that such ratings, once assigned, will remain for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change or withdrawal of the ratings assigned to the Bonds by

S&P may have an adverse effect on the market price of the Bonds. The Underwriters and the City have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the City has been authorized by the City.

CITY OF FORT SMITH, ARKANSAS

By \_\_\_\_\_  
Mayor

Dated: As of the Cover Page hereof.

**EXHIBIT A**

Comprehensive Annual Financial Report of the City  
for the Fiscal Year Ended December 31, 2015

# **City of Fort Smith, Arkansas**

## **Comprehensive Annual Financial Report**

Year Ended December 31, 2015

### **Prepared By the**

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

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

Sandy Sanders, Mayor

Keith Lau  
Andre' Good  
Mike Lorenz  
George Catsavis  
Tracy Pennartz  
Kevin Settle  
Don Hutchings

**City Administrator**  
Carl Geffken

**Director of Finance**  
Jennifer Walker

# City of Fort Smith, Arkansas

## Year Ended December 31, 2015

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# **INTRODUCTORY SECTION**



September 30, 2016

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, 2015.

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

The City's financial statements have been audited by **BKD, LLP**, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended December 31, 2015 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, 2015. The independent auditor's report is presented as the first component of the financial section of this report.



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

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

### **Profile of the City**

Fort Smith is located in western Arkansas on the border of Oklahoma and is the second largest city in the state. The City was incorporated in 1842 and is the county seat for Sebastian County. Fort Smith is 159 miles west of Little Rock and 145 miles southeast of Tulsa, Oklahoma. The City serves as the central focus for a six-county economic and trade region in the west central area of Arkansas and the east central area of Oklahoma. The City encompasses 68 square miles and has a population of approximately 87,000. The City is empowered by state statutes to levy real and personal property taxes within its limits and extend the corporate limit by annexation, which occurs periodically when deemed appropriate by the Board of Directors. State statutes also allow the City to levy local sales and use taxes.

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

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

The Board of Directors adopts an annual budget that serves as the City's financial planning document. Control over spending and allocation of resources are a main focus of the budget. The annual budget process begins in June of each year and is usually adopted each December. Appropriation requests by fund, division and department are submitted to the City Administrator and the Director of Finance. Resources are allocated based upon priorities established by the Board of Directors. The legal level of

**City of Fort Smith**  
Administration

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budgetary control is the departmental level. For example, the Police Department is reported as a Public Safety (division) expenditure in the General Fund budget to actual statement located in the required supplementary information in the financial section of this report. The City Administrator is authorized to transfer appropriated amounts within individual funds. However, additional appropriations during the year require approval by the Board of Directors.

### **Factors Affecting Financial Condition**

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

**Local Economy.** Total sales tax revenue in 2015 increased 1.8% over 2014 revenue. This was compared to a 2.8% increase in 2014 over 2013. The local economy growth is holding a slow and steady pace.

The City has seen significant industrial and residential development. Several major companies have longstanding and growing interests in the region, including Planters, Baldor Electric Company, Umarex USA, Phoenix Metals, and Mars Petcare.

In 2013, Gerber, a Nestle Foods division, invested \$150 million in a facility expansion leading to 90 new jobs and increased production at the plant.

In September 2013, approximately 96,000 square feet of a former exhibition hall/rental center was redeveloped into what is known today as the Fort Smith Shared Services Center (SSC). Since then, the SSC has grown from more than 350 jobs in the local economy to over 600 at the end of 2015. The SSC today provides business office services to more than 40 hospitals in nine states.

In 2014, ArcBest Corporation, a transportation and logistics company, announced the construction of a new corporate headquarters at Chaffee Crossing in Fort Smith. They will invest \$30 million in a 200,000 sq ft facility that should be completed in late 2016. They anticipate adding 975 new jobs to the local economy through 2021.

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 2017, and anticipates graduating 150 doctors of osteopathy annually beginning in 2021.

The City has seen large and small commercial developments continue in the City. Restaurant chains such as Five Guys Burgers & Fries, McAlister's Deli, Jimmy Johns, Taco Bueno, Buffalo Wild Wings and Texas Roadhouse have recently opened in the City. Burlington Coat Factory and Marshalls both opened stores in Fort Smith during 2016.

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 123<sup>rd</sup> 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.

Glatfelter, a Pennsylvania based company recently announced plans to turn the vacant Mitsubishi plant into a state-of-the-art production facility for air-laid paper products. Glatfelter is planning to invest \$80 million in the Chaffee Crossing facility that will provide approximately 83 jobs and be completed by late 2017.

Downtown Fort Smith is experiencing a revitalization on various fronts. Propak Logistics purchased and remodeled an unused historic building in downtown Fort Smith as its corporate headquarters. The 24,000 square feet on three floors will 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.

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 2025.

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



The remaining ¼% of the tax assessment is used to provide operating and capital costs for the fire department and the parks department.

The City's comprehensive plan includes development and planning in and around Fort Smith. Local developers of planned residential areas outside the City limits continue to request City services. This may provide for future annexation that would increase the City's tax base. The comprehensive plan was updated at the end of 2014.

At the end of 2014, the City entered into a consent decree with the Department of Justice regarding wet weather sewer rehabilitation and improvements. In May 2015, the Board of Directors approved multi-year sewer rate increases to provide for some of the required projects and upgrades to the sewer system.

### **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, 2014. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting. This was the thirtieth 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.

**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, Controller, and Christy Deuster, Office and Budget 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 and assistance with the CAFR production by **BKD, LLP**.



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

Respectfully submitted,

Jeff Dingman  
Deputy City Administrator  
(Acting City Administrator in 2015)

Jennifer Walker  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Fort Smith  
Arkansas**

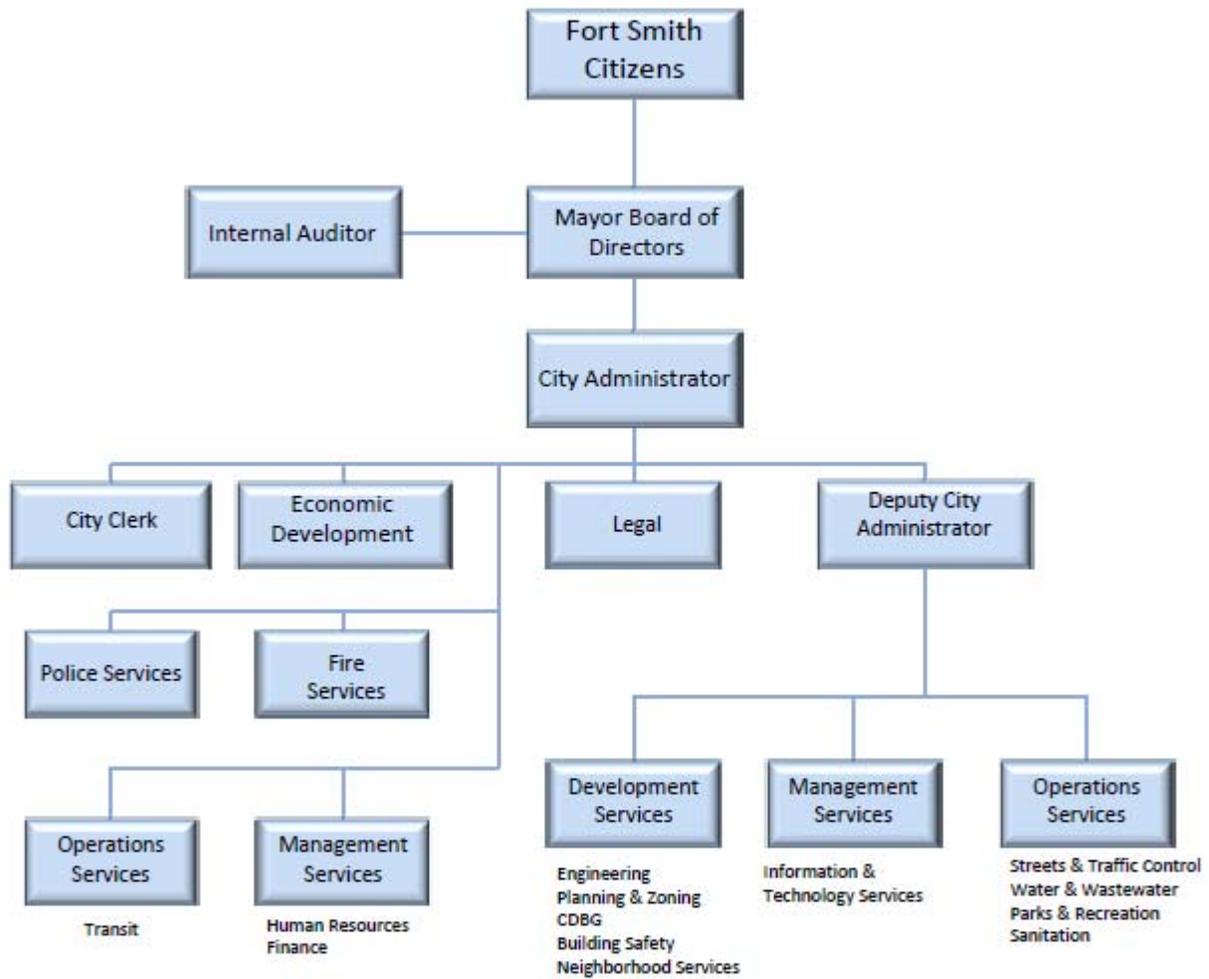
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO



# Organizational Structure



**City of Fort Smith, Arkansas**  
**List of Elected and Appointed Officials**  
**December 31, 2015**

**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	Tracy Pennartz
Director at Large/Vice Mayor	Kevin Settle
Director at Large	Don Hutchings
District Court Judge	Ben Beland
District Court Judge	Claire Borengasser
District Court Judge	David Saxon

**Appointed Officials**

City Administrator	Jeff Dingman (Acting)
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	Jennifer Walker
Fire	Terry Bigler (Acting)
Human Resources	Jeff Dingman (Acting)
Information and Technology	Russell Gibson
Internal Audit	Tracey Shockley
Library	Jennifer Goodson
Parks and Recreation	Doug Reinert
Police	Kevin Lindsey
Sanitation	Doug Reinert (Acting)
Streets and Traffic Control	Greg Riley
Transit	Ken Savage
Utilities	Steve Parke

# **FINANCIAL SECTION**

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fort Smith, Arkansas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fort Smith Public Library, a discretely presented component unit of the City, which statements reflect total assets and revenues of \$1,896,794 and \$2,922,789, respectively, and represents 89% and 78% of the aggregate discretely presented governmental activities component units' total assets and revenues at December 31, 2015, and for the year then ended, respectively. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fort Smith Public Library, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### Change in Accounting Principle

As discussed in *Note 1* to the financial statements, in 2015 the City implemented the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

#### Error Correction

As discussed in *Note 15* to the financial statements, an adjustment was made to restate beginning 2015 net position to correct misstatements in prior financial statements. Our opinions are not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary, pension and other postemployment benefit 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 accompanying 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Mayor and  
Board of Directors  
City of Fort Smith, Arkansas  
Page 4

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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.

*BKD, LLP*

Fort Smith, Arkansas  
September 30, 2016

# City of Fort Smith, Arkansas

## Management's Discussion and Analysis

### December 31, 2015

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, 2015. 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 2015 by \$715.5 million (net position). Of this amount, \$651.5 million was invested in capital assets, net of related debt; \$71.0 million was restricted for debt service, police and fire retirement contributions, construction projects, and other purposes. The component of net position unrestricted and available for meeting the City's emergency and unexpected obligations reported a deficit of \$7.0 million. The City's governmental activities have a deficit in unrestricted net position of \$41.5 million. The City's business-type activities have unrestricted net position of \$34.5 million. The negative unrestricted net position of the governmental activities is due primarily to a \$45.8 million adjustment for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* illustrated in detail with *Note 14*. 2014 financial information contained in this management's discussion and analysis has not been restated for the adoption of GASB 68.
- The City's total net position increased by \$19.3 million in 2015. Net position of the governmental activities increased by \$1.2 million in 2015 compared to a net decrease of \$10.8 million in 2014. The City's net position of the business-type activities increased by \$18.1 million in 2015 compared to a net increase of \$14.7 million in 2014.
- As of the close of 2015, the City's governmental funds reported combined ending fund balances of \$91.3 million, a decrease of \$17.7 million from the prior year. The restricted portion of the fund balances is \$79.6 million. The remaining fund balances are classified as nonspendable of \$0.2 million; assigned of \$3.7 million; and unassigned of \$7.7 million.
- At the end of 2015, the unassigned fund balance for the General Fund was \$7.7 million or 17% of total General Fund expenditures. There was a decrease of \$2.2 million in total General Fund balance between years. This decrease was included in the approved budget for the General Fund in 2015 due to flat revenues and slightly increased expenses as well as a need to fund pension accounts.
- The City's total bonded indebtedness increased by \$11.985 million during the current year. The City issued \$35 million in Water and Sewer Revenue Bonds, Series 2015 in December 2015. This was offset by decreases due to the maturity of outstanding bonds during 2015 and the call of \$4.47 million in Sales and Use Tax bonds during the year.
- The City's governmental component units reported net position of \$0.6 million at December 31, 2015 which was a decrease of \$0.2 million in net position from 2014 and a decrease of \$1.2 million for a change in accounting principle adjustment.
- The City's business-type component units reported net position of \$41.3 million at December 31, 2015 which was a \$2.4 million increase from 2014.

## 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, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

- 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 six (6) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water and sewer system 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 allocated between the *governmental activities* and the *business type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

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

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

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

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 50-124 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 126-138 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 141-155 of this report.

### Government-Wide Financial Analysis

The 2014 financial statements were not restated for the prior period adjustments to the 2015 beginning net position or for the implementation of the accounting change for the adoption of GASB 68.

City of Fort Smith Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 112,861,503	\$ 131,181,646	\$ 74,764,696	\$ 38,982,300	\$ 187,626,199	\$ 170,163,946
Capital assets	386,573,182	379,375,639	538,248,998	539,924,935	924,822,180	919,300,574
Total assets	499,434,685	510,557,285	613,013,694	578,907,235	1,112,448,379	1,089,464,520
Total deferred outflows of resources	6,573,632	-	203,432	232,494	6,777,064	232,494
Long-term liabilities	179,212,328	135,832,802	196,674,943	169,327,277	375,887,271	305,160,079
Other liabilities	16,610,289	17,761,991	10,967,030	11,689,207	27,577,319	29,451,198
Total liabilities	195,822,617	153,594,793	207,641,973	181,016,484	403,464,590	334,611,277
Total deferred inflows of resources	24,134	-	227,975	214,069	252,109	214,069
Net position:						
Net investment in capital assets	301,292,326	301,383,411	350,202,002	378,186,724	651,494,328	679,570,135
Restricted	50,358,284	46,649,301	20,677,094	19,073,298	71,035,378	65,722,599
Unrestricted	(41,489,044)	8,929,780	34,468,082	649,154	(7,020,962)	9,578,934
Total net position	\$ 310,161,566	\$ 356,962,492	\$ 405,347,178	\$ 397,909,176	\$ 715,508,744	\$ 754,871,668

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 \$715.5 million at the close of 2015.

The largest portion of the City's net position, \$651.5 million, or 91%, reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9.9%) represents resources that are subject to restrictions as to how they may be used. Of the total \$71.0 million restricted net position, \$34.9 million is restricted for bond retirement, \$29.8 million is restricted for construction projects, \$6.3 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 a negative \$7.0 million.

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.

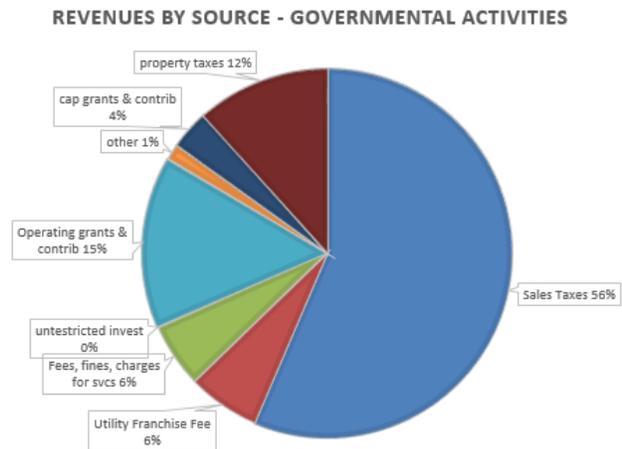
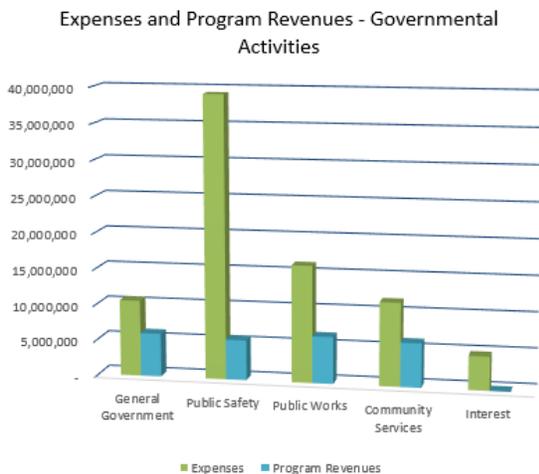
The City's net position increased by \$19.3 million during 2015. Total revenues increased 6.3% between years. Revenues generated by fees, fines, and charges for services increased by 15.6%. This increase is due primarily to a Sewer Rate increase instituted May 2015 resulting in a \$7.7 million increase in Water and Sewer Charges for Services revenue. Sales tax revenue on a government-wide basis increased by 1.8%.

<b>City of Fort Smith Changes in Net Position</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>						
Program revenues						
Fees, fines, and charges for services	\$ 5,605,091	\$ 5,250,480	\$ 57,363,310	\$ 49,209,453	\$ 62,968,401	\$ 54,459,933
Operating grants and contributions	15,087,846	13,925,772	-	-	15,087,846	13,925,772
Capital grants and contributions	3,540,688	3,197,429	-	-	3,540,688	3,197,429
	<u>24,233,625</u>	<u>22,373,681</u>	<u>57,363,310</u>	<u>49,209,453</u>	<u>81,596,935</u>	<u>71,583,134</u>
General revenues						
Property taxes	11,715,689	11,447,651	-	-	11,715,689	11,447,651
Sales taxes	56,850,299	55,823,661	-	-	56,850,299	55,823,661
Utility franchise fees	6,388,844	6,780,156	-	-	6,388,844	6,780,156
Unrestricted investment earnings	152,888	85,627	80,875	87,230	233,763	172,857
Other	1,397,078	2,108,585	138,309	1,070,760	1,535,387	3,179,345
	<u>100,738,423</u>	<u>98,619,361</u>	<u>57,582,494</u>	<u>50,367,443</u>	<u>158,320,917</u>	<u>148,986,804</u>
<b>Expenses</b>						
General government	10,540,138	11,782,229	-	-	10,540,138	11,782,229
Public safety	40,059,753	37,468,682	-	-	40,059,753	37,468,682
Public works	16,228,119	16,828,138	-	-	16,228,119	16,828,138
Community services	11,598,167	17,875,559	-	-	11,598,167	17,875,559
Interest on long-term debt	4,702,341	4,948,763	-	-	4,702,341	4,948,763
Water and sewer	-	-	43,775,895	42,807,102	43,775,895	42,807,102
Sanitation	-	-	12,160,733	13,298,931	12,160,733	13,298,931
	<u>83,128,518</u>	<u>88,903,371</u>	<u>55,936,628</u>	<u>56,106,033</u>	<u>139,065,146</u>	<u>145,009,404</u>
Change in net position before transfers and capital contributions	17,609,905	9,715,990	1,645,866	(5,738,590)	19,255,771	3,977,400
Transfers	(16,408,142)	(20,487,564)	16,408,142	20,487,564	-	-
Increase (decrease) in net position	1,201,763	(10,771,574)	18,054,008	14,748,974	19,255,771	3,977,400
<b>Net Position – January 1</b>	<u>356,962,492</u>	<u>367,734,066</u>	<u>397,909,176</u>	<u>383,160,202</u>	<u>754,871,668</u>	<u>750,894,268</u>
Prior period adjustment (Note 15)	(2,198,524)	-	(10,616,006)	-	(12,814,530)	-
Adjustment for adoption of GASB 68 (Note 14)	(45,804,165)	-	-	-	(45,804,165)	-
<b>Net Position, January 1, as Restated</b>	<u>308,959,803</u>	<u>367,734,066</u>	<u>387,293,170</u>	<u>383,160,202</u>	<u>696,252,973</u>	<u>750,894,268</u>
<b>Net Position – December 31</b>	<u>\$ 310,161,566</u>	<u>\$ 356,962,492</u>	<u>\$ 405,347,178</u>	<u>\$ 397,909,176</u>	<u>\$ 715,508,744</u>	<u>\$ 754,871,668</u>

**Governmental Activities.** Governmental activities increased the City’s net position by \$1.2 million. Key elements of the net increase are as follows:

- Total revenues for 2015 exceeded total expenses by \$17.6 million.
- Net capital asset acquisition exceeded depreciation by \$25.9 million. This was offset by the \$16.5 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 1.8% increase between years. The City’s share of the county sales tax, accounted for in the General Fund, increased 2.6% in 2015 over 2014. The City’s sales tax that is allocated for street projects and accounted for in the Sales Tax Fund increased 1.4% between 2014 and 2015, as did the city sales tax allocated for redemption of the Sales and Use Tax Bonds, Series 2012 and 2014, and fire and parks operations.
- Utility franchise fee revenues decreased by \$0.4 million or 5.8% during 2015 due to a sharp decline in natural gas usage and fees.

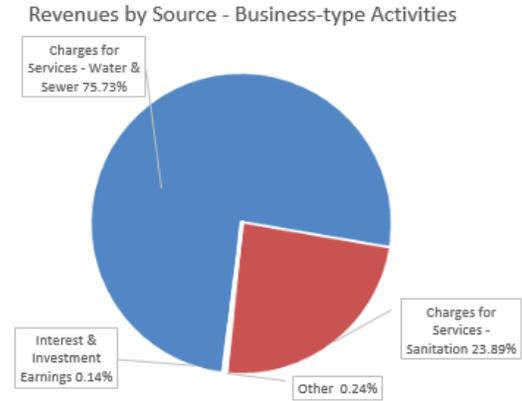
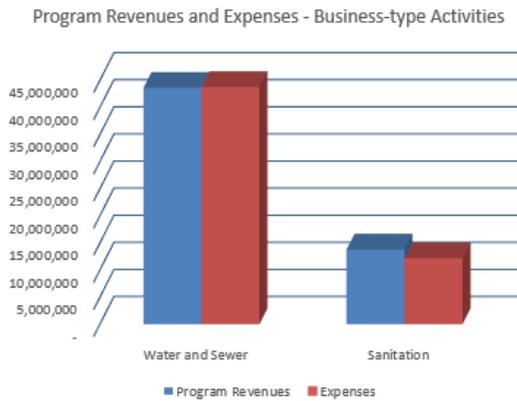
The reported 2015 expenses were approximately \$5.8 million less than in 2014. The decrease resulted from concerted efforts to reduce spending in general government which lead to an overall decrease in spending in Administration, Finance, and Parks departments.



**Business-Type Activities.** Business-type activities increased the City’s net position by \$18.1 million. Key elements of the increase are as follows:

- The water and sewer system contributed \$16.2 million to the increase in total net position. The most significant increase in net position was the \$16.5 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 \$7.3 million in 2015.
- The solid waste system added \$1.7 million to the increase in total net position. The operating income for the system in 2015 totaled \$1.6 million.
- Water and sewer system service charges contribute 74% of the operating revenue to business-type activities.
- The solid waste system service charges accounted for 25% of the revenue to business-type activities.

- Current year revenues for business-type activities exceeded operating expenses by \$1.6 million. This is due primarily to the increase in sewer rates. Sanitation operating expenses were also reduced by \$1.1 million due to a concerted effort to reduce spending.



### 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, 2015, the City's governmental funds reported combined ending fund balances of \$91.3 million, a decrease of \$17.7 million in comparison with the prior year. Of this amount, \$79.6 million represents restricted fund balance for construction projects, debt service coverage, police and fire retirement contributions, and other purposes. Approximately \$0.2 million of the fund balances is non-spendable. A portion of the fund balance, \$3.7 million, is assigned for specific uses by the City. The remainder of the balance, \$7.7 million, is unassigned in the General Fund and is available for spending at the government's discretion. The decrease in combined ending fund balances is primarily due to a decrease of \$15.0 million in the balance restricted for Construction Projects.

The General Fund is the chief operating fund of the City. At December 31, 2015, unassigned fund balance of the General Fund was \$7.7 million, while the total fund balance was \$9.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures, including transfers out. Unassigned fund balances represent 16.5% of total General Fund expenditures, including transfers out, while total fund balances represents 20.2% of that same amount. There was a decrease of \$2.2 million in total General Fund balance between years. This decrease is explained in the Financial Highlights on page 20.

Key factors during the year are as follows:

- Operating revenues increased \$0.7 million in 2015 as compared to 2014. The most significant increases occurred in sales taxes (\$0.5 million), in contributions for trails grants (\$1.1 million) and in court fines and prisoner fees (\$0.4 million). These increases were offset by decreases in intergovernmental (\$0.9 million) and natural gas franchise fees (\$0.4 million).

- Total expenditures decreased \$0.5 million between 2014 and 2015. The decrease was primarily due to general governmental cuts of \$2.9 million, particularly in administration and finance. These decreases were offset by increases in the police operations (\$0.8 million) and fire operations (\$1.1 million).

The Street Maintenance Fund and the Sales Tax Fund, both special revenue funds, are presented as major funds and account for 35.5% 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 \$2.6 million between years.

The Sales & Use Tax Construction Fund is also presented as a major fund and accounts for 29.4% 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 \$17.6 million due to expenditures for capital projects during the year including the completion of Parrot Island Waterpark (\$1.4 million), Mill Creek Pump Station improvements (\$6.2 million) and other water and wastewater improvements (\$10 million).

**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 \$374.6 million and \$30.4 million for the Water and Sewer Fund and the Sanitation Fund, respectively. The increase in net position was \$16.2 million for the Water and Sewer Fund and \$1.7 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 \$51.5 million (total expenditures plus transfers out) compared to the original budget total of \$48.1 million. The increase in appropriations of \$3.4 million is summarized briefly as follows:

- Supplemental appropriations included \$3.6 million for additional capital assets for the parks department capital improvement projects funded by its share of the ¼% sales tax and foundation contributions for trails and greenways projects.
- An additional transfer to the LOPFI fund for police and fire pensions of \$770,000 were appropriated. This transfer was offset by mid-year budget reductions of \$1.0 million across all departments.

Revenue estimates for the General Fund were decreased from an original budget of \$46.0 million (total revenues plus transfers in) to the final estimate of \$45.7 million. The \$0.3 million decrease was due to lower than expected intergovernmental (\$284,000) and fines and forfeitures (\$218,000).

Total actual revenue, including, “other financing sources”, for the General Fund was \$43.6 million or \$2.2 million less than the final budget estimates. The decreased revenues are due primarily to an adjustment of Transfers in from the Street Sales Tax fund of \$2.7 million. This adjustment was offset by higher than expected State Turnback (\$93,000) and higher than expected sales tax revenues (\$325,000). Total actual expenditures were \$1.3 million less than the final appropriated budget of the General Fund. Most departments were consistently lower than budget due to Administrative direction to reduce spending where possible. This was offset by increased actual capital outlay due to a buildup of multi-year project funds within the parks department.

The budget and actual schedule for the General Fund may be found on page 136 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, 2015 amounts to \$924.8 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park and library facilities, streets, and drainage systems. The total increase in the City’s investment in capital assets was 0.6%, a 1.9% increase for governmental activities and a 0.3% decrease for business-type activities.

#### City of Fort Smith

#### Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 27,129,584	\$ 27,046,523	\$ 13,033,321	\$ 12,966,220	\$ 40,162,905	\$ 40,012,743
Buildings	59,738,379	55,548,646	907,906	973,623	60,646,285	56,522,269
Water System	-	-	273,669,470	285,282,849	273,669,470	285,282,849
Sewer System	-	-	170,113,921	176,757,484	170,113,921	176,757,484
Improvement other than buildings	5,987,473	4,591,845	10,812,331	11,103,776	16,799,804	15,695,621
Infrastructure	252,935,206	252,767,250	-	-	252,935,206	252,767,250
Machinery and equipment	23,054,261	19,290,666	12,715,348	15,098,724	35,769,609	34,389,390
Construction in progress	17,728,279	20,130,709	56,996,701	37,742,259	74,724,980	57,872,968
Total	<u>\$ 386,573,182</u>	<u>\$ 379,375,639</u>	<u>\$ 538,248,998</u>	<u>\$ 539,924,935</u>	<u>\$ 924,822,180</u>	<u>\$ 919,300,574</u>

Major capital asset events during 2015 included the following:

- Net additions to construction in progress totaled \$16.9 million. Of this amount, water and wastewater improvements accounted for an increase of \$19.3 million and the general government and streets decreased by \$2.4 million.
- Net additions to infrastructure totaled \$5.8 million due to the completion of several street projects during 2015.

- Net reductions to the sewer system totaled \$6.6 million and to the water system totaled \$11.6 million in 2015. Two factors contributed to the change in water & sewer capital asset balances. First, completion of construction projects slowed as 2012 and 2014 bonds began to decline. 2015 bonds were not issued until December 2015, creating a lag in construction spending in 2015. The Utilities department used this opportunity to refine long-term planning for capital projects in order to meet the capital needs of the systems. Second, a prior period adjustment was posted to correct depreciation and accumulated calculations. The impact to the water & sewer systems totaled \$7.8 million.
- Depreciation expense totaled \$27.6 million.

Additional information on the City’s capital assets can be found in *Note 3* on pages 67-74 of this report.

**Long-term debt.** At December 31, 2015, the City had \$291.7 million of long-term bonds outstanding, including \$183.5 million of bonds secured solely by specified revenue sources, (*i.e.* revenue bonds).

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

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Sales and Use Tax Bonds	\$ 108,145,000	\$ 119,385,000	\$ -	\$ -
Revenue Bonds	-	-	183,530,000	160,305,000
Total	<u>\$ 108,145,000</u>	<u>\$ 119,385,000</u>	<u>\$ 183,530,000</u>	<u>\$ 160,305,000</u>

The City’s total bonded debt increased by \$11.985 million or 4% during 2015. The key factor in this increase was the issuance of \$35.0 million in Water and Sewer Refunding and Construction Revenue Bonds, Series 2015 during December 2015. This increase was offset by scheduled bond maturities during 2015 as well as the call of \$4.47 million in bonds during 2015. The City maintains bond ratings as follows: an “A” rating from Standard & Poor’s on its water and sewer revenue bonds series 2007, 2008, 2011, 2012 and 2015; and an “AA” rating from Standard & Poor’s on its sales and use tax bonds series 2012 and 2014.

State statutes limit the amount of general obligation bonds a government entity may issue to 25% of its total assessed valuation. The current debt limitation for the City is \$342.3 million. The City has no general obligation debt at December 31, 2015. Sales and use tax bonds are special debt of the City and are not considered general obligation bonds.

Additional information regarding the City’s long-term debt can be found in *Note 4* on pages 75-87 of this report.

**Economic Factors and the Next Year’s Budget and Rates**

- The year-end unemployment rate for the City was 5.4%, which was lower than the 5.5% rate for 2014. The state unemployment rate for 2015 was 5.6% and the national was 5.4%. The City is slowly recovering from a down economy over the past several years.
- The City expects a flat tax revenue for the coming year with a 0% increase.

These factors were considered when the City prepared its 2016 Budget.

The Board of Directors had two main goals going into the 2016 budget year - maintain a 15% fund balance and contribute additional funds to the LOPFI fund for fire and police pension plans. The City's General Fund budget for 2016 was approved at \$46.3 million and includes a projected year-end fund balance approximating 12.4% of operating expenditures. While this budget did not achieve the 15% goal, it did achieve a structurally balanced budget with \$700,000 more in revenues than expenditures. Continued efforts are being made to control spending and reduce costs where appropriate.

### **Request for Information**

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

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**City of Fort Smith, Arkansas**  
**Statement of Net Position**  
**December 31, 2015**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
<b>Assets</b>					
Cash	\$ 2,113,655	\$ 2,174,423	\$ 4,288,078	\$ 590,728	\$ 709,433
Investments	46,278,450	25,175,385	71,453,835	476,967	1,435,044
Receivables, net					
Taxes	13,512,677	-	13,512,677	53,431	-
Sales taxes	3,489,297	-	3,489,297	160,576	-
Accounts	701,945	7,787,921	8,489,866	77,571	131,972
Interest	-	-	-	-	5,301
Due from other governments	1,244,263	-	1,244,263	-	753,724
Internal balances	145,029	(145,029)	-	-	-
Inventories	-	1,096,478	1,096,478	-	47,906
Prepays and deposits	289,158	25,833	314,991	55,000	65,712
Restricted assets					
Cash	228,121	392,504	620,625	-	274,204
Investments	43,440,346	37,889,549	81,329,895	-	896,658
Accounts receivable, net	-	212,584	212,584	-	-
Sales tax receivable	1,290,507	-	1,290,507	-	-
Interest receivable	128,054	-	128,054	-	-
Prepaid items and deposits	-	155,049	155,049	-	-
Capital assets, net					
Nondepreciable	44,857,863	70,030,022	114,887,885	427,132	7,863,289
Depreciable	341,715,319	468,218,976	809,934,295	286,218	31,687,549
<b>Total Assets</b>	<b>499,434,685</b>	<b>613,013,694</b>	<b>1,112,448,379</b>	<b>2,127,623</b>	<b>43,870,792</b>
<b>Deferred Outflows of Resources</b>					
Deferred amounts on refunding	-	203,432	203,432	-	124,358
Deferred outflows-pension	541,589	-	541,589	288,395	-
Deferred outflows-pension contributions	6,032,043	-	6,032,043	95,945	-
<b>Total deferred outflows of resources</b>	<b>6,573,632</b>	<b>203,432</b>	<b>6,777,064</b>	<b>384,340</b>	<b>124,358</b>

**City of Fort Smith, Arkansas**  
**Statement of Net Position (Continued)**  
**December 31, 2015**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 7,089,154	\$ 2,131,357	\$ 9,220,511	\$ 75,123	\$ 199,275
Other	198,357	2,675	201,032	-	-
Accrued interest	699,518	1,830,543	2,530,061	-	-
Deposits	-	542,758	542,758	-	-
Unearned revenue	94,665	-	94,665	-	-
Noncurrent liabilities					
Other long-term liabilities					
due within one year	1,563,595	729,697	2,293,292	-	5
Current portion of long-term debt	6,965,000	5,730,000	12,695,000	-	190,000
Due in more than one year	179,212,328	196,674,943	375,887,271	1,392,236	2,305,512
<b>Total liabilities</b>	<b>195,822,617</b>	<b>207,641,973</b>	<b>403,464,590</b>	<b>1,467,359</b>	<b>2,694,792</b>
<b>Deferred Inflows of Resources</b>					
Deferred amounts on refunding	-	227,975	227,975	-	-
Deferred inflows-pension	24,134	-	24,134	439,361	-
<b>Total deferred inflows of resources</b>	<b>24,134</b>	<b>227,975</b>	<b>252,109</b>	<b>439,361</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	301,292,326	350,202,002	651,494,328	713,350	37,026,596
Restricted for:					
Construction projects	28,248,722	1,525,471	29,774,193	-	57,202
Debt service	15,794,757	19,151,623	34,946,380	-	382,316
Parks & recreation	9,947	-	9,947	-	-
Housing and rehabilitation	3,631	-	3,631	-	-
Police & fire retirement contributions	6,301,227	-	6,301,227	-	-
Other purposes	-	-	-	207,207	-
Unrestricted	(41,489,044)	34,468,082	(7,020,962)	(315,314)	3,834,244
<b>Total net position</b>	<b>\$ 310,161,566</b>	<b>\$ 405,347,178</b>	<b>\$ 715,508,744</b>	<b>\$ 605,243</b>	<b>\$ 41,300,358</b>

**City of Fort Smith, Arkansas**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Governmental Activities	Business-Type Activities
					Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>								
Governmental Activities								
General Government								
Administration	\$ 5,892,590	\$ 756,820	\$ 1,519,881	\$ -	\$ (3,615,889)		\$ (3,615,889)	
Legal and courts	2,299,122	2,538,249	509,835	-	748,962		748,962	
Finance	2,348,426	689,464	-	-	(1,658,962)		(1,658,962)	
Public safety								
Police	21,610,764	91,635	3,473,614	46,250	(17,999,265)		(17,999,265)	
Fire	18,448,989	75,106	1,730,796	143,521	(16,499,566)		(16,499,566)	
Public works								
Operations	493,062	-	-	-	(493,062)		(493,062)	
Streets	13,241,788	254,686	4,102,613	2,158,556	(6,725,933)		(6,725,933)	
Traffic Control	2,493,268	-	-	-	(2,493,268)		(2,493,268)	
Community services								
Health and Social Services	125,137	-	-	-	(125,137)		(125,137)	
Parks and Recreation	3,848,170	270,637	-	656,575	(2,920,958)		(2,920,958)	
Convention Center	2,158,297	725,491	-	-	(1,432,806)		(1,432,806)	
Transit	2,567,704	203,003	881,646	535,786	(947,269)		(947,269)	
Housing and Rehabilitation	2,898,859	-	2,869,461	-	(29,398)		(29,398)	
Debt service								
Interest	4,702,341	-	-	-	(4,702,341)		(4,702,341)	
Total Governmental Activities	<u>83,128,518</u>	<u>5,605,091</u>	<u>15,087,846</u>	<u>3,540,688</u>	<u>(58,894,893)</u>		<u>(58,894,893)</u>	
Business-Type Activities:								
Water and Sewer	43,775,895	43,606,954	-	-	-	\$ (168,941)	(168,941)	
Sanitation	12,160,733	13,756,356	-	-	-	1,595,623	1,595,623	
Total Business-Type Activities	<u>55,936,628</u>	<u>57,363,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,426,682</u>	<u>1,426,682</u>	
<b>Total Primary Government</b>	<u>\$ 139,065,146</u>	<u>\$ 62,968,401</u>	<u>\$ 15,087,846</u>	<u>\$ 3,540,688</u>	<u>\$ (58,894,893)</u>	<u>\$ 1,426,682</u>	<u>\$ (57,468,211)</u>	
<b>Component Units:</b>								
Governmental								
Advertising & Promotion	\$ 791,679	\$ -	\$ 3,960	\$ -			\$ (787,719)	
Public Library	3,169,957	184,202	153,007	-			(2,832,748)	
Subtotal	<u>3,961,636</u>	<u>184,202</u>	<u>156,967</u>	<u>-</u>			<u>(3,620,467)</u>	
Business-Type								
Parking Authority	364,935	186,353	-	-				\$ (178,582)
Airport	4,936,659	2,710,240	-	4,788,634				2,562,215
Subtotal	<u>5,301,594</u>	<u>2,896,593</u>	<u>-</u>	<u>4,788,634</u>				<u>2,383,633</u>
<b>Total Component Units</b>	<u>\$ 9,263,230</u>	<u>\$ 3,080,795</u>	<u>\$ 156,967</u>	<u>\$ 4,788,634</u>			<u>(3,620,467)</u>	<u>2,383,633</u>

See accompanying notes to basic financial statements.

**City of Fort Smith, Arkansas**  
**Statement of Activities (Continued)**  
**For the Year Ended December 31, 2015**

	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	\$ 11,715,689	\$ -	\$ 11,715,689	\$ 1,385,441	\$ -
Sales taxes	56,850,299	-	56,850,299	965,455	-
Gross receipts utility franchise fees	6,388,844	-	6,388,844	-	-
Hospitality taxes	-	-	-	800,086	-
Unrestricted investment earnings	152,888	80,875	233,763	1,434	13,442
Other	1,397,078	138,309	1,535,387	233,736	-
Transfers	(16,408,142)	16,408,142	-	-	-
Total general revenues and transfers	<u>60,096,656</u>	<u>16,627,326</u>	<u>76,723,982</u>	<u>3,386,152</u>	<u>13,442</u>
Change in net position	<u>1,201,763</u>	<u>18,054,008</u>	<u>19,255,771</u>	<u>(234,315)</u>	<u>2,397,075</u>
Net position, beginning of year	356,962,492	397,909,176	754,871,668	2,061,985	38,903,283
Prior period adjustment ( <i>Note 15</i> )	(2,198,524)	(10,616,006)	(12,814,530)	-	-
Adoption of GASB 68 ( <i>Note 14</i> )	(45,804,165)	-	(45,804,165)	(1,222,427)	-
Net position, beginning of year, as restated	<u>308,959,803</u>	<u>387,293,170</u>	<u>696,252,973</u>	<u>839,558</u>	<u>38,903,283</u>
Net position, end of year	<u>\$ 310,161,566</u>	<u>\$ 405,347,178</u>	<u>\$ 715,508,744</u>	<u>\$ 605,243</u>	<u>\$ 41,300,358</u>

# City of Fort Smith, Arkansas

## Balance Sheet – Governmental Funds

### December 31, 2015

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 53,763	\$ 270,263	\$ 220,901	\$ -	\$ -	\$ 821,026	\$ 1,365,953
Investments	7,300,302	1,426,068	30,037,171	-	-	6,067,568	44,831,109
Receivables, net of allowance for uncollectibles							
Taxes	8,564,423	2,130,572	-	-	-	2,817,682	13,512,677
Sales taxes	1,768,621	-	1,720,676	-	-	-	3,489,297
Accounts	624,769	-	-	-	-	52,394	677,163
Due from other funds	2,295	-	-	-	-	-	2,295
Due from other governments	508,489	458,597	40,809	-	-	236,368	1,244,263
Restricted assets:							
Cash	-	-	-	-	228,121	-	228,121
Investments	-	-	-	29,226,336	14,214,010	-	43,440,346
Sales taxes receivable	-	-	-	-	1,290,507	-	1,290,507
Interest receivable	-	-	-	65,935	62,119	-	128,054
Prepaid items	45,940	-	-	-	-	400	46,340
Deposits	10,498	-	136,995	41,916	-	-	189,409
<b>Total Assets</b>	<b>\$ 18,879,100</b>	<b>\$ 4,285,500</b>	<b>\$ 32,156,552</b>	<b>\$ 29,334,187</b>	<b>\$ 15,794,757</b>	<b>\$ 9,995,438</b>	<b>\$ 110,445,534</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 2,046,718	\$ 379,477	\$ 1,072,568	\$ 1,775,751	\$ -	303,525	\$ 5,578,039
Retainage payable	86,186	-	432,938	763,858	-	-	1,282,982
Due to other funds	-	-	-	-	-	2,388	2,388
Unearned revenue	-	-	-	-	-	94,665	94,665
Other	195,665	-	-	-	-	2,692	198,357
<b>Total Liabilities</b>	<b>2,328,569</b>	<b>379,477</b>	<b>1,505,506</b>	<b>2,539,609</b>	<b>-</b>	<b>403,270</b>	<b>7,156,431</b>
<b>Deferred Inflows of Resources</b>							
Unavailable property taxes	7,080,100	2,126,200	-	-	-	2,811,853	12,018,153
<b>Total deferred inflows of resources</b>	<b>7,080,100</b>	<b>2,126,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,811,853</b>	<b>12,018,153</b>
<b>Fund Balances:</b>							
Nonspendable	56,438	-	136,995	41,916	-	400	235,749
Restricted for:							
Construction projects	-	106,691	30,514,051	26,752,662	-	101,654	57,475,058
Debt service	-	-	-	-	15,794,757	-	15,794,757
Parks & recreation	-	-	-	-	-	9,947	9,947
Housing and rehabilitation	-	-	-	-	-	3,631	3,631
Police & fire retirement contributions	-	-	-	-	-	6,301,227	6,301,227
Assigned to:							
Convention center	-	-	-	-	-	363,456	363,456
Construction projects	1,556,871	-	-	-	-	-	1,556,871
Other purposes	144,841	1,673,132	-	-	-	-	1,817,973
Unassigned	7,712,281	-	-	-	-	-	7,712,281
<b>Total Fund Balances</b>	<b>9,470,431</b>	<b>1,779,823</b>	<b>30,651,046</b>	<b>26,794,578</b>	<b>15,794,757</b>	<b>6,780,315</b>	<b>91,270,950</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 18,879,100</b>	<b>\$ 4,285,500</b>	<b>\$ 32,156,552</b>	<b>\$ 29,334,187</b>	<b>\$ 15,794,757</b>	<b>\$ 9,995,438</b>	<b>\$ 110,445,534</b>

**City of Fort Smith, Arkansas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2015**

Total fund balances – governmental funds \$ 91,270,950

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 27,129,584	
Buildings	85,051,166	
Improvements other than buildings	15,564,775	
Machinery and equipment	51,522,832	
Infrastructure	365,419,171	
Accumulated depreciation	<u>(175,842,625)</u>	
	368,844,903	
Construction in progress	<u>17,728,279</u>	
 Total	 <u><u>\$ 386,573,182</u></u>	 386,573,182

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. 12,018,153

Deferred inflows and outflows related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. 6,549,498

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 position. 937,540

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	\$ 2,417,331	
Claims payable	82,500	
Sales tax bonds payable, net	113,634,511	
Interest payable	699,518	
Capital leases payable	173,163	
Net pension liabilities	52,541,458	
OPEB liabilities	<u>17,639,276</u>	
	<u><u>\$ 187,187,757</u></u>	<u>(187,187,757)</u>

Net position of governmental activities \$ 310,161,566

**City of Fort Smith, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**For the Year Ended December 31, 2015**

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 6,885,174	\$ 2,038,141	\$ -	\$ -	\$ -	\$ 2,718,277	\$ 11,641,592
Sales taxes	21,185,214	-	20,380,151	-	15,284,934	-	56,850,299
Licenses and permits	1,446,284	163,270	-	-	-	-	1,609,554
Utility franchise fees	6,388,844	-	-	-	-	-	6,388,844
Intergovernmental	4,165,519	5,786,833	361,599	-	-	4,795,594	15,109,545
Fines and forfeitures	2,368,501	-	-	-	-	139,638	2,508,139
Fees for services	591,672	-	-	-	-	725,491	1,317,163
Interest	21,303	3,415	91,416	111,307	78,988	17,128	323,557
Decrease in fair value of investments	-	-	-	(43,624)	(17,797)	-	(61,421)
Contributions	1,068,355	-	429,475	-	-	2,021,159	3,518,989
Miscellaneous	234,189	39,299	8,269	20,249	-	1,589	303,595
<b>Total Revenues</b>	<b>44,355,055</b>	<b>8,030,958</b>	<b>21,270,910</b>	<b>87,932</b>	<b>15,346,125</b>	<b>10,418,876</b>	<b>99,509,856</b>
<b>Expenditures</b>							
Current:							
General government							
Administration	1,965,962	207,021	1,765,899	-	-	-	3,938,882
Legal and courts	1,956,247	83,240	132,835	-	-	-	2,172,322
Finance	1,094,212	341,801	799,266	-	-	-	2,235,279
Public safety							
Police	15,876,483	-	-	-	-	3,449,913	19,326,396
Fire	12,592,775	-	-	-	-	4,226,171	16,818,946
Public works							
Operations	-	474,825	-	-	-	-	474,825
Streets	-	3,887,507	-	-	-	242,572	4,130,079
Traffic Control	-	2,040,635	-	-	-	-	2,040,635
Community services							
Health and Social Services	116,395	-	-	-	-	-	116,395
Parks and Recreation	2,305,755	228,911	-	-	-	7,872	2,542,538
Convention Center	-	-	-	-	-	1,413,571	1,413,571
Transit	2,149,328	-	-	-	-	-	2,149,328
Housing and Rehabilitation	-	-	-	-	-	2,869,461	2,869,461
Other	1,573,070	-	-	164,509	22,800	-	1,760,379
Capital Outlay	5,539,074	596,781	16,075,366	17,543,632	-	33,919	39,788,772
Debt Service:							
Principal	-	-	-	-	11,240,000	-	11,240,000
Interest	-	-	-	-	4,247,774	-	4,247,774
<b>Total Expenditures</b>	<b>45,169,301</b>	<b>7,860,721</b>	<b>18,773,366</b>	<b>17,708,141</b>	<b>15,510,574</b>	<b>12,243,479</b>	<b>117,265,582</b>
Excess (deficiency) in revenues over (under) expenditures	(814,246)	170,237	2,497,544	(17,620,209)	(164,449)	(1,824,603)	(17,755,726)

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, 2015**

	General	Street Maintenance	Sales Tax	Sales & Use Tax Construction	Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>							
Transfers in	\$ 286,298	\$ -	\$ -	\$ -	\$ -	\$ 1,547,473	\$ 1,833,771
Transfers out	<u>(1,678,673)</u>	<u>(96,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,775,248)</u>
Total Other Financing Sources and Uses	<u>(1,392,375)</u>	<u>(96,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,547,473</u>	<u>58,523</u>
Net Change in Fund Balances	(2,206,621)	73,662	2,497,544	(17,620,209)	(164,449)	(277,130)	(17,697,203)
Fund Balances, January 1	<u>11,677,052</u>	<u>1,706,161</u>	<u>28,153,502</u>	<u>44,414,787</u>	<u>15,959,206</u>	<u>7,057,445</u>	<u>108,968,153</u>
Fund Balances, December 31	<u>\$ 9,470,431</u>	<u>\$ 1,779,823</u>	<u>\$ 30,651,046</u>	<u>\$ 26,794,578</u>	<u>\$ 15,794,757</u>	<u>\$ 6,780,315</u>	<u>\$ 91,270,950</u>

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, 2015**

Net change in fund balances – total governmental funds	\$(17,697,203)
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.	39,788,772
Capital contributions to the Water and Sewer Fund are recognized as transfers out on the government-wide statement of activities	(16,519,472)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(13,841,410)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources of governmental funds. This transaction does not have any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	11,240,000
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.	74,097
Some expenses, <i>i.e.</i> , the change in compensated absences liability, interest, net pension and OPEB liabilities, reported in the statement of activities and changes in net position do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.	(3,437,578)
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	<u>1,594,557</u>
Change in net position of governmental activities	<u><u>\$ 1,201,763</u></u>

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**City of Fort Smith, Arkansas**  
**Statement of Fund Net Position –**  
**Proprietary Funds**  
**December 31, 2015**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water and Sewer</b>	<b>Sanitation</b>	<b>Total</b>	
<b>Current Assets</b>				
Cash	\$ 1,110,599	\$ 612,581	\$ 1,723,180	\$ 1,198,945
Investments	10,779,408	13,676,557	24,455,965	2,166,761
Receivables				
Accounts, net of uncollectibles of \$126,924; \$33,589 and \$-0-	6,458,155	1,317,778	7,775,933	36,769
Restricted				
Cash	392,504	-	392,504	
Investments	37,889,549	-	37,889,549	-
Accounts receivable, net of uncollectibles of \$588,905	-	212,584	212,584	-
Inventories	945,394	122,352	1,067,746	28,732
Prepaid items	-	-	-	79,242
Due from other funds	-	-	-	93
<b>Total Current Assets</b>	<b>57,575,609</b>	<b>15,941,852</b>	<b>73,517,461</b>	<b>3,510,542</b>
<b>Noncurrent Assets</b>				
Restricted				
Prepaid items and deposits	155,049	-	155,049	-
Capital assets				
Land	12,659,549	373,772	13,033,321	-
Buildings	-	1,999,645	1,999,645	-
Improvements other than buildings	-	21,207,572	21,207,572	-
Leasehold improvements	-	709,952	709,952	-
Machinery and equipment	13,534,754	24,776,585	38,311,339	-
Water system	384,559,504	-	384,559,504	-
Sewer system	252,035,587	-	252,035,587	-
Construction in progress	53,237,486	3,759,215	56,996,701	-
Less accumulated depreciation	(200,512,251)	(30,092,372)	(230,604,623)	-
<b>Total Noncurrent Assets</b>	<b>515,669,678</b>	<b>22,734,369</b>	<b>538,404,047</b>	<b>-</b>
<b>Total Assets</b>	<b>573,245,287</b>	<b>38,676,221</b>	<b>611,921,508</b>	<b>3,510,542</b>
<b>Deferred outflows of resources</b>				
Deferred amount on refunding	203,432	-	203,432	-
<b>Total deferred outflows of resources</b>	<b>203,432</b>	<b>-</b>	<b>203,432</b>	<b>-</b>

**City of Fort Smith, Arkansas**  
**Statement of Fund Net Position –**  
**Proprietary Funds (Continued)**  
**December 31, 2015**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>	
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,279,717	\$ 714,968	\$ 1,994,685	\$ 238,749
Retainage payable	43,555	-	43,555	-
Accrued vacation and sick leave	54,553	11,499	66,052	-
Accrued interest	1,830,543	-	1,830,543	-
Claims and judgments	-	-	-	1,998,829
Revenue bonds payable	5,730,000	-	5,730,000	-
Deposits	542,758	-	542,758	-
Other	2,675	-	2,675	-
<b>Total Current Liabilities</b>	<u>9,483,801</u>	<u>726,467</u>	<u>10,210,268</u>	<u>2,237,578</u>
<b>Noncurrent liabilities</b>				
Accrued vacation and sick leave	865,390	182,420	1,047,810	-
Landfill closure and postclosure care	-	4,796,961	4,796,961	-
Revenue bonds, net	182,298,416	-	182,298,416	-
OPEB liabilities	5,966,995	2,564,761	8,531,756	-
<b>Total Noncurrent Liabilities</b>	<u>189,130,801</u>	<u>7,544,142</u>	<u>196,674,943</u>	<u>-</u>
<b>Total Liabilities</b>	<u>198,614,602</u>	<u>8,270,609</u>	<u>206,885,211</u>	<u>2,237,578</u>
<b>Deferred inflows of resources</b>				
Deferred amount on refunding	227,975	-	227,975	-
<b>Total deferred inflows of resources</b>	<u>227,975</u>	<u>-</u>	<u>227,975</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	327,467,633	22,734,369	350,202,002	-
Restricted for bond retirement	19,151,623	-	19,151,623	-
Restricted for asset replacement	1,400,000	125,471	1,525,471	-
Unrestricted	26,586,886	7,545,772	34,132,658	1,272,964
<b>Total Net Position</b>	<u>\$ 374,606,142</u>	<u>\$ 30,405,612</u>	<u>405,011,754</u>	<u>\$ 1,272,964</u>

Reconciliation to government - wide statement of net position:

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	<u>335,424</u>
Net position of business type activities	<u>\$ 405,347,178</u>

**City of Fort Smith, Arkansas**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Position – Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
<b>Operating Revenues</b>				
Water service	\$ 25,897,687	\$ -	\$ 25,897,687	\$ -
Sewer service	16,742,182	-	16,742,182	-
Other charges for services	885,157	13,354,343	14,239,500	11,476,443
Other	81,928	402,013	483,941	-
<b>Total Operating Revenues</b>	<b>43,606,954</b>	<b>13,756,356</b>	<b>57,363,310</b>	<b>11,476,443</b>
<b>Operating Expenses</b>				
Personnel services	14,226,766	6,004,746	20,231,512	-
Contractual services	3,210,502	1,540,989	4,751,491	557,110
Materials and supplies	4,854,532	3,191,595	8,046,127	693,547
Heat, light, and power	1,887,974	109,624	1,997,598	-
Depreciation	12,112,035	1,300,073	13,412,108	-
Insurance claims and expenses	-	-	-	9,391,964
<b>Total Operating Expenses</b>	<b>36,291,809</b>	<b>12,147,027</b>	<b>48,438,836</b>	<b>10,642,621</b>
<b>Operating Income</b>	<b>7,315,145</b>	<b>1,609,329</b>	<b>8,924,474</b>	<b>833,822</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest revenue	39,569	41,306	80,875	8,833
Interest expense and fiscal charges	(7,516,487)	-	(7,516,487)	-
Other nonoperating revenues (expenses), net	(54,277)	29,744	(24,533)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(7,531,195)</b>	<b>71,050</b>	<b>(7,460,145)</b>	<b>8,833</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(216,050)</b>	<b>1,680,379</b>	<b>1,464,329</b>	<b>842,655</b>
Capital contributions	16,519,472	-	16,519,472	-
Transfers in	-	81,200	81,200	52,807
Transfers out	(101,920)	(90,610)	(192,530)	-
<b>Change in Net Position</b>	<b>16,201,502</b>	<b>1,670,969</b>	<b>17,872,471</b>	<b>895,462</b>
Net position, beginning of year	366,244,017	31,511,272		377,502
Prior period adjustment ( <i>Note 15</i> )	(7,839,377)	(2,776,629)		-
Net position, beginning of year, as restated	358,404,640	28,734,643		377,502
Net position, ending	<b>\$ 374,606,142</b>	<b>\$ 30,405,612</b>		<b>\$ 1,272,964</b>
Reconciliation to government - wide statement of activities:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			181,537	
Change in net position of business type activities for government - wide statement of activities			<b>\$ 18,054,008</b>	

See accompanying notes to basic financial statements.

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**City of Fort Smith, Arkansas**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
<b>Operating Activities</b>				
Cash received from customers	\$ 43,466,178	\$ 13,470,046	\$ 56,936,224	\$ -
Cash received from service users	-	-	-	1,182,639
Cash received from city and employee contributions	-	-	-	10,333,802
Cash payments for goods and services	(12,194,819)	(5,056,923)	(17,251,742)	(691,816)
Cash paid to employees	(13,082,950)	(5,700,982)	(18,783,932)	-
Cash payments for premiums and other operating expenses	-	-	-	(551,660)
Cash payments for claims paid	-	-	-	(9,935,581)
Cash received from other operating revenues	81,928	402,013	483,941	-
Net cash provided by operating activities	<u>18,270,337</u>	<u>3,114,154</u>	<u>21,384,491</u>	<u>337,384</u>
<b>Noncapital Financing Activities</b>				
Transfers in from other funds	-	81,200	81,200	52,807
Transfers out to other funds	(101,920)	(90,610)	(192,530)	-
Net cash used in noncapital financing activities	<u>(101,920)</u>	<u>(9,410)</u>	<u>(111,330)</u>	<u>52,807</u>
<b>Capital and Related Financing Activities</b>				
Proceeds from sale of capital assets	72,863	29,744	102,607	-
Acquisition and construction of capital assets	(4,506,332)	(1,326,373)	(5,832,705)	-
Proceeds from the issuance of bonds	35,000,000	-	35,000,000	-
Principal paid on bonds	(11,829,271)	(300,920)	(12,130,191)	-
Interest paid on bonds	(5,471,228)	-	(5,471,228)	-
Net cash provided by (used in) capital and related financing activities	<u>13,266,032</u>	<u>(1,597,549)</u>	<u>11,668,483</u>	<u>-</u>
<b>Investing Activities</b>				
Proceeds from sales and maturities of investment securities	115,563,266	2,599,282	118,162,548	1,071,523
Outlays for purchases of investment securities	(145,875,452)	(4,408,189)	(150,283,641)	(1,633,154)
Interest on investments	42,685	43,991	86,676	9,442
Net cash used in investing activities	<u>(30,269,501)</u>	<u>(1,764,916)</u>	<u>(32,034,417)</u>	<u>(552,189)</u>
<b>Net Increase (Decrease) in Cash</b>	1,164,948	(257,721)	907,227	(161,998)
Cash, January 1	<u>338,155</u>	<u>870,302</u>	<u>1,208,457</u>	<u>1,360,943</u>
Cash, December 31	<u>\$ 1,503,103</u>	<u>\$ 612,581</u>	<u>\$ 2,115,684</u>	<u>\$ 1,198,945</u>

See accompanying notes to basic financial statements.

**City of Fort Smith, Arkansas**  
**Statement of Cash Flows – Proprietary Funds (Continued)**  
**For the Year Ended December 31, 2015**

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
<b>Reconciliation of cash and restricted cash at December 31 to statement of net position</b>				
Cash	\$ 1,110,599	\$ 612,581	\$ 1,723,180	\$ 1,198,945
Restricted cash	392,504	-	392,504	-
Total	<u>\$ 1,503,103</u>	<u>\$ 612,581</u>	<u>\$ 2,115,684</u>	<u>\$ 1,198,945</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	<u>\$ 7,315,145</u>	<u>\$ 1,609,329</u>	<u>\$ 8,924,474</u>	<u>\$ 833,822</u>
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	12,112,035	1,300,073	13,412,108	-
Change in assets and liabilities				
Accounts receivable	(2,348,302)	(248,030)	(2,596,332)	(10,323)
Due from other funds	-	-	-	50,321
Inventory	(68,643)	(81,663)	(150,306)	(4,642)
Prepaid items	22,396	127	22,523	(63,775)
Accounts payable and accrued liabilities	62,067	9,831	71,898	65,972
Deposits	9,668	-	9,668	-
Liability for claims and judgments	-	-	-	(533,991)
OPEB liabilities	1,165,844	327,121	1,492,965	-
Other liabilities	127	197,366	197,493	-
Total adjustments	<u>10,955,192</u>	<u>1,504,825</u>	<u>12,460,017</u>	<u>(496,438)</u>
Net cash provided by operating activities	<u>\$ 18,270,337</u>	<u>\$ 3,114,154</u>	<u>\$ 21,384,491</u>	<u>\$ 337,384</u>

Noncash investing, capital and financing activities:

Enterprise funds:

The Water and Sewer Fund received contributions of capital assets of \$19,526,798 for 2015.

**City of Fort Smith, Arkansas**  
**Statement of Fiduciary Net Position**  
**OPEB Trust Fund**  
**December 31, 2015**

**Assets**

**Current Assets**

Investments:

Government money market funds	\$ 405,050
Equities - agency bonds	181,040
US government bonds	743,005
Certificates of deposit	150,055
Total Investments	<u>1,479,150</u>
Total Current Assets	<u>1,479,150</u>
Total Assets	<u>1,479,150</u>

**Liabilities**

**Current Liabilities**

Accounts payable	<u>3,735</u>
Total Current Liabilities	<u>3,735</u>
Total Liabilities	<u>3,735</u>

**Net Position**

Held in trust for OPEB	<u>1,475,415</u>
Total Net Position	<u><u>\$ 1,475,415</u></u>

**City of Fort Smith, Arkansas**  
**Statement of Changes in Fiduciary Net Position**  
**OPEB Trust Fund**  
**For the Year Ended December 31, 2015**

**Additions:**

Investment Earnings		
Investment expense	\$	(5,654)
Net increase in fair value of investments		<u>12,420</u>
Total additions		6,766

**Deductions:**

Investment expenses:		
Management fees		<u>14,882</u>
Change in Net Position		(8,116)

Net position, beginning		<u>1,483,531</u>
Net position, ending	\$	<u><u>1,475,415</u></u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**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. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27***

Effective January 1, 2015, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement establishes standards of accounting and financial reporting for defined 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*.

***GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***

Effective January 1, 2015, the City implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement is to address an issue regarding application of the transition provisions of Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of GASB 71 are required to be applied simultaneously with the provisions of GASB Statement 68.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

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

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

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2015

***Airport Commission*** - The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 6700 McKennon Boulevard, Suite 200, Fort Smith, Arkansas 72903, or from the City Clerk's office. See *Note 13* on pages 121-122 of these notes for condensed financial statements.

#### **Governmental**

***Advertising and Promotion Commission (the Commission)*** - The Commission was established during 1989 to promote the City and increase tourism. The Commission is governed by seven members appointed by the Board. The Mayor and one board member serve as two of the seven members of the Commission. The City levies taxes for the Commission's revenue, performs administrative services for collection of taxes, and provides financial services to the Commission. However, the Commission functions for the benefit of the citizens and visitors to the City. The Commission is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Commission. See *Note 13* on pages 121-122 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 13* on pages 121-122 of these notes for condensed financial statements.

#### **Related Organizations**

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

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2015

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

The City reports the following major governmental funds:

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

The *Street Maintenance Fund* is a special revenue fund that accounts for 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.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2015

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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 purchase method.

***Capital Assets***

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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:

<b>Capital Assets</b>	<b>Useful Life (Years)</b>
Governmental activities:	
Buildings	10 to 50
Improvements other than buildings	5 to 50
Infrastructure	
Streets	40
Bridges	30
Drainage	20
Machinery and equipment	5 to 20
Business-type activities:	
Enterprise funds:	
Water and sewer system:	
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.

# **City of Fort Smith, Arkansas**

## **Notes to Basic Financial Statements**

### **December 31, 2015**

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 2015.

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

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

The City is permitted by Arkansas State Law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general governmental services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2014 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 \$6.8 million of additional taxes could be raised per year based on the current year's assessed value of \$1,013,693,663 for real property and \$355,566,010 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.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2015

The City records a liability for compensated absences as the employee earns benefits attributable to services already rendered that are not contingent on a specific event that is outside the control of the City. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured such as a result of employee resignations and retirements.

#### **Risk Management**

The City maintains a medical self-insurance plan funded by the City and administered by a third party. The plan provides certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's costs of providing these benefits, including premiums, totaled \$9,408,474 in 2015, 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 112-114.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$540,600 in 2015 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 \$20,380,151 for fiscal year 2015, and are included in the Sales Tax Fund's sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage. The City refers the tax to the voters every ten years for reapproval. The tax is currently extended through 2025.

In August 1994, Sebastian County began assessing 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 population of the city. Currently, the City receives approximately 79% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes totaled \$16,090,921 for fiscal year 2015. These taxes are included in the General Fund's sales tax revenues. The County refers the tax to the voters every ten years for reapproval. The tax is currently in place through August 2024.

In March 2012, the citizens approved a referendum to continue the 1% sales and use tax on retail sales in the city to refund the Sales and Use Tax Construction Bonds, Series 2006, 2008 and 2009, to fund a new aquatics center, construct a new fire station, purchase and replace fire apparatus, improve existing fire stations, water improvements and wastewater improvements. The 1% sales tax revenue is split at ¾% for the repayment of the Sales and Use Tax Refunding and Construction Bonds, Series 2012 and 2014, 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 \$20,379,227 for fiscal year 2015.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Statement of Cash Flows**

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

**Long-term Obligations**

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

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

**Restricted Assets**

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

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

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

Cash	\$	228,121
Investments		43,440,346
Interest receivable		128,054
Sales taxes receivable		1,290,507
Total restricted assets - general government	\$	45,087,028

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

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

Current Assets:

Cash - water and sewer depreciation account	\$ 112,500
Cash - water and sewer meter deposit account	11,820
Cash - water and sewer operating account	68,500
Cash - water and sewer bond construction account	199,684
Investments - water and sewer depreciation account	1,737,500
Investments - water and sewer meter deposit account	423,428
Investments - water and sewer bond account	6,827,432
Investments - water and sewer bond construction account	28,901,189
Accounts receivable - solid waste cleanup program account	212,584
Total current assets - restricted	38,494,637

Noncurrent assets:

Prepaid items and deposits - water and sewer operating account	37,522
Prepaid items and deposits - water and sewer bond construction account	117,527
Total noncurrent assets	155,049

Total restricted assets - enterprise funds	\$ 38,649,686
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***Unearned Revenue***

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

***Estimates***

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

***Pensions***

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

***Fund Balances – Governmental Funds***

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

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

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

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

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

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

The 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify as deferred inflows of resources as of December 31, 2015. The items reported in the statements are unavailable revenues in the governmental funds balance sheet, deferred inflows-pension in the government-wide statement of net position, and deferred amounts on refunding in the government-wide statement of net position and the proprietary funds statement of net position. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows-pension consists of the difference between the expected and actual experience related to the pension plans as well as the net difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred inflows-pension are amortized over future periods as shown within *Note 7*.

**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 loss of \$61,421 is recorded as a decrease in fair value of investments for the primary government in 2015 related to the City's governmental funds.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**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, 2015, 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, 2015. The bank balances and carrying amount of the City’s deposits held as of December 31, 2015 were as follows:

**Pooled and Nonpooled Funds**

<u>Description</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits	\$ 96,567,448	\$ 109,847,885
Certificates of deposit	7,806,000	7,806,000
	<u>\$ 104,373,448</u>	<u>\$ 117,653,885</u>

**Component Units**

At year-end, the carrying amount and the bank balance of the Advertising and Promotion Commission deposits was \$948. At December 31, 2015, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Public Library’s deposits was \$589,780 and the bank balance was \$629,855. At December 31, 2015, 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 \$2,853. At December 31, 2015, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount of the Airport Commission’s deposits was \$1,877,442 and the bank balance was \$2,878,983. At December 31, 2015, 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

The City’s investments, including accrued interest, held as of December 31, 2015, were as follows:

**Pooled and Nonpooled funds**

<u>Description</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Year</u>	<u>Investment Maturities 1-5 Years</u>
U.S. Treasury Bills	\$ 9,979,904	\$ 9,979,904	\$ -
U.S. Treasury Notes	30,186,698	-	30,186,698
	<u>\$ 40,166,602</u>	<u>\$ 9,979,904</u>	<u>\$ 30,186,698</u>

**Component Units**

At year-end, the Advertising & Promotion Commission held \$176,065 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 \$300,902 in money market funds. The Public Library reports investments at fair value.

At year-end, the Parking Authority fund held \$452,211 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 \$76,658 in money market mutual funds. The Airport Commission reports investments at fair value.

*Interest Rate Risk.* The City’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* The City’s investments at December 31, 2015 are securities issued and guaranteed by the U.S. Government.

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

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Primary Government:**

Carrying value of deposits -	
Pooled and nonpooled funds	\$ 117,653,885
Deposits classified as investments	<u>(112,745,182)</u>
	<u>\$ 4,908,703</u>
Cash as reported on the government-wide statement of net position	\$ 4,288,078
Restricted cash as reported on the government-wide statement of net position	<u>620,625</u>
	<u>\$ 4,908,703</u>
Carrying value of investments -	
Pooled and nonpooled funds	\$ 40,166,602
Deposits classified as investments	<u>112,745,182</u>
	<u>\$ 152,911,784</u>
As reported on the government-wide statement of net position:	
Investments	\$ 71,453,835
Interest receivable	-
Restricted investments	81,329,895
Restricted interest receivable	<u>128,054</u>
	<u>\$ 152,911,784</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Component Units:**

Governmental type-

Carrying value of deposits -	
Advertising and Promotion	
Commission	\$ 948
Public Library	589,780
Carrying value of investments -	
Advertising and Promotion	
Commission	176,065
Public Library	300,902
	\$ 1,067,695
	\$ 1,067,695

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

Cash	\$ 590,728
Investments	476,967
Interest receivable	-
	\$ 1,067,695
	\$ 1,067,695

Business type-

Carrying value of deposits -	
Parking Authority	\$ 2,853
Airport Commission	2,783,617
Carrying value of investments -	
Parking Authority	452,211
Airport Commission	76,658
	\$ 3,315,339
	\$ 3,315,339

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

Cash	\$ 709,433
Investments	1,435,044
Interest receivable	-
Restricted cash	274,204
Restricted investments	896,658
	\$ 3,315,339
	\$ 3,315,339

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Note 3: Capital Assets**

Capital assets activity for the year ended December 31, 2015 was as follows:

**Primary Government:**

	<b>As Restated December 31, 2014</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>December 31, 2015</b>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 27,046,523	\$ 83,061	\$ -	\$ 27,129,584
Construction in progress	20,130,710	21,317,834	(23,720,265)	17,728,279
Total capital assets not being depreciated	<u>47,177,233</u>	<u>21,400,895</u>	<u>(23,720,265)</u>	<u>44,857,863</u>
Capital assets being depreciated				
Buildings	78,449,766	1,992	6,599,408	85,051,166
Improvements other than buildings	13,654,274	21,924	1,888,577	15,564,775
Infrastructure	350,673,444	-	14,745,727	365,419,171
Machinery and equipment	49,718,742	1,844,489	(40,399)	51,522,832
Total depreciable capital assets at historical cost	<u>492,496,226</u>	<u>1,868,405</u>	<u>23,193,313</u>	<u>517,557,944</u>
Less accumulated depreciation for				
Buildings	23,611,195	1,701,592	-	25,312,787
Improvements other than buildings	9,147,273	430,029	-	9,577,302
Infrastructure	103,528,385	8,955,580	-	112,483,965
Machinery and equipment	26,209,491	2,754,209	(495,129)	28,468,571
Total accumulated depreciation	<u>162,496,344</u>	<u>13,841,410</u>	<u>(495,129)</u>	<u>175,842,625</u>
Capital assets being depreciated, net	<u>329,999,882</u>	<u>(11,973,005)</u>	<u>23,688,442</u>	<u>341,715,319</u>
Governmental activities capital assets, net	<u>\$ 377,177,115</u>	<u>\$ 9,427,890</u>	<u>\$ (31,823)</u>	<u>\$ 386,573,182</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Primary Government:**

	<b>As Restated December 31, 2014</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>December 31, 2015</b>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,966,220	\$ 67,101	\$ -	\$ 13,033,321
Construction in progress	37,742,259	19,254,442	-	56,996,701
Total capital assets not being depreciated	<u>50,708,479</u>	<u>19,321,543</u>	<u>-</u>	<u>70,030,022</u>
Capital assets being depreciated:				
Water system	384,529,748	29,756	-	384,559,504
Sewer system	250,899,994	1,135,593	-	252,035,587
Buildings	1,999,645	-	-	1,999,645
Improvements other than buildings	21,206,087	1,485	-	21,207,572
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	36,447,539	2,168,936	(305,136)	38,311,339
Total depreciable capital assets at historical cost	<u>695,792,965</u>	<u>3,335,770</u>	<u>(305,136)</u>	<u>698,823,599</u>
Less accumulated depreciation for:				
Water system	104,050,828	6,839,206	-	110,890,034
Sewer system	77,177,958	4,743,708	-	81,921,666
Buildings	1,026,022	65,717	-	1,091,739
Improvements other than buildings	10,371,200	24,041	-	10,395,241
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	23,856,555	2,044,572	(305,136)	25,595,991
Total accumulated depreciation	<u>217,192,515</u>	<u>13,717,244</u>	<u>(305,136)</u>	<u>230,604,623</u>
Capital assets being depreciated, net	<u>478,600,450</u>	<u>(10,381,474)</u>	<u>-</u>	<u>468,218,976</u>
Business-type activities capital assets, net	<u>\$ 529,308,929</u>	<u>\$ 8,940,069</u>	<u>\$ -</u>	<u>\$ 538,248,998</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

Governmental activities:	
General government -	
Administration	\$ 28,918
Legal	789
Finance	138,918
Public safety -	
Police	1,179,591
Fire	1,000,278
Public works -	
Operations	-
Streets	8,961,611
Traffic Control	395,130
Community services -	
Health and social services	8,742
Parks and recreation	1,119,098
Convention center	677,233
Transit	318,010
Housing and rehabilitation	<u>13,092</u>
Total governmental activities depreciation expense	<u>13,841,410</u>
Business type activities:	
Water and Sewer	12,417,171
Sanitation	<u>1,300,073</u>
Total business-type activities depreciation expense	<u>13,717,244</u>
Total depreciation expense	<u><u>\$ 27,558,654</u></u>

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	\$ 21,400,895
Additions for capital assets being depreciated	<u>1,868,405</u>
	<u><u>\$ 23,269,300</u></u>
Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	
	\$ 39,788,772
Less: capital contributions to the water and sewer fund	<u>(16,519,472)</u>
	<u><u>\$ 23,269,300</u></u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

Capital asset activity for the year ended December 31, 2015, for the major enterprise funds was as follows:

**Primary Government:**

	<b>As Restated December 31, 2014</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>December 31, 2015</b>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 12,592,448	\$ 67,101	\$ -	\$ 12,659,549
Construction in progress	34,036,575	19,200,911	-	53,237,486
<b>Total capital assets not being depreciated:</b>	<b>46,629,023</b>	<b>19,268,012</b>	<b>-</b>	<b>65,897,035</b>
Capital assets being depreciated:				
Water system	384,529,748	29,756	-	384,559,504
Sewer system	250,899,994	1,135,593	-	252,035,587
Machinery and equipment	12,942,311	897,579	(305,136)	13,534,754
<b>Total depreciable capital assets at historical cost</b>	<b>648,372,053</b>	<b>2,062,928</b>	<b>(305,136)</b>	<b>650,129,845</b>
Less accumulated depreciation for:				
Water system	104,050,828	6,839,206	-	110,890,034
Sewer system	77,177,958	4,743,708	-	81,921,666
Machinery and equipment	7,171,430	834,257	(305,136)	7,700,551
<b>Total accumulated depreciation</b>	<b>188,400,216</b>	<b>12,417,171</b>	<b>(305,136)</b>	<b>200,512,251</b>
Capital assets being depreciated, net	459,971,837	(10,354,243)	-	449,617,594
<b>Total water and sewer fund capital assets, net</b>	<b>\$ 506,600,860</b>	<b>\$ 8,913,769</b>	<b>\$ -</b>	<b>\$ 515,514,629</b>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

	<u>As Restated December 31, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2015</u>
Sanitation Fund:				
Capital assets not being depreciated:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in progress	3,705,684	53,531	-	3,759,215
Total capital assets not being depreciated:	<u>4,079,456</u>	<u>53,531</u>	<u>-</u>	<u>4,132,987</u>
Capital assets being depreciated:				
Buildings	1,999,645	-	-	1,999,645
Improvements other than buildings	21,206,087	1,485	-	21,207,572
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	23,505,228	1,271,357	-	24,776,585
Total depreciable capital assets at historical cost	<u>47,420,912</u>	<u>1,272,842</u>	<u>-</u>	<u>48,693,754</u>
Less accumulated depreciation for:				
Buildings	1,026,022	65,717	-	1,091,739
Improvements other than buildings	10,371,200	24,041	-	10,395,241
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	16,685,125	1,210,315	-	17,895,440
Total accumulated depreciation	<u>28,792,299</u>	<u>1,300,073</u>	<u>-</u>	<u>30,092,372</u>
Capital assets being depreciated, net	<u>18,628,613</u>	<u>(27,231)</u>	<u>-</u>	<u>18,601,382</u>
Total sanitation fund capital assets, net	<u>\$ 22,708,069</u>	<u>\$ 26,300</u>	<u>\$ -</u>	<u>\$ 22,734,369</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Component Units-**

	<u>December 31, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2015</u>
Governmental Activities:				
Public Library				
Capital assets not being depreciated:				
Land	\$ 422,132	\$ -	\$ -	\$ 422,132
Rare book collection	5,000	-	-	5,000
Capital assets not being depreciated	<u>427,132</u>	<u>-</u>	<u>-</u>	<u>427,132</u>
Capital assets being depreciated:				
Equipment	1,143,920	60,838	-	1,204,758
Transportation equipment	<u>139,952</u>	<u>-</u>	<u>-</u>	<u>139,952</u>
Total depreciable capital assets at historical cost	1,283,872	60,838	-	1,344,710
Less accumulated depreciation	<u>994,564</u>	<u>63,928</u>	<u>-</u>	<u>1,058,492</u>
Capital assets being depreciated, net	<u>289,308</u>	<u>(3,090)</u>	<u>-</u>	<u>286,218</u>
Governmental activities capital assets, net Public Library	<u>\$ 716,440</u>	<u>\$ (3,090)</u>	<u>\$ -</u>	<u>\$ 713,350</u>
	<u>December 31, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2015</u>
Business-type activities:				
Parking Authority				
Capital assets not being depreciated:				
Land	1,359,160	\$ -	\$ -	\$ 1,359,160
Capital assets being depreciated:				
Improvements other than buildings	2,490,438	-	-	2,490,438
Machinery and equipment	<u>73,525</u>	<u>-</u>	<u>-</u>	<u>73,525</u>
Total depreciable capital assets at historical cost	2,563,963	-	-	2,563,963
Less accumulated depreciation for:				
Improvements other than buildings	2,187,661	197,012	-	2,384,673
Machinery and equipment	<u>73,525</u>	<u>-</u>	<u>-</u>	<u>73,525</u>
Total accumulated depreciation	<u>2,261,186</u>	<u>197,012</u>	<u>-</u>	<u>2,458,198</u>
Capital assets being depreciated, net	<u>302,777</u>	<u>(197,012)</u>	<u>-</u>	<u>105,765</u>
Business-type activities capital assets, net Parking Authority	<u>\$ 1,661,937</u>	<u>\$ (197,012)</u>	<u>\$ -</u>	<u>\$ 1,464,925</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

	<u>December 31, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2015</u>
Airport Commission:				
Capital assets				
not being depreciated:				
Land	\$ 6,195,295	\$ 129,411	\$ -	\$ 6,324,706
Construction in progress	1,289,461	140,391	(1,250,429)	179,423
Total capital assets not being depreciated	<u>7,484,756</u>	<u>269,802</u>	<u>(1,250,429)</u>	<u>6,504,129</u>
Capital assets being depreciated:				
Buildings	21,623,816	405,722	-	22,029,538
Runways & other airport infrastructure	48,551,338	5,475,613	-	54,026,951
Equipment, furniture & fixtures, and other	11,093,210	496,241	(127,278)	11,462,173
Total depreciable capital assets at historical cost	<u>81,268,364</u>	<u>6,377,576</u>	<u>(127,278)</u>	<u>87,518,662</u>
Less accumulated depreciation for:				
Buildings	11,721,949	590,879	-	12,312,828
Runways & other airport infrastructure	33,231,940	1,459,293	-	34,691,233
Equipment, furniture & fixtures, and other	8,513,277	544,404	(124,864)	8,932,817
Total accumulated depreciation	<u>53,467,166</u>	<u>2,594,576</u>	<u>(124,864)</u>	<u>55,936,878</u>
Capital assets being depreciated, net	<u>27,801,198</u>	<u>3,783,000</u>	<u>(2,414)</u>	<u>31,581,784</u>
Business-type activities capital assets, net				
Airport Commission	<u>\$ 35,285,954</u>	<u>\$ 4,052,802</u>	<u>\$ (1,252,843)</u>	<u>\$ 38,085,913</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

Construction-in-progress is composed of the following:

	<b>Primary Appropriation</b>	<b>Expended to December 31, 2015</b>	<b>Committed</b>
Primary government:			
Governmental activities	\$ 40,615,358	\$ 17,728,279	\$ 22,887,079
Business-type activities			
Sanitation capital improvements	13,369,698	3,759,215	9,610,483
Water and sewer capital improvements	<u>60,005,564</u>	<u>53,237,486</u>	<u>6,768,078</u>
Total	<u>\$ 113,990,620</u>	<u>\$ 74,724,980</u>	<u>\$ 39,265,640</u>

The City's governmental construction projects include major street and drainage improvements, a new aquatics park, a new sports complex, additional trails and greenways, and a new fire training center. 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 and 2014. 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 neighborhood waterline improvements, wet weather wastewater improvements, and plant designs that are funded by the 2008 water and sewer system revenue bonds and utility operating revenues. The sanitation project currently includes construction of a new and expanded scale house for operations at the landfill and construction of a new road to the landfill. Funds are in place for both of these projects.

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

	<b>Governmental</b>	<b>Business-Type</b>		<b>Total</b>
		<b>Water and Sewer</b>	<b>Sanitation</b>	
Primary Government:				
Net book value	\$ 386,573,182	\$ 515,514,629	\$ 22,734,369	\$ 538,248,998
Current and noncurrent debt	(114,507,192)	(188,046,996)	-	(188,046,996)
Restricted assets - unspent bond/net proceeds	<u>29,226,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment in capital assets	<u>\$ 301,292,326</u>	<u>\$ 327,467,633</u>	<u>\$ 22,734,369</u>	<u>\$ 350,202,002</u>
Component Units:				
Net book value	\$ 713,350	\$ 39,550,838		
Current and noncurrent debt	<u>-</u>	<u>(2,495,517)</u>		
Net investment in capital assets	<u>\$ 713,350</u>	<u>\$ 37,055,321</u>		

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Note 4: Long-Term Liabilities**

Changes in long-term liabilities for the year ended December 31, 2015 were as follows:

**Primary Government-**

	Balance December 31, 2014 (As Restated)	Increases	Decreases	Balance December 31, 2015	Amount Due in One Year
<b>Governmental Activities:</b>					
Bonds Payable -					
Sales tax bonds	\$ 119,385,000	\$ -	\$ 11,240,000	\$ 108,145,000	\$ 6,965,000
Add issuance premium	5,976,088	-	486,577	5,489,511	-
Sales tax bonds payable, net	<u>125,361,088</u>	-	<u>11,726,577</u>	<u>113,634,511</u>	<u>6,965,000</u>
Capital leases payable	281,239	-	108,076	173,163	85,063
Compensated Absences	2,406,750	146,688	136,107	2,417,331	143,348
Employee insurance/workers' compensation	1,697,029	-	361,845	1,335,184	1,335,184
OPEB liabilities	14,685,873	2,953,403	-	17,639,276	-
Net pension liabilities	<u>51,670,693</u>	<u>870,765</u>	-	<u>52,541,458</u>	-
Total other long-term liabilities	70,741,584	3,970,856	606,028	74,106,412	1,563,595
Total governmental activities long-term liabilities	<u>\$ 196,102,672</u>	<u>\$ 3,970,856</u>	<u>\$ 12,332,605</u>	<u>\$ 187,740,923</u>	<u>\$ 8,528,595</u>
<b>Business-Type Activities</b>					
Bonds Payable -					
Revenue bonds	\$ 160,305,000	\$ 35,000,000	\$ 11,775,000	\$ 183,530,000	\$ 5,730,000
Less issuance discounts	(24,567)	-	(24,567)	-	-
Add issuance premium	<u>2,345,909</u>	<u>2,424,762</u>	<u>272,255</u>	<u>4,498,416</u>	-
Revenue bonds payable, net	<u>162,626,342</u>	<u>37,424,762</u>	<u>12,022,688</u>	<u>188,028,416</u>	<u>5,730,000</u>
Capital leases payable	355,191	-	355,191	-	-
Compensated absences	1,159,250	307,762	353,150	1,113,862	66,052
Claims Payable-Employee insurance and worker's compensation	835,791	-	172,146	663,645	663,645
OPEB liabilities	7,038,791	1,492,965	-	8,531,756	-
Closure/postclosure landfill costs	<u>4,599,595</u>	<u>197,366</u>	-	<u>4,796,961</u>	-
Total other long-term liabilities	<u>13,988,618</u>	<u>1,998,093</u>	<u>880,487</u>	<u>15,106,224</u>	<u>729,697</u>
Total business-type activities long-term liabilities	<u>\$ 176,614,960</u>	<u>\$ 39,422,855</u>	<u>\$ 12,903,175</u>	<u>\$ 203,134,640</u>	<u>\$ 6,459,697</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

Current Liabilities:	
Current portion of long-term debt	\$ 6,965,000
Noncurrent liabilities:	
Due within one year	1,563,595
Due in more than one year	<u>179,212,328</u>
Total governmental activities long-term liabilities	<u>\$ 187,740,923</u>

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

Current Liabilities:	
Current portion of long-term debt	\$ 5,730,000
Noncurrent liabilities:	
Due within one year	729,697
Due in more than one year	<u>196,674,943</u>
Total business-type activities long-term liabilities	<u>\$ 203,134,640</u>

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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

Changes in long-term liabilities for the year ended December 31, 2015 for the major enterprise funds were as follows:

	Balance December 31, 2014 (As Restated)			Balance December 31, 2015		Amount Due in One Year
		Increases	Decreases			
<b>Water and Sewer Fund:</b>						
Bonds Payable -						
Revenue bonds	\$ 160,305,000	\$ 35,000,000	\$ 11,775,000	\$ 183,530,000		\$ 5,730,000
Less issuance discounts	(24,567)	-	(24,567)	-		-
Add issuance premium	2,345,909	2,424,762	272,255	4,498,416		-
Revenue bonds payable, net	<u>162,626,342</u>	<u>37,424,762</u>	<u>12,022,688</u>	<u>188,028,416</u>		<u>5,730,000</u>
Capital leases payable	54,271	-	54,271	-		-
Compensated absences	941,974	298,699	348,860	891,813		54,553
OPEB liabilities	4,801,151	1,165,844	-	5,966,995		-
Other long-term liabilities	<u>5,797,396</u>	<u>1,464,543</u>	<u>403,131</u>	<u>6,858,808</u>		<u>54,553</u>
Total water and sewer fund	<u>\$ 168,423,738</u>	<u>\$ 38,889,305</u>	<u>\$ 12,425,819</u>	<u>\$ 194,887,224</u>		<u>\$ 5,784,553</u>
<b>Sanitation Fund:</b>						
Capital leases payable	\$ 300,920	\$ -	\$ 300,920	\$ -		\$ -
Compensated absences	217,276	9,063	32,421	193,918		11,499
OPEB liabilities	2,237,640	327,121	-	2,564,761		-
Closure/postclosure landfill costs	4,599,595	197,366	-	4,796,961		-
Other long-term liabilities	<u>7,355,431</u>	<u>533,550</u>	<u>333,341</u>	<u>7,555,640</u>		<u>11,499</u>
Total sanitation fund	<u>\$ 7,355,431</u>	<u>\$ 533,550</u>	<u>\$ 333,341</u>	<u>\$ 7,555,640</u>		<u>\$ 11,499</u>

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

	Water and Sewer Fund	Sanitation Fund
<b>Current Liabilities</b>		
Revenue bonds payable	\$ 5,730,000	\$ -
Capital leases payable	-	-
Accrued vacation and sick leave	54,553	11,499
<b>Noncurrent Liabilities:</b>		
Landfill closure and postclosure care	-	4,796,961
Revenue bonds, net	182,298,416	-
Accrued vacation and sick leave	837,260	182,419
OPEB liabilities	<u>5,966,995</u>	<u>2,564,761</u>
Total long-term liabilities for major enterprise funds	<u>\$ 194,887,224</u>	<u>\$ 7,555,640</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

Changes in long-term liabilities for the year ended December 31, 2015, for the component units were as follows:

	Balance December 31, 2014 (As Restated)	Increases	Decreases	Balance December 31, 2015	Amount Due in One Year
Component Units:					
Business-type activities					
Parking Authority:					
Compensated absences	\$ 628	\$ -	\$ 111	\$ 517	\$ 5
Airport Commission:					
Bonds payable - revenue bonds	2,675,000	-	180,000	2,495,000	190,000
Total business-type activities	<u>\$ 2,675,628</u>	<u>\$ -</u>	<u>\$ 180,111</u>	<u>\$ 2,495,517</u>	<u>\$ 190,005</u>
Governmental activities					
Public Library					
Net pension liabilities	\$ 1,042,220	\$ 350,016	\$ -	\$ 1,392,236	\$ -
Total governmental activities	<u>\$ 1,042,220</u>	<u>\$ 350,016</u>	<u>\$ -</u>	<u>\$ 1,392,236</u>	<u>\$ -</u>
Total Component Units	<u>\$ 3,717,848</u>	<u>\$ 350,016</u>	<u>\$ 180,111</u>	<u>\$ 3,887,753</u>	<u>\$ 190,005</u>

**Operating Leases**

The City leases office space under a noncancelable operating lease. Total costs for the lease to the General Fund were \$250,000 for the year ended December 31, 2015. The future minimum lease payments for the lease are as follows:

2016	\$ 272,000
2017	286,000
2018	<u>298,000</u>
Total	<u>\$ 856,000</u>

**Capital Leases**

The City has entered into lease agreements for the acquisition of capital assets in 2009 through 2015. 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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The assets acquired through capital lease are as follows:

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business - Type Activities</b>	
	<b>Activities</b>	<b>Water &amp; Sewer</b>	<b>Sanitation</b>
Machinery and Equipment	\$ 659,870	\$ 315,724	\$ 2,009,877
Less accumulated depreciation	<u>(80,103)</u>	<u>-</u>	<u>(193,482)</u>
Total	<u>\$ 579,767</u>	<u>\$ 315,724</u>	<u>\$ 1,816,395</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015 were as follows:

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business - Type Activities</b>	
	<b>Activities</b>	<b>Water &amp; Sewer</b>	<b>Sanitation</b>
2016	\$ 91,245	\$ -	\$ -
2017	<u>91,245</u>	<u>-</u>	<u>-</u>
Total future minimum lease payments	182,490	-	-
Less interest	<u>(9,327)</u>	<u>-</u>	<u>-</u>
Net present value of future minimum lease payments	<u>\$ 173,163</u>	<u>\$ -</u>	<u>\$ -</u>

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 \$173,163 that is considered short-term financing as of December 31, 2015. The limit as of December 31, 2015 was \$67.5 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2015.

**City of Fort Smith, Arkansas**  
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***Sales and Use Tax Bonds- Governmental Activities***

On May 22, 2012, the City issued \$110,660,000 Sales and Use Tax Refunding and Improvement Bonds, Series 2012. The bonds were issued to advance refund the outstanding Sales and Use Tax Refunding and Improvement Bonds, Series 2006, Sales and Use Tax Bonds, Series 2008, and Sales and Use Tax & Water and Sewer Revenue Bonds, Series 2009. The 2006 and 2008 Bonds were redeemed on September 1, 2013 and the 2009 Bonds were redeemed September 1, 2014. The reacquisition price exceeded the carrying amount of the old debt by \$1,483,000. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The bonds were also issued to fund \$39.4 million in wastewater improvements; \$20.7 million in water system improvements; \$8.6 million in fire improvements; and \$4 million in aquatic center improvements. The bonds are due May 1, 2013 through May 1, 2027 in varying amounts with interest ranging from 1% to 5%, payable semiannually. The effective interest rate on the 2012 bonds is 3.05%. On March 13, 2012, voters approved the reauthorization of two ½% sales and use taxes for these bonds and for operation costs. The bonds are supported by .75% sales and use tax. The bonds are subject to mandatory redemption in inverse order from surplus tax collections on any payment date. During 2014, \$1,555,000 of the 2012 bonds was called. The remaining .25% sales and use tax is used for fire and park operations.

On February 27, 2014, the city issued \$34.295 million in Sales and Use Tax Bonds, Series 2014. Citizens approved the bonds in a referendum on March 13, 2012. These are additional bonds for water and wastewater improvements. A total of \$6 million is allocated to water improvements including transmission lines, water storage and pump stations. A total of \$28 million is allocated to wastewater improvements including wet weather sewer improvements. The 2014 Bonds are supported by the ¾% local sales and use tax that supports the 2012 Sales and Use Tax Bonds and were issued on parity with the 2012 Bonds. The 2014 Bonds carry interest ranging from 2% to 5% through May 1, 2029. The bonds are subject to mandatory redemption in inverse order on any interest payment date from the collection of excess sales taxes. During 2014, \$1,555,000 of the 2012 bonds was called.

**Bond Retirement** - The City is required to maintain a debt service reserve equal to \$5,533,000 during the life of the 2012 Bonds and \$1,714,750 during the life of the 2014 Bonds. The City held U.S. Treasury Bills at a carrying amount of \$5,530,584 at December 31, 2015 for the 2012 Bonds and \$1,714,059 for the 2014 Bonds.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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**Maturity Schedule** – The debt service requirements for the Sales Tax Bonds at December 31, 2015 is as follows:

Revenue Bonds - Business-Type Activities

**Sales Tax Bonds Maturity Schedule**

	<b>Principal</b>	<b>Interest</b>	
2016	\$ 6,965,000	\$ 4,001,868	
2017	7,170,000	3,775,268	
2018	7,415,000	3,526,443	
2019	7,670,000	3,256,793	
2020	7,960,000	2,964,843	
2021-2025	45,000,000	9,459,151	
2026-2029	25,965,000	1,458,916	
Total	108,145,000	\$ 28,443,282	
Add unamortized bond premium	5,489,511		
Net bonds outstanding at December 31, 2015	\$ 113,634,511		

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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Revenue bonds outstanding at December 31, 2015, are comprised of the following individual issues:

Water and Sewer:

\$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	\$ 16,990,000
\$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	111,180,000
\$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	12,490,000
\$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	7,870,000
\$35,000,000 of Series 2015 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2040 with interest ranging from 2% to 4% payable semiannually	<u>35,000,000</u>
Bonds outstanding, December 31, 2015	183,530,000
Unamortized bond premium	<u>4,498,416</u>
Net bonds outstanding, December 31, 2015	<u>\$ 188,028,416</u>

***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 a portion of the South Sebastian County Water Users Association water system and to provide water services to the southern areas of Fort Smith. In December 2015, the City refunded the outstanding Series 2005B Bonds with the issuance of the Water and Sewer Refunding and Construction Revenue Bonds, Series 2015.

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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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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 netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The remaining unamortized deferred amount on refunding was \$203,431 as of December 31, 2015. 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 netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$54,615 as of December 31, 2015. The City completed the refunding to obtain an economic gain of \$1,372,849 over the remaining life of the bonds.

On February 23, 2012, the City issued \$13,250,000 Water and Sewer Revenue Refunding Bonds, Series 2012, to refund the outstanding 2005A Water and Sewer Revenue Refunding Bonds. The bonds are due in varying amounts on October 1, 2012 through 2019 with interest rates ranging from 2% to 3.807%, payable semiannually. The reacquisition price exceeded the carrying amount of the old debt by \$265,391. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$113,739 as of December 31, 2015. 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.

On December 1, 2015, the City issued \$35,000,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2015, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current refunding of the City's Water and Sewer Revenue Bonds, Series 2005B, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2015 through 2040 with interest rates ranging from 2% to 4%, payable semiannually. The old amount of debt exceeded the reacquisition price by \$59,621. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$53,659 as of December 31, 2015. The City completed the refunding to reduce its total debt service payments over the next seven (10) years by \$547,391 and to obtain an economic gain of \$493,245.

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2015

The Series 2007, 2008, 2011, 2012 and 2015 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, 2015, the City is in compliance with all applicable requirements.

However, the City may not authorize or issue any such additional bonds ranking on a parity of security with outstanding Bonds, unless and until either: (1) there shall have been procured and filed with the Trustee a statement by an Accountant reciting that, based upon necessary investigation, the net revenues of the System for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 125% of the average annual principal and interest requirements on the System Bonds then outstanding and the additional bonds proposed to be issued; or (2) there shall have been procured and filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that the net revenues of the system for the next ensuing fiscal year as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City and approved by the Trustee, and taking into consideration any rate increase, shall be equal to not less than 130% of the average annual principal and interest requirements on all of the System Bonds then outstanding and the additional bonds then proposed to be issued.

Restricted accounts required by the bond ordinances are as follows:

**Bond Retirement** - The City is required to restrict funds for the payment of principal, interest, and trustee and paying agents' fees up to a maximum of \$1,891,369 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 \$1,891,369, \$11,712,104, \$1,892,000, \$1,325,000 and \$2,331,150 at December 31, 2015 for this purpose.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**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 \$1,400,000 for asset replacement as of December 31, 2015.

***Maturity Schedule***

Aggregate debt service requirements at December 31, 2015 for business-type activity related bonds were as follows:

	<b>Total Business-Type Activities</b>	
	<b>Water and Sewer</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 6,675,000	\$ 7,044,721
2017	6,760,000	6,855,971
2018	6,975,000	6,658,321
2019	7,220,000	6,444,614
2020	7,515,000	6,200,259
2021-2025	44,580,000	26,057,897
2026-2030	59,850,000	14,706,374
2031-2035	33,590,000	5,270,000
	10,365,000	1,276,000
Total	\$ 183,530,000	\$ 80,514,157

***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, 2015, bonds payable were \$2,495,000 .

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

	<b>Principal</b>	<b>Interest</b>
2016	\$ 190,000	\$ 115,658
2017	195,000	109,387
2018	200,000	102,368
2019	210,000	94,567
2020	215,000	85,328
2021-2025	1,250,000	259,910
2026	235,000	12,572
Total Payments	\$ 2,495,000	\$ 779,790

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 \$382,316 , which are classified as restricted assets on the balance sheet, as of December 31, 2015. The Airport Commission held cash and investments equal to this amount at December 31, 2015.

***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, 2015, 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.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

As of December 31, 2015, there were sixteen series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$337,600,000, 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, 2015, the net position was \$795,421 and \$390,707 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$1,330,659 and \$668,170 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 2015 are detailed below:

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

	<u>Employee Insurance</u>	<u>Workers' Compensation</u>
Self-insurance liability, December 31, 2013	\$ 1,560,424	\$ 819,729
Current year claims and changes in estimate	9,467,377	151,173
Claim payments	<u>(9,252,709)</u>	<u>(213,174)</u>
Self-insurance liability, December 31, 2014	1,775,092	757,728
Current year claims and changes in estimate	8,506,243	351,730
Claim payments	<u>(8,950,676)</u>	<u>(441,288)</u>
Self-insurance liability, December 31, 2015	<u>\$ 1,330,659</u>	<u>\$ 668,170</u>

**Note 6: Deferred Compensation Plan**

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

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

**Note 7: Pension Plans**

The City of Fort Smith, Arkansas participates in four defined benefit pension plans; which are comprised of two agent multiple-employer defined benefit pension plans and two cost-sharing multiple-employer defined benefit pension plans, each of which are described and illustrated in detail below. Aggregate amounts for the four pension plans are as follows:

	<u>FRPF</u>	<u>PRPF</u>	<u>LOPFI</u>	<u>APERS</u>	<u>Total</u>
Net pension liability	\$ 17,828,703	\$ 16,818,160	\$ 17,804,470	\$ 90,125	\$ 52,541,458
Deferred outflows or resources	98,294	54,222	375,381	13,692	541,589
Deferred outflows or resources - contributions	1,609,084	1,372,907	3,043,184	6,868	6,032,043
Deferred inflows or resources	-	-	13,754	10,380	24,134
Pension expense	1,778,839	1,894,381	2,877,111	10,799	6,561,130

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

Plan Description

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

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

Benefits Provided

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

Contributions

Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 10% of each covered employees' earnings. Employer contributions to the PERS plan totaled \$2,514,452 for 2015.

**(b) Arkansas Public Employees' Retirement System**

On January 1, 2005, the district court clerk became a member of the Arkansas Public Employees' Retirement System (APERS). APERS is administered by the state as a defined benefit plan. The employer contribution rate was 14.76% from January 1 through June 30, 2015 and it was 14.50% from July 1 through December 31, 2015 of covered payroll. The Clerk's contribution rate was 5% of covered payroll for 2015. The City's contributions to the Plan for the year ended December 31, 2015 were \$12,815.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

*Benefits Provided*

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

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

Covered payroll for the clerk was \$87,267 for the fiscal year ended December 31, 2015. There is one retired clerk receiving benefits from APERS.

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

At December 31, 2015, the City reported a liability of \$90,125 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employee contributions to the Plan of the year for the measurement period. At June 30, 2015, the City's proportion was 0.00489349%, which is an increase of .00002730% from its proportion as of June 30, 2014 of .00486619%.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

For the year ended December 31, 2015, the City recognized pension expense of \$10,799. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 5,908
Change of assumptions	13,301	-
Changes in proportion	391	-
Net difference between projected and actual earnings on pension plan investments	-	4,472
Contributions subsequent to the measurement date	6,868	-
Total	\$ 20,560	\$ 10,380

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$6,868 will be recognized as a reduction of the net pension liability for the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

<b>Year Ending June 30</b>		
2016	\$	828
2017		828
2018		828
2019		828
Total	\$	3,312

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50 percent
Discount rate	7.50%
Salary increases	3.95% - 9.85%
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on scale BB. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012. As a result of the 2012 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2015 actuarial evaluation to more closely reflect actual experience.

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

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

<b>Long-term Expected Real Rate of Return</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Estate Related Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	16%	0.83%
Total	<u>100%</u>	

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Discount Rate**

In the June 30, 2015 actuarial valuation, a single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 6.50%</b>	<b>Current Single Rate Assumption 7.50%</b>	<b>1% Increase 8.50%</b>
City's proportionate share of the net pension liability	\$ 148,459	\$ 90,125	\$ 41,612

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

*Plan Description*

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

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

Funding Policy: The Organization contributes an actuarially determined amount to the plan, which was 14.50% of annual covered payroll at December 31, 2015. Contributions made by the Organization were \$198,569 and \$193,238 for the years ended December 31, 2015 and 2014, respectively. Employees are not required to contribute to the plan.

Benefits Provided

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

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

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

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

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

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. If a death occurs while in APERS covered employment, member's accumulated contributions are refundable. If a member had 5 years service, monthly benefits are payable instead. The surviving spouse receives a benefit computed as if a member had retired and elected the Joint & 75% Survivor Option. Payment begins immediately. Each dependent receives benefit of 10% of compensation (maximum of 25% for all children). If death occurs after retirement, if total monthly benefit payments equal member's accumulated contributions, the difference is refunded.

**City of Fort Smith, Arkansas**  
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Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.76% of compensation for the fiscal year ended December 31, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Measurement Date

The collective net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Library's proportion at June 30, 2015, was .07559378% which is an increase of .00214173 from its proportion as of June 30, 2014 of .07345205.

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

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (13 years for District Judges New Plan/Paid Off Old Plan and 20 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation; 2.5% price inflation
Salary Increases	3.95% - 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by the plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Estate Related Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fund	<u>16%</u>	0.83%
Total	<u><u>100%</u></u>	

**Single Discount Rate**

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

	<u>Sensitivity of the Net Pension Liability to the</u>		
	<u>1% Decrease 6.50%</u>	<u>Current Single Rate Assumption 7.50%</u>	<u>1% Increase 8.50%</u>
City's proportionate share of the net pension liability	<u>\$ 2,293,372</u>	<u>\$ 1,392,236</u>	<u>\$ 642,808</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

At December 31, 2015, the Library reported a liability of \$1,392,236 for its proportionate share of the net pension liability.

The Organization's proportionate share of pension expense was \$173,666 for the year ended December 31, 2015. At December 31, 2015, the Organization reported deferred outflows or resources and deferred inflows of resources related to pensions from the following resources:

**Library**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 90,267
Change of assumptions	266,290	-
Net difference between projected and actual earnings on pension plan investments	-	349,094
Changes in proportion	22,105	
Organization contributions subsequent to the measurement date	<u>95,945</u>	<u>-</u>
Total	<u>\$ 384,340</u>	<u>\$ 439,361</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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\$95,945 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Changes in Proportion and Contributions	Differences in Experience	Changes in Assumptions	Differences in Earnings	Net Reduction in Pension Expense
2016	\$ 8,511	\$ (22,734)	\$ 71,547	\$ (95,794)	\$ (38,470)
2017	8,511	(22,734)	71,547	(95,794)	(38,470)
2018	5,083	(22,734)	71,547	(95,794)	(41,898)
2019	-	(20,134)	47,304	(54,805)	(27,635)
2020	-	(1,931)	4,345	(6,907)	(4,493)
	<u>\$ 22,105</u>	<u>\$ (90,267)</u>	<u>\$ 266,290</u>	<u>\$ (349,094)</u>	<u>\$ (150,966)</u>

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

Plan Description

The Fire Relief and Pension Plan (“FRPF”) is an agent multiple-employer defined benefit pension plan for employees of the Fire Department who were hired prior to January 1, 1983. The Old Plan was established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas local police and fire (LOPFI) retirement system whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Fire Plan’s net pension obligation over a 30 year open amortization period. The Old Fire Plan’s benefit structure remains unchanged under the administration by LOPFI. The Old Fire Plan issue separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3<sup>rd</sup> Street, Little Rock, Arkansas, 72201.

Benefits

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

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

At the December 31, 2014 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	119	
DROP members	2	_____
Total	121	_____

Contributions

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Plans. The contributions for the 2015 plan year were based upon the December 31, 2014, actuarial report. Contributions to the Plan by the City were \$1,609,084 for the year ended December 31, 2015.

Net Pension Liability

The City's net pension liability of \$17,828,703 as of December 31, 2015 was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the Old Fire Plan:

Valuation date	December 31, 2014
Cost method	Entry age normal
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	23 years closed

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

Inflation rate - price	3.0%
Wage inflation	4.0%
Investment rate of return	8.0%
Projected salary increases	4.5% - 19%, including inflation
Postemployment benefit increases	3.0%

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender distinct RP-2000 Combined Mortality Table, projected to 017 and set forward two years for males. For disabled members, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
Total	<u>100%</u>	

**City of Fort Smith, Arkansas**  
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**December 31, 2015**

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balance at January 1, 2015</b>	\$ 34,879,595	\$ 17,186,694	\$ 17,692,901
<b>Changes for the year:</b>			
Interest	2,601,031	-	2,601,031
Differences between expected and actual experience	385,846	-	385,846
Contributions - employer	-	1,741,331	(1,741,331)
Contributions - employee	-	5,118	(5,118)
Net investment income	-	1,131,513	(1,131,513)
Benefit payments, including refunds of employee contributions	(4,733,419)	(4,733,419)	-
Other changes	-	(26,887)	26,887
<b>Net Changes</b>	<u>(1,746,542)</u>	<u>(1,882,344)</u>	<u>135,802</u>
<b>Balance at December 31, 2015</b>	<u>\$ 33,133,053</u>	<u>\$ 15,304,350</u>	<u>\$ 17,828,703</u>

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

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

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 7.00%</b>	<b>Current Single Rate Assumption 8.00%</b>	<b>1% Increase 9.00%</b>
City's Net Pension Liability	<u>\$ 20,790,015</u>	<u>\$ 17,828,703</u>	<u>\$ 15,295,648</u>

**Pension Plan Fiduciary Net Position**

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

For the year ended December 31, 2015, the City recognized pension expense of \$1,778,839.

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 98,294
Contributions subsequent to the measurement date	1,609,084
Total	\$ 1,707,378

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,609,084 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December</b>		
2016	\$	24,574
2017		24,574
2018		24,574
2019		24,572
Total	\$	98,294

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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**(d) Police Relief and Pension Plan (“PRPF”) (the Old Police Plan)**

Plan Description

The Police Relief and Pension Plan (“PRPF”) is an agent multiple-employer defined benefit pension plans for employees of the Police Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas Local Police and Fire (LOPFI) Retirement System whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Police Plan pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Police Plan’s net pension obligation over a 30-year open amortization period. The Old Police Plan’s benefit structure remains unchanged under the administration by LOPFI. The Old Police Plans issue separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3<sup>rd</sup> Street, Little Rock, Arkansas, 72201.

Benefits

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

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

At the December 31, 2014 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	<u>91</u>
Total	<u>91</u>

# City of Fort Smith, Arkansas

## Notes to Basic Financial Statements

### December 31, 2015

Contributions

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Police Plan. The contributions for the 2015 plan year were based upon the December 31, 2014, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2015 were \$1,372,907.

Net Pension Liability

The City's net pension liability of \$16,818,160 as of December 31, 2015 was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement for the Old Police Plan.

Valuation date	December 31, 2014
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Level percentage
Amortization period	23 years closed
Assumptions:	
Inflation rate	3.0%
Investment rate of return	8.0%
Projected salary increases	4.5%
Postemployment benefit increases	3.0%

Mortality rates for retirees, beneficiaries, and DROP members were based on the gender distinct RP-2000 Combined Mortality Table, projected to 2017 and set forward two years for males. For disabled members, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2008 through December 31, 2011, first used in the December 31, 2012 valuation. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balance at January 1, 2015</b>	\$ 25,426,159	\$ 9,001,757	\$ 16,424,402
<b>Changes for the year:</b>			
Interest	1,944,283	-	1,944,283
Differences between expected and actual experience	614,152	-	614,152
Contributions - employer	-	1,554,845	(1,554,845)
Contributions - employee	-	490	(490)
Net investment income	-	624,174	(624,174)
Benefit payments, including refunds of employee contributions	(2,245,252)	(2,245,252)	-
Other changes	-	(14,832)	14,832
<b>Net Changes</b>	<b>313,183</b>	<b>(80,575)</b>	<b>393,758</b>
<b>Balance at December 31, 2015</b>	<b>\$ 25,739,342</b>	<b>\$ 8,921,182</b>	<b>\$ 16,818,160</b>

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

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

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 7.00%</b>	<b>Current Single Rate Assumption 8.00%</b>	<b>1% Increase 9.00%</b>
City's Net Pension Liability	\$ 19,058,897	\$ 16,818,160	\$ 14,604,128

**Pension Plan Fiduciary Net Position**

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

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

For the year ended December 31, 2015, the City recognized pension expense of \$1,894,381.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 54,222
Contributions subsequent to the measurement date	1,372,907
Total	\$ 1,427,129

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,372,907 will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending December</b>		
2016	\$	13,555
2017		13,555
2018		13,555
2019		13,557
Total	\$	54,222

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

**City of Fort Smith, Arkansas**  
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**(e) Arkansas Local Police and Fire Retirement System (the New Plans)**

Plan Description

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

Benefits Provided

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

Contributions

Contributions to LOPFI are made by both the Member and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The City contributes 38.94% of covered employee salaries' to the new plan for firefighters and 31.36% of covered employee salaries' to the new plan for police officers. Employees contributed \$1,466,587 to the contributory plan for the year ended December 31, 2015. City contributions to the new plans for the year ended December 31, 2015, were \$3,043,184 and were equal to 100% of the required contributions for each year.

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

At December 31, 2015, the City reported a liability of \$17,804,470 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2014, the City's proportion was 4.9183 percent which was unchanged from the prior year.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
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For the year ended, December 31, 2015, the City recognized pension expense of \$2,877,111. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 13,754
Net difference between projected and actual earnings on pension plan investments	375,381	-
Contributions subsequent to the measurement date	3,043,184	-
Total	\$ 3,418,565	\$ 13,754

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,043,184 will be recognized as a reduction of the net pension liability for the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

<b>Year Ending December</b>	
2016	\$ 90,269
2017	90,269
2018	90,269
2019	90,820
Total	\$ 361,627

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Price Inflation	3.0 percent
Wage Inflation	4.0 percent

**City of Fort Smith, Arkansas**  
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Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial study for the period January 1, 2014 to December 31, 2014. As a result of the 2014 actuarial study, the expectation of life after disability was adjusted in the December 31, 2014 actuarial evaluation to more closely reflect actual experience.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Fixed Income	30%	2.97%
International Fixed Income	6%	1.50%
Domestic Equity	33%	5.88%
Foreign Equity	7%	6.25%
Index	11%	6.73%
Alternative Investments	10%	6.13%
Cash	3%	-0.40%
Total	<u>100%</u>	

**Discount Rate**

In the December 31, 2014 actuarial valuation, a single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption</b>		
	<b>1% Decrease 7.00%</b>	<b>Current Single Rate Assumption 8.00%</b>	<b>1% Increase 9.00%</b>
City’s proportionate share of the net pension liability	\$ 31,354,758	\$ 17,804,470	\$ 6,703,510

**Pension Plan Fiduciary Net Position**

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

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

*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 876 active participants and 26 retirees and beneficiaries receiving benefits who pay monthly premiums between \$459 for single coverage and \$1,289 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

***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 1* 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)	\$ 4,955,257
Adjustment to ARC	(1,373,204)
Interest on net OPEB obligation	<u>1,031,922</u>
Annual OPEB cost	4,613,975
Total annual employer contribution	<u>167,607</u>
Increase in net OPEB obligation	4,446,368
Net OPEB obligation - beginning of year	<u>21,724,664</u>
Net OPEB obligation - end of year	<u><u>\$ 26,171,032</u></u>

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 \$17,639,276 and for business-type activities at \$8,531,756. 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 (\$5,966,995) and for the Sanitation Fund (\$2,564,761).

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

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

Normal cost	\$ 2,485,299
Amortization cost	2,267,254
Interest adjustment	<u>202,704</u>
 Annual required contribution	 <u><u>\$ 4,955,257</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 4,613,975	4.05%	\$ 26,171,032
12/31/2014	3,902,856	0.26%	21,724,664
12/31/2013	4,807,529	1.90%	17,832,005

*Funded Status and Funding Progress:* As of January 1, 2014, the most recent actuarial valuation date, the plan was 4.1% funded. The actuarial accrued liability for benefits was \$35,992,306, and the actuarial value of assets was \$1,483,531, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,508,775. The covered payroll (annual payroll of active employees covered by the plan) was \$42,608,739, and the ratio of the UAAL to the covered payroll was 81.0%.

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 4.75% investment rate of return based upon funding the plan in the future, a 4.75% inflation rate, and an annual healthcare cost trend rate of 10% for 2015 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, 2015, was twenty-three years.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**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, 2015, the City has accrued a liability in the amount of \$- .

***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 previously was 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. The City negotiated with the Department of Justice and a Consent Decree was entered April 6, 2015. A \$300,000 civil penalty has been paid by the City. In 2016, a \$120,900 penalty has been assessed and is under negotiation.

**Note 10: Individual Fund Disclosures**

Interfund receivables and payables as of December 31, 2015 are as follows:

<b>Fund</b>	<b>Receivables</b>	<b>Payables</b>
Governmental Funds:		
General Fund	\$ 2,295	\$ -
Special Revenue Funds	-	2,388
Proprietary Funds:		
Internal Service Funds	93	-
Total	<u>\$ 2,388</u>	<u>\$ 2,388</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

Interfund transfers in (out) for the year ended December 31, 2015, is as follows:

Fund	Transfers	
	In	Out
<b>Primary Government -</b>		
Governmental Funds:		
Major funds:		
General Fund	\$ 286,298	\$ 1,678,673
Special revenue -		
Street Maintenance Fund	-	96,575
Sales Tax Fund	-	-
Non-major funds:		
Special revenue	1,547,473	-
Total governmental funds	1,833,771	1,775,248
Proprietary Funds:		
Water and Sewer Fund	-	101,920
Sanitation Fund	81,200	90,610
Internal Service Funds	52,807	-
Total proprietary funds	134,007	192,530
Total primary government	\$ 1,967,778	\$ 1,967,778

The transfers out from the General Fund include \$1,547,473 to the Convention Center Fund.

**Note 11: Landfill Closure and Postclosure Care Costs**

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

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

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

The City's permitted landfill capacity is 72,607,000 cubic yards. The life of the landfill is projected at 194 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2015, is \$4,796,961. The remaining estimated closure and postclosure care costs of approximately \$33.6 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 12.0% at December 31, 2015. 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, 2015. 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, 2015, is \$7,906,143. In order to comply with this requirement, BancorpSouth issued an irrevocable standby letter of credit that is pledged to the Arkansas Department of Environmental Quality in the amount of \$7,806,000 at December 31, 2015. 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 2016.

**Note 12: New Applicable GASB Standards**

***GASB Statement No. 72 – Fair Value Measurement and Application***

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The provisions of GASB 72 are effective for periods beginning after June 15, 2015, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

***GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68***

This statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. Additionally, the statement establishes requirements for defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The provisions of GASB 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68 are effective for periods beginning after June 15, 2016, and the requirements of this Statement for pension plans that are within the scope of GASB 67 or for pensions that are within the scope of GASB 68 are effective for periods beginning after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

***GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***

This statement replaces GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace requirements for those plans previously followed in GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, GASB 43 and GASB 50, *Pension Disclosures*. The Statement is intended to provide additional information to enhance decision-making, support accountability and create additional transparency in the accounting and financial reporting for these plans. This statement is effective for periods beginning after June 15, 2016. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

***GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This statement also identifies methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to the actuarial present value and attribute the present value to periods of employee service. It replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement, which will result in more robust disclosures and notes is effective for periods beginning after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

***GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

This statement identifies the hierarchy of generally accepted accounting principles (GAAP) in the current governmental financial reporting environment and reduces the GAAP hierarchy into two categories and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. It supersedes the requirements of GASB 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015, and should be applied retrospectively. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

***GASB Statement No. 77 – Tax Abatement Disclosures***

This statement includes the disclosure of additional information allowing financial statement users to be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and understand the impact that those abatements have on the government's financial position and economic condition. This Statement is effective for periods beginning after December 15, 2015. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

***GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans***

This statement addresses a practice issue regarding the scope and applicability of GASB 68, *Accounting and Financial Reporting for Pensions*. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state and local governmental employees through a cost-sharing multiple-employer defined benefit plan that is not a state or local governmental pension plan, is used to provide defined benefit pensions to both employees of the state and local governmental employers and to employees of employers that are not state or local governmental employers and has no predominant state or local employer, either individually or collectively with other state and local governmental employers that provide pensions through the pension plan. This Statement is effective for periods beginning after December 15, 2015. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

***GASB Statement No. 79 – Certain External Investment Pools and Pool Participants***

This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized costs for financial reporting purposes. If an external investment pool does not meet the criteria established by this statement, that pool should apply the provision under paragraph 16 of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. This statement is effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing, which are effective for periods beginning after December 15, 2015.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

***GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14***

This statement clarifies the financial statement presentation requirements for certain component units, amending the blending requirements established by paragraph 53 of GASB 44, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to GASB 39, *Determining Whether Certain Organizations are Component Units*. This statement is effective for periods beginning after June 15, 2016. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

***GASB Statement No. 81 – Irrevocable Split-Interest Agreements***

This statement provides recognition and measurement guidance for situations in which the government is a beneficiary of an irrevocable split-interest agreement. This statement is effective for periods beginning after December 15, 2016 and should be applied retroactively. The City does not currently have any irrevocable split-interest agreements and, therefore, does not believe that this statement will have any potential impact on its financial statements.

***GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73***

This statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for periods beginning after June 15, 2016, except in certain circumstances which extend the application date to the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City has not yet determined the potential impact, if any, that this statement could have on its financial statements.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**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, 2015**

	Governmental			Business-Type		
	Advertising and Promotion	Public Library	Total	Parking Authority	Airport Commission	Total
<b>Assets</b>						
Current assets	\$ 230,829	\$ 1,022,868	\$ 1,253,697	\$ 459,705	\$ 2,766,045	\$ 3,225,750
Sales taxes receivable from the City	-	160,576	160,576	-	-	-
Capital assets, net of accumulated depreciation, as applicable	-	713,350	713,350	1,464,925	38,085,913	39,550,838
Noncurrent assets	-	-	-	-	1,094,204	1,094,204
<b>Total assets</b>	<b>230,829</b>	<b>1,896,794</b>	<b>2,127,623</b>	<b>1,924,630</b>	<b>41,946,162</b>	<b>43,870,792</b>
<b>Deferred Outflows of Resources</b>						
Deferred outflow related to pension	-	384,340	384,340	-	-	-
Deferred amount on refunding	-	-	-	-	124,358	124,358
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>384,340</b>	<b>384,340</b>	<b>-</b>	<b>124,358</b>	<b>124,358</b>
<b>Liabilities</b>						
Current liabilities	23,622	51,501	75,123	4,423	384,852	389,275
Noncurrent liabilities	-	1,392,236	1,392,236	517	2,305,000	2,305,517
<b>Total liabilities</b>	<b>23,622</b>	<b>1,443,737</b>	<b>1,467,359</b>	<b>4,940</b>	<b>2,689,852</b>	<b>2,694,792</b>
<b>Deferred Inflows of Resources</b>						
Deferred inflow related to pension	-	439,361	439,361	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>439,361</b>	<b>439,361</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	-	713,350	713,350	1,464,408	35,562,188	37,026,596
Restricted	207,207	-	207,207	-	439,518	439,518
Unrestricted	-	(315,314)	(315,314)	455,282	3,378,962	3,834,244
<b>Total net position</b>	<b>\$ 207,207</b>	<b>\$ 398,036</b>	<b>\$ 605,243</b>	<b>\$ 1,919,690</b>	<b>\$ 39,380,668</b>	<b>\$ 41,300,358</b>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Statement of Activities**  
**For the Year Ended December 31, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
				Advertising and Promotion	Public Library	Total
Advertising/Promotion	\$ 791,679	\$ -	\$ 3,960	\$ (787,719)	\$ -	\$ (787,719)
Public Library	3,169,957	184,202	153,007	-	(2,832,748)	(2,832,748)
Total	<u>\$ 3,961,636</u>	<u>\$ 184,202</u>	<u>\$ 156,967</u>	<u>(787,719)</u>	<u>(2,832,748)</u>	<u>(3,620,467)</u>
General revenues						
Property taxes				-	1,385,441	1,385,441
Sales taxes				-	965,455	965,455
Hospitality hotel/motel taxes				800,086	-	800,086
Unrestricted investments earnings				486	948	1,434
Other				-	233,736	233,736
Total general revenues				<u>800,572</u>	<u>2,585,580</u>	<u>3,386,152</u>
Change in net position				<u>12,853</u>	<u>(247,168)</u>	<u>(234,315)</u>
Net position, beginning, as previously stated				194,354	1,867,631	2,061,985
GASB 68 implementation adjustment				-	(1,222,427)	(1,222,427)
Net position, beginning, restated				<u>194,354</u>	<u>645,204</u>	<u>839,558</u>
Net position, ending				<u>\$ 207,207</u>	<u>\$ 398,036</u>	<u>\$ 605,243</u>

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Business-Type Activities		
				Parking Authority	Airport Commission	Total
Parking Authority	\$ 364,935	\$ 186,353	\$ -	\$ (178,582)	\$ -	\$ (178,582)
Airport Commission	4,936,659	2,710,240	4,788,634	-	2,562,215	2,562,215
Total	<u>\$ 5,301,594</u>	<u>\$ 2,896,593</u>	<u>\$ 4,788,634</u>	<u>(178,582)</u>	<u>2,562,215</u>	<u>2,383,633</u>
General revenues						
Unrestricted investment earnings				1,539	11,903	13,442
Total general revenues				<u>1,539</u>	<u>11,903</u>	<u>13,442</u>
Change in net position				(177,043)	2,574,118	2,397,075
Net position, beginning				2,096,733	36,806,550	38,903,283
Net position, ending				<u>\$ 1,919,690</u>	<u>\$ 39,380,668</u>	<u>\$ 41,300,358</u>

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Note 14: Adoption of GASB 68**

The GASB has issued the following statement which became effective for the fiscal year 2015.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for an actuarially unfunded portion of pension benefits earned to date.

The implementation of GASB Statements No. 68 and 71 (as discussed in *Note 1*) resulted in the restatement of beginning net position for the recording of the beginning net pension liability/asset, and the beginning deferred outflows/inflows or resources.

	<b>Government- wide Statement of Activities</b>
	<b>Governmental Activities</b>
Net Position at January 1, 2015, as previously reported	\$ 356,962,492
Recording of net pension liability as of January 1, 2015	(51,601,646)
Recording of beginning deferred inflows/outflows of resources as of January 1, 2015	5,797,481
Prior period adjustment ( <i>Note 15</i> ) as of January 1, 2015	(2,198,524)
Net position at January 1, 2015, as restated	\$ 308,959,803

**Fort Smith Public Library – Implementation of GASB 68**

The effect of adopting GASB 68 was to reduce unrestricted net position as of January 1, 2015 by \$1,222,427 for beginning net pension liability and related deferrals.

**City of Fort Smith, Arkansas**  
**Notes to Basic Financial Statements**  
**December 31, 2015**

**Note 15: Prior Period Adjustment**

The City recorded prior period adjustments in 2015 to correct errors noted in the calculation of the accumulated depreciation in prior years using the City's depreciation schedules. Beginning net position of the City was restated for the prior period adjustments as follows:

	Governmental Activities			Business-type Activities		
	As Originally Reported	As Restated	Effect of Change	As Originally Reported	As Restated	Effect of Change
<b>Statement of Net Position</b>						
Assets						
Capital Assets, net Depreciable	\$ 343,913,843	\$ 341,715,319	\$ (2,198,524)	\$ 478,834,982	\$ 468,218,976	\$ (10,616,006)
Total Assets	<u>\$ 343,913,843</u>	<u>\$ 341,715,319</u>	<u>\$ (2,198,524)</u>	<u>\$ 478,834,982</u>	<u>\$ 468,218,976</u>	<u>\$ (10,616,006)</u>
Net Position						
Unrestricted	\$ (39,290,520)	\$ (41,489,044)	\$ (2,198,524)	\$ 45,084,088	\$ 34,468,082	\$ (10,616,006)
Total Net Position	<u>\$ (39,290,520)</u>	<u>\$ (41,489,044)</u>	<u>\$ (2,198,524)</u>	<u>\$ 45,084,088</u>	<u>\$ 34,468,082</u>	<u>\$ (10,616,006)</u>

	Proprietary Funds					
	Water & Sewer Fund			Sanitation Fund		
	As Originally Reported	As Restated	Effect of Change	As Originally Reported	As Restated	Effect of Change
<b>Statement of Fund Net Position</b>						
Assets						
Capital Assets Less accumulated depreciation	\$ (192,672,874)	\$ (200,512,251)	\$ (7,839,377)	\$ (27,315,743)	\$ (30,092,372)	\$ (2,776,629)
Total Assets	<u>\$ (192,672,874)</u>	<u>\$ (200,512,251)</u>	<u>\$ (7,839,377)</u>	<u>\$ (27,315,743)</u>	<u>\$ (30,092,372)</u>	<u>\$ (2,776,629)</u>
Net Position						
Unrestricted	\$ 34,426,263	\$ 26,586,886	\$ (7,839,377)	\$ 10,322,401	\$ 7,545,772	\$ (2,776,629)
Total Net Position	<u>\$ 34,426,263</u>	<u>\$ 26,586,886</u>	<u>\$ (7,839,377)</u>	<u>\$ 10,322,401</u>	<u>\$ 7,545,772</u>	<u>\$ (2,776,629)</u>

# **REQUIRED SUPPLEMENTARY INFORMATION**

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

Fiscal year ended December 31,	<u>2015</u>
<b>Total Pension Liability</b>	
Service Cost	\$ -
Interest	2,601,031
Benefit Changes	-
Difference between expected and actual experience	385,846
Assumption Changes	-
Benefit Payments, including refunds of employee contributions	<u>(4,733,419)</u>
<b>Net Change in Total Pension Liability</b>	(1,746,542)
<b>Total Pension Liability - Beginning</b>	<u>34,879,595</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 33,133,053</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer*	\$ 1,741,331
Contributions - Member	5,118
Net Investment Income	1,131,513
Benefit Payments, including refunds of employee contributions	(4,733,419)
Administrative Expense	(26,887)
Deferred Retirement Option Distributions	-
Reconciliation Adjustment	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(1,882,344)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>17,186,694</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 15,304,350</u>
<b>City's Net Pension Liability (a) - (b)</b>	<u>\$ 17,828,703</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	46.19%
<b>Covered Employee Payroll</b>	\$ -
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A

\* Includes assets reported as State Insurance Tax Turnback Money

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

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



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

Fiscal year ended December 31,	<u>2015</u>
<b>Total Pension Liability</b>	
Service Cost	\$ -
Interest	1,944,283
Benefit Changes	-
Difference Between Actual & Expected Experience	614,152
Assumption Changes	-
Benefit Payments, including refunds of employee contributions	<u>(2,245,252)</u>
<b>Net Change in Total Pension Liability</b>	313,183
<b>Total Pension Liability - Beginning</b>	<u>25,426,159</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 25,739,342</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer*	\$ 1,554,845
Contributions - Member	490
Net Investment Income	624,174
Benefit Payments, including refunds of employee contributions	(2,245,252)
Administrative Expense	(14,832)
Deferred Retirement Option Distributions	-
Reconciliation Adjustment	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(80,575)
<b>Plan Fiduciary Net Position - Beginning</b>	<u>9,001,757</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,921,182</u>
<b>City's Net Pension Liability (a) - (b)</b>	<u>\$ 16,818,160</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	34.66%
<b>Covered Employee Payroll</b>	\$ -
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A

\* Includes assets reported as State Insurance Tax Turnback Money

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

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



**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate Share of the Net**  
**Pension Liability – LOPFI (the New Plans)**  
**Year Ended December 31, 2015**

City's proportion of the net pension liability	4.9183%
City's proportionate share of the net pension liability	\$ 17,804,470
City's covered-employee payroll	\$ 8,569,562
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.76%
Plan fiduciary net position as a percentage of the total pension liability	79.14%

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

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

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Schedule of City's Contributions – LOPFI (the New Plans)**  
**Year Ended December 31, 2015**

Actuarially required contribution	\$ 3,043,184
Contributions in relation to the actuarially required contribution	<u>(3,043,184)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 8,569,562
Contributions as a percentage of covered-employee payroll	35.51%

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

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

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate Share of the Net**  
**Pension Liability – APERS**  
**Year Ended December 31, 2015**

City's proportion of the net pension liability	0.0049%
City's proportionate share of the net pension liability	\$ 90,125
City's covered-employee payroll	\$ 87,267
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.27%
Plan fiduciary net position as a percentage of the total pension liability	80.39%

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

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

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Schedule of City's Contributions – APERS**  
**Year Ended December 31, 2015**

Actuarially required contribution	\$ 12,815
Contributions in relation to the actuarially required contribution	<u>(12,815)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered-employee payroll	\$ 87,267
Contributions as a percentage of covered-employee payroll	14.68%

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

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

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Fort Smith Public Library - APERS**  
**Year Ended December 31, 2015**

**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios Last Fiscal Year**

	<u>2014</u>	<u>2015</u>
Organization's proportion of the net pension liability(asset)	0.07345205%	0.07559378%
Organization's proportionate share of the net pension liability	\$ 1,042,220	\$ 1,392,236
Organization's covered-employee payroll	\$ 1,298,642	\$ 1,345,315
Organization's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.25%	103.49%
Plan fiduciary net position as a percentage of the total pension liability	84.21%	80.39%

**Schedule of Library Contributions Last Fiscal Year**

	<u>2014</u>	<u>2015</u>
Actuarially required contribution	\$ 193,238	\$ 198,569
Contributions in relation to the actuarially required contribution	<u>(193,238)</u>	<u>(198,569)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Organizatin's covered-employee payroll	\$ 1,298,642	\$ 1,345,315
Contributions as a percentage of covered-employee payroll	14.88%	14.76%

Notes to Schedules:

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

**City of Fort Smith, Arkansas**  
**Required Supplementary Information**  
**Analysis of Funding Progress – OPEB Plan**

	(1)	(2)	(3)	(4)	(5)	(6)
				<b>Total Funded Excess (Unfunded) Actuarial Liability (1) - (2)</b>		<b>Ratio of Funded Excess (Unfunded) Actuarial Liability to Annual Covered Payroll (4)/(5)</b>
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funded Ratio (1)/(2)</b>		<b>Annual Covered Payroll</b>	
Other Postemployment Benefit Plan (OPEB)						
2015	\$ 1,459,584	\$ 34,532,722	4.2%	\$ (33,073,138)	\$ 44,066,409	-75.1%
2014	1,483,531	35,992,306	4.1%	(34,508,775)	42,608,739	-81.0%
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%

**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, 2015**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
<b>Revenues</b>						
Taxes	\$ 7,003,700	\$ 6,936,100	\$ 6,885,174	\$ -	\$ 6,885,174	\$ (50,926)
Sales taxes	20,545,538	21,106,000	21,185,214	-	21,185,214	79,214
Licenses and permits	1,462,400	1,480,500	1,446,284	-	1,446,284	(34,216)
Utility franchise fees	6,796,600	6,458,000	6,388,844	-	6,388,844	(69,156)
Intergovernmental	4,158,020	3,881,687	4,165,519	-	4,165,519	283,832
Fines and forfeitures	2,225,000	2,150,000	2,368,501	-	2,368,501	218,501
Fees for services	663,623	654,940	591,672	-	591,672	(63,268)
Interest	25,000	23,000	21,303	-	21,303	(1,697)
Contributions	-	-	1,068,355	-	1,068,355	1,068,355
Miscellaneous	95,363	63,163	234,189	-	234,189	171,026
<b>Total revenues</b>	<b>42,975,244</b>	<b>42,753,390</b>	<b>44,355,055</b>	<b>-</b>	<b>44,355,055</b>	<b>1,601,665</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government						
Administration	3,885,128	3,840,035	1,965,962	5,950	1,971,912	1,868,123
Legal	2,038,370	2,039,305	1,956,247	-	1,956,247	83,058
Finance	2,276,321	2,272,047	1,094,212	5,160	1,099,372	1,172,675
Public safety						
Police	16,046,390	15,499,719	15,876,483	-	15,876,483	(376,764)
Fire	13,148,850	13,052,331	12,592,775	937,465	13,530,240	(477,909)
Community services						
Health and social services	126,430	126,430	116,395	-	116,395	10,035
Parks and recreation	2,800,990	2,618,076	2,305,755	45,000	2,350,755	267,321
Transit	2,361,160	2,228,580	2,149,328	10,000	2,159,328	69,252
Other	1,529,860	1,597,650	1,573,070	-	1,573,070	24,580
Capital outlay	3,034,383	6,625,514	5,539,074	2,379,452	7,918,526	(1,293,012)
<b>Total expenditures</b>	<b>47,247,882</b>	<b>49,899,687</b>	<b>45,169,301</b>	<b>3,383,027</b>	<b>48,552,328</b>	<b>1,347,359</b>
Excess (deficiency) of revenues over (under) expenditures	(4,272,638)	(7,146,297)	(814,246)	(3,383,027)	(4,197,273)	2,949,024
<b>Other Financing Sources (Uses):</b>						
Transfers in	2,991,310	2,991,310	286,298	-	286,298	(2,705,012)
Transfers out	(867,000)	(1,628,673)	(1,678,673)	-	(1,678,673)	(50,000)
<b>Total other financing sources and uses</b>	<b>2,124,310</b>	<b>1,362,637</b>	<b>(1,392,375)</b>	<b>-</b>	<b>(1,392,375)</b>	<b>(2,755,012)</b>
<b>Net change in fund balances</b>	<b>(2,148,328)</b>	<b>(5,783,660)</b>	<b>(2,206,621)</b>	<b>(3,383,027)</b>	<b>(5,589,648)</b>	<b>194,012</b>
Fund Balances, January 1	5,611,772	11,677,052	11,677,052	-	11,677,052	-
Fund Balances, December 31	\$ 3,463,444	\$ 5,893,392	\$ 9,470,431	\$ (3,383,027)	\$ 6,087,404	\$ 194,012

**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, 2015**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
<b>Revenues</b>						
Taxes	\$ 2,097,120	\$ 2,060,120	\$ 2,038,141	\$ -	\$ 2,038,141	\$ (21,979)
Licenses and permits	165,000	135,000	163,270	-	163,270	28,270
Intergovernmental	5,612,206	5,340,000	5,786,833	-	5,786,833	446,833
Interest	3,500	3,900	3,415	-	3,415	(485)
Miscellaneous	5,000	22,125	39,299	-	39,299	17,174
<b>Total revenues</b>	<b>7,882,826</b>	<b>7,561,145</b>	<b>8,030,958</b>	<b>-</b>	<b>8,030,958</b>	<b>469,813</b>
<b>Expenditures</b>						
Current:						
General government						
Administration	228,948	223,297	207,021	500	207,521	15,776
Legal	75,500	75,500	83,240	-	83,240	(7,740)
Finance	359,412	367,986	341,801	7,660	349,461	18,525
Public works						
Operations	515,550	497,629	474,825	-	474,825	22,804
Streets	3,837,180	3,820,170	3,887,507	-	3,887,507	(67,337)
Traffic control	2,093,440	2,117,320	2,040,635	-	2,040,635	76,685
Community services						
Parks and recreation	240,460	242,532	228,911	-	228,911	13,621
Other	35,000	35,000	-	-	-	35,000
Capital Outlay	660,183	652,700	596,781	-	596,781	55,919
<b>Total expenditures</b>	<b>8,045,673</b>	<b>8,032,134</b>	<b>7,860,721</b>	<b>8,160</b>	<b>7,868,881</b>	<b>163,253</b>
Excess (deficiency) of revenues over (under) expenditures	(162,847)	(470,989)	170,237	(8,160)	162,077	633,066
<b>Other Financing Uses:</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(90,610)	(90,610)	(96,575)	-	(96,575)	(5,965)
<b>Total Other Financing Uses</b>	<b>(90,610)</b>	<b>(90,610)</b>	<b>(96,575)</b>	<b>-</b>	<b>(96,575)</b>	<b>(5,965)</b>
<b>Net Change in Fund Balances</b>	<b>(253,457)</b>	<b>(561,599)</b>	<b>73,662</b>	<b>(8,160)</b>	<b>65,502</b>	<b>627,101</b>
Fund Balances, January 1	1,432,800	1,554,568	1,706,161	-	1,706,161	-
<b>Fund Balances, December 31</b>	<b>\$ 1,179,343</b>	<b>\$ 992,969</b>	<b>\$ 1,779,823</b>	<b>\$ (8,160)</b>	<b>\$ 1,771,663</b>	<b>\$ 627,101</b>

**City of Fort Smith, Arkansas**  
**Notes to Required Supplementary Information**  
**December 31, 2015**

**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 increased by \$1,890,132 for 2015. The supplemental appropriations (expenditures and transfers out) included \$270,000 for the fire department capital projects provided by the ¼% sales tax and \$2,865,000 for the parks department capital projects funded by the ¼% sales tax. These were offset by mid-year reductions totaling \$833,573 due to budgetary concerns. During 2015, the Board adopted no supplemental appropriations for the Street Maintenance fund. Mid year reductions totaled \$13,600 due to budgetary concerns.

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, 2015**

**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.

**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, 2015**

	<u>Special Revenue</u>						<b>Total Nonmajor Governmental Funds</b>
	<b>Community Development Block Grant</b>	<b>Tilles Park</b>	<b>HOME Investment Partnership Act</b>	<b>Special Grants</b>	<b>LOPFI Contribution</b>	<b>Convention Center</b>	
<b>Assets</b>							
Cash	\$ 9,803	\$ -	\$ 16,831	\$ 5,507	\$ 650,436	\$ 138,449	\$ 821,026
Investments	-	9,947	-	161,690	5,644,962	250,969	6,067,568
Receivables, net of allowance for uncollectibles							
Taxes	-	-	-	-	2,817,682	-	2,817,682
Accounts	-	-	-	-	-	52,394	52,394
Due from other governments	79,680	-	151,950	4,738	-	-	236,368
Prepaid items	400	-	-	-	-	-	400
<b>Total assets</b>	<b>\$ 89,883</b>	<b>\$ 9,947</b>	<b>\$ 168,781</b>	<b>\$ 171,935</b>	<b>\$ 9,113,080</b>	<b>\$ 441,812</b>	<b>\$ 9,995,438</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 81,141	\$ -	\$ 168,781	\$ -	\$ -	\$ 53,603	\$ 303,525
Retainage payable	-	-	-	-	-	-	-
Unearned revenues	-	-	-	70,281	-	24,384	94,665
Other	2,323	-	-	-	-	369	2,692
<b>Total liabilities</b>	<b>85,852</b>	<b>-</b>	<b>168,781</b>	<b>70,281</b>	<b>-</b>	<b>78,356</b>	<b>403,270</b>
<b>Deferred Inflows of Resources</b>							
Unavailable property taxes	-	-	-	-	2,811,853	-	2,811,853
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,811,853</b>	<b>-</b>	<b>2,811,853</b>
<b>Fund Balances:</b>							
Nonspendable	400	-	-	-	-	-	400
<b>Restricted for:</b>							
Construction projects	-	-	-	101,654	-	-	101,654
Parks & recreation	-	9,947	-	-	-	-	9,947
Housing and rehabilitation	3,631	-	-	-	-	-	3,631
Police & fire retirement contributions	-	-	-	-	6,301,227	-	6,301,227
<b>Assigned to:</b>							
Convention center	-	-	-	-	-	363,456	363,456
<b>Total Fund Balances</b>	<b>4,031</b>	<b>9,947</b>	<b>-</b>	<b>101,654</b>	<b>6,301,227</b>	<b>363,456</b>	<b>6,780,315</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 89,883</b>	<b>\$ 9,947</b>	<b>\$ 168,781</b>	<b>\$ 171,935</b>	<b>\$ 9,113,080</b>	<b>\$ 441,812</b>	<b>\$ 9,995,438</b>

# City of Fort Smith, Arkansas

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds For the Year Ended December 31, 2015

	Special Revenue						Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Convention Center	
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,718,277	\$ -	\$ 2,718,277
Intergovernmental	1,477,230	-	1,392,231	426,968	1,499,165	-	4,795,594
Fines and forfeitures	-	-	-	-	139,638	-	139,638
Fees for services	-	-	-	-	-	725,491	725,491
Interest	-	34	-	-	16,202	892	17,128
Contributions	-	400	-	-	2,020,759	-	2,021,159
Miscellaneous	-	-	-	-	1,589	-	1,589
Total revenues	1,477,230	434	1,392,231	426,968	6,395,630	726,383	10,418,876
<b>Expenditures</b>							
Current:							
Public safety							
Police	-	-	-	180,025	3,269,888	-	3,449,913
Fire	-	-	-	-	4,226,171	-	4,226,171
Public works							
Streets	-	-	-	242,572	-	-	242,572
Community services							
Parks and Recreation	-	1,205	-	6,667	-	-	7,872
Convention Center	-	-	-	-	-	1,413,571	1,413,571
Housing and Rehabilitation	1,477,230	-	1,392,231	-	-	-	2,869,461
Capital Outlay	-	-	-	-	-	33,919	33,919
Total expenditures	1,477,230	1,205	1,392,231	429,264	7,496,059	1,447,490	12,243,479
Excess (deficiency) of revenues over (under) expenditures	-	(771)	-	(2,296)	(1,100,429)	(721,107)	(1,824,603)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	770,473	777,000	1,547,473
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-	770,473	777,000	1,547,473
Net Change in Fund Balances	-	(771)	-	(2,296)	(329,956)	55,893	(277,130)
Fund Balances, January 1	4,031	10,718	-	103,950	6,631,183	307,563	7,057,445
Fund Balances, December 31	\$ 4,031	\$ 9,947	\$ -	\$ 101,654	\$ 6,301,227	\$ 363,456	\$ 6,780,315

**City of Fort Smith, Arkansas**  
**Internal Service Funds**  
**For the Fiscal Year Ended December 31, 2015**

**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, 2015**

	<b>Working Capital</b>	<b>Employee Insurance</b>	<b>Workers' Compensation</b>	<b>Total</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 80,313	\$ 771,062	\$ 347,570	\$ 1,198,945
Investments	-	1,441,454	725,307	2,166,761
Receivables, net of allowance for uncollectibles				
Accounts	-	36,769	-	36,769
Inventory	28,732	-	-	28,732
Prepaid items & deposits	-	79,242	-	79,242
Due from other funds	93	-	-	93
Total Current Assets	109,138	2,328,527	1,072,877	3,510,542
Total Assets	109,138	2,328,527	1,072,877	3,510,542
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	22,302	202,447	14,000	238,749
Claims and judgments	-	1,330,659	668,170	1,998,829
Total Current Liabilities	22,302	1,533,106	682,170	2,237,578
Total Liabilities	22,302	1,533,106	682,170	2,237,578
<b>Net Position</b>				
Unrestricted	86,836	795,421	390,707	1,272,964
Total Net Position	\$ 86,836	\$ 795,421	\$ 390,707	\$ 1,272,964

**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, 2015**

	<b>Working Capital</b>	<b>Employee Insurance</b>	<b>Workers' Compensation</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for services - internal	\$ 718,522	\$ 9,653,982	\$ 629,820	\$ 11,002,324
Charges for services - external	-	474,119	-	474,119
Total Operating Revenues	<u>718,522</u>	<u>10,128,101</u>	<u>629,820</u>	<u>11,476,443</u>
<b>Operating Expenses</b>				
Contractual services	-	457,798	99,312	557,110
Materials and supplies	693,547	-	-	693,547
Insurance claims and expenses	-	8,950,676	441,288	9,391,964
Total Operating Expenses	<u>693,547</u>	<u>9,408,474</u>	<u>540,600</u>	<u>10,642,621</u>
Operating Income (Loss)	<u>24,975</u>	<u>719,627</u>	<u>89,220</u>	<u>833,822</u>
<b>Nonoperating Revenues</b>				
Investment earnings	-	4,982	3,851	8,833
Total Nonoperating Revenues	<u>-</u>	<u>4,982</u>	<u>3,851</u>	<u>8,833</u>
Income before transfers	24,975	724,609	93,071	842,655
Transfers in	-	52,807	-	52,807
Change in Net Position	24,975	777,416	93,071	895,462
Total net position, beginning	<u>61,861</u>	<u>18,005</u>	<u>297,636</u>	<u>377,502</u>
Total net position, ending	<u>\$ 86,836</u>	<u>\$ 795,421</u>	<u>\$ 390,707</u>	<u>\$ 1,272,964</u>

**City of Fort Smith, Arkansas**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2015**

	<b>Working Capital</b>	<b>Employee Insurance</b>	<b>Workers' Compensation</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from service users	\$ 718,843	\$ 463,796	\$ -	\$ 1,182,639
Cash received from city and employee contributions	-	9,703,982	629,820	10,333,802
Cash payments for goods and services	(691,816)	-	-	(691,816)
Cash payments for premiums and other operating expenses	-	(457,798)	(93,862)	(551,660)
Cash payments for claims paid	-	(9,413,285)	(522,296)	(9,935,581)
Net cash provided by (used for) operating activities	<u>27,027</u>	<u>296,695</u>	<u>13,662</u>	<u>337,384</u>
<b>Noncapital Financing Activities</b>				
Transfers in from other funds	-	52,807	-	52,807
Net cash provided by noncapital financing activities	<u>-</u>	<u>52,807</u>	<u>-</u>	<u>52,807</u>
<b>Cash Flows from Investing Activities</b>				
Proceeds from sales and maturities of investment securities	-	1,057,327	14,196	1,071,523
Outlays for purchases of investment securities	-	(1,633,154)	-	(1,633,154)
Interest on investments	-	5,353	4,089	9,442
Net cash provided by (used for) investing activities	<u>-</u>	<u>(570,474)</u>	<u>18,285</u>	<u>(552,189)</u>
<b>Net increase (decrease) in cash</b>	<b>27,027</b>	<b>(220,972)</b>	<b>31,947</b>	<b>(161,998)</b>
Cash, January 1	<u>53,286</u>	<u>992,034</u>	<u>315,623</u>	<u>1,360,943</u>
Cash, December 31	<u><u>\$ 80,313</u></u>	<u><u>\$ 771,062</u></u>	<u><u>\$ 347,570</u></u>	<u><u>\$ 1,198,945</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating income (loss)	\$ 24,975	\$ 719,627	\$ 89,220	\$ 833,822
Change in assets and liabilities				
Accounts receivable	-	(10,323)	-	(10,323)
Due from other funds	321	50,000	-	50,321
Inventory	(4,642)	-	-	(4,642)
Prepaid items	-	(63,775)	-	(63,775)
Accounts payable and accrued liabilities	6,373	45,599	14,000	65,972
Liability for claims and judgments	-	(444,433)	(89,558)	(533,991)
Total adjustments	<u>2,052</u>	<u>(422,932)</u>	<u>(75,558)</u>	<u>(496,438)</u>
Net cash provided by (used for) operating activities	<u><u>\$ 27,027</u></u>	<u><u>\$ 296,695</u></u>	<u><u>\$ 13,662</u></u>	<u><u>\$ 337,384</u></u>

**City of Fort Smith, Arkansas**  
**Discretely Presented Component Units**  
**For the Fiscal Year Ended December 31, 2015**

**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, 2015**

	<u>Advertising and Promotion</u>	<u>Public Library</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 948	\$ 589,780	\$ 590,728
Investments	176,065	300,902	476,967
Receivables, net of allowance for uncollectibles			
Taxes	53,431	-	53,431
Sales taxes	-	160,576	160,576
Accounts	-	77,571	77,571
Prepaid items	385	54,615	55,000
Capital assets			
Nondepreciable	-	427,132	427,132
Depreciable	-	286,218	286,218
	<u>230,829</u>	<u>1,896,794</u>	<u>2,127,623</u>
<b>Deferred outflows of resources</b>			
Deferred outflow related to pension	-	384,340	384,340
	<u>-</u>	<u>384,340</u>	<u>384,340</u>
Total deferred outflows of resources	<u>-</u>	<u>384,340</u>	<u>384,340</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	23,622	51,501	75,123
Net pension liability	-	1,392,236	1,392,236
	<u>23,622</u>	<u>1,443,737</u>	<u>1,467,359</u>
<b>Deferred inflows of resources</b>			
Deferred inflow related to pension	-	439,361	439,361
	<u>-</u>	<u>439,361</u>	<u>439,361</u>
Total deferred inflows of resources	<u>-</u>	<u>439,361</u>	<u>439,361</u>
<b>Net Position</b>			
Net investment in capital assets	-	713,350	713,350
Restricted for:			
Tourism & promotion	207,207	-	207,207
Assigned to:			
Library	-	(315,314)	(315,314)
	<u>-</u>	<u>(315,314)</u>	<u>(315,314)</u>
Total Net Position	<u>\$ 207,207</u>	<u>\$ 398,036</u>	<u>\$ 605,243</u>

**City of Fort Smith, Arkansas**  
**Combining Statement of Activities – Governmental Component Units**  
**For the Year Ended December 31, 2015**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Advertising &amp; Promotion</u>	<u>Public Library</u>	<u>Governmental Activities Total</u>
Advertising & Promotion	\$ 791,679	\$ -	\$ 3,960	\$ (787,719)	\$ -	\$ (787,719)
Public Library	<u>3,169,957</u>	<u>184,202</u>	<u>153,007</u>	<u>-</u>	<u>(2,832,748)</u>	<u>(2,832,748)</u>
Total	<u>\$ 3,961,636</u>	<u>\$ 184,202</u>	<u>\$ 156,967</u>	<u>(787,719)</u>	<u>(2,832,748)</u>	<u>(3,620,467)</u>
General revenues						
Property taxes				-	1,385,441	1,385,441
Sales taxes				-	965,455	965,455
Hospitality taxes				800,086	-	800,086
Unrestricted investment earnings				486	948	1,434
Other				-	233,736	233,736
Total general revenues				<u>800,572</u>	<u>2,585,580</u>	<u>3,386,152</u>
Change in net position				<u>12,853</u>	<u>(247,168)</u>	<u>(234,315)</u>
Net position, beginning, as previously stated				194,354	1,867,631	2,061,985
GASB 68 implementation adjustment				<u>-</u>	<u>(1,222,427)</u>	<u>(1,222,427)</u>
Net position, beginning, restated				<u>194,354</u>	<u>645,204</u>	<u>839,558</u>
Net position, ending				<u>\$ 207,207</u>	<u>\$ 398,036</u>	<u>\$ 605,243</u>

**City of Fort Smith, Arkansas**  
**Balance Sheet – Advertising and Promotion**  
**Governmental Component Unit**  
**December 31, 2015**

<b>Assets:</b>	
Cash	\$ 948
Investments	176,065
Receivables, net of allowance for uncollectibles	
Taxes	53,431
Prepaid items	<u>385</u>
Total Assets	<u><u>\$ 230,829</u></u>
<b>Liabilities and Fund Balance:</b>	
Current:	
Accounts payable and accrued liabilities	<u>\$ 23,622</u>
Total Liabilities	23,622
<b>Fund Balance:</b>	
Restricted for:	
Tourism & promotion	<u>207,207</u>
Total Liabilities and Fund Balance	<u><u>\$ 230,829</u></u>

**City of Fort Smith, Arkansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Advertising and Promotion - Governmental Component Unit**  
**For the Year Ended December 31, 2015**

<b>Revenues</b>	
Taxes	\$ 800,086
Interest	486
Contributions	<u>3,960</u>
Total revenues	<u>804,532</u>
 <b>Expenditures</b>	
Other	760,862
Capital outlay	<u>6,814</u>
Total Expenditures	<u>767,676</u>
Excess of revenues over expenditures	<u>36,856</u>
 <b>Other Financing Uses:</b>	
Transfers out to primary government	<u>(24,003)</u>
Total other financing uses	<u>(24,003)</u>
Net change in fund balance	12,853
Fund Balance, January 1	<u>194,354</u>
Fund Balance, December 31	<u><u>\$ 207,207</u></u>

**City of Fort Smith, Arkansas**  
**Combining Statement of Net Position**  
**Business-Type Component Units**  
**December 31, 2015**

	<u>Parking Authority</u>	<u>Airport</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 2,853	\$ 706,580	\$ 709,433
Investments	452,211	982,833	1,435,044
Receivables, net of allowance for uncollectibles			
Accounts	2,960	129,012	131,972
Accrued interest	-	5,301	5,301
Restricted			
Cash	-	76,658	76,658
Grants and other governments	-	753,724	753,724
Prepaid items and deposits	1,681	64,031	65,712
Inventory	-	47,906	47,906
	<u>459,705</u>	<u>2,766,045</u>	<u>3,225,750</u>
Total Current Assets			
<b>Noncurrent Assets</b>			
Restricted			
Cash	-	197,546	197,546
Investments	-	896,658	896,658
Capital assets			
Nondepreciable	1,359,160	6,504,129	7,863,289
Depreciable	105,765	31,581,784	31,687,549
	<u>1,464,925</u>	<u>39,180,117</u>	<u>40,645,042</u>
Total Noncurrent Assets			
Total Assets	<u>1,924,630</u>	<u>41,946,162</u>	<u>43,870,792</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount on refunding	-	124,358	124,358
	<u>-</u>	<u>124,358</u>	<u>124,358</u>
Total deferred outflows of resources			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4,423	194,852	199,275
Payable from restricted assets:			
Revenue bonds payable, current	-	190,000	190,000
	<u>4,423</u>	<u>384,852</u>	<u>389,275</u>
Total Current Liabilities			
<b>Noncurrent liabilities</b>			
Due within one year	5	-	5
Due in more than one year	512	2,305,000	2,305,512
	<u>517</u>	<u>2,305,000</u>	<u>2,305,517</u>
Total Noncurrent Liabilities			
Total Liabilities	<u>4,940</u>	<u>2,689,852</u>	<u>2,694,792</u>
<b>Net Position</b>			
Net investment in capital assets	1,464,408	35,562,188	37,026,596
Restricted for bond retirement	-	382,316	382,316
Restricted for capital projects	-	57,202	57,202
Unrestricted	455,282	3,378,962	3,834,244
	<u>\$ 1,919,690</u>	<u>\$ 39,380,668</u>	<u>\$ 41,300,358</u>
Total Net Position			

**City of Fort Smith, Arkansas**  
**Combining Statement of Activities – Business-Type Component Units**  
**For the Year Ended December 31, 2015**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Parking Authority</u>	<u>Airport Commission</u>	
Parking Authority	\$ 364,935	\$ 186,353	\$ -	\$ (178,582)	\$ -	\$ (178,582)
Airport	4,936,659	2,710,240	4,788,634	-	2,562,215	2,562,215
Total	<u>\$ 5,301,594</u>	<u>\$ 2,896,593</u>	<u>\$ 4,788,634</u>	<u>(178,582)</u>	<u>2,562,215</u>	<u>2,383,633</u>
General revenues						
Unrestricted investment earnings				1,539	11,903	13,442
Total general revenues				<u>1,539</u>	<u>11,903</u>	<u>13,442</u>
Change in net position				<u>(177,043)</u>	<u>2,574,118</u>	<u>2,397,075</u>
Net position, beginning of year				2,096,733	36,806,550	38,903,283
Net position, ending of year				<u>\$ 1,919,690</u>	<u>\$ 39,380,668</u>	<u>\$ 41,300,358</u>

**City of Fort Smith, Arkansas**  
**Combining Statement of Cash Flows – Business-Type Component Units**  
**For the Year Ended December 31, 2015**

	<b>Parking Authority</b>	<b>Airport</b>	<b>Total</b>
<b>Operating Activities</b>			
Cash received from customers	\$ 187,519	\$ 2,927,728	\$ 3,115,247
Cash payments for goods and services	(57,805)	(1,468,466)	(1,526,271)
Cash paid to employees	(107,403)	(747,326)	(854,729)
Net cash provided by operating activities	<u>22,311</u>	<u>711,936</u>	<u>734,247</u>
<b>Capital and Related Financing Activities</b>			
Proceeds from capital grants	-	3,864,975	3,864,975
Proceeds from bond issuances	-	-	-
Passenger facility charges received	-	343,215	343,215
Acquisition and construction of capital assets	-	(5,561,808)	(5,561,808)
Principal paid on bonds	-	(120,968)	(120,968)
Interest paid on bonds	-	(180,000)	(180,000)
Net cash used in capital and related financing activities	<u>-</u>	<u>(1,654,586)</u>	<u>(1,654,586)</u>
<b>Investing Activities</b>			
Proceeds from sales and maturities of investment securities	-	983,170	983,170
Outlays for purchases of investment securities	(75,259)	(1,879,491)	(1,954,750)
Interest on investments	-	6,827	6,827
Net cash provided by (used for) investing activities	<u>(75,259)</u>	<u>(889,494)</u>	<u>(964,753)</u>
<b>Net increase (decrease) in cash and restricted cash</b>	<u>(52,948)</u>	<u>(1,832,144)</u>	<u>(1,885,092)</u>
<b>Cash and restricted cash, January 1</b>	<u>55,801</u>	<u>2,812,928</u>	<u>2,868,729</u>
<b>Cash and restricted cash, December 31</b>	<u><u>\$ 2,853</u></u>	<u><u>\$ 980,784</u></u>	<u><u>\$ 983,637</u></u>
<b>Reconciliation of cash and restricted cash at December 31 to statement of net position</b>			
Cash	\$ 2,853	\$ 706,580	\$ 709,433
Restricted cash	<u>-</u>	<u>274,204</u>	<u>274,204</u>
Total	<u><u>\$ 2,853</u></u>	<u><u>\$ 980,784</u></u>	<u><u>\$ 983,637</u></u>

**City of Fort Smith, Arkansas**  
**Combining Statement of Cash Flows – Business-Type Component Units**  
**(Continued)**  
**For the Year Ended December 31, 2015**

	<b>Parking Authority</b>	<b>Airport</b>	<b>Total</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>			
Operating loss	\$ (178,582)	\$(2,087,409)	\$ (2,265,991)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation	197,013	2,594,576	2,791,589
Miscellaneous expenses (net)	7,550	-	7,550
Change in assets and liabilities			
Accounts receivable	(1,245)	217,488	216,243
Inventory	-	9,725	9,725
Prepaid items	-	(5,918)	(5,918)
Accounts payable and accrued liabilities	(2,314)	(16,526)	(18,840)
Liabilities for accrued vacation and sick leave	(111)	-	(111)
 Total adjustments	 200,893	 2,799,345	 3,000,238
 Net cash provided by operating activities	 \$ 22,311	 \$ 711,936	 \$ 734,247

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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.

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<b>Revenue Capacity (Tables 6-11)</b>	
These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes .....	165
<b>Debt Capacity (Tables 12-15)</b>	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future .....	171
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These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place .....	175
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These schedules provide information required to be disseminated for investors of City debt. By including this data, the CAFR may be used as the document that provides all debt covenant required reports and information .....	180

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

Table 1

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 250,104,666	\$ 275,722,692	\$ 293,634,375	\$ 294,746,494	\$ 305,663,999	\$ 323,022,637	\$ 323,907,222	\$ 315,027,429	\$ 301,383,411	\$ 301,292,326
Restricted	44,488,640	47,754,213	46,981,658	24,205,366	23,050,850	39,016,328	45,995,375	41,087,435	46,649,301	50,358,284
Unrestricted	33,741,938	29,580,570	27,130,241	38,763,651	34,297,504	15,010,176	11,588,210	11,619,202	8,929,780	(41,489,044)
Total governmental activities net position	<u>\$ 328,335,244</u>	<u>\$ 353,057,475</u>	<u>\$ 367,746,274</u>	<u>\$ 357,715,511</u>	<u>\$ 363,012,353</u>	<u>\$ 377,049,141</u>	<u>\$ 381,490,807</u>	<u>\$ 367,734,066</u>	<u>\$ 356,962,492</u>	<u>\$ 310,161,566</u>
Business-Type activities										
Net investment in capital assets	\$ 229,748,148	\$ 225,664,963	\$ 249,818,159	\$ 293,549,646	\$ 314,941,959	\$ 324,215,779	\$ 329,000,477	\$ 359,247,688	\$ 378,186,724	\$ 350,202,002
Restricted	23,486,930	20,514,957	27,385,513	24,102,177	24,385,436	18,608,798	18,173,298	18,623,298	19,073,298	20,677,094
Unrestricted (deficit)	(15,666,417)	1,390,057	(4,385,785)	(3,057,942)	(7,596,655)	2,270,311	8,023,382	5,289,216	649,154	34,468,082
Total business-type activities net position	<u>\$ 237,568,661</u>	<u>\$ 247,569,977</u>	<u>\$ 272,817,887</u>	<u>\$ 314,593,881</u>	<u>\$ 331,730,740</u>	<u>\$ 345,094,888</u>	<u>\$ 355,197,157</u>	<u>\$ 383,160,202</u>	<u>\$ 397,909,176</u>	<u>\$ 405,347,178</u>
Primary government										
Net investment in capital assets	\$ 479,852,814	\$ 501,387,655	\$ 543,452,534	\$ 588,296,140	\$ 620,605,958	\$ 647,238,416	\$ 652,907,699	\$ 674,275,117	\$ 679,570,135	\$ 651,494,328
Restricted	67,975,570	68,269,170	74,367,171	48,307,543	47,436,286	57,625,126	64,168,673	59,710,733	65,722,599	71,035,378
Unrestricted (deficit)	18,075,521	30,970,627	22,744,456	35,705,709	26,700,849	17,280,487	19,611,592	16,908,418	9,578,934	(7,020,962)
Total primary government net position	<u>\$ 565,903,905</u>	<u>\$ 600,627,452</u>	<u>\$ 640,564,161</u>	<u>\$ 672,309,392</u>	<u>\$ 694,743,093</u>	<u>\$ 722,144,029</u>	<u>\$ 736,687,964</u>	<u>\$ 750,894,268</u>	<u>\$ 754,871,668</u>	<u>\$ 715,508,744</u>

Table 2

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

	Fiscal									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 7,401,742	\$ 8,121,090	\$ 10,384,215	\$ 8,783,548	\$ 9,464,539	\$ 9,874,051	\$ 9,373,912	\$ 10,566,809	\$ 11,782,229	\$ 10,540,138
Public safety	28,283,667	29,635,609	28,634,055	31,836,140	32,350,902	34,009,318	37,263,101	40,463,203	37,468,682	40,059,753
Public works	11,583,305	10,862,082	12,091,319	12,169,873	13,226,363	14,541,350	14,541,430	16,688,875	16,828,138	16,228,119
Community services	11,465,302	10,559,736	9,637,947	13,438,158	12,165,578	10,732,048	11,633,976	11,431,562	17,875,559	11,598,167
Interest on long-term debt	671,893	3,757,618	4,109,187	3,917,534	3,838,008	2,933,735	4,099,571	4,958,960	4,948,763	4,702,341
Total governmental activities expenses	59,405,909	62,936,135	64,856,723	70,145,253	71,045,390	72,090,502	76,911,990	84,109,410	88,903,371	83,128,518
Business-Type Activities:										
Water and Sewer	32,920,994	36,693,984	41,745,466	34,198,511	37,974,129	38,875,863	41,283,645	42,203,035	42,807,102	43,775,895
Sanitation	10,507,258	11,455,050	11,465,629	11,403,090	11,670,602	11,287,956	12,361,032	12,185,883	13,298,931	12,160,733
Total business-type activities expenses	43,428,252	48,149,034	53,211,095	45,601,601	49,644,731	50,163,819	53,644,677	54,388,918	56,106,033	55,936,628
Total primary government expenses	\$ 102,834,161	\$ 111,085,169	\$ 118,067,818	\$ 115,746,854	\$ 120,690,121	\$ 122,254,321	\$ 130,556,667	\$ 138,498,328	\$ 145,009,404	\$ 139,065,146
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services										
General government	\$ 3,551,771	\$ 3,370,526	\$ 4,267,976	\$ 3,644,887	\$ 3,874,758	\$ 3,935,526	\$ 3,864,179	\$ 4,011,708	\$ 3,590,637	\$ 3,984,533
Public safety	283,460	288,258	266,085	245,863	312,543	325,298	358,888	1,430,302	183,031	166,741
Public works	50	50	-	1,200	4,605	9,535	261,792	421,635	266,627	254,686
Community services	1,009,470	1,001,004	1,125,845	1,003,750	1,153,674	994,444	1,099,960	1,657,307	1,210,185	1,199,131
Operating grants and contributions	7,006,913	7,524,294	7,928,553	12,754,491	13,142,881	12,269,135	10,982,501	12,914,448	13,925,772	15,087,846
Capital grants and contributions	3,082,171	1,610,147	8,260,531	1,763,263	1,357,800	1,796,754	3,394,792	3,388,287	3,197,429	3,540,688
Total governmental activities program revenues	14,933,835	13,794,279	21,848,990	19,413,454	19,846,261	19,330,692	19,962,112	23,823,687	22,373,681	24,233,625
Business-Type Activities:										
Charges for services										
Water and sewer	32,645,032	33,238,901	36,391,791	35,652,828	38,509,851	40,818,042	41,049,517	37,805,650	35,918,255	43,606,954
Sanitation	11,811,666	12,561,103	14,095,412	12,560,096	13,246,801	12,337,186	12,640,422	15,068,421	13,291,198	13,756,356
Capital grants and contributions	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	46,411,577	47,997,865	53,218,983	51,896,248	52,269,030	53,793,926	54,935,611	54,842,287	49,209,453	57,363,310
Total primary government program revenues	\$ 61,345,412	\$ 61,792,144	\$ 75,067,973	\$ 71,309,702	\$ 72,115,291	\$ 73,124,618	\$ 74,897,723	\$ 78,665,974	\$ 71,583,134	\$ 81,596,935
Net (expense) revenue										
Governmental activities	\$ (44,472,074)	\$ (49,141,856)	\$ (43,007,733)	\$ (50,731,799)	\$ (51,199,129)	\$ (52,759,810)	\$ (56,949,878)	\$ (60,285,723)	\$ (66,529,690)	\$ (58,894,893)
Business-Type activities	2,983,325	(151,169)	7,888	6,294,647	2,624,299	3,630,107	1,290,934	453,369	(6,896,580)	1,426,682
Total primary government net expense	\$ (41,488,749)	\$ (49,293,025)	\$ (42,999,845)	\$ (44,437,152)	\$ (48,574,830)	\$ (49,129,703)	\$ (55,658,944)	\$ (59,832,354)	\$ (73,426,270)	\$ (57,468,211)

Table 2 (Continued)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 9,392,423	\$ 8,821,508	\$ 9,360,659	\$ 12,267,731	\$ 10,623,101	\$ 13,143,979	\$ 10,927,877	\$ 11,514,707	\$ 11,447,651	\$ 11,715,689
Sales taxes	40,747,820	53,014,309	57,837,124	52,601,763	52,091,471	53,838,552	54,489,254	54,291,940	55,823,661	56,850,299
Utility franchise fees	7,406,294	6,760,463	7,366,814	5,990,452	6,492,100	6,571,993	6,071,893	6,478,637	6,780,156	6,388,844
Unrestricted grants and contributions	5,139,979	6,558,212	1,386,747	226,195	10,085	-	55,357	-	-	-
Unrestricted investment earnings	3,220,403	6,155,547	3,065,530	538,627	163,172	18,480	474	364,291	85,627	152,888
Gain (loss) on sale of capital assets	22,838	-	-	-	-	-	-	-	-	-
Insurance proceeds from hail storm	-	-	-	1,778,572	-	-	-	-	-	-
Other	1,088,665	251,941	309,447	1,318,649	1,199,332	1,539,449	527,041	3,462,503	2,108,585	1,397,078
Transfers	(24,738,822)	(7,697,893)	(21,629,789)	(34,020,953)	(14,083,290)	(8,315,855)	(12,190,491)	(27,638,513)	(20,487,564)	(16,408,142)
Total governmental activities	<u>42,279,600</u>	<u>73,864,087</u>	<u>57,696,532</u>	<u>40,701,036</u>	<u>56,495,971</u>	<u>66,796,598</u>	<u>59,881,405</u>	<u>48,473,565</u>	<u>55,758,116</u>	<u>60,096,656</u>
Business-type activities:										
Sales taxes	10,812,656	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	2,951,710	1,950,264	2,362,717	343,471	89,914	14,459	61,383	68,600	87,230	80,875
Other	304,583	504,328	1,247,516	1,116,923	339,356	1,403,727	609,901	1,403,727	1,403,727	138,309
Transfers	24,738,822	7,697,893	21,629,789	34,020,953	14,083,290	8,315,855	12,190,491	27,638,513	20,487,564	16,408,142
Total business-type activities	<u>38,807,771</u>	<u>10,152,485</u>	<u>25,240,022</u>	<u>35,481,347</u>	<u>14,512,560</u>	<u>9,734,041</u>	<u>12,861,775</u>	<u>29,110,840</u>	<u>21,978,521</u>	<u>16,627,326</u>
Total primary government	<u>\$ 81,087,371</u>	<u>\$ 84,016,572</u>	<u>\$ 82,936,554</u>	<u>\$ 76,182,383</u>	<u>\$ 71,008,531</u>	<u>\$ 76,530,639</u>	<u>\$ 72,743,180</u>	<u>\$ 77,584,405</u>	<u>\$ 77,736,637</u>	<u>\$ 76,723,982</u>
Changes in Net Position										
Governmental activities	\$ (2,192,474)	\$ 24,722,231	\$ 14,688,799	\$ (10,030,763)	\$ 5,296,842	\$ 14,036,788	\$ 2,931,527	\$ (11,812,158)	\$ (10,771,574)	\$ 1,201,763
Business-type activities	<u>41,791,096</u>	<u>10,001,316</u>	<u>25,247,910</u>	<u>41,775,994</u>	<u>17,136,859</u>	<u>13,364,148</u>	<u>14,152,709</u>	<u>27,963,029</u>	<u>14,748,974</u>	<u>18,054,008</u>
Total primary government	<u>\$ 39,598,622</u>	<u>\$ 34,723,547</u>	<u>\$ 39,936,709</u>	<u>\$ 31,745,231</u>	<u>\$ 22,433,701</u>	<u>\$ 27,400,936</u>	<u>\$ 17,084,236</u>	<u>\$ 16,150,871</u>	<u>\$ 3,977,400</u>	<u>\$ 19,255,771</u>

Table 3

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes (1)	\$ 57,108,031	\$ 68,510,896	\$ 74,585,914	\$ 69,476,528	\$ 69,689,304	\$ 71,868,941	\$ 72,036,723	\$ 72,257,168	\$ 74,337,156	\$ 74,880,735
Licenses and permits	1,473,234	1,501,022	2,126,151	1,559,950	1,489,526	1,628,157	1,553,688	1,612,104	1,623,061	1,609,554
Intergovernmental	12,734,833	13,395,035	13,608,213	13,117,444	12,881,250	12,552,267	12,672,787	13,423,088	15,018,681	15,109,545
Fines and forfeitures	2,063,755	2,858,829	2,188,504	2,098,901	2,299,274	2,356,809	2,408,231	2,570,173	2,121,646	2,508,139
Charges for services	1,099,840	1,088,811	1,215,016	1,172,312	1,237,853	1,108,213	1,277,269	1,333,228	1,340,413	1,317,163
Investment earnings	3,326,046	6,294,463	3,114,332	566,378	166,106	18,480	141,141	383,964	185,589	262,136
Contributions	2,166,420	1,027,818	3,926,800	1,511,328	1,338,330	1,341,458	1,395,068	2,707,215	2,046,589	3,518,989
Miscellaneous	470,606	316,373	274,696	189,946	341,329	470,997	343,630	769,159	367,470	303,595
Total revenues	<u>80,442,765</u>	<u>94,993,247</u>	<u>101,039,626</u>	<u>89,692,787</u>	<u>89,442,972</u>	<u>91,345,322</u>	<u>91,828,537</u>	<u>95,056,099</u>	<u>97,040,605</u>	<u>99,509,856</u>
<b>Expenditures</b>										
General government	7,522,720	8,190,325	8,317,788	8,226,444	7,879,961	7,969,047	7,972,590	8,316,034	8,544,169	8,346,483
Public safety	26,003,929	28,062,350	26,885,795	30,697,704	30,032,414	31,659,461	31,596,228	34,497,803	33,985,035	36,145,342
Public works	5,433,522	5,202,463	5,820,879	5,254,628	5,870,159	6,450,755	5,734,913	7,461,123	7,341,039	6,645,539
Community services	7,194,025	6,387,764	5,586,246	9,338,549	7,987,136	7,144,380	7,236,525	7,199,963	8,404,310	9,091,293
Other	3,245,313	3,776,800	3,550,903	1,830,124	2,335,524	2,368,766	1,812,324	1,772,276	1,636,526	1,760,379
Capital outlay	23,933,708	32,939,098	29,323,932	31,766,713	34,187,241	31,670,727	30,928,218	49,788,131	41,638,644	39,788,872
Debt service										
Principal	-	14,355,000	17,110,000	17,785,000	16,805,000	17,495,000	1,940,000	12,905,000	11,315,000	11,240,000
Interest	671,893	3,757,618	3,141,156	2,917,861	3,040,386	2,367,651	2,688,400	3,575,061	4,217,236	4,247,774
Issuance costs	-	-	-	259,839	75,892	-	349,650	-	400,062	-
Total expenditures	<u>74,005,110</u>	<u>102,671,418</u>	<u>99,736,699</u>	<u>108,076,862</u>	<u>108,213,713</u>	<u>107,125,787</u>	<u>90,258,848</u>	<u>125,515,391</u>	<u>117,482,021</u>	<u>117,265,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,437,655</u>	<u>(7,678,171)</u>	<u>1,302,927</u>	<u>(18,384,075)</u>	<u>(18,770,741)</u>	<u>(15,780,465)</u>	<u>994,432</u>	<u>(30,459,292)</u>	<u>(20,441,416)</u>	<u>(17,755,726)</u>
<b>Other financing sources and (uses)</b>										
Transfers in	63,067,680	2,602,260	17,313,147	29,689,472	6,809,336	3,531,999	77,142,266	3,632,186	36,885,129	1,833,771
Transfers out	(88,464,556)	(10,300,153)	(39,169,188)	(64,000,227)	(6,269,982)	(3,077,367)	(76,972,738)	(3,849,710)	(36,937,129)	(1,775,248)
Insurance proceeds from hail storm	-	-	-	1,778,572	-	-	-	-	-	-
Premiums on bond issuance	-	-	-	236,307	16,217	-	6,269,913	-	1,028,741	-
Bond issuance	88,299,286	-	15,685,899	29,150,000	3,595,000	-	110,660,000	-	34,295,000	-
Escrow deposits	-	-	-	-	-	-	(53,700,952)	-	-	-
Capital leases	341,156	(58,278)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>63,243,566</u>	<u>(7,756,171)</u>	<u>(6,170,142)</u>	<u>(3,145,876)</u>	<u>4,150,571</u>	<u>454,632</u>	<u>63,398,489</u>	<u>(217,524)</u>	<u>35,271,741</u>	<u>58,523</u>
Net change in fund balances	<u>\$ 69,681,221</u>	<u>\$ (15,434,342)</u>	<u>\$ (4,867,215)</u>	<u>\$ (21,529,951)</u>	<u>\$ (14,620,170)</u>	<u>\$ (15,325,833)</u>	<u>\$ 64,392,921</u>	<u>\$ (30,676,816)</u>	<u>\$ 14,830,325</u>	<u>\$ (17,697,203)</u>
Debt service as a % of noncapital expenditures	1.34%	26.0%	28.8%	27.1%	26.8%	26.3%	7.8%	21.8%	20.5%	20.0%

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

Table 4

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 4,706,017	\$ 2,191,724	\$ 3,654,013	\$ 2,772,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,607,076	6,257,328	7,052,220	5,772,601	-	-	-	-	-	-
Nonspendable	-	-	-	-	126,037	66,707	264,783	44,106	73,340	56,438
Restricted	-	-	-	-	1,467,461	283,616	-	-	-	-
Assigned	-	-	-	-	1,910,794	1,407,063	4,450,203	1,205,979	1,406,631	1,701,712
Unassigned	-	-	-	-	4,938,318	5,983,015	4,269,917	10,435,252	10,197,081	7,712,281
Total general fund	<u>12,313,093</u>	<u>8,449,052</u>	<u>10,706,233</u>	<u>8,545,513</u>	<u>8,442,610</u>	<u>7,740,401</u>	<u>8,984,903</u>	<u>11,685,337</u>	<u>11,677,052</u>	<u>9,470,431</u>
All other governmental funds										
Reserved	101,879,344	93,901,326	86,760,617	68,080,708	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	13,477,723	13,646,710	13,603,715	12,771,282	-	-	-	-	-	-
Debt service fund	3,634,024	-	-	-	-	-	-	-	-	-
Capital projects funds	457,785	457,547	516,855	709,966	-	-	-	-	-	-
Nonspendable	-	-	-	-	343,606	526,015	673,709	701,931	339,952	179,311
Restricted	-	-	-	-	62,360,676	51,037,382	114,702,230	79,671,763	95,030,923	79,584,620
Committed	-	-	-	-	508,840	443,933	-	-	-	-
Assigned	-	-	-	-	3,781,567	363,735	453,802	2,078,797	1,920,226	2,036,588
Total all other governmental funds	<u>119,448,876</u>	<u>108,005,583</u>	<u>100,881,187</u>	<u>81,561,956</u>	<u>66,994,689</u>	<u>168,200,806</u>	<u>115,829,741</u>	<u>82,452,491</u>	<u>97,291,101</u>	<u>81,800,519</u>
Total governmental fund balances	<u>\$ 131,761,969</u>	<u>\$ 116,454,635</u>	<u>\$ 111,587,420</u>	<u>\$ 90,107,469</u>	<u>\$ 75,437,299</u>	<u>\$ 175,941,207</u>	<u>\$ 124,814,644</u>	<u>\$ 94,137,828</u>	<u>\$ 108,968,153</u>	<u>\$ 91,270,950</u>

The City of Fort Smith adopted GASB 54 for fiscal year ending 12/31/2010. In the schedule above all years prior to 2011 are stated in its original form and therefore are not directly comparable to 2011 or later.

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)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues	\$ 36,218,142	\$ 37,164,047	\$ 38,953,983	\$ 36,683,453	\$ 37,014,019	\$ 37,744,298	\$ 38,056,106	\$ 43,930,416	\$ 43,702,563	\$ 44,355,055
Expenditures	<u>38,309,177</u>	<u>43,059,070</u>	<u>38,654,800</u>	<u>41,671,672</u>	<u>39,433,872</u>	<u>40,670,109</u>	<u>38,750,928</u>	<u>42,663,082</u>	<u>45,643,048</u>	<u>45,169,301</u>
Excess (deficiency) of revenues over (under) expenditures	(2,091,035)	(5,895,023)	299,183	(4,988,219)	(2,419,853)	(2,925,811)	(694,822)	1,267,334	(1,940,485)	(814,246)
Other financing sources (uses)	<u>3,825,493</u>	<u>2,030,982</u>	<u>1,957,998</u>	<u>2,777,499</u>	<u>2,366,950</u>	<u>2,223,602</u>	<u>1,634,238</u>	<u>1,738,186</u>	<u>1,932,200</u>	<u>(1,392,375)</u>
Net change in fund balances	1,734,458	(3,864,041)	2,257,181	(2,210,720)	(52,903)	(702,209)	939,416	3,005,520	(8,285)	(2,206,621)
Fund balance, January 1	<u>10,578,635</u>	<u>12,313,093</u>	<u>8,449,052</u>	<u>10,706,233</u>	<u>8,495,513</u>	<u>8,442,610</u>	<u>7,740,401</u>	<u>8,679,817</u>	<u>11,685,337</u>	<u>11,677,052</u>
Fund balance, December 31	<u>\$ 12,313,093</u>	<u>\$ 8,449,052</u>	<u>\$ 10,706,233</u>	<u>\$ 8,495,513</u>	<u>\$ 8,442,610</u>	<u>\$ 7,740,401</u>	<u>\$ 8,679,817</u>	<u>\$ 11,685,337</u>	<u>\$ 11,677,052</u>	<u>\$ 9,470,431</u>

**Table 6**

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

<b>Fiscal Year</b>	<b>Ad Valorem Taxes</b>	<b>Sales Taxes (1)</b>	<b>Utility Franchise Fees</b>	<b>Total</b>
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
2014	11,733,339	55,823,661	6,780,156	74,337,156
2015	11,641,592	56,850,299	6,388,844	74,880,735

(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.

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

<b>Fiscal Year</b>	<b>1% City Sales &amp; Use Tax Allocated for Street (1)</b>	<b>City Share 1% County Sales &amp; Use Tax (2)</b>	<b>1% or 3/4% City Sales &amp; Use Tax Allocated for Bonds (3)</b>	<b>1/4% City Sales &amp; Use Tax Allocated Fire &amp; Parks (3)</b>	<b>Total</b>	<b>Direct City Tax Rate</b>	<b>Overlapping Sebastian County Tax Rate</b>
2006	\$ 18,420,915	\$ 14,718,645	\$ 18,420,915	\$ -	\$ 51,560,475	2.00%	1.00%
2007	18,929,527	15,155,255	18,929,527	-	53,014,309	2.00%	1.00%
2008	20,613,205	16,610,714	20,613,205	-	57,837,124	2.00%	1.00%
2009	18,777,493	15,046,777	18,777,493	-	52,601,763	2.00%	1.00%
2010	18,599,727	14,892,017	18,599,727	-	52,091,471	2.00%	1.00%
2011	19,341,760	15,155,032	19,341,760	-	53,838,552	2.00%	1.00%
2012	19,605,123	15,279,008	18,836,899	768,224	54,489,254	2.00%	1.00%
2013	19,468,975	15,353,991	14,601,731	4,867,243	54,291,940	2.00%	1.00%
2014	20,099,013	15,625,636	15,074,259	5,024,753	55,823,661	2.00%	1.00%
2015	20,380,151	16,090,921	15,284,934	5,094,293	56,850,299	2.00%	1.00%
<b>Total</b>	<b>\$ 194,235,889</b>	<b>\$ 153,927,996</b>	<b>\$ 178,480,450</b>	<b>\$ 15,754,513</b>	<b>\$ 542,398,848</b>		

(1) The City Sales and Use Tax allocated for construction, repair and maintenance of street, bridge and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax has been reauthorized through 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 construction for the convention center, public library facilities, and riverfront park projects. The tax became effective January 1, 1998. The second 1/2% was allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 2001. The 2001 Bonds were issued to fund a portion of the Lake Fort Smith water supply expansion project and to fund wastewater improvements. The tax for the 2001 Bonds became effective May 1, 2001. The 1997 Bonds were redeemed in June 2004 and now the entire 1% tax is allocated to the repayment of the 2001 Bonds. In May 2006, the 1% sales and use tax was approved to support the issuance of City of Fort Smith Sales and Use Tax Refunding and Construction Bonds, Series 2006. The 2006 Bonds were issued to refund the outstanding 2001 Bonds, acquire a public safety and utility radio communication system, and provide wastewater improvements in accordance with an EPA administrative order. In November 2008, additional sales and use tax bonds were issued to provide more funding for the radio project and the wastewater projects. In September 2009, additional sales and use tax bonds were issued for more wastewater projects. The 2009 Bonds will be paid with the sales and use tax once the 2006 and 2008 Bonds are redeemed. The 2009 Bonds interest payments are currently being supported by a temporary sewer rate that is in effect until the 2006 and 2008 Bonds are redeemed. In January 2010, the City issued additional sales and use tax bonds for even more wastewater projects. The 2006, 2008, and 2010 Bonds are supported by the 1% sales and use tax. Once these bonds are redeemed, the 1% sales and use tax will support the 2009 Bonds and the temporary sewer rate will be discontinued. The 2010 were redeemed in full during 2010. In May 2012, the city issued sales and use tax bonds to provide for water improvements, wastewater improvements, fire facilities and apparatus, and for an aquatics park in conjunction with Sebastian County. The outstanding 2006, 2008 and 2009 bonds were called by the 2012 bonds. The temporary sewer rate was removed in early July 2012. Beginning October 1, 2012, the 1% sales tax is split with 3/4% allocated to the redemption of the 2012 bonds and 1/4% allocated to operations in the fire and parks departments.

Table 8

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

<b>Fiscal Year</b>	<b>Total Tax Levy (1)</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collections</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Collection Percent of Current Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Outstanding Delinquent Taxes as a Percent of Current Levy</b>
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%
2014	10,551,660	7,740,390	73.36%	1,318,456	9,058,846	85.85%	523,298	4.96%
2015	10,656,912	8,643,537	81.11%	302,693	8,946,230	83.95%	429,658	4.03%

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

Table 9

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

Fiscal Year (1)	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual	Direct Tax Rate (per \$100 assessed value)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
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
2014	998,630,922	4,993,154,610	361,225,320	1,806,126,600	1,359,856,242	6,799,281,210	20.00%	0.70
2015	1,013,693,663	5,068,468,315	355,566,010	1,777,830,050	1,369,259,673	6,846,298,365	20.00%	0.70

(1) Fiscal year is year of valuation.

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

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

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

Fiscal Year (1)	City of Fort Smith		Overlapping Rates						Total Direct & Overlapping Rates	
	Real Property	Personal Property	Sebastian County	FS School District	FS Public Library	Real Property	Personal Property	Real Property	Personal Property	Real Property
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
2014	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2015	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25

Fiscal Year (1)	City of Fort Smith		Overlapping Rates						Total Direct & Overlapping Rates	
	Real Property	Personal Property	Sebastian County	FS School District	FS Public Library	Real Property	Personal Property	Real Property	Personal Property	Real Property
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
2014	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50
2015	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	52.50	52.50

(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)	2015			2006		
	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation
Oklahoma Gas & Electric Co.	\$ 26,345,615	1	1.95%			
Fort Smith HMA PBC Mgmt. LLC	23,927,385	2	1.77%			
Verizon Wireless	19,402,835	3	1.44%			
AT&T Mobility	18,973,935	4	1.40%			
Gerber Products Company	18,921,427	5	1.40%	\$ 3,308,820	8	0.31%
Baldor Electric Company	17,221,735	6	1.27%			
St. Edwards Mercy Medical Center	16,840,250	7	1.25%	3,141,690	6	0.29%
OK Farms, Inc.	15,279,400	8	1.13%			
Wal-Mart/Sam's Club	18,167,730	9	1.34%	6,352,753	2	
Fort Smith Mall LLC	12,417,649	10	0.92%	6,961,500	1	0.64%
Whirlpool Corporation				5,800,000	3	0.54%
GGNSC Administrative Services				5,619,990	4	0.52%
Medical Buildings of Arkansas				3,904,725	5	0.36%
Arkansas Best Corporation				3,831,000	7	0.35%
Widwer Place, Inc.				3,100,390	9	0.29%
The Parks Apartments of Fort Smith				2,792,810	10	0.26%
	<u>\$ 187,497,961</u>		13.88%	<u>\$ 44,813,678</u>		3.56%

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2015 are based upon 2014 assessed valuation of \$1,350,856,242. Property taxes collected in 2005 were based upon the 2006 assessed valuation of \$1,080,092,195.

**City of Fort Smith, Arkansas**  
**Computation of Direct and Estimated Overlapping Debt**  
**December 31, 2015**  
**(Unaudited)**

<b>Taxing Jurisdiction</b>	<b>Total Outstanding Bonded Debt (1)</b>	<b>Estimated Percent Applicable (2)</b>	<b>Direct and Estimated Overlapping Bonded Debt</b>
Direct:			
City of Fort Smith	\$ 113,634,511	100%	\$ 113,634,511
Overlapping:			
Fort Smith Special School District	73,375,525	100%	73,375,525
Greenwood School District	45,335,000	5%	2,266,750
Sebastian County	-	76%	-
Total Overlapping	<u>118,710,525</u>		<u>75,642,275</u>
Total direct and estimated overlapping bonded debt	<u>\$ 232,345,036</u>		<u>\$ 189,276,786</u>
Ratio, direct and estimated overlapping debt to fiscal 2014 assessed valuation (3)			13.9%
Per capita direct and estimated overlapping bonded debt (4)			<u>\$ 2,165</u>

(1) Excluding self-supporting debt.

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

(3) From Table 9, \$1,369,259,673

(4) Based on the estimated population for 2015 in Table 14.

Table 13

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net assessed value (1)	\$ 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	\$ 1,350,856,242	\$ 1,369,259,673
Plus exempt property (2)	-	-	-	-	-	-	-	-	-	-
Total assessed value	<u>\$ 1,088,136,846</u>	<u>\$ 1,134,811,514</u>	<u>\$ 1,250,202,816</u>	<u>\$ 872,593,585</u>	<u>\$ 1,210,059,387</u>	<u>\$ 1,294,636,205</u>	<u>\$ 1,325,846,840</u>	<u>\$ 1,347,738,469</u>	<u>\$ 1,350,856,242</u>	<u>\$ 1,369,259,673</u>
Debt limit - 25% of total assessed value (3)	\$ 272,034,212	\$ 283,702,879	\$ 312,550,704	\$ 218,148,396	\$ 302,514,847	\$ 323,659,051	\$ 331,461,710	\$ 336,934,617	\$ 337,714,061	\$ 342,314,918
Amount of debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Debt Margin	<u>\$ 272,034,212</u>	<u>\$ 283,702,879</u>	<u>\$ 312,550,704</u>	<u>\$ 218,148,396</u>	<u>\$ 302,514,847</u>	<u>\$ 323,659,051</u>	<u>\$ 331,461,710</u>	<u>\$ 336,934,617</u>	<u>\$ 337,714,061</u>	<u>\$ 342,314,918</u>

(1) From Table 7.

(2) Not available

(3) Limitation is established by state statute.

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

Table 14

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Bonds	Notes Payable	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases			
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
2014	125,361,084	-	281,239	162,626,345	-	355,190	288,623,858	3.0%	3,309
2015	113,634,511	-	173,163	188,028,416	-	-	301,836,090	3.1%	3,452

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.

Table 15

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

Fiscal Year	Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage	
				Principal	Interest (3)	Total		
<b>Water and Sewer System</b>	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	5,705,000	7,896,016	13,601,016	110%
	2014	36,176,568	23,037,349	13,139,219	5,870,000	7,728,715	13,598,715	97%
	2015	43,646,523	24,179,774	19,466,749	6,085,000 (5)	7,567,304	13,652,304	143%
<b>Solid Waste System</b>	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
	2014 (4)	13,638,922	11,598,608	2,040,314	-	-	-	N/A
	2015 (4)	13,827,406	10,846,954	2,980,452	-	-	-	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.

2015 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	\$ 7,567,304
Capitalized interest	-
Accrued interest - 12/31/14	(1,878,187)
Accrued interest - 12/31/15	1,827,370
	<u>7,516,487</u>
Interest expense - statement of revenues, expenses, and changes in fund net position	<u>\$ 7,516,487</u>

(4) The solid waste system revenue bonds were redeemed in full during 2011. There are no revenue bonds outstanding at December 31, 2012 - 2015 for the solid waste system.

(5) For the purposes of this schedule, the principle amount was adjusted for the 2005B bond refunding and the amount that was expected to be retired in 2015 relating to these bonds.

Table 16

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

<b>Fiscal Year</b>	<b>City Population (1)</b>	<b>County Population (1)</b>	<b>Personal Income (2) (in thousands)</b>	<b>Per Capita Income (2)</b>	<b>Median Age (3)</b>	<b>Education Level in Years of Schooling (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (2)</b>
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%
2014	87,215	127,463	9,478,220	34,711	35.7	12	14,317	5.5%
2015	87,443 *	126,716	9,698,200 *	37,340 *	35.0	12	14,918	5.4%

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)**

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
O. K. Industries	3,235	1	2.8%	4,748	1	3.4%
Mercy Medical Center	2,300	2	2.0%	1,800	5	1.3%
Baldor Electric Company	1,942	3	1.7%	2,262	3	1.6%
Fort Smith Public Schools	1,773	4	1.5%	1,702	7	1.2%
Sparks Health Systems	1,578	5	1.4%	2,170	4	1.6%
Arkansas Best Corp.	1,243	6	1.1%	946	8	0.7%
City of Fort Smith	936	7	0.8%	890	9	0.6%
Rheem-Ruud	900	8	0.8%	1,774	6	1.3%
Golden Living	850	9	0.7%			
Bost Human Development Services	800	10	0.7%			
Whirlpool Corporation				4,200	2	3.0%
Cooper Clinic				730	10	0.5%
Total	12,322		13.6%	16,474		11.8%

Data Sources:

Chamber of Commerce

U.S. Department of Labor, employment totals:

2015 114,500

2006 139,100

Table 18

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

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General government	124	128	125	125	127	127	126	126	125	144
Public safety:										
Police										
Officers	168	168	168	168	170	170	163	163	163	159
Civilians	46	46	46	52	59	59	59	59	59	59
Fire										
Firefighters and officers	126	129	129	129	129	129	129	149	149	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	54	54	54
Traffic control	13	13	13	13	13	13	13	13	13	13
Parks and recreation	54	57	57	58	58	58	58	64	64	44
Transit	36	36	36	36	36	36	36	35	34	33
Water and sewer	191	191	191	191	192	189	191	192	196	195
Sanitation	77	78	78	78	78	78	78	78	78	78
<b>Total</b>	<b>889</b>	<b>900</b>	<b>897</b>	<b>904</b>	<b>916</b>	<b>913</b>	<b>907</b>	<b>941</b>	<b>943</b>	<b>936</b>

Table 19

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	8	8	8	8	8	8	8	8	8	8
Patrol units	12	12	12	12	12	12	12	12	12	12
Fire:										
Stations	10	10	10	10	10	10	10	11	11	11
Apparatus	21	21	21	21	21	21	18	17	17	17
Streets										
Streets (miles)	562	566	578	590	590	590	590	590	590	590
Streetlights	5,971	5,971	6,029	6,029	6,029	6,053	6,053	6,053	6,053	6,600
Traffic signals	135	135	142	146	146	149	149	149	149	150
Parks and recreation										
Parks acreage (square feet)	273	273	273	273	273	273	273	273	276	286
Parks	26	26	25	25	25	25	25	25	26	28
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	1	1	1	1	1	1	1	1	1	2
Tennis courts	14	12	12	12	12	12	12	12	12	12
Skatepark	1	1	1	1	1	1	1	1	1	1
Community centers	5	5	5	5	5	5	5	5	5	5
Convention center -										
Theater -seats	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Theater -area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Exhibit Hall -area (square feet)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transit buses	20	20	20	20	20	20	20	20	19	16
Water and sewer										
Water mains (miles)	560	560	627	626	626	626	626	626	626	702
Average daily production capacity										
(thousands of gallons)	54,100	54,100	55,000	59,000	41,999	63,400	63,400	63,400	63,400	63,400
Average daily consumption (thousands of gallons)	28,097	29,197	28,876	37,004	26,473	30,532	30,532	21,267	22,137	20,862
Sanitary sewers (miles)	505	505	505	516	516	500	500	545	545	516
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	53	53	45	45	45	45
Landfill capacity (in cubic yards)	67,197,006	66,853,337	66,405,305	66,151,721	65,872,831	65,585,500	65,343,244	65,023,707	64,998,995	63,895,067

NA - not available

**Table 20**

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

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Police:										
Physical arrest	10,512	10,834	10,848	9,776	10,073	8,820	9,324	8,781	8,155	9,026
Parking violations	1,732	3,887	3,094	5,702	7,622	5,984	5,649	5,312	4,320	5,197
Traffic violations	20,442	21,129	24,191	19,593	16,296	14,841	14,841	14,946	11,343	14,165
Fire										
Number of calls answered	7,326	7,619	7,200	7,825	8,026	8,158	8,793	8,688	10,148	10,071
Transit										
Passenger trips	155,515	173,917	208,600	177,991	191,221	198,165	206,329	215,591	204,097	194,869
Water and sewer										
New connections	1,391	458	346	345	450	371	299	314	269	246
Average daily production (thousands of gallons)	28,097	29,197	23,567	23,934	26,473	30,532	28,554	26,850	22,137	26,859
Average daily sewage flow (thousands of gallons)	15,290	16,400	18,231	19,473	16,844	17,421	15,200	14,684	17,100	21,040
Sanitation										
Waste disposal (cubic yards/day)	1,299	1,234	1,042	1,040	1,137	1,052	1,352	1,024	1,024	1,024

**Table 21**

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

<b>Fiscal Year</b>	<b>Annual # Sanitation System Customers</b>	<b>Cubic Yardage of Waste at Landfill</b>	<b>Useful Life of Landfill Remaining (1)</b>	<b>Remaining Storage Capacity at Landfill</b>
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
2014	330,300	1,037,201	12 yrs	64,998,995 cubic yards
2015	351,660	1,367,035	14 yrs	63,895,067 cubic yards

(1) This is the remaining life of the current cell being filled at the landfill. The entire landfill has a remaining life of 194 years.

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**Table 22**

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

<b>Fiscal Year</b>	<b>Average Daily Water Use in Gallons</b>	<b>Maximum Daily Water Use in Gallons</b>	<b>Total Water Use for Year in Gallons</b>	<b>Average Daily Sewage Flow in Gallons</b>
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
2014	22,137,000	38,157,000	8,079,966,000	17,100,000
2015	26,859,000	36,791,000	9,803,481,000	21,040,000

<b>Water Customers</b>					
<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Wholesale</b>	<b>Other</b>	<b>Total</b>
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
2014	29,346	4,222	13	151	33,732
2015	29,474	4,205	13	158	33,850

<b>Sewer Customers</b>				
<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Government</b>	<b>Total</b>
2011	26,695	3,685	10	30,390
2012	26,833	3,691	83	30,607
2013	26,976	3,669	87	30,732
2014	27,062	3,654	91	30,807
2015	27,185	3,664	94	30,943

**Table 22 (Continued)**

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

**For 2014:**

<b>Entity</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	<b>% of Gross Revenues</b>
City of Van Buren	\$ 3,248,401	\$ -	\$ 3,248,401	9.04%
OK Foods	2,167,372	101,227	2,268,599	6.32%
Gerber Products	1,219,559	-	1,219,559	3.40%
Gerdau Macsteel	441,989	240,041	682,030	1.90%
Sparks Medical Center	264,927	241,790	506,717	1.41%
Mars Petcare US	138,534	48,426	186,960	0.52%
St. Edward Mercy Medical Center	143,846	44,869	188,715	0.53%
The Links Fort Smith	63,955	85,540	149,495	0.42%
Kraft Foods	89,108	113,958	203,066	0.57%
Pernod Ricard (Hiram Walker)	61,814	31,558	93,372	0.26%
James River Dixie	41,305	52,824	94,129	0.26%
Henderson Properties	39,437	63,234	102,671	0.29%
Sebastian County Park/Jail	49,978	66,845	116,823	0.33%
<b>Top Ten Users</b>	<b>\$ 7,970,225</b>	<b>\$ 1,090,312</b>	<b>\$ 9,060,537</b>	<b>25.23%</b>

**For 2015:**

<b>Entity</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	<b>% of Gross Revenues</b>
City of Van Buren	\$ 3,274,344	\$ -	\$ 3,274,344	7.51%
OK Foods	2,693,635	157,071	2,850,706	6.54%
Gerber Products	1,067,001	-	1,067,001	2.45%
Gerdau Macsteel	401,239	503,580	904,819	2.07%
Sparks Medical Center	286,574	244,224	530,799	1.22%
Mars Petcare US	145,151	85,609	230,760	0.53%
St. Edward Mercy Medical Center	142,776	77,738	220,514	0.51%
James River Dixie	66,716	128,980	195,696	0.45%
Kraft Foods	68,651	123,571	192,222	0.44%
The Links Fort Smith	57,794	104,042	161,836	0.37%
Henderson Properties	42,331	77,362	119,693	0.27%
Pernod Ricard (Hiram Walker)	57,991	33,283	91,274	0.21%
Sebastian County Park/Jail	70,122	925	71,047	0.16%
<b>Top Ten Users</b>	<b>\$ 8,374,325</b>	<b>\$ 1,536,386</b>	<b>\$ 9,910,711</b>	<b>22.73%</b>

## 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, 2015:

- (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 Accountants 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, 2015.

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

*BKD, LLP*

Fort Smith, Arkansas  
September 30, 2016

**EXHIBIT B**

Unaudited Financial Statements of the Water and Sewer System  
for the Nine Month Periods Ended September 30, 2016 and 2015

City of Fort Smith, Arkansas  
Water and Sewer Fund  
Financial Report  
For the Nine Months Ended  
September 30, 2016  
(Unaudited)

City of Fort Smith, Arkansas  
Water and Sewer Fund  
Statement of Net Assets  
September 30, 2016 and September 30, 2015  
(Unaudited)

<b>Assets</b>	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Cash	\$ 600	\$ 500
Investments	18,833,229	11,525,766
Accounts receivable, net of allowances for uncollectibles	6,122,204	4,069,413
<b>Restricted assets:</b>		
Cash	210,739	6,526
Investments	16,924,298	8,255,584
Inventory	945,394	876,751
Total current assets	<u>43,036,464</u>	<u>24,734,540</u>
<b>Noncurrent Assets:</b>		
<b>Restricted assets:</b>		
Investments	23,457,080	410,055
Prepaid items and deposits	3,600	5,287
<b>Capital assets:</b>		
Land	13,082,998	12,631,096
Water system	384,566,204	374,339,750
Sewer system	252,260,963	251,258,414
Machinery and equipment	14,092,339	13,405,713
Construction in progress	53,164,605	40,426,399
Less accumulated depreciation	<u>(198,379,671)</u>	<u>(189,953,763)</u>
Total noncurrent assets	<u>542,248,118</u>	<u>502,522,951</u>
Total Assets	<u>\$ 585,284,582</u>	<u>\$ 527,257,491</u>
<b>Deferred Outflows of Resources</b>		
Deferred amount on refunding	<u>227,974</u>	<u>232,494</u>
Total Deferred Outflows of Resources	<u>227,974</u>	<u>232,494</u>

City of Fort Smith, Arkansas  
Water and Sewer Fund  
Statement of Net Assets  
September 30, 2016 and September 30, 2015  
(Unaudited)  
(Continued)

	<u>2016</u>	<u>2015</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 588,307	\$ 693,466
Retainage payable	-	-
Payable from restricted assets:		
Revenue bonds payable	5,730,000	5,870,000
Capital leases payable	-	52,425
Deposits	454,104	435,386
Other	5,032	4,420
Total current liabilities	<u>6,777,443</u>	<u>7,055,697</u>
Noncurrent Liabilities:		
Accrued vacation and sick leave	919,943	950,647
OPEB Liabilities	5,966,995	4,801,151
Other long-term liabilities	100,000	100,000
Revenue bonds payable, net	143,155,994	148,080,083
Capital leases payable	-	54,271
Total noncurrent liabilities	<u>150,142,932</u>	<u>153,986,152</u>
Total Liabilities	<u>156,920,375</u>	<u>161,041,849</u>
Deferred Inflows of Resources		
Deferred amount on refunding	<u>203,432</u>	<u>259,784</u>
Total Deferred Inflows of Resources	<u>203,432</u>	<u>259,784</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	393,210,603	348,294,155
Restricted for bond retirement	19,151,623	17,547,827
Restricted for asset replacement	1,746,007	1,740,791
Unrestricted (deficit)	<u>14,172,240</u>	<u>(1,214,541)</u>
Total Net Assets	<u>\$ 428,388,749</u>	<u>\$ 366,188,352</u>

City of Fort Smith, Arkansas  
Water and Sewer Fund  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Nine Months Ended September 30, 2016 and September 30, 2015  
(Unaudited)

	2016	2015
Operating Revenues:		
Water service	\$ 16,545,370	\$ 15,959,784
Sewer service	15,385,304	8,661,865
Charges for services	475,605	497,861
Other	128,876	12,242
	<u>32,535,155</u>	<u>25,131,752</u>
Total operating revenues		
Operating Expenses:		
Personnel services	9,103,052	9,109,731
Contractual services	2,479,641	433,856
Materials and supplies	3,089,284	5,398,052
Heat, light and power	1,247,920	1,262,774
Depreciation	9,330,446	9,055,704
	<u>25,250,343</u>	<u>25,260,117</u>
Total operating expenses		
Operating income	<u>7,284,813</u>	<u>(128,365)</u>
Nonoperating Revenues (Expenses):		
Interest revenue	103,307	30,230
Interest expense and fiscal charges	1,878,186	1,878,186
Other nonoperating revenues	(54,786)	(40,774)
	<u>1,926,707</u>	<u>1,867,642</u>
Total nonoperating revenues (expenses)		
Income before operating transfers	9,211,520	1,739,277
Capital contributions	44,531,061	6,292,273
Transfers out	<u>(68,250)</u>	<u>(67,958)</u>
Net income	53,674,331	7,963,592
Total net assets, beginning	<u>374,606,142</u>	<u>358,404,640</u>
Total net assets, ending	<u>\$ 428,280,473</u>	<u>\$ 366,368,232</u>

**EXHIBIT C**

Specimen Municipal Bond Insurance Policy



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

## BOND PURCHASE AGREEMENT

\$\_\_\_\_\_ City of Fort Smith, Arkansas  
Water and Sewer Refunding Revenue  
Bonds, Series 2016

City of Fort Smith, Arkansas

November 15, 2016

Ladies and Gentlemen:

The undersigned, Stephens Inc. and Raymond James & Associates, Inc. (collectively, the "Underwriter"), hereby offers to enter into this Bond Purchase Agreement ("Agreement") with you, the City of Fort Smith, Arkansas (the "Issuer"), for the purchase by the Underwriter and the sale by you of the Bonds of the Issuer more particularly described below. Upon acceptance and approval by you this Agreement shall be in full force and effect in accordance with its terms and shall be binding upon both the Issuer and the Underwriter. The further terms of this Agreement are:

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Issuer and the Issuer hereby agrees to sell to the Underwriter the entire principal amount of an issue of bonds designated "City of Fort Smith, Arkansas Water and Sewer Refunding Revenue Bonds, Series 2016" (the "Bonds") to be issued under and secured by Ordinance No. \_\_\_\_\_ of the Issuer (the "Authorizing Ordinance") in the form heretofore delivered to us by the Issuer, with only such changes therein as shall be mutually agreed upon between the Issuer and the Underwriter.

2. The Bonds are being issued for the purpose of financing the costs of advance refunding the Issuer's Water and Sewer Revenue Bonds, Series 2007 (the "2007 Bonds") and the portion of the Issuer's Water and Sewer Refunding and Construction Revenue Bonds, Series 2008 (the "2008 Bonds") as shown on Exhibit A attached hereto (the "2008 Bonds to be Refunded"), providing a debt service reserve and paying the costs of issuing and insuring the Bonds. The Bonds shall be secured by a pledge of revenues derived from the System (the "System") (a) subordinate to the pledge in favor of a portion of the Issuer's Water and Sewer Refunding Revenue Bonds, Series 2008 that are not being refunded and (b) on a parity with the pledge in favor of the Issuer's Water and Sewer Refunding Revenue Bonds, Series 2011 (the "2011 Bonds"), the Issuer's Water and Sewer Refunding Revenue Bonds, Series 2012 (the "2012 Bonds") and the Issuer's Water and Sewer Refunding and Construction Revenue Bonds, Series 2015 (collectively with the 2011 Bonds and the 2012 Bonds, the "Parity Bonds"). Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy (the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer") simultaneously with the delivery of the Bonds.

3. The Bonds shall be dated the date of delivery to the Underwriter. Interest on the Bonds shall be payable on April 1 and October 1 of each year, commencing April 1, 2017. The Bonds shall be authorized in the aggregate principal amount, bearing interest at the rates per

annum and maturing on October 1 in each of the years and in the amounts as set forth in the schedule attached hereto, Exhibit A. BancorpSouth Bank, Stuttgart, Arkansas shall be trustee for the holders of the Bonds and paying agent (the "Trustee"). The Bonds shall be subject to redemption prior to maturity as set forth in the Authorizing Ordinance.

4. The parties hereto intend that the Bonds be issued pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), so that the interest on the Bonds will not be includable in the gross income of the recipients for federal income tax purposes, and the Bonds will be exempt from registration under the Securities Act of 1933, as amended.

5. The Underwriter hereby agrees to purchase all of the Bonds from the Issuer and the Issuer hereby agrees to sell all of the Bonds to the Underwriter at a price of \$\_\_\_\_\_ (principal amount of \$\_\_\_\_\_ less Underwriter's discount of \$\_\_\_\_\_ plus net original issue premium of \$\_\_\_\_\_). The sale and purchase of the Bonds shall take place at a closing (the "Closing") at 10:00 a.m., prevailing local time, on December 22, 2016, or at such other time or on such earlier or later date as is mutually agreed upon, and at the offices of Friday, Eldredge & Clark, LLP, 400 West Capitol Ave., Suite 2000, Little Rock, Arkansas. The Issuer will cause the Trustee to authenticate and deliver one Bond certificate per maturity registered in the name of Cede & Co., with a CUSIP number. The Issuer will cause the Trustee to either (i) deliver the Bonds to the Depository Trust Company, New York, New York ("DTC") not later than 1:15 p.m., Eastern Time, on the last business day preceding the date of Closing, with instructions to place the Bonds in safekeeping and await further instructions from the Trustee or (ii) hold the Bonds in safekeeping under procedures acceptable to DTC. At the Closing, and subject to satisfaction (or proper waiver by the Underwriter) of the conditions to its obligations to purchase the Bonds, the Underwriter will pay the purchase price of the Bonds in federal reserve funds payable to the order of the Trustee for the account of the Issuer; provided, however, that if directed by the Issuer, the premiums due the Insurer shall be paid by the Underwriter and deducted from the amount due the Trustee. Upon receipt of the purchase price the Trustee shall authorize DTC to credit the Bonds to the Underwriter's account.

6. If the Issuer fails to cause the Trustee to deliver the Bonds to DTC or hold the Bonds in safekeeping under procedures acceptable to DTC as provided herein, or if at the Closing any of the conditions specified in paragraph 9 hereof shall not have been fulfilled to the satisfaction of the Underwriter, the Underwriter may elect to be relieved of any further obligations under this Agreement without thereby waiving any other rights the Underwriter may have by reason of such failure or nonfulfillment. The Underwriter and the Issuer understand that in any of such events the actual respective expenses, costs or damages of such parties may be unequal, and any such amounts incurred by any party may be greater or may be less than those amounts incurred by any other. Accordingly, and subject to paragraph 13 hereof, such parties hereby waive any right to claim that their actual expenses, costs or damages are or will be greater than the actual expenses, costs or damages incurred or suffered by any such party, and no such party shall be entitled to claim any damages from the other.

7. The Issuer will sell the Bonds to the Underwriter and the Underwriter will make a public offering thereof in reliance upon representations and agreements herein set forth

solely pursuant to the Official Statement hereinafter described at the initial offering prices or yields set forth in the Official Statement, reserving, however, the right to change such initial offering prices as the Underwriter shall deem necessary in connection with the marketing of the Bonds. The Issuer shall deliver or cause to be delivered to the Underwriter, within seven business days after acceptance of this Agreement, a copy of the Official Statement, substantially in the form of the Preliminary Official Statement, dated November 7, 2016, relating to the Bonds (the "Preliminary Official Statement") with only such changes therein as shall be accepted by us (such Official Statement with such subsequent modifications and changes, if any, and including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto being herein called the "Official Statement"), signed on behalf of the Issuer by its Mayor. The Issuer authorizes the use of copies of the Official Statement and Authorizing Ordinance in connection with the public offering and sale of the Bonds. The Issuer ratifies the lawful use by the Underwriter prior to the date hereof of the Preliminary Official Statement.

8. In order to induce the Underwriter to enter into this Agreement and to make an offering of the Bonds, the Issuer represents to and agrees with the Underwriter that:

A. The Issuer is and will be at the Closing a duly organized and existing municipality under the Constitution and laws of the State of Arkansas (the "State") and has, and at the date of Closing will have, full legal right, power and authority (i) to enter into this Agreement, (ii) to adopt the Authorizing Ordinance, (iii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, (iv) to advance refund the Series 2007 Bonds and the 2008 Bonds to be Refunded and (v) to carry out and consummate the transactions contemplated by this Agreement, the Authorizing Ordinance and the Official Statement;

B. The Bonds will be issued pursuant to and in full compliance with the Constitution and laws of the State;

C. Both on the date hereof and at the Closing, the statements and information contained in the Official Statement will be true, correct and complete in all material respects and shall not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

D. The execution and delivery of this Agreement and the compliance with the provisions hereof under the circumstances contemplated hereby, will not in any respect conflict with, or constitute on the part of the Issuer a breach or default under any agreement or other instrument to which the Issuer is a party, or any existing law, administrative regulation, court order or consent decree to which the Issuer is subject;

E. The Issuer will not take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Authorizing Ordinance;

F. When delivered to and paid for by the Underwriter, the Bonds will have been duly authorized, executed, authenticated, issued and delivered, and will constitute valid and legally binding special obligations of the character referred to in the statutes under which issued;

G. (i) The audited financial statements of the System to be contained in the Official Statement present fairly the financial position of the System as of the date indicated and the results of its operations for the period specified, and said audited financial statements have been prepared in conformity with generally accepted accounting principles applied in all material respects on a consistent basis with respect to the period involved and there has been no material adverse change (not in the ordinary course of business) in the financial condition of the System from the most recent date so set forth; and

(ii) The unaudited financial statements of the System contained in the Official Statement present fairly the financial position of the System as of the dates indicated and the results of its operations for the periods specified, and there has been no material adverse change (not in the ordinary course of business) in the financial condition of the System from the dates so set forth;

H. The Issuer will immediately notify the Underwriter of any adverse change of a material nature in the financial condition of the System;

I. Between the date of this Agreement and the Closing, the Issuer will not, without the prior written consent of the Underwriter, issue any bonds, notes, or other obligations for borrowed money and secured by or payable from revenues derived from the operations of the System;

J. The Issuer shall enter into a Continuing Disclosure Agreement with the Trustee, as Dissemination Agent (the “Disclosure Agreement”), as required by the Securities and Exchange Commission, Rule 15c2-12 (the “Rule”) and as described in the Official Statement;

K. The Issuer is in compliance with its continuing disclosure undertakings entered into by the Issuer pursuant to the Rule in connection with other bonds issued by the Issuer, and, except for such failures to comply with continuing disclosure undertakings (for which no determination of materiality is made) as set forth in the Official Statement, the Issuer has been in compliance with its continuing disclosure undertakings in all material respects for the past five years;

L. There is no action, suit, proceeding, or investigation which has not been disclosed in the Official Statement involving the Issuer before or by any court, public board, or body pending or, to the knowledge of the Issuer, threatened wherein an unfavorable decision, ruling, or finding would: (i) affect the existence or powers of the Issuer or the titles of its officers to their respective offices, (ii) enjoin or restrain the issuance, sale, and delivery of the Bonds or the collection of any moneys or property pledged or to be pledged under the Authorizing Ordinance or the pledge thereof, (iii) in any way question or affect any of the rights, powers, duties, or obligations of the Issuer with respect to the moneys and assets pledged or to be pledged to pay the principal of and premium, if any, and interest on the Bonds, (iv) in any way question or affect any authority for the issuance of the Bonds or the validity or enforceability of the

Bonds, the Authorizing Ordinance, or any ordinance of the Issuer establishing rates to be charged for the services of the System (collectively, the “Rate Ordinances”), or (v) in any way question or affect this Agreement or the transactions contemplated hereby or by the Official Statement, the documents referred to in the Official Statement, or any other agreement or instrument to which the Issuer is a party and relating to the Bonds or the System; and

M. The Issuer will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter, as the Underwriter may reasonably request, to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate, and the Issuer will assist, if necessary therefor, in the continuance of such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Issuer shall not be required to qualify as a foreign corporation or to file any general consents to service of process under the laws of any state.

9. The Underwriter has entered into this Agreement in reliance upon the representations and agreements of the Issuer herein and the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing. The Underwriter's obligations under this Agreement are and shall be subject to the following further conditions:

A. At the Closing, the Authorizing Ordinance and the Rate Ordinances shall be in full force and effect and the Authorizing Ordinance and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriter, and the Issuer shall have duly adopted and there shall be in full force and effect such other ordinances and resolutions as, in the opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas (the “Bond Counsel”) shall be necessary in connection with the transactions contemplated hereby;

B. At the Closing the Underwriter shall receive the approving opinion, dated as of the Closing, of Bond Counsel, in customary form and content satisfactory to the Underwriter, plus all other documents, opinions and certificates reasonably required by Bond Counsel or the Underwriter to evidence (i) compliance by the Issuer with legal requirements, (ii) the truth and accuracy, as of the date of Closing, of the representations of the Issuer contained herein, (iii) the due performance or satisfaction by the Issuer at or prior to the Closing of all agreements to be performed and all conditions to be satisfied by the Issuer, (iv) the validity of the Bonds, the Disclosure Agreement, and this Agreement, and (v) the tax-exempt status of the interest on the Bonds under the Code;

C. At the Closing, the Underwriter shall receive a certificate, dated the date of the Closing, signed by the Mayor, City Clerk and City Administrator and in form and substance satisfactory to the Underwriter, to the effect that

(1) Each of the representations and warranties of the Issuer set forth herein is true and correct in all material respects as of the Closing and the Issuer has complied with each of its covenants and agreements required in this Agreement to be complied with at or prior to the Closing;

(2) There has been no material adverse change in the business, property or financial condition of the System as described in the Official Statement and, except as provided for or contemplated or described in the Official Statement, the System has not incurred any material liabilities other than in the normal course of business; and

(3) They have examined the Official Statement and, in their opinion, with respect to the System and the Issuer, the Official Statement, as of the date of Closing, does not include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

D. At or prior to the Closing, the Underwriter shall receive a consent letter or letters from BKD, LLP (the "Accountants"), in form and content satisfactory to the Underwriter;

E. At or prior to the Closing, the Trustee shall have received a parity letter from the Accountants reflecting that the test for issuing the Bonds on a parity with the Parity Bonds has been met;

F. At or prior to the Closing, the Underwriter shall receive an opinion dated the date of the Closing from Daily & Woods, P.L.L.C., Counsel to the Issuer, in such form and content satisfactory to the Underwriter;

G. At or prior to the Closing, the Disclosure Agreement shall have been executed by the Issuer and the Trustee, with only such amendments as may have been agreed to by the Underwriter;

H. At or prior to the Closing, the Trustee shall have received the Insurance Policy and a municipal bond debt service reserve insurance policy (the "Reserve Policy") from the Insurer; and

I. The Underwriter shall have received evidence that as of the Closing, the Bonds have an underlying rating of "A-" (stable outlook) from Standard & Poor's Global Ratings ("S&P") and a rating of "AA" (stable outlook) from S&P based upon the Insurance Policy.

10. The Underwriter and the Issuer shall each have the right to cancel and terminate its obligations under this Agreement at any time before Closing if any of the following occurs (except only the Underwriter may cancel under (e) below):

(a) Legislation shall have been enacted by the Congress of the United States, or adopted by or introduced in either House or any committee thereof, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or regulations shall have been proposed or made by the Treasury Department of the United States, the Internal Revenue Service or any other governmental agency with respect to

federal taxation upon revenues or other income of the general character to be derived by the Issuer or by any similar body, or upon interest received on obligations of the general character of the Bonds which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds or the market price generally of obligations of the general character of the Bonds; or

(b) Any legislation, ordinance, rule or regulation shall be enacted or be actively considered for enactment by any governmental body, department or agency of the State (excluding the Issuer), or a decision by any court of competent jurisdiction within the State shall be rendered which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(c) A stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Bonds, or of obligations of the general character of the Bonds, as contemplated hereby, is in violation of any provisions of the Securities Act of 1933, or the Trust Indenture Act of 1939; or

(d) (i) Any restriction on, or general suspension of, trading in securities on the New York Stock Exchange or any banking moratorium, or the establishment by the New York Stock Exchange, by the Securities and Exchange Commission, by any Federal or state agency, or by the decision of any court, of any limitation on prices for such trading or (ii) any new outbreak of hostilities or other national or international calamity or crisis, the effect of which on the financial markets of the United States shall be such as to make it impracticable, in the reasonable judgment of the Underwriter, for the Underwriter to enforce contracts for the sale of the Bonds; or

(e) Any event or condition which, in the judgment of the Underwriter, renders untrue or incorrect, in any material respect as of the time the same purports to speak, the information, including the financial statements, contained in the Official Statement, or which requires that information not reflected in the Official Statement should be reflected therein in order to make the statements and information contained therein not misleading in any material respect as of such time; provided the Issuer and the Underwriter will use its best efforts to amend or supplement the Official Statement to reflect, to the satisfaction of the Underwriter, such changes in or additions to the information contained in the Official Statement.

11. All notices, demands and formal actions hereunder will be in writing mailed, telegraphed or delivered to:

The Issuer: City of Fort Smith, Arkansas  
P. O. Box 1908  
Fort Smith, Arkansas 72903  
Attention: City Administrator

The Underwriter: Stephens Inc.  
111 Center Street

Little Rock, Arkansas 72201  
Attention: Public Finance

12. All representations, warranties and covenants of the Issuer contained herein shall remain operative and in full force and shall survive (a) the execution and delivery of this Agreement, (b) any investigation made by or on behalf of the Underwriter, (c) the purchase of the Bonds hereunder, and (d) any disposition of or payment for the Bonds.

13. The Underwriter shall be under no obligation to pay and the Issuer shall pay any expenses incident to the performance of its obligations hereunder including, but not limited to: (i) the cost of the preparation and distribution of this Agreement and the Authorizing Ordinance, the cost of the preparation, printing and delivery of the Bonds, and the cost of printing of the Preliminary Official Statement and the Official Statement (in such reasonable quantities as may be requested by the Underwriter); (ii) the fees and disbursements of the Accountants, Bond Counsel and any counsel to the Issuer; (iii) the fees and disbursements of any other experts or consultants retained by the Issuer; (iv) the charges for obtaining CUSIP numbers for the Bonds; (v) legal publication costs; (vi) the Trustee's authentication fee and expenses; (vii) the Underwriter's fees payable to DTC relating to the underwriting of the Bonds; (viii) other costs of the Underwriter, including ticket, day loan charges, Ipreo fees, if any, and other costs of Closing and delivering the Bonds; (ix) the premiums due the Insurer for the Reserve Policy and the Insurance Policy; and (x) rating fees of S&P.

The Underwriter shall pay: (i) the cost of the preparation and printing of any amendment or supplement to the Official Statement resulting from a determination by the Underwriter to change the initial offering prices or yields set forth in the Official Statement; and (ii) the cost of preparation of Blue Sky and Legal Investment Memoranda.

14. The Issuer covenants and agrees with the Underwriter that:

(a) It will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement or any part thereof. If between the date of this Agreement and ninety (90) days after the end of the underwriting period an event occurs which is materially adverse to the purpose for which the Official Statement is to be used and is not disclosed in the Official Statement, or if there shall exist any event which in the reasonable judgment of the Underwriter makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, the Issuer will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter, the expense of which shall be paid by the Issuer. The "end of the underwriting period" shall mean the later of (i) the Closing date, or (ii) the date the Underwriter no longer retains (directly or as a syndicate member) an unsold balance of the securities for sale to the public. The Underwriter agrees to notify the Issuer in writing when the underwriting period has ended and if no such notification is given within ninety (90) days after the Closing date, the Issuer may assume that the underwriting period ended on the Closing date;

(b) It will indemnify and hold harmless the Underwriter and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Underwriter against any and all losses, claims, damages, and liabilities of any kind, including the expenses of defense thereof, (i) arising out of any statement or information contained in the Official Statement relating to the Issuer, the Authorizing Ordinance, the Bonds, the System and use of Bond proceeds that is untrue or incorrect in any material respect or the omission from the Official Statement of any statement or information relating to the Issuer, the Bonds, the System, use of Bond proceeds and the Authorizing Ordinance, which is necessary to make the statements therein not misleading in any material respect, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Issuer (which consent shall not be unreasonably withheld). In case any claim shall be made or action brought against the Underwriter or any controlling person (as aforesaid) based upon the Official Statement, in respect of which indemnity may be sought against the Issuer, the Underwriter shall promptly notify the Issuer in writing within 15 days of the claim being received by the Underwriter, setting forth the particulars of such claim or action, and the Issuer shall assume the defense thereof, including the retaining of counsel and the payment of all expenses. The Underwriter or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the Underwriter's expense or the expense of such controlling person unless the retaining of such counsel has been specifically authorized by the Issuer. The obligations of the Issuer hereunder are limited to revenues of the System.

15. This Agreement may be executed in any number of counterparts with each executed counterpart constituting an original but all of which together shall constitute one and the same instrument.

16. This Agreement will inure to the benefit of and be binding upon the parties thereto and their successors and will not confer any rights upon any other person. This Agreement shall be governed by and construed in accordance with the laws of the State.

STEPHENS INC.  
RAYMOND JAMES & ASSOCIATES, INC.

By: STEPHENS INC.

By \_\_\_\_\_  
Authorized Signature

ACCEPTED this 15th day of November, 2016.

CITY OF FORT SMITH, ARKANSAS

By \_\_\_\_\_  
Mayor

EXHIBIT A

The following chart illustrates the current outstanding principal amount of the 2008 Bonds, the principal amount of the 2008 Bonds that will be refunded with proceeds of the Bonds (i.e., the 2008 Bonds to be Refunded) and the principal amount of the 2008 Bonds that will remain outstanding after the Bonds are issued:

<u>Maturity</u> <u>(October 1)</u>	<u>Total Principal</u> <u>Amount of</u> <u>2008 Bonds</u> <u>Outstanding</u>	<u>Principal Amount</u> <u>of 2008 Bonds</u> <u>to be Refunded</u>	<u>Principal Amount of</u> <u>2008 Bonds to</u> <u>Remain Outstanding</u> <u>After Issuance of</u> <u>the Bonds</u>
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EXHIBIT B

<u>Year (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Reoffering Yield (%)</u>
2017			
2018			
2019			
2020			
2021			
2022			
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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Fort Smith, Arkansas (the “Issuer”) and BancorpSouth Bank, Stuttgart, Arkansas (the “Trustee”) in connection with the issuance of the Issuer’s Water and Sewer Refunding Revenue Bonds, Series 2016 (the “Bonds”). The Bonds are being issued pursuant to Ordinance No. \_\_\_\_\_ of the Issuer, adopted November 15, 2016 (the “Authorizing Ordinance”). The Issuer and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Authorizing Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“Insurer” shall mean Build America Mutual Assurance Company.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Participating Underwriter” shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“System” shall mean the Issuer's water and sewer system.

SECTION 3. Provision of Annual Report. (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's fiscal year (presently December 31), commencing with the 2016 fiscal year, provide to the Insurer and to the MSRB, through its continuing disclosure service portal EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event such audited financial statements shall be submitted within 30 days of receipt thereof by the Issuer. If the fiscal year of the Issuer changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in (1) under Section 4 of this Disclosure Agreement) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB in substantially the form as prescribed by the MSRB and the Insurer.

(d) The Dissemination Agent shall file a report with the Issuer and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(1) Information of the type set forth in the Official Statement for the Bonds dated November 22, 2016 under the caption “THE SYSTEM” with respect to (i) average daily water use in gallons, maximum daily water use in gallons and total annual water use in gallons for the preceding fiscal year and the previous four fiscal years; (ii) the number of water and sewer users for the fiscal year then ended and the four previous fiscal years; and (iii) the top ten users of the

System for the previous fiscal year and a statement as to which users accounted for 5% or more of System revenues for the preceding fiscal year; and

(2) The financial statements of the System prepared in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's website or submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

#### SECTION 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the obligated person.

13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) After the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent (if other than the Issuer) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event, whether by notice from the Trustee or otherwise, the Issuer shall file (or cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Trustee may amend this Disclosure Agreement, and any provisions of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in

legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee, the Issuer or any Beneficial Owner may (and the Trustee, at the request of the Participating Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer, the Dissemination Agent or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer, the Dissemination Agent or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's negligence or omissions. The obligations of the Issuer under this Section shall survive resignation or removal of the Trustee or the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriter, the Insurer and the Beneficial Owners and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: December 22, 2016.

CITY OF FORT SMITH, ARKANSAS

By \_\_\_\_\_  
Mayor

BANCORPSOUTH BANK  
Stuttgart, Arkansas

By \_\_\_\_\_  
Authorized Officer



To: Honorable Mayor & Members of the Board of Directors  
From: Carl E. Geffken, City Administrator *Carl*  
Date: 11/15/2016  
Subject: Bond Ordinance Authorizing Series 2016 Water & Sewer Refunding Bonds

Attached to this memorandum are four items:

1. Bond Ordinance
2. Preliminary Official Statement
3. Bond Purchase Agreement
4. Continuing Disclosure Agreement.

I am requesting passage of the bond ordinance in order to authorize the sale of \$56,675,000 in Water and Sewer Refunding Bonds, Series 2016. The offering of these refunding bonds was authorized by Resolution No. R-160-16 adopted at the November 1, 2016 regular meeting and the proposed ordinance is required to authorize the refunding bonds.

These documents have been prepared for the Board's consideration by Friday, Eldredge & Clark, LLP serving as the City's bond counsel.

The ordinance presented for the Board packet is a draft and does not yet include pricing. The bonds will be priced before the end of this week and at that time the pricing will be added in the bond ordinance and documentation. The ordinance will be updated and presented to the Board at the meeting for authorization to sell the bonds at those specific prices.

Shep Russell, bond counsel, will be in attendance at the Board meeting to answer any questions the Board may have. If you have questions before the meeting, please contact me.

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P.O. Box 1908  
Fort Smith, Arkansas 72902  
(479) 785-2801  
[www.fortsmithar.gov](http://www.fortsmithar.gov)

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## ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE CERTIFYING TO THE SEBASTIAN COUNTY TAX COLLECTOR DELINQUENT PROPERTY CLEANUP LIENS**

**BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS THAT:**

**SECTION 1:** It is hereby determined by the Board of Directors that the hereinafter described properties and the amount of lien filed against each, shall be certified to the Sebastian County Tax Collector and placed on the tax books as delinquent taxes and collected accordingly. The amount of lien shown for each property shall be increased by ten percent (10%) as a penalty for collection. The amount, less three percent (3%) thereof, when so collected, shall be paid to the City by the Sebastian County Tax Collector, all in accordance with Section 16-11 of the Fort Smith Code of Ordinances:

PROPERTY OWNER	PROPERTY CLEANED	AMOUNT	ADD 10%
355 Jericho Corp.	3629 Towson	\$324.01	\$356.41
355 Jericho Corp.	3629 Towson	\$284.26	\$312.69
355 Jericho Corp.	3629 Towson	\$319.26	\$351.19
616 North 19th, LLC	616 North 19	\$283.01	\$311.31
616 North 19th, LLC	616 North 19	\$189.53	\$208.48
Allen, John E.	615 North 34	\$335.53	\$369.08
Allen, John E.	615 North 34	\$394.00	\$433.40
Ames, Thomas Dewayne	3400 Johnson	\$245.51	\$270.06
Ames, Thomas Dewayne	3400 Johnson	\$245.51	\$270.06
Ames, Thomas Dewayne	3400 Johnson	\$263.01	\$289.31
AR-NM-1103-029, LLC	3123 Kinkead	\$244.76	\$269.24
Ashworth, Chris	3408 Kinross	\$214.51	\$235.96
Avanya, Eric	1604 South "W"	\$220.51	\$242.56
Avanya, Eric	1604 South "W"	\$203.01	\$223.31
Avanya, Eric	1604 South "W"	\$216.51	\$238.16
AVS Properties	1924 Birnie Avenue	\$226.51	\$249.16
AVS Properties	1924 Birnie Avenue	\$248.01	\$272.81
AVS Properties	2109 Wirsing	\$267.01	\$293.71
AVS Properties	2109 Wirsing	\$267.01	\$293.71
AVS Properties	2109 Wirsing	\$249.51	\$274.46
AVS Properties	1417 Lyman	\$320.01	\$352.01

AVS Properties	1417 Lyman	\$228.51	\$251.36
AVS Properties	1418 South 12	\$348.53	\$383.38
AVS Properties	1418 South 12	\$1,018.01	\$1,119.81
AVS Properties	1418 South 12	\$246.01	\$270.61
AVS Properties	1418 South 12	\$232.51	\$255.76
B & O Properties, LLC	621-623 North 12	\$367.48	\$404.23
Barsh, J. A.	North 8 & North "P", 3rd lot southeast of	\$219.58	\$241.54
Beckwith, Richard	1121 North 9	\$293.85	\$323.24
Beckwith, Richard	1121 North 9	\$234.01	\$257.41
Bennett, Mary Jewell	4610 North 35	\$195.33	\$214.86
Bollman, Wayne E.	1625 North 8	\$364.91	\$401.40
Bollman, Wayne E.	1625 North 8	\$230.01	\$253.01
Bollman, Wayne E.	1625 North 8	\$229.26	\$252.19
Bollman, Wayne E.	2201 North 28	\$249.51	\$274.46
Bollman, Wayne E.	2201 North 28	\$228.01	\$250.81
Bollman, Wayne E.	2201 North 28	\$218.51	\$240.36
Bollman, Wayne E.	2201 North 28	\$223.26	\$245.59
Bollman, Wayne E.	2201 North 28	\$214.51	\$235.96
Booker, Lorraine	1421 North 21	\$274.71	\$302.18
Botello, Chad	523 North 12	\$234.01	\$257.41
Botello, Chad	523 North 12	\$238.01	\$261.81
Botello, Chad	523 North 12	\$234.01	\$257.41
Botello, Chad	523 North 12	\$234.01	\$257.41
Brannon, Floyd K. & Mildred L.	1410 North 5	\$340.01	\$374.01
Brannon, Floyd K. & Mildred L.	1410 North 5	\$343.70	\$378.07
Brannon, Floyd K. & Mildred L.	1410 North 5	\$358.26	\$394.09
Brannon, Floyd K. & Mildred L.	1410 North 5	\$288.53	\$317.38
Campbell, Vera	3608 Fischer	\$371.59	\$408.75
Campbell, Vera	3608 Fischer	\$343.85	\$378.24
Carlson, John E.	1323 Meadow Circle	\$265.99	\$292.59
Carman, Julie A.	5800 Ellsworth	\$542.49	\$596.74
Carney, Cecil	3213 Emrich	\$279.01	\$306.91
Carney, Cecil	3213 Emrich	\$274.26	\$301.69
Carney, Cecil	3213 Emrich	\$261.51	\$287.66
Carney, Cecil	3213 Emrich	\$279.01	\$306.91
Carney, Cecil	3213 Emrich	\$261.51	\$287.66
Chance, Robert E.	1448 North Greenwood	\$267.34	\$294.07

Christian Investments, Etc.	2109 Birnie	\$271.01	\$298.11
Christian Investments, Etc.	2109 Birnie	\$236.01	\$259.61
Christian Investments, Etc.	2109 Birnie	\$236.01	\$259.61
Christian Investments, Etc.	2109 Birnie	\$218.51	\$240.36
Christian Investments, Etc.	3316 Irving	\$234.01	\$257.41
Christian Investments, Etc.	3316 Irving	\$234.01	\$257.41
Christian Investments, Etc.	3316 Irving	\$216.51	\$238.16
Christian Investments, Etc.	2208 North 31, 2nd lot north of	\$258.26	\$284.09
Christian Investments, Etc.	2208 North 31, 2nd lot north of	\$249.51	\$274.46
Christian Investments, Etc.	2208 North 31, 2nd lot north of	\$232.01	\$255.21
Christian Investments, Etc.	2212 North 31	\$249.51	\$274.46
Christian Investments, Etc.	2212 North 31	\$249.51	\$274.46
Christian Investments, Etc.	2212 North 31	\$232.01	\$255.21
Christian Investments, Etc.	2212 North 31	\$214.51	\$235.96
Christian Investments, Etc.	2223 North "F"	\$307.69	\$338.46
Christian Investments, Etc.	2223 North "F"	\$203.27	\$223.60
Christian Investments, Etc.	701 North "N"	\$328.50	\$361.35
Christian Investments, Etc.	701 North "N"	\$298.68	\$328.55
Christian Investments, Etc.	701 North "N"	\$280.00	\$308.00
Christiana Bank & Trust Company	2914 North "K"	\$324.71	\$357.18
Cleveland, Sally & Jeffrey Reeves	700 South 20	\$306.01	\$336.61
Cleveland, Sally & Jeffrey Reeves	700 South 20	\$236.01	\$259.61
Cleveland, Sally & Jeffrey Reeves	700 South 20	\$240.01	\$264.01
Cole, Henry N. & Betty Jo	3417 Wirsing	\$292.64	\$321.90
Cole, Henry N. & Betty Jo	3417 Wirsing	\$277.63	\$305.39
Cole, Henry N. & Betty Jo	3417 Wirsing	\$272.64	\$299.90
Cole, Henry N. & Betty Jo	3417 Wirsing	\$272.64	\$299.90
Conley, Joseph B.	4017 Brockman	\$439.95	\$483.95
Conley, Joseph B.	4017 Brockman	\$295.50	\$325.05
Conley, Joseph B.	4017 Brockman	\$308.01	\$338.81
Cook, Keith C.	2318 North 29	\$360.43	\$396.47
Cook, Keith C.	2318 North 29	\$236.01	\$259.61
Cook, Keith C.	2318 North 29	\$240.01	\$264.01
Cox Revocable Trust, Nita Kay	3512 Fischer	\$389.88	\$428.87
Cox, Nita Kay	2800 Neis	\$1,952.92	\$2,148.21
Cox, Tony	3101 Russell	\$255.51	\$281.06
Cox, Tony	619 North 36	\$234.01	\$257.41

Cox, Tony	619 North 36	\$265.25	\$291.78
Cox, Tony	619 North 36	\$212.51	\$233.76
Cox, Tony	619 North 36	\$210.03	\$231.03
Cox, Tony	2023 North 12	\$249.51	\$274.46
Cox, Tony	2023 North 12	\$258.26	\$284.09
Cox, Tony	2023 North 12	\$267.01	\$293.71
Cox, Tony	2023 North 12	\$249.51	\$274.46
Cox, Tony	2023 North 12	\$249.51	\$274.46
Cox, Tony	3401 Eller, lot west of	\$232.01	\$255.21
Cox, Tony	3401 Eller, lot west of	\$197.01	\$216.71
Cox, Tony	3401 Eller, lot west of	\$209.76	\$230.74
Cox, Tony	2134 North 30	\$253.60	\$278.96
Cox, Tony	3600 Willow	\$246.01	\$270.61
Cox, Tony	3600 Willow	\$240.01	\$264.01
Cox, Tony	3600 Willow	\$261.51	\$287.66
Cox, Tony	3600 Willow	\$240.01	\$264.01
Cox, Tony	2917 North "L"	\$254.26	\$279.69
Cox, Tony	2917 North "L"	\$263.01	\$289.31
Cox, Tony	2917 North "L"	\$263.01	\$289.31
Cox, Tony	2917 North "L"	\$237.46	\$261.21
Crenshaw, Wesley K.	4023 Wirsing	\$246.27	\$270.90
Daniel, Stanley & Nell	2801 South 36	\$286.47	\$315.12
Davis, John Joseph dba Davis Floor	3621 Armour	\$359.63	\$395.59
Davis, John Joseph dba Davis Floor	3621 Armour	\$381.76	\$419.94
Davis, John Joseph dba Davis Floor	3621 Armour	\$329.11	\$362.02
Davis, John Joseph dba Davis Floor	3621 Armour	\$272.64	\$299.90
Dickerson, Ruth	903 North "P"	\$228.01	\$250.81
Dickerson, Ruth	903 North "P"	\$197.01	\$216.71
Dickerson, Ruth	903 North "P"	\$197.01	\$216.71
Dickerson, Ruth	903 North "P"	\$197.01	\$216.71
Dola Enterprises, LLC	3325 North 49	\$391.86	\$431.05
Dowdy, James Jr. & Angela	1906 South "N"	\$706.27	\$776.90
Drake, Harold S.	1000 North 11	\$232.01	\$255.21
Drake, Harold S.	1000 North 11	\$197.01	\$216.71
Drake, Harold S.	1000 North 11	\$214.51	\$235.96
Drake, Harold S.	1000 North 11	\$197.01	\$216.71
Dunn, Nemie A.	2012 South "T"	\$276.89	\$304.58

Evans, Elmo M.	1728 North Short 7, lot north of	\$288.51	\$317.36
Evans, Elmo M.	1728 North Short 7, lot north of	\$249.51	\$274.46
Evans, Elmo M.	1728 North Short 7, lot north of	\$232.01	\$255.21
Evans, Elmo M.	1728 North Short 7, lot north of	\$218.51	\$240.36
Federal Home Loan Mortgage Corp.	9301 Canopy Oaks	\$362.64	\$398.90
Federal Home Loan Mortgage Corp.	9301 Canopy Oaks	\$386.22	\$424.84
Federal Home Loan Mortgage Corp.	9301 Canopy Oaks	\$388.14	\$426.95
Federal Home Loan Mortgage Corp.	9301 Canopy Oaks	\$387.36	\$426.10
Fernandez, Gabriel	North 30 & "J", SE corner of	\$497.51	\$547.26
Fletcher, Brian L. & Nicole L.	3217 South 54	\$283.96	\$312.36
Freeman, Wayne G.	3016 Russell	\$276.26	\$303.89
Freeman, Wayne G.	3016 Russell	\$289.01	\$317.91
Freeman, Wayne G.	3016 Russell	\$285.33	\$313.86
Gallagher, Charles & Nancy	2405 North 31	\$259.99	\$285.99
Gallagher, Charles & Nancy	2405 North 31	\$320.49	\$352.54
Gallagher, Charles & Nancy	2405 North 31	\$263.99	\$290.39
Glass, Cecil	3400 Wirsing	\$358.01	\$393.81
Glover, H. J.	2110 North 14, lot behind	\$519.52	\$571.47
Glover, H. J.	2110 North 14, lot behind	\$240.01	\$264.01
Glover, H. J.	2110 North 14, lot behind	\$240.01	\$264.01
Glover, H. J.	2110 North 14, lot behind	\$298.68	\$328.55
Glover, H. J.	2110 North 14, lot behind	\$237.53	\$261.28
Graham, Jerry D. or Susan	908 North 34	\$191.27	\$210.40
Graham, Jerry D. or Susan	908 North 34	\$260.25	\$286.28
Gramlich, Tray & Kimberly	4504 Spradling	\$279.97	\$307.97
Griffin Family Trust, John A.	4023 North 50	\$252.33	\$277.56
Griffin, Wade Jr. & Xavier L. Sr.	2006 North 29	\$244.27	\$268.70
Guire / Foreman Family Trust	421 North 40	\$234.96	\$258.46
Guire / Foreman Family Trust	421 North 40	\$241.26	\$265.39
Guta Lands USA Dept. A	1815 North 8, lot north of	\$239.85	\$263.84
Habalow, Kai Rippy	609-611 South 17	\$218.51	\$240.36
Habalow, Kai Rippy	609-611 South 17	\$218.51	\$240.36
Habalow, Kai Rippy	609-611 South 17	\$218.51	\$240.36
Habalow, Kai Rippy	609-611 South 17	\$205.01	\$225.51
Hajbi, Seth	1621 North 8	\$273.14	\$300.45
Hamm, Joseph & Jennifer	4020 Brockman	\$790.00	\$869.00
Hands of Love, Inc.	5128 Henderson	\$327.42	\$360.16

Harwood, Ashley James	1906 North 6	\$240.01	\$264.01
Harwood, Ashley James	1906 North 6	\$222.51	\$244.76
Harwood, Ashley James	1906 North 6	\$240.01	\$264.01
HBP Property Holding, LLC	3723 Spradling	\$574.27	\$631.70
Henson, Marcia & Suzanne	1900 Johnson, lot north of	\$273.27	\$300.60
Holcome Trust, Chan	1455 North 39	\$253.51	\$278.86
Holliman, Tony	4022 Chaffee Drive	\$281.01	\$309.11
Holliman, Tony	4022 Chaffee Drive	\$224.51	\$246.96
Honey, Terry R. & Nedra L. Patterson	1810 South "T"	\$236.01	\$259.61
Honey, Terry R. & Nedra L. Patterson	1810 South "T"	\$218.51	\$240.36
Honey, Terry R. & Nedra L. Patterson	1810 South "T"	\$1,091.44	\$1,200.58
Howard Foundation, The	804 North 9	\$265.77	\$292.35
Huddleston, Charles R. & Kristine B. Cockrell	723 North 5	\$6,982.92	\$7,681.21
Huddleston, Charles R. & Kristine B. Cockrell	723 North 5	\$275.58	\$303.14
Huddleston, Charles R. & Kristine B. Cockrell	723 North 5	\$236.01	\$259.61
Hudson, Barney B.	717 North 34	\$264.50	\$290.95
Hudson, Barney B.	717 North 34	\$211.76	\$232.94
Hudson, Barney B.	717 North 34	\$199.01	\$218.91
Hudson, James & Janet	705 North 8, lot north of	\$286.27	\$314.90
Hurshuajer, Mengkou	1901 Wirsing	\$306.01	\$336.61
Inetta, Fryar	1717 North "F"	\$350.20	\$385.22
Izom Estates, N.A.	2213 North "R"	\$250.76	\$275.84
Izom Estates, N.A.	2213 North "R"	\$263.51	\$289.86
Izom Estates, N.A.	2213 North "R"	\$259.51	\$285.46
Izom Estates, N.A.	2213 North "R"	\$233.26	\$256.59
Izom Estates, N.A.	2213 North "R"	\$242.25	\$266.48
Izom Estates, N.A.	4710 Mussett	\$212.51	\$233.76
Izom Estates, N.A.	4710 Mussett	\$207.76	\$228.54
Izom Estates, N.A.	4710 Mussett	\$212.51	\$233.76
Izom Estates, N.A.	4710 Mussett	\$199.01	\$218.91
James, Ora R. & Edward	2002 North 14	\$232.01	\$255.21
James, Ora R. & Edward	2002 North 14	\$271.01	\$298.11
James, Ora R. & Edward	2002 North 14	\$232.01	\$255.21
James, Ora R. & Edward	2002 North 14	\$232.01	\$255.21
James, Ora R. & Edward	2002 North 14	\$227.26	\$249.99
Johnson, Jeffrey Allen	3515-3517 Barry	\$308.68	\$339.55
Johnson, Steven J. & Joni M.	3808 Park	\$208.01	\$228.81

Johnson, Steven J. & Joni M.	602 North 16	\$283.99	\$312.39
Johnson, Steven J. & Joni M.	602 North 16	\$335.01	\$368.51
Johnson, Steven J. & Joni M.	602 North 16	\$258.49	\$284.34
Johnson, Steven J. & Joni M.	608 North 16	\$516.49	\$568.14
Johnson, Steven J. & Joni M.	608 North 16	\$3,708.96	\$4,079.86
Johnson, Steven J. & Joni M.	611 North 17	\$316.95	\$348.65
Johnson, Steven J. & Joni M.	611 North 17	\$256.49	\$282.14
Johnson, Steven J. & Joni M.	605 North 17, lot south of	\$214.25	\$235.68
KAMAL-U Properties	3008 Russell	\$278.00	\$305.80
KAMAL-U Properties	3008 Russell	\$251.51	\$276.66
KAMAL-U Properties	3008 Russell	\$273.01	\$300.31
KAMAL-U Properties	3008 Russell	\$251.51	\$276.66
KAMAL-U Properties	3008 Russell	\$235.01	\$258.51
KAMAL-U Properties	1809 North 14	\$267.01	\$293.71
KAMAL-U Properties	1809 North 14	\$271.01	\$298.11
KAMAL-U Properties	1809 North 14	\$253.51	\$278.86
KBS General Maintenance Group, LLC	508 North 5	\$230.51	\$253.56
KBS General Maintenance Group, LLC	1834 North 13	\$271.51	\$298.66
KBS General Maintenance Group, LLC	1834 North 13	\$250.01	\$275.01
KBS General Maintenance Group, LLC	1834 North 13	\$246.01	\$270.61
KBS General Maintenance Group, LLC	1834 North 13	\$250.01	\$275.01
KBS General Maintenance Group, LLC	1700 South 11	\$446.27	\$490.90
Kinnard, Mark D.	1019 North 7	\$386.22	\$424.84
Kirkham, Rose	3308 Irving	\$332.75	\$366.03
Kirkham, Rose	3308 Irving	\$242.01	\$266.21
Kranc, Steve L.	1410 Lexington	\$729.32	\$802.25
Kursh, Velma	714 North 8	\$363.89	\$400.28
Kuykendall, Braden & Jennifer	4210 Virginia	\$386.09	\$424.70
Lamb, Timothy Owen	4315 South 19	\$280.00	\$308.00
Lend A Hand, Inc.	2804 Neis	\$202.01	\$222.21
Lop Land Trust c/o Jeremy Weaver	1200 Block of North 4	\$373.33	\$410.66
Lop Land Trust c/o Jeremy Weaver	3400 Johnson	\$232.27	\$255.50
Maida, Dominick & Dorthy Marie	3827 Mary	\$279.01	\$306.91
Maida, Dominick & Dorthy Marie	3827 Mary	\$321.27	\$353.40
Maida, Dominick & Dorthy Marie	3827 Mary	\$230.51	\$253.56
Marsalis, Frances A.	615 North 18	\$242.01	\$266.21
Marsalis, Frances A.	615 North 18	\$242.01	\$266.21

Martin, Wesley E. & Wife	1918 South "P"	\$218.51	\$240.36
Martin, Wesley E. & Wife	1918 South "P"	\$244.01	\$268.41
Martin, Wesley E. & Wife	1918 South "P"	\$240.01	\$264.01
Martinez, Pantaleon & Amanda	3408 Newlon	\$271.01	\$298.11
Martinez, Pantaleon & Amanda	3408 Newlon	\$261.51	\$287.66
Lofton, Missy J.	2200 North "R"	\$238.26	\$262.09
Mays, Warner Jr.	1710 North "J"	\$257.51	\$283.26
Mays, Warner Jr.	1710 North "J"	\$3,104.40	\$3,414.84
McClendon, Curtis	1631 North 8	\$283.95	\$312.35
Miller, Vernon	1428 North 35	\$347.20	\$381.92
Miller, Vernon	1428 North 35	\$278.08	\$305.89
Monasco, Ronald L.	2100 Pryor	\$441.51	\$485.66
Monasco, Ronald L.	2100 Pryor	\$281.01	\$309.11
Monasco, Ronald L.	2100 Pryor	\$275.51	\$303.06
Money in the Bank, Inc. Trustee	4226 Spradling	\$469.88	\$516.87
Money in the Bank, Inc. Trustee	4226 Spradling	\$308.99	\$339.89
Money in the Bank, Inc. Trustee	4226 Spradling	\$306.49	\$337.14
Moore, Cynthia	2911 North Albert Pike	\$357.49	\$393.24
Moore, Cynthia	2911 North Albert Pike	\$283.49	\$311.84
Moore, Cynthia	2911 North Albert Pike	\$292.37	\$321.61
Moore, Cynthia	2911 North Albert Pike	\$283.49	\$311.84
Moore, Gemes C. & Anita L.	1416 May	\$257.20	\$282.92
Moore, James E. & Irma	1114 South 9	\$326.01	\$358.61
Moore, Larry Don	540 North 35	\$277.01	\$304.71
Nguyen, Hoi Ta & Thanh	3501 Kelley Highway	\$232.48	\$255.73
Nguyen, Hoi Van Ta & Thanhloanth	2800 Alabama	\$152.33	\$167.56
Nguyen, Thanh Sai	4405 Howell	\$264.05	\$290.46
Nichols, Drake	601 North 18	\$199.01	\$218.91
Nichols, Drake	601 North 18	\$207.76	\$228.54
ODOG-WU Ozara Investments	920 North 5	\$290.51	\$319.56
ODOG-WU Ozara Investments	920 North 5	\$238.01	\$261.81
ODOG-WU Ozara Investments	920 North 5	\$259.51	\$285.46
ODOG-WU Ozara Investments	920 North 5	\$268.26	\$295.09
ODOG-WU Ozara Investments	2012 North Short 15	\$267.01	\$293.71
ODOG-WU Ozara Investments	2012 North Short 15	\$249.51	\$274.46
Pacheco, Tammy & Eva Huerta	3422 Grand	\$364.66	\$401.13
Pamco Enterprises	916 North 11	\$353.14	\$388.45

Paul, Mary Joyce	4700 Mussett	\$606.86	\$667.55
Pham, Trinh Nguyen Dang	1924 Birnie, lot west of	\$232.01	\$255.21
Pham, Trinh Nguyen Dang	1924 Birnie, lot west of	\$232.01	\$255.21
Pham, Trinh Nguyen Dang	1924 Birnie, lot west of	\$227.52	\$250.27
Phovong, Daoleuang & Angela K.	1323 North 37	\$287.49	\$316.24
Phovong, Daoleuang & Angela K.	1323 North 37	\$336.12	\$369.73
Phovong, Daoleuang & Angela K.	1323 North 37	\$265.99	\$292.59
Poole, Alfred & Thelm	2308 North 27	\$306.01	\$336.61
Pyles, Keith W.	919 North 34	\$591.63	\$650.79
Reinschmiedt, Phillip	1020 North 46	\$228.01	\$250.81
Reinschmiedt, Phillip	1020 North 46	\$283.93	\$312.32
Reinschmiedt, Phillip	1020 North 46	\$271.39	\$298.53
Reinschmiedt, Phillip	1020 North 46	\$197.01	\$216.71
Reyna, Juan & Yolonda	1422 North 19	\$219.55	\$241.51
Richmond, Kathy / R. Ray Fulmer II Trustee	609 North 22	\$224.51	\$246.96
Richmond, Kathy / R. Ray Fulmer II Trustee	609 North 22	\$195.01	\$214.51
Richmond, Kathy / R. Ray Fulmer II Trustee	609 North 22	\$203.76	\$224.14
Richmond, Kathy / R. Ray Fulmer II Trustee	609 North 22	\$216.51	\$238.16
Richmond, Kathy / R. Ray Fulmer II Trustee	609 North 22	\$216.51	\$238.16
Rivera, Michael	2030 North 14	\$457.09	\$502.80
Rivera, Michael	2030 North 14	\$238.01	\$261.81
Rivera, Michael	2030 North 14	\$241.80	\$265.98
Rivera, Michael	2030 North 14	\$199.01	\$218.91
Robson, Imogene L.	1215 Burnham	\$600.01	\$660.01
Roe, Frank Aaron & Harlana	10310 Meandering Way	\$210.48	\$231.53
Rowe, Jonathan S.	812 North 21	\$313.00	\$344.30
Rowland, Richard & Rhonda	7813 Joseph	\$864.49	\$950.94
Rucker, William & Juliet	1805 South "F"	\$260.40	\$286.44
Salgado, Rosa Maria	823 North 36	\$168.01	\$184.81
Salgado, Rosa Maria	823 North 36	\$228.51	\$251.36
Sammons, Johnathon K.	709 North 35	\$379.93	\$417.92
Sammons, Johnathon K.	709 North 35	\$216.51	\$238.16
Sammons, Johnathon K.	709 North 35	\$231.76	\$254.94
Sammons, Johnathon K.	1017 North 40	\$288.46	\$317.31
Sanders, Darlene	1901 North 7	\$231.27	\$254.40
Sandpiper Assests, LLC	2144 North 13	\$360.97	\$397.07
Sandpiper Assests, LLC	2144 North 13	\$244.76	\$269.24

Sandpiper Assests, LLC	2144 North 13	\$236.01	\$259.61
Sandpiper Assests, LLC	2144 North 13	\$201.01	\$221.11
Saunders, Robert E. Jr.	1416 North 5	\$240.01	\$264.01
Saunders, Robert E. Jr.	1416 North 5	\$222.51	\$244.76
Saunders, Robert E. Jr.	1416 North 5	\$218.51	\$240.36
Saunders, Robert E. Jr.	1416 North 5	\$218.51	\$240.36
Saunders, Robert E. Jr.	922 North 6	\$224.99	\$247.49
Saunders, Robert E. Jr.	922 North 6	\$238.49	\$262.34
Saunders, Robert E. Jr.	922 North 6	\$229.75	\$252.73
Saunders, Robert E. Jr.	922 North 6	\$238.49	\$262.34
Schuman, F.- R. Kaye Company	1915 North 6, lot south of	\$287.20	\$315.92
Schuman, F.- R. Kaye Company	1915 North 6, lot south of	\$238.01	\$261.81
Schuman, F.- R. Kaye Company	1915 North 6, lot south of	\$238.01	\$261.81
Schuman, F.- R. Kaye Company	2030 North 14, lot south of	\$244.25	\$268.68
Schuman, F.- R. Kaye Company	2030 North 14, lot south of	\$255.70	\$281.27
Schuman, F.- R. Kaye Company	2030 North 14, lot south of	\$201.01	\$221.11
Schuman, F.- R. Kaye Company	2030 North 14, lot south of	\$205.76	\$226.34
Schuman, F.- R. Kaye Company	2030 North 14, lot south of	\$197.01	\$216.71
Secretary of Housing & Urban Development	2128 North 53	\$290.51	\$319.56
Secretary of Housing & Urban Development	2128 North 53	\$273.01	\$300.31
Secretary of Housing & Urban Development	2128 North 53	\$284.78	\$313.26
Secretary of Housing & Urban Development	2128 North 53	\$242.01	\$266.21
Secretary of Housing & Urban Development	2128 North 53	\$242.01	\$266.21
Secretary of Housing & Urban Development	3224 Oak Grove	\$263.51	\$289.86
Secretary of Housing & Urban Development	3224 Oak Grove	\$281.01	\$309.11
Senior Care Property Partners, LP	3612 Park	\$416.69	\$458.36
Sequoyah Energy IBC, Inc.	1424 North 19	\$317.70	\$349.47
Sequoyah Energy IBC, Inc.	1424 North 19	\$226.22	\$248.84
Sexton, Harvey J.	3643 Wilma	\$578.88	\$636.77
Sexton, Julie Karen et al	1901 South "Y"	\$308.51	\$339.36
Sexton, Julie Karen et al	1901 South "Y"	\$270.26	\$297.29
Sexton, Julie Karen et al	1901 South "Y"	\$270.26	\$297.29
Sexton, Julie Karen et al	1901 South "Y"	\$261.51	\$287.66
Skulman, Robert & Shirley Wade	606 North 12	\$245.24	\$269.76
Skulman, Robert & Shirley Wade	606 North 12	\$236.49	\$260.14
Skulman, Robert & Shirley Wade	606 North 12	\$218.99	\$240.89
Skulman, Robert & Shirley Wade	606 North 12	\$206.03	\$226.63

Skulman, Robert & Shirley Wade	920 North 6	\$240.49	\$264.54
Skulman, Robert & Shirley Wade	920 North 6	\$236.49	\$260.14
Skulman, Robert & Shirley Wade	920 North 6	\$236.49	\$260.14
Skulman, Robert & Shirley Wade	920 North 6	\$227.74	\$250.51
Skulman, Robert & Shirley Wade	920 North 6	\$236.49	\$260.14
Smart, Shawna A.	3004 Alabama	\$226.51	\$249.16
Smart, Shawna A.	3004 Alabama	\$249.97	\$274.97
Smart, Shawna A.	3004 Alabama	\$261.64	\$287.80
Smart, Shawna A.	3004 Alabama	\$235.26	\$258.79
Smart, Shawna A.	3004 Alabama	\$244.01	\$268.41
Smith, Chelsea K.	1319 North 38	\$239.48	\$263.43
Smith, James W.	3407 Gary	\$300.75	\$330.83
Smith, James W.	3407 Gary	\$244.01	\$268.41
Smith, James W.	3407 Gary	\$244.01	\$268.41
Smith, Larry Dale	7901 Joseph	\$281.01	\$309.11
Smith, Larry Dale	7901 Joseph	\$263.51	\$289.86
Smith, Larry Dale	7901 Joseph	\$259.51	\$285.46
Smith, Larry Dale	7901 Joseph	\$242.01	\$266.21
Smith, Michael	1725 North 13	\$271.01	\$298.11
Smith, Michael	1725 North 13	\$236.01	\$259.61
Smith, Steve	3112 North 27	\$272.99	\$300.29
Smith, Steve	3112 North 27	\$259.49	\$285.44
Smith, Steve	3112 North 27	\$241.99	\$266.19
South Town Holdings, LLC	4820 South 32	\$350.78	\$385.86
South Town Holdings, LLC	4820 South 32	\$243.91	\$268.30
Spence, Willie & Shirley	2209 Birnie	\$356.45	\$392.10
Spence, Willie & Shirley	2209 Birnie	\$286.00	\$314.60
Spence, Willie & Shirley	2209 Birnie	\$246.10	\$270.71
Spence, Willie & Shirley	2209 Birnie	\$246.01	\$270.61
Stewart, Phillip A. & Janice	3222 Blair	\$241.61	\$265.77
Stewart, Phillip A. & Janice	3222 Blair	\$241.61	\$265.77
Stewart, Phillip A. & Janice	3222 Blair	\$241.61	\$265.77
Stewart, Phillip A. & Janice	3222 Blair	\$276.64	\$304.30
Stewart, Phillip A. & Janice	3222 Blair	\$272.61	\$299.87
Sullivan, Nathan D. & Nell R.	3501 North 27	\$453.26	\$498.59
Sullivan, Nathan D. & Nell R.	3501 North 27	\$281.49	\$309.64
Sullivan, Nathan D. & Nell R.	3501 North 27	\$267.99	\$294.79

Sullivan, Nathan D. & Nell R.	3501 North 27	\$250.49	\$275.54
Swearingen, Patricia	600 North 17	\$262.45	\$288.70
Swearingen, Patricia	600 North 17	\$850.53	\$935.58
Swearingen, Patricia	600 North 17	\$3,958.92	\$4,354.81
Swinton, Trina & Raymond	1732 North 12	\$3,193.97	\$3,513.37
Taft, Charles & Kendard E.	811 North "F"	\$381.01	\$419.11
Taft, Charles & Kendard E.	811 North "F"	\$543.37	\$597.71
Taft, Charles & Kendard E.	811 North "F"	\$277.51	\$305.26
Taft, Charles & Kendard E.	811 North "F"	\$298.26	\$328.09
Tanner, Minnie	2145 North 30	\$255.99	\$281.59
Tanner, Minnie	2145 North 30	\$220.99	\$243.09
Tanner, Minnie	2145 North 30	\$238.49	\$262.34
Taylor, Roberta	2310 North 31	\$232.01	\$255.21
Taylor, Roberta	2310 North 31	\$241.00	\$265.10
Taylor, Roberta	2310 North 31	\$197.01	\$216.71
Taylor, Roberta	2310 North 31	\$197.01	\$216.71
Thompson, Eric	3712 Spradling	\$257.77	\$283.55
Tidwell Trust, Charles W. & Reba C.	809 North 6	\$216.90	\$238.59
Townley, Michael R. or Amanda	611 North 34	\$230.77	\$253.85
US Bank, N.A.	1801 North Short "L"	\$235.52	\$259.07
US Land & More	3226 Neis	\$271.01	\$298.11
US Land & More	3226 Neis	\$261.51	\$287.66
US Land & More	3226 Neis	\$218.51	\$240.36
US Land & More	700 North 9	\$271.01	\$298.11
US Land & More	700 North 9	\$218.51	\$240.36
US Land & More	700 North 9	\$248.18	\$273.00
US Land & More	1023 South 22	\$232.01	\$255.21
US Land & More	1023 South 22	\$232.01	\$255.21
US Land & More	1023 South 22	\$232.01	\$255.21
US Land & More	1023 South 22	\$214.51	\$235.96
US Land & More	913 North 7	\$286.00	\$314.60
US Land & More	913 North 7	\$253.75	\$279.13
US Land & More	913 North 7	\$236.01	\$259.61
US Land & More	2908 North "L"	\$249.87	\$274.86
US Land & More	1801 Wirsing	\$316.71	\$348.38
Vaughn, Ronald D.	4808 Arlington	\$286.64	\$315.30
Vaughn, Ronald D.	4808 Arlington	\$261.14	\$287.25

Vaughn, Ronald D.	4808 Arlington	\$222.14	\$244.35
Vega, Juan	2821 Alabama	\$383.62	\$421.98
Vernon, Richard Z. & Thomas G.	2720 North "O"	\$265.51	\$292.06
Vernon, Richard Z. & Thomas G.	2720 North "O"	\$314.01	\$345.41
Vernon, Richard Z. & Thomas G.	2720 North "O"	\$331.48	\$364.63
Vernon, Richard Z. & Thomas G.	2720 North "O"	\$296.51	\$326.16
Volavong, Boulith	3224 Oak Grove	\$339.99	\$373.99
Volavong, Boulith	3224 Oak Grove	\$269.99	\$296.99
Wallace, Thomas S. & Doris L.	431 May	\$414.49	\$455.94
Weare, Robert H.	3015 Alabama	\$74.99	\$82.49
Weare, Robert H.	3015 Alabama	\$88.49	\$97.34
Weare, Robert H.	3015 Alabama	\$136.48	\$150.13
Weare, Robert H.	3015 Alabama	\$88.49	\$97.34
Weare, Robert H.	3015 Alabama	\$109.99	\$120.99
Webster, Cheryl	9101 Royal Ridge Drive	\$429.37	\$472.31
Webster, Cheryl	9101 Royal Ridge Drive	\$291.01	\$320.11
Wells, Robert C. & Kara Lea	2801 South 16	\$325.11	\$357.62
West, Linda J.	3925 High	\$286.51	\$315.16
West, Linda J.	3925 High	\$367.20	\$403.92
West, Linda J.	3925 High	\$234.01	\$257.41
Westbrook, Rena	103 North 16	\$245.58	\$270.14
Wiclabi Enterprises, Inc.	701 North 20	\$288.46	\$317.31
Wilkerson, Edward D.	6001 Bolton	\$557.12	\$612.83
Wilkerson, Edward D.	6001 Bolton	\$348.72	\$383.59
Wilkerson, Edward D.	6001 Bolton	\$328.01	\$360.81
Wilkerson, Edward D.	6001 Bolton	\$267.51	\$294.26
Wilkins, Darrel G. Jr.	4204 South 17	\$237.01	\$260.71
Williams, Elizabeth A.	1217 North 41	\$323.48	\$355.83
Williams, Elizabeth A.	1217 North 41	\$239.74	\$263.71
Williams, Elizabeth A.	1217 North 41	\$300.99	\$331.09
Williams, Hersel E. & Dorothy E.	1217 North 5	\$327.52	\$360.27
Wilson, Diane J.	4516 Spradling	\$294.75	\$324.23
Wilson, Diane J.	4516 Spradling	\$277.01	\$304.71
Wilson, Diane J.	4516 Spradling	\$273.01	\$300.31
Woodson, Stephen D. & Cynthia A.	8915 Gary	\$710.27	\$781.30
		<b>\$151,431.38</b>	<b>\$166,574.52</b>

**SECTION 2:** The provisions of this ordinance are hereby declared to be severable to the extent that a decision by any court of competent jurisdiction determining that any portion of this ordinance or any application thereof is unconstitutional, invalid or otherwise illegal shall not affect the constitutionality, validity or legality of the other provisions and/or applications of the ordinance.

**PASSED AND APPROVED** this 15th day of November, 2016.

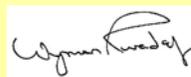
**APPROVED:**

\_\_\_\_\_  
**MAYOR**

**ATTEST:**

\_\_\_\_\_  
**CITY CLERK**

*Approved as to form:*



\_\_\_\_\_  
*Publish one time*

# MEMORANDUM

**TO:** Carl Geffken, City Administrator  
**FROM:** Sherri Gard, City Clerk  
**DATE:** November 10, 2016  
**RE:** Certification of Delinquent Property Cleanup Liens

The attached ordinance certifies to the Sebastian County Tax Collector a total of \$166,574.52 in delinquent property cleanup liens associated with those properties abated or structures demolished by the City of Fort Smith. Each lien includes a 10% penalty. There are 463 delinquent liens included within the ordinance involving 165 property owners and 201 properties.

In 2015, the proposed ordinance included 393 delinquent liens totaling \$146,911.88 for certification to the Sebastian County Tax Collector. Due to payments received soon after adoption of the ordinance at the November 17, 2015 regular meeting, there were actually 381 delinquent liens totaling \$142,990.21 certified to the Sebastian County Tax Collector.

## **PROPERTY OWNERS APPEAL BOARD HEARINGS**

Hearings before the Property Owners Appeal Board (POAB) were held on September 26<sup>th</sup> and 28<sup>th</sup> in the Bartlett Community Room at the Fort Smith Police Department. Notification of the hearings was by certified mail and publication in the Times Record. Five (5) property owners presented appeals at the aforementioned public hearings; however, one (1) of the appeals was tabled pending a legal review whereby such was considered at the POAB meeting on October 10, 2016. At the aforementioned meeting, one (1) additional property owner, who was unable to attend the public hearings in September, also presented an appeal. The draft minutes of both the September public hearings and the October 10, 2016 meeting are attached; however, below is a summary of actions taken by the POAB:

<b><u>APPEAL DATE</u></b>	<b><u>PROPERTY</u></b>	<b><u>DATE CLEANED</u></b>	<b><u>ORIGINAL LIEN AMOUNT</u></b>	<b><u>POAB ACTION TAKEN</u></b>
9/26/16	4210 Virginia	October 3, 2015	\$ 386.09	No reduction-due in full
9/26/16	604 North 13 <sup>th</sup> Street	February 5, 2016	\$ 244.53	Reduced to \$158.75
9/26/16	809 North 6 <sup>th</sup> Street	February 18, 2016	\$ 216.90	No reduction-due in full
9/28/16	4020 Brockman	June 9, 2015	\$ 850.01	Reduced to \$790.00
10/10/16	4305 Kelley Highway	June 8, 2015	\$ 940.01	Waived in its entirety
10/10/16	3001 Hardie Avenue	December 1, 2015	\$2,266.27	No reduction-due in full

## **NOVEMBER 15<sup>th</sup> BOARD OF DIRECTORS MEETING**

As required by law, notice of the public hearing was provided to the property owners by certified mail and publication in the Times Record four (4) consecutive weeks prior to the meeting. As of this date, two (2) property owners have indicated they will be in attendance. Neighborhood Services staff and several members of the Property Owners Appeal Board will be present to answer any questions.

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If a property owner attends the November 15<sup>th</sup> regular meeting to appeal a delinquent lien included in the proposed ordinance and the Board wishes to refer the matter to the Property Owners Appeal Board, such will be scheduled for 11:00 a.m., Monday, December 12, 2016 in the City of Fort Smith Offices, 623 Garrison Avenue, Planning Conference Room, Room 326.

Upon approval of the ordinance, a copy will be forwarded to the tax collector, and the liens will be placed on the tax records for the year 2016 (for collection in 2017).

In the event any lien has been paid in full, the motion for approval should include a provision to allow the removal of said lien(s) from the ordinance prior to formal submission to the Sebastian County Tax Collector.

If you or members of the Board have any questions prior to the meeting, please let me know.

## **MINUTES OF PROPERTY OWNERS APPEAL BOARD HEARINGS**

**SEPTEMBER 26 and 28, 2016 ~ 6:00 P.M.**

### **FORT SMITH POLICE DEPARTMENT ~ BARTLETT COMMUNITY ROOM**

The hearings were held to allow delinquent property owners an opportunity to be heard regarding charges by the City for abatement costs and who feel they have been wrongly charged. Notice of the hearings was published in the Times Record on Wednesday, August 22, 2016. Certified letters dated August 9, 2016 were also mailed to each property owner of record for each notified of the violation.

#### **MONDAY, SEPTEMBER 26, 2016**

The hearing was called to order by Chairperson Karen Lewis, presiding. The following remaining members of the Property Owners Appeal Board (POAB) were also present: Scott Monroe, Megan Raynor, Joel Culberson and Dennis Shaeffer. A quorum was declared.

City staff in attendance were City Clerk Sherri Gard, Building Official Jimmie Deer, Neighborhood Services Supervisor Rick Ruth, and Inspectors Dean Polk, Scott Hamilton, Alex Marshall and William Gordon.

Chairperson Lewis stated the purpose of the hearings, and then each member of the POAB introduced themselves and advised how long they have been property owners in Fort Smith. She further noted that appeal of any decision made by the POAB may be appealed to the Fort Smith Board of Directors at a public hearing, which is scheduled for 6:00 p.m., Tuesday, November 15, 2016 at the Fort Smith Public Schools Service Center, 3205 Jenny Lind Road.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

Neighborhood Services Inspector Scott Hamilton addressed the POAB advising there are several appeals on the agenda that were originally inspected by Inspector Brandon Haynes, who is no longer with Neighborhood Services. Due to such, he will present all pertinent information regarding properties originally inspected by Mr. Haynes.

The agenda consisted of multiple property owners wishing to appeal delinquent property cleanup liens and addressed the POAB as follows:

**1. Mark Kuykendall  
Fort Smith, Arkansas**

**Property: 4210 Virginia  
Owner(s): Braden & Jennifer Kuykendall  
Cleaned: October 3, 2015  
Amount: \$386.09**

Inspector Scott Hamilton presented videos of inspections, before & after pictures of the subject cleaning, and reviewed the property file as provided below:

- ▶ Violations were noted while working complaints in the area.
- ▶ August 3, 2015  
Inspector Brandon Haynes posted a 7 DAY CLEAN-UP WARNING notice on the property for Indoor Furniture, Open Storage and Trash & Debris.
- ▶ August 4, 2015  
The office staff verified the owner through the County Assessor’s website. A copy of the Warning along with a cover letter was sent by first-class mail to Braden & Jennifer Kuykendall, 3117 South 99th Street, Fort Smith, AR 72903.
- ▶ August 13, 2015  
Upon re-inspection, the property remained in violation and a legal search was requested. Arkansas State Statute A.C.A. 14-54-903(c)(7)(A) requires that any lienholders be given 7 days notice prior to undertaking any work on a property. A legal search was performed and no lien holders were found.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

- ▶ August 14, 2015  
A certified letter was mailed to the owners with copies of the Warning and the cover letters. The United States Postal Service (USPS) left notices for the letter on August 17, 2015 and September 5, 2015. On September 8, 2015, the letter was returned to the City marked “Unclaimed.” The posting on the property and sending of the certified letter met the requirements of legal notice.
  
- ▶ September 15, 2015  
The property was re-inspected and remained in violation; therefore, the violations were documented for assignment to a contractor for abatement.
  
- ▶ October 3, 2015  
The violations were abated by the contractor.
  
- ▶ Abatement costs and associated fees were assessed as follows:

\$175.00	Labor Charges
46.00	Photo Charges
13.08	Landfill Charges
<u>152.01</u>	Administrative Fees
\$386.09	Total

Mr. Mark Kuykendall addressed the POAB citing the subject location is a rental property and alleged he couldn’t go onto the property until the tenant vacated the premises. He further alleged he talked to the inspector and agreed to get the work done; however, upon his arrival, the City’s contractor had already completed the work.

There was brief discussion among the POAB with Chairperson Lewis acknowledging the timeframe from the first inspection to actual abatement of the violations, i.e. August 3, 2015 - October 3, 2015. Even though the certified letter was returned Unclaimed, Mr. Kuykendall conceded he was aware of the violations; however, the violations were not abated by the property owner in a timely manner, which left the City with no recourse but to proceed.

Due to Mr. Kuykendall’s indication that he spoke with the inspector, Mr. Monroe inquired if staff consistently works with property owners to allow them to abate the violations themselves.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

Inspector Hamilton confirmed staff will often times work with the property owner to allow them to abate the violations. In this case, the file indicates contact was made with Mr. Kuykendall, who conveyed his willingness to clean the property; however, upon re-inspection, the City moved forward with abatement because the violations remained. If no contact was made, much assurance was conveyed that the property would've been cleaned long before October 3<sup>rd</sup>.

**POAB Action ~ 4210 Virginia**

Shaeffer, seconded by Raynor, moved that the subject lien remain due and payable in full (\$386.09) and said amount be forwarded to the Sebastian County Tax Collector for placing on the tax records. The members all voted aye, Chairperson Lewis declared the motion carried.

**2. Brenda (Howard) Parrish  
Fort Smith, Arkansas**

**Property: 604 North 13<sup>th</sup> Street**  
**Owner(s): Brenda Howard**  
**Cleaned: February 5, 2016**  
**Amount: \$244.53**

Inspector Scott Hamilton presented videos of inspections, before & after pictures of the subject cleaning, and reviewed the property file as provided below:

- ▶ A complaint was received about the condition of the property.
- ▶ January 6, 2016  
Inspector Brandon Haynes posted a 7 DAY CLEAN-UP WARNING notice on the property for Open Storage and Trash & Debris.
- ▶ January 7, 2016  
The office staff verified the owner through the County Assessor's website. A copy of the Warning along with a cover letter was sent by first-class mail to Brenda Faye Howard, 604 North 13th Street, Fort Smith, AR 72901.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

- ▶ January 14, 2016  
Upon re-inspection, the property remained in violation and a legal search was requested. Arkansas State Statute A.C.A. 14-54-903(c)(7)(A) requires that any lienholders be given 7 days notice prior to undertaking any work on a property. A legal search was performed which showed MERS as a lienholder.
  
- ▶ January 15, 2016  
Certified letters were mailed to Ms. Howard and MERS with copies of the Warning and the cover letters. The owners letter was signed for by Brenda Davis(?) on January 19, 2016 and the lienholders letter was signed for by William E. Barr. The posting on the property and sending of the certified letters met the requirements of legal notice.
  
- ▶ February 1, 2016  
The property remained in violation; therefore, the violations were documented for assignment to a contractor for abatement.
  
- ▶ February 5, 2016  
The violations were abated by the contractor.
  
- ▶ Abatement costs and associated fees were assessed as follows:

\$ 61.25	Labor Charges
6.00	Photo Charges
8.27	Landfill Charges
<u>169.01</u>	Administrative Fees
\$244.53	Total

Mrs. Brenda (Howard) Parrish addressed the POAB alleging her son “*worked all night*” to get the property cleaned with only the shingles left to remove, which he planned to remove the following morning. Her son got up early to complete the work and soon thereafter, the contractor arrived and offered to take the remaining shingles, which she alleged was “*2 shovels full.*” Mrs. Parrish conceded that her son allowed the contractor to take the shingles, but objects to the amount charged when her son advised the contractor was “*only there five (5) minutes.*”

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

There was brief discussion among the POAB whereby the members compared the inspection video to the before & after pictures provided by the contractor. It was determined the property owner accomplished abatement of all violations, with exception of the aforementioned shingles as conveyed by Mrs. Parrish. Due to such, the POAB requested a more detailed breakdown of all charges.

Inspector Hamilton noted the contractor indicated it took him 1.75 hours to abate the violation, i.e. one (1) hour at the property and forty-five (45) minutes to take the shingles to the landfill ( $\$35.00 \text{ per hour} \times 1.75 \text{ hours} = \$61.25$ ). With regard to the \$169.01 administrative fees, \$109.48 is for Neighborhood Services and the remaining \$59.53 is for the Finance Department.

**POAB Action ~ 604 North 13<sup>th</sup> Street**

Monroe, seconded by Shaeffer, moved to reduce the labor charge to \$35.00, which provides for a total labor charge of one (1) hour, and waive \$59.53 for the Finance Department administrative fee. Such adjusts the total amount due to \$158.75. The motion included that same be forwarded to the Sebastian County Tax Collector for placing on the tax records. The members all voting aye, Chairperson Lewis declared the motion carried.

Chairperson Lewis advised Mrs. Parrish of the availability to execute a payment contract with the City Clerk's Office for reimbursement of the adjusted amount due, which will prevent the adjusted amount due being certified to the Sebastian County Tax Collector.

Mrs. Parrish extended much appreciation for the reduction and further indicated her desire to execute a payment contract.

**3. Charles Tidwell  
Fort Smith, Arkansas**

**Property: 809 North 6<sup>th</sup> Street**  
**Owner(s): Charles W. & Reba C. Tidwell Trust**  
**Cleaned: February 18, 2016**  
**Amount: \$216.90**

Inspector Scott Hamilton presented videos of inspections, before & after pictures of the subject cleaning, and reviewed the property file as provided below:

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

- ▶ Violations were noted while working complaints in the area.
- ▶ January 20, 2016  
Inspector Brandon Haynes posted a 7 DAY CLEAN-UP WARNING notice on the property for Indoor Furniture in the front of the property.
- ▶ January 21, 2016  
The office staff verified the owner through the County Assessor’s website. A copy of the Warning along with a cover letter was sent by first-class mail to Charles W. & Reba C. Tidwell Trust, 10309 Meandering Way, Fort Smith, AR 72903.
- ▶ January 28, 2016  
The property remained in violation and a legal search was requested. Arkansas State Statute A.C.A. 14-54-903(c)(7)(A) requires that any lienholders be given 7 days notice prior to undertaking any work on a property. A legal search was performed and no lien holders were found.
- ▶ January 29, 2016  
A certified letter was mailed to the owners with copies of the Warning and the cover letters. Mr. Charles Tidwell signed for the letter on February 8, 2016. The posting on the property and the sending of the certified letter met the requirements of legal notice.
- ▶ February 15, 2016  
The property remained in violation; therefore, the violations were documented for assignment to a contractor for abatement.
- ▶ February 18, 2016  
The violation was abated by the contractor.
- ▶ Abatement costs and associated fees were assessed as follows:

\$ 52.50	Labor Charges
10.00	Photo Charges
4.13	Landfill Charges
<u>150.27</u>	Administrative Fees
\$216.90	Total

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

Mr. Charles Tidwell addressed the POAB advising he owns multiple rental properties in Fort Smith. He acknowledged receipt of the notice, which prompted him to immediately go to the property. The notice specified "Indoor Furniture"; however, upon his arrival, he discovered no indoor furniture on the property, only a mattress and some dead tree limbs from a crepe myrtle recently trimmed. A dumpster is on the property; however, such was full so he relocated the mattress and limbs near the HVAC unit closer the structure. Some of "his guys" dumped a mattress and box spring on the property, but since his neighbor is a scrapper, he figured he removed the box spring. Regardless and since he found no "Indoor Furniture" on the property, he thought the alleged violation was taken care of.

The POAB briefly discussed the matter with Mr. Shaeffer concurring that if he was notified to remove Indoor Furniture, he too would not think of a mattress being classified as such. Regardless, other members of the POAB and staff concurred that a mattress is classified as Indoor Furniture; therefore, after careful review of the before & after pictures, it was determined the work was performed as indicated.

**POAB Action ~ 809 North 6<sup>th</sup> Street**

Raynor, seconded by Monroe, moved that the lien remain due and payable in full (\$216.90) and that same be forwarded to the Sebastian County Tax Collector for placing on the tax records. The members all voting aye, with the exception of Mr. Shaeffer who voted "no", Chairperson Lewis declared the motion carried.

**4. Terry Rollins  
Lavaca, Arkansas**

**Property: 4305 Kelley Highway**  
**Owner(s): Terry L. Rollins**  
**Cleaned: June 8, 2015**  
**Amount: \$940.01**

Inspector Scott Hamilton presented videos of inspections, before & after pictures of the subject tree removal, and reviewed the property file as provided below:

- ▶ A complaint was received regarding a fallen tree creating a dangerous situation.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

- ▶ May 13, 2015  
Inspector Scott Hamilton posted a 7 DAY CLEAN-UP WARNING notice on the property for dead tree. The tree had fallen and was laying across the adjoining property's drive with the top of the tree hung on other trees it had fallen against.
  
- ▶ May 15, 2015  
Due to the dangerous situation, a legal search was requested. Arkansas State Statute A.C.A. 14-54-903(c)(7)(A) requires that any lienholders be given 7 days notice prior to undertaking any work on a property. A legal search was performed and no lien holders were found. A certified letter was mailed to Terry L. Rollins, 1718 Rodeo Arena Road, Lavaca, AR 72941 with copies of the Warning and the cover letters. The USPS left notices for the letter on May 18, 2015 and May 23, 2015; however, the USPS classified the letter as "Unclaimed" on May 23, 2015 and returned the letter to Neighborhood Services on May 28, 2015.
  
- ▶ May 28, 2015  
The property remained in violation; therefore, the violations were documented for assignment to a contractor for abatement and three (3) bids for tree removal were requested.
  
- ▶ June 8, 2015  
The violation was abated by the contractor.
  
- ▶ Abatement costs and associated fees were assessed as follows:

\$790.00	Labor Charges
.00	Photo Charges
.00	Landfill Charges
<u>150.01</u>	Administrative Fees
\$940.01	Total

Mr. Terry Rollins addressed the POAB advising the private driveway in which the tree fell across is an easement and that he signed a quitclaim deed many years ago sharing ownership of the area with adjoining property owners. Due to such, he claimed the fallen tree is not his sole responsibility. He further alleged the portion of the tree that extended onto the adjoining property should be the responsibility of said property owner and challenged the POAB to "check the law!"

### **September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

There was brief discussion among the POAB regarding the alleged legal issue whereby the POAB recommended staff contact the city attorney and request a legal opinion regarding Mr. Rollins' aforementioned allegation that he should not be responsible for reimbursement of the amount due.

#### **POAB Action ~ 4305 Kelley Highway**

Raynor, seconded by Monroe, moved to table consideration of the matter to the Wednesday, September 28, 2016 appeal hearing to allow the city attorney to review and provide a legal opinion regarding responsible party determination. The members all voting aye, Chairperson Lewis declared the motion carried.

Chairperson Lewis announced that if the legal opinion is not received prior to the appeal hearing on Wednesday, September 28, 2016, the POAB can consider Mr. Rollins' appeal at their regularly scheduled meeting on Monday, October 10, 2016. Regardless, Mr. Rollins will be notified when the matter will be brought back to the POAB for consideration.

There being no further business to come before the POAB, Monroe moved that the hearing adjourn. The motion was seconded by Raynor and the members all voting aye, Chairperson Lewis declared the motion carried and the hearing stood adjourned at 7:19 p.m.

#### **WEDNESDAY, SEPTEMBER 28, 2016**

The hearing was called to order by Chairperson Karen Lewis, presiding. The following members of the Property Owners Appeal Board (POAB) were also present: Scott Monroe, Megan Raynor and Joel Culberson; absent - Dennis Shaeffer. A quorum was declared.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

City staff in attendance were City Clerk Sherri Gard, Building Official Jimmie Deer, Neighborhood Services Supervisor Rick Ruth, and Inspectors Dean Polk, Scott Hamilton, Alex Marshall and William Gordon.

Chairperson Lewis stated the purpose of the hearings, and then each member of the POAB introduced themselves and advised how long they have been property owners in Fort Smith. She further noted that appeal of any decision made by the POAB may be appealed to the Fort Smith Board of Directors at a public hearing, which is scheduled for 6:00 p.m., Tuesday, November 15, 2016 at the Fort Smith Public Schools Service Center, 3205 Jenny Lind Road.

Neighborhood Services Inspector Scott Hamilton addressed the POAB advising each appeal on the agenda were originally inspected by Inspector Brandon Haynes, who is no longer with Neighborhood Services. Due to such, he will present all pertinent information regarding properties originally inspected by Mr. Haynes.

The following property owner was present to address the POAB:

- 1. **Jennifer Hamm  
Alma, Arkansas**

**Property: 4020 Brockman**  
**Owner(s): Joseph & Jennifer Hamm**  
**Cleaned: June 9, 2015**  
**Amount: \$850.01**

Inspector Scott Hamilton presented videos of inspections, before & after pictures of the subject cleaning, and reviewed the property file as provided below:

- ▶ Violations were noted while working complaints in the area.

## **September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

- ▶ February 23, 2015  
Inspector Brandon Haynes posted a Courtesy Notice on the property for Dead Limbs and Open Storage.
- ▶ March 2, 2015  
The office staff verified the owner through the County Assessor's website. A copy of the Warning along with a cover letter was sent by first-class mail to Joseph & Jennifer Hamm, 4020 Brockman Avenue, Fort Smith, AR 72904.
- ▶ March 25, 2015  
The property remained in violation and a legal search was requested. Arkansas State Statute A.C.A. 14-54-903(c)(7)(A) requires that any lienholders be given 7 days notice prior to undertaking any work on a property. A legal search was performed and no lien holders were found.
- ▶ March 26, 2015  
A certified letter was mailed to the owners with copies of the Warning and the cover letters. The letter was signed for by Billy Lawson. The posting on the property and sending of the certified letter met the requirements of legal notice.
- ▶ May 14, 2015  
The property remained in violation; therefore, Inspector Hamilton documented the violations for assignment to a contractor for abatement. When the contractor went to the property on May 18, 2015, tenant Billy Lawson said that the owner was going to have the trees removed from the back yard. The tenant signed a statement to that effect on the back of the contractor's assignment sheet.
- ▶ May 29, 2015  
The contractor went by the property and noted that the violations remained and advised Inspector Hamilton that he would probably need to get bids for the abatement action. The bids received were in the amounts of \$700.00, \$750.00 and \$799.01.
- ▶ June 9, 2015  
The violations were abated by the contractor.
- ▶ Abatement costs and associated fees were assessed as follows:

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

\$700.00	Labor Charges
.00	Photo Charges
.00	Landfill Charges
<u>150.01</u>	Administrative Fees
\$850.01	Total

Mrs. Jennifer Hamm addressed the POAB advising the subject property is one (1) of three (3) rental properties she and her husband own in Fort Smith. Although courteous, she conveyed much discontent with the matter alleging she was not properly notified of the violations citing the notice was mailed to 4020 Brockman rather than to her mailing address in Alma, Arkansas. She and her husband own a lawn and landscape business; therefore, whenever they receive a notice from the City for abatement issues on any of their rental properties, they immediately take care of the matter. Although no objection was conveyed to the work being performed, the main basis of her appeal is due to alleged lack of notification.

Neighborhood Services Supervisor Rick Ruth advised the City utilizes the mailing address provided by the Sebastian County Assessor's Office, which at the time of inspection was 4020 Brockman Avenue. Prior to a contractor completing any work assigned, City staff again verifies the mailing address to confirm proper notification. In this case, the County Assessor maintained the same mailing address; therefore, the contractor was allowed to proceed with abatement. While Mrs. Hamm was addressing the POAB, Mr. Ruth accessed the Sebastian County Assessor's website, which indicated the address has now been updated with the correct mailing address in Alma, Arkansas. Regardless of the above, a notice is also posted on the property.

There was brief discussion among the POAB whereby Mrs. Hamm was questioned if she regularly drives by the subject rental property.

Mrs. Hamm advised that Mr. Billy Lawson, who signed for the certified letter in March 2015, was the tenant at the property. Although he moved around the time of the subject inspections, he had resided on the property since 2011. Mr. Lawson was a good tenant and they had very minimal issues; therefore, she conceded they did not drive by the property on a regular basis.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

**POAB Action ~ 4020 Brockman**

Monroe, seconded by Culberson, moved to amend the administrative fee to \$90.00 bringing the total due to \$790.00, and that same be forwarded to the Sebastian County Tax Collector for placing on the tax records. The members present all voting aye, Chairperson Lewis declared the motion carried.

Mrs. Hamm expressed discontent that a lien is placed on the property and conveyed much concern that such will affect their ability to purchase another property.

Chairperson Lewis simply noted the lien is placed on the property, not the property owner; however, the lien will be released upon payment in full.

Chairperson Lewis reminded all of the appeal presented by Mr. Terry Rollins, i.e. 4305 Kelley Highway, at the September 26, 2016 appeal hearing whereby such was tabled pending receipt of a legal opinion. The subject legal opinion has not yet been obtained; however, such is anticipated soon. Due to such, she recommended the matter again be tabled to the POAB's regularly scheduled meeting on Monday, October 10, 2016.

Monroe, seconded by Raynor, moved to further table consideration of the aforementioned appeal, i.e. Terry Rollins, 4305 Kelley Highway, to the POAB meeting set for 11:00 a.m., Monday, October 10, 2016 at the Fort Smith Planning Department Conference Room, 623 Garrison Avenue. The members present all voting aye, Chairperson Lewis declared the motion carried.

Chairperson Lewis advised Ms. Christina Bolin, who was on the agenda regarding an appeal for work performed at 3001 Hardie Avenue, contacted the City advising she was unable to attend due to illness. Since the POAB will meet on Monday, October 10, 2016, she requested Mrs. Gard to make contact with Ms. Bolin and inquire if she would like to be included on said agenda.

**September 26 & 28, 2016 ~ Property Owners Appeal Board Public Hearings**

There being no further business to come before the Property Owners Appeal Board, Raynor moved that the hearing adjourn. The motion was seconded by Monroe and the members present all voting aye, Chairperson Lewis declared the motion carried and the hearing stood adjourned at 6:29 p.m.

**APPROVED:**

\_\_\_\_\_

**CHAIRPERSON**

**ATTEST:**

\_\_\_\_\_

**CITY CLERK**

## MINUTES OF THE PROPERTY OWNERS APPEAL BOARD

MONDAY ~ OCTOBER 10, 2016 ~ 11:00 A.M.

### PLANNING DEPARTMENT CONFERENCE ROOM

The meeting was called to order by Chairperson Karen Lewis, presiding. On roll call, the following members of the Property Owners Appeal Board (POAB) were also present: Megan Raynor, Scott Monroe and Joel Culberson; absent - Dennis Schaeffer. Chairperson Lewis declared a quorum present.

The following City of Fort Smith staff were also in attendance and introduced themselves as noted below:

- ▶ Jimmie Deer, Building Official
- ▶ Rick Ruth, Neighborhood Services Supervisor
- ▶ Scott Hamilton, Neighborhood Services Inspector
- ▶ Sherri Gard, City Clerk

The agenda consisted of two (2) property owners wishing to appeal delinquent property cleanup liens and addressed the POAB as follows:

**1. Terry Rollins  
Lavaca, Arkansas**

**Property:** 4305 Kelley Highway ~ Tabled from the September 28, 2016 public hearing ~  
**Owner(s):** Terry L. Rollins  
**Cleaned:** June 8, 2015  
**Amount:** \$940.01

Below is the information provided at the September appeal hearing regarding the subject lien:

- ▶ *A complaint was received regarding a fallen tree creating a dangerous situation.*
- ▶ *May 13, 2015  
Inspector Scott Hamilton posted a 7 DAY CLEAN-UP WARNING notice on the property for dead tree. The tree had fallen and was laying across the adjoining property's drive with the top of the tree hung on other trees it had fallen against.*

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- ▶ May 15, 2015  
*Due to the dangerous situation, a legal search was requested. Arkansas State Statute A.C.A. 14-54-903(c)(7)(A) requires that any lienholders be given 7 days notice prior to undertaking any work on a property. A legal search was performed and no lien holders were found. A certified letter was mailed to Terry L. Rollins, 1718 Rodeo Arena Road, Lavaca, AR 72941 with copies of the Warning and the cover letters. The USPS left notices for the letter on May 18, 2015 and May 23, 2015; however, the USPS classified the letter as "Unclaimed" on May 23, 2015 and returned the letter to Neighborhood Services on May 28, 2015.*
  
- ▶ May 28, 2015  
*The property remained in violation; therefore, the violations were documented for assignment to a contractor for abatement and three (3) bids for tree removal were requested.*
  
- ▶ June 8, 2015  
*The violation was abated by the contractor.*
  
- ▶ *Abatement costs and associated fees were assessed as follows:*

\$790.00	Labor Charges
.00	Photo Charges
.00	Landfill Charges
<u>150.01</u>	Administrative Fees
\$940.01	Total

Neighborhood Services Supervisor Rick Ruth addressed the POAB advising the subject appeal was tabled at the September 28, 2016 public hearing pending receipt of a legal opinion regarding a fallen tree at the subject address. The legal opinion has been received from the city attorney, who researched property records to determine the validity of Mr. Rollins' allegation regarding an easement. The subject easement was discovered, which indicates the easement area is owned equally by three (3) property owners, one (1) being Mr. Rollins. The legal opinion essentially conveys that if the base of the tree is located solely on Mr. Rollins property, Mr. Rollins would be the sole responsible party; however, if the base of the tree is located anywhere within the easement area, then all three (3) property owners would maintain equal liability for the reimbursement of the lien. At the September public hearing, it was alleged that the property owner of

**October 10, 2016 - Property Owners Appeal Board**

the lot in which the tree landed on should be the sole responsible party; however, the legal opinion disqualifies said allegation.

Neighborhood Services Inspector Scott Hamilton also addressed the POAB advising staff went to the subject area to determine the location of the base of the tree whereby it was determined such was, in fact, located within the easement area. Unfortunately, the initial search for property ownership identified Mr. Rollins as the sole owner; however, due to confirmation regarding the location of the base of the tree, all three (3) property owners should have been notified.

Mr. Terry Rollins addressed the POAB again insisting he is not the sole responsible party due to the joint ownership of the easement area. He further conveyed opposition to the legal opinion's indication that the adjoining property owner that the tree fell upon, maintains no responsibility for removal of the tree.

There was brief discussion among the POAB regarding proper notification.

Mr. Ruth noted that since only Mr. Rollins received the notification, such could result in a legal challenge that he fears the City would not prevail; therefore, he recommended the lien be waived in its entirety.

**POAB Action ~ 4305 Kelley Highway**

Culberson, seconded by Monroe, moved to waive the lien in its entirety. The members present all voted aye and Chairperson Lewis declared the motion carried.

**2. Christina Bolin  
Fort Smith, AR**

**Property:** 3001 Hardie ~ *RSVP from the September 28, 2016 public hearing* ~  
**Owner(s):** Christina Bolin  
**Cleaned:** December 1, 2015  
**Amount:** \$2,266.27

Inspector Scott Hamilton presented videos of inspections, before & after pictures of the subject tree removal, and reviewed the property file as provided below:

- ▶ A complaint was received about a dead/dying tree creating a dangerous situation.

**October 10, 2016 - Property Owners Appeal Board**

- ▶ August 10, 2015  
Inspector Brandon Haynes posted a 7 Day Clean-Up Warning on the property for a Dead Tree, Open Storage and Overgrowth.
- ▶ August 11, 2015  
The office staff verified the owner through the County Assessor's website. Arkansas State Statute A.C.A. 14-54-903(c)(7)(A) requires that any lienholders be given 7 days notice prior to undertaking any work on a property. A legal search was performed and no lien holders were found. A certified letter was mailed to Christina Bolin, 3001 Hardie Avenue, Fort Smith, AR 72901 with copies of the Warning and the cover letters. The letter was signed for by Kyle (?) Bolin on August 13, 2015. The posting on the property and the sending of the certified letter met the requirements of legal notice.
- ▶ August 17, 2015  
The signed card was returned to our office by the Post Office.
- ▶ August 20, 2015  
The dead/dying tree remained in violation so Inspector Haynes documented the violation for assignment to a contractor and requested bids for assignment. Three (3) bids were received between August 24, 2015 and October 23, 2015 ranging from \$2,100 to \$3,000.
- ▶ November 15, 2015  
The contract to abate was awarded to the contractor with the \$2,100 bid.
- ▶ December 1, 2015  
The violation was abated and the contractor submitted the bill on December 1, 2015.
- ▶ Abatement costs and associated fees were assessed as follow:

\$2,100.00	Labor Charges
.00	Photo Charges
.00	Landfill Charges
<u>166.27</u>	Administrative Fees
\$2,266.27	Total

**October 10, 2016 - Property Owners Appeal Board**

Ms. Christina Bolin addressed the POAB advising her neighbor has trees that also need to be removed; however, “*nothing is done*” by the City to require such. She further noted the aforementioned neighbor has several chickens and various other violations alleging the City initiates no enforcement action. Ms. Bolin also alleged the contractor that accomplished the subject tree removal damaged her concrete driveway. Although no objection was conveyed with regard to the work performed, she expressed concern with reimbursement due to being a fixed income.

Regarding the alleged driveway damage, the POAB reviewed the before and after pictures submitted by the contractor to determine if the alleged damage could be verified. Unfortunately, the pictures did not include the driveway area.

Mr. Ruth noted that if a contractor damages anything on private property, such is not the responsibility of the City, but the contractor. He recommended Ms. Bolin contact the contractor to discuss the matter.

With regard to reimbursement, Chairperson Lewis advised Ms. Bolin she may execute a payment contract with the City Clerk’s Office and such will prevent the total amount (plus 10% penalty) being certified to the County Tax Collector and allow her to make monthly payments.

City Clerk Sherri Gard advised payment contracts are typically set for a twelve-month term; however, due to Ms. Bolin’s indication of being on a fixed income and the large amount due, monthly payments were calculated for twelve (12), twenty-four (24), and thirty-six (36) months. Ms. Bolin expressed interest and conveyed confidence she could adhere to the 36 month term, which resulted in a monthly payment of \$62.95.

**POAB Action ~ 3001 Hardie Avenue**

Culberson, seconded by Monroe, moved that the lien remain due and payable in full (\$2,266.27) and that same be forwarded to the Sebastian County Tax Collector for placing on the tax records. The motion included acknowledgment that Ms. Bolin will be afforded the opportunity to execute a thirty-six (36) month payment contract for reimbursement of the total amount due. The members present all voted aye and Chairperson Lewis declared the motion carried.

**October 10, 2016 - Property Owners Appeal Board**

There being no further business to come before the Property Owners Appeal Board, Culberson moved that the meeting adjourn. The motion was seconded by Raynor and the members present all voting aye, Chairperson Lewis declared the motion carried and the meeting stood adjourned at 11:35 a.m.

**APPROVED:**

\_\_\_\_\_

**CHAIRPERSON**

**ATTEST:**

\_\_\_\_\_

**CITY CLERK**

**ORDINANCE NO. \_\_\_\_\_**

**ORDINANCE AMENDING SECTION 2-26 OF THE  
FORT SMITH MUNICIPAL CODE SETTING THE  
DATES, TIME AND LOCATION FOR REGULAR MEETINGS  
OF THE BOARD OF DIRECTORS FOR THE YEAR 2017**

---

**BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE  
CITY OF FORT SMITH, ARKANSAS, THAT:**

**SECTION 1:** Section 2-26 of the Fort Smith Municipal Code is hereby amended  
to read as follows:

In 2017, all regular meetings of the Fort Smith Board of Directors shall be held at 6:00 p.m. at the Fort Smith Public Schools Service Center, Building B, 3205 Jenny Lind Road. The regular meetings will be held on the first and third Tuesday evenings of each month, with the exception of March, July and November. Regular meetings in the aforementioned months will be held on March 7 and 14; July 11 and 18; and, November 7 and 14, 2017.

**THIS ORDINANCE ADOPTED** this 15<sup>th</sup> day of November, 2016.

**APPROVED:**

\_\_\_\_\_  
**MAYOR**

**ATTEST:**

\_\_\_\_\_  
**CITY CLERK**

*Approved as to form:*



\_\_\_\_\_  
*Publish one time*

# MEMORANDUM

To: Carl Geffken, City Administrator  
From: Sherri Gard, City Clerk  
Date: November 11, 2016  
Re: 2017 Regular Meetings of the Board of Directors

At the November 8, 2016 study session, the Board reviewed various meeting dates for 2017. The Board opted to retain the meeting time of 6:00 p.m.; meeting location of the Fort Public Schools Service Center; and, dates of the first and third Tuesday of each month for all regular meetings. The only exceptions with regard to the dates of the first and third Tuesday evenings are the months of March, July and November whereby the proposed changes in 2017 are provided as follows:

1. There is one (1) holiday that conflicts with a scheduled regular meeting date, which is Independence Day, i.e. Tuesday, July 4, 2017. The Board opted to cancel the July 11, 2017 study session and reschedule the July 4, 2017 regular meeting to Tuesday, July 11, 2017.
2. In keeping with the first and third Tuesday of each month for regular meetings, the weeks of spring break and the Thanksgiving holiday include a regular meeting date, i.e. March 21 and November 21, 2017. The Board opted to cancel the study sessions the preceding weeks and rescheduled the regularly scheduled the aforementioned regular meeting dates to Tuesday, March 14 and Tuesday, November 14, 2017.

As required by law, the Board must set regular meetings by ordinance; therefore, the attached ordinance accomplishes the aforementioned and formally sets the dates, time and location for all regular meetings in 2017. No formal action is required with regard to other meetings of the Board, i.e., study sessions, brainstorming meetings, ward neighborhood meetings, etc.

The Board typically foregoes study sessions on a fifth Tuesday whereby there are four (4) in 2017. No study sessions will be scheduled for said dates; however, such will be identified as “tentative” in the event a study session is requested. The Board also concurred to forego the study session typically scheduled for Tuesday, November 28 with the understanding that such also be identified as tentative in the event a study session is necessary. The following is a list of dates in 2017 in which no study sessions will be scheduled unless requested:

- |                       |                        |
|-----------------------|------------------------|
| * Tuesday, January 31 | * Tuesday, October 31  |
| * Tuesday, May 30     | * Tuesday, November 28 |
| * Tuesday, August 29  |                        |

PAGE 2

The Board opted to forego scheduling brainstorming meetings in 2016, unless it was determined such is needed. None have been requested to date. At the November 8, 2016 study session, there was no request to schedule such for 2017. These meetings are typically scheduled on the last Monday evenings in February, May, August and October. If the Board so desires to schedule a brainstorming meeting in 2017, such will be determined and announced at a later date.

In the past, the Board has scheduled the annual budget hearings for two (2) evenings in November. No specific dates were selected for 2017; therefore, such will be determined and announced at a later date.

The Board holds ward neighborhood meetings, typically scheduled in January for Ward 1, April for Ward 2, July for Ward 3, and October (sometimes November) for Ward 4; however, these dates are determined to coincide with the Ward Director's schedule and venue availability.

The 2017 Board Meeting Calendar has been updated with all of the above and is attached for your review.

# 2017 BOARD MEETING CALENDAR

Determined at the November 8, 2016 Study Session

**~ January 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
1	2 ~ CLOSED ~ NEW YEAR'S DAY	3 REGULAR MEETING	4	5	6	7
8	9	10 STUDY SESSION	11	12	13	14
15	16 ~ CLOSED ~ MARTIN L. KING JR DAY	17 REGULAR MEETING	18	19	20	21
22	23	24 STUDY SESSION	25	26	27	28
29	30	31 NO STUDY SESSION - TENTATIVE -	Notes: WARD 1 NEIGHBORHOOD MEETING			

**~ February 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes:			1	2	3	4
5	6	7 REGULAR MEETING	8	9	10	11
12	13	14 STUDY SESSION	15	16	17	18
19	20	21 REGULAR MEETING	22	23	24	25
26	27	28 STUDY SESSION	Notes: BRAINSTORMING MEETING, SCHEDULE IF NEEDED			

**~ March 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes:			1	2	3	4
5	6	7 REGULAR MEETING	8	9	10	11
12	13	14 NO STUDY SESSION REGULAR MEETING	15	16	17	18
19	20	21 NO REGULAR MEETING	22	23	24	25
26	27	28 STUDY SESSION	~ SPRING BREAK ~			

**~ April 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes: WARD 2 NEIGHBORHOOD MEETING						1
2	3	4 REGULAR MEETING	5	6	7	8
9	10	11 STUDY SESSION	12	13	14 ~ CLOSED ~ GOOD FRIDAY	15
16	17	18 REGULAR MEETING	19	20	21	22
23	24	25 STUDY SESSION	26	27	28	29
30	Notes:					

**~ May 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
	1	2 REGULAR MEETING	3	4	5	6
7	8	9 STUDY SESSION	10	11	12	13
14	15	16 REGULAR MEETING	17	18	19	20
21	22	23 STUDY SESSION	24	25	26	27
28	29 ~ CLOSED ~ MEMORIAL DAY	30 NO STUDY SESSION - TENTATIVE -	31	Notes: BRAINSTORMING MEETING, SCHEDULE IF NEEDED		

**~ June 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes:				1	2	3
4	5	6 REGULAR MEETING	7	8	9	10
11	12	13 STUDY SESSION	14	15	16	17
18	19	20 REGULAR MEETING	21	22	23	24
25	26	27 STUDY SESSION	28	29	30	

**~ July 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes: WARD 3 NEIGHBORHOOD MEETING						1
2	3	4 ~ CLOSED ~ INDEPENDENCE DAY	5	6	7	8
9	10	11 NO STUDY SESSION REGULAR MEETING	12	13	14	15
16	17	18 REGULAR MEETING	19	20	21	22
23	24	25 STUDY SESSION	26	27	28	29
30	31	Notes:				

**~ August 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes:		1 REGULAR MEETING	2	3	4	5
6	7	8 STUDY SESSION	9	10	11	12
13	14	15 REGULAR MEETING	16	17	18	19
20	21	22 STUDY SESSION	23	24	25	26
27	28	29 NO STUDY SESSION - TENTATIVE -	30	31	Notes: BRAINSTORMING MEETING, SCHEDULE IF NEEDED	

**~ September 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes:				1	2	
3	4 ~ CLOSED ~ LABOR DAY	5 REGULAR MEETING	6	7	8	9
10	11	12 STUDY SESSION	13	14	15	16
17	18	19 REGULAR MEETING	20	21	22	23
24	25	26 STUDY SESSION	27	28	29	30

**~ October 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
1	2	3 REGULAR MEETING	4	5	6	7
8	9	10 STUDY SESSION	11	12	13	14
15	16	17 REGULAR MEETING	18	19	20	21
22	23	24 STUDY SESSION	25	26	27	28
29	30	31 NO STUDY SESSION - TENTATIVE -	Notes: BRAINSTORMING MEETING, SCHEDULE IF NEEDED WARD 4 NEIGHBORHOOD MEETING			

**~ November 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes: BUDGET HEARINGS			1	2	3	4
5	6	7 REGULAR MEETING	8	9	10 ~ CLOSED ~ VETERANS DAY	11
12	13	14 NO STUDY SESSION REGULAR MEETING	15	16	17	18
19	20	21 NO REGULAR MEETING	22	23 ~ CLOSED ~ THANKSGIVING	24 ~ CLOSED ~ THANKSGIVING	25
26	27	28 NO STUDY SESSION - TENTATIVE -	29	30	Notes:	

**~ December 2017 ~**

SUN	MON	TUES	WED	THUR	FRI	SAT
Notes:					1	2
3	4	5 REGULAR MEETING	6	7	8	9
10	11	12 STUDY SESSION	13	14	15	16
17	18	19 REGULAR MEETING	20	21	22	23
24	25 ~ CLOSED ~ CHRISTMAS	26 ~ CLOSED ~ CHRISTMAS	27	28	29	30
31	Notes:					

**ORDINANCE NO. \_\_\_\_\_****AN ORDINANCE CHANGING MEETING LOCATION OF THE  
CITY OF FORT SMITH BOARD OF DIRECTORS  
DECEMBER 6, 2016 REGULAR MEETING**

**WHEREAS**, there will be several items with anticipated attendance of multiple residents on the December 6, 2016 regular meeting agenda of the City of Fort Smith Board of Directors; and,

**WHEREAS**, the current meeting location of the Fort Smith Public Schools Service Center, 3205 Jenny Lind Road, Building "B", will not accommodate the aforementioned anticipated attendance;

**NOW, BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, THAT:**

**SECTION 1:** The December 6, 2016 regular meeting of the City of Fort Smith Board of Directors set for 6:00 p.m. on said date is hereby relocated to the Fort Smith Convention Center, 55 South 7<sup>th</sup> Street, Hall "C".

**SECTION 2:** Emergency Clause. It is determined that an emergency exists regarding the effective date of this ordinance. It is, therefore, determined that this ordinance shall become effective immediately upon passage.

**THIS ORDINANCE ADOPTED** this 15<sup>th</sup> day of November, 2016.

**APPROVED:**

\_\_\_\_\_  
**MAYOR**

**ATTEST:**

\_\_\_\_\_  
**CITY CLERK**

Approved as to form:



\_\_\_\_\_  
Publish one time



MEMORANDUM

TO: Honorable Mayor and Members of the Board of Directors

FROM: Carl E. Geffken, City Administrator *Carl*

DATE: November 15, 2016

SUBJECT: Changing the Meeting Location of the December 6, 2016  
Board of Directors Meeting

Due to an item before the Planning Commission at their November 10, 2016 meeting, it is anticipated that attendance at the November 15, 2016 Board of Directors meeting will exceed the capacity of the Fort Smith Public Schools Service Center.

In order to insure that all residents who may wish to attend the November 15, 2016 Board of Directors meeting are able to do so, we are requesting that the meeting location be changed to the Fort Smith Convention Center - Hall "C." The Fort Smith Convention Center is located at 55 South 7<sup>th</sup> Street and it has sufficient capacity for all who may attend.

623 Garrison Avenue  
P.O. Box 1908  
Fort Smith, Arkansas 72902  
(479) 785-2801  
[www.fortsmithar.gov](http://www.fortsmithar.gov)

Printed on 100% Recycled Paper

# 5

## ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE ORDERING THE OWNERS OF A CERTAIN DILAPIDATED AND SUBSTANDARD STRUCTURE TO DEMOLISH SAME, AUTHORIZING THE CITY ADMINISTRATOR TO CAUSE THE DEMOLITION OF SUCH STRUCTURE TO OCCUR, AND FOR OTHER PURPOSES.

---

BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, that:

SECTION 1: It is hereby determined by the Board of Directors that the hereinafter described tract of real property, and the improvements located there, are dilapidated, unsafe and otherwise detrimental to the public health and constitute structural, fire and health hazards:

Street Address: **3709 PARK AVENUE - LOTS 1-2 AND 11-12, BLOCK 1; CLARK ADDITION**

SECTION 2: The owners of the tract of real property described in Section 1 are hereby ordered to remove or raze the improvements located on the said tract of property and to remedy the unsightly and unsanitary conditions otherwise located on said tract of real property within thirty (30) days from the date of this ordinance.

SECTION 3: With reference to any tract identified in Section 1 as to which compliance with the direction of Section 2 has not occurred within thirty (30) calendar days from the date of passage of this ordinance, the City Administrator is hereby authorized to execute a contract, based on the bid(s) accepted on the date of this action or at a later date, for the removal or razing of the described improvements on the tract of real property.

SECTION 4: The provisions of this ordinance are hereby declared to be severable to the extent that a decision by any court of competent jurisdiction determining that any portion of this ordinance or any application thereof is unconstitutional, invalid or otherwise illegal shall not affect the constitutionality, validity or legality of the other provisions and/or applications of the ordinance.

SECTION 5: Emergency Clause. It is hereby found and declared by the Board of Directors that the dilapidated, unsanitary condition of the tracts of real property and improvements described herein constitute an immediate menace to the health, welfare and safety of the citizens of the City so that an emergency is hereby

declared and that this ordinance shall be effective from and after the date of its passage.

This Ordinance adopted this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

Approved as to form:



\_\_\_\_\_  
Publish 1 Time



# Memorandum

---

**To:** Carl Geffken, City Administrator  
**From:** Wally Bailey, Director of Development Services  
**Date:** November 9, 2016  
**Subject:** 3709 Park Avenue – Unsafe Structure

The house at 3709 Park Avenue has been damaged and/or deteriorated to a condition that has caused the Building Safety Division to post it as an unsafe structure. The property and the improvements, thereon are now, and for several months prior hereto, have been dilapidated, unsafe, unsightly, unsanitary, obnoxious and detrimental to the public welfare and are found to be in violation of the Ordinances of the City of Fort Smith.

The property descriptions and owners, mortgage holders and those with potential property interest are:

**3709 Park Avenue** – Lots 1-2 and 11-12, Block 1; Clark Addition

<b>Owners:</b> Daniel J. Vernon 1204 s 22 <sup>nd</sup> St Fort Smith, AR 72903	Joyce L. Vernon & Daniel J Vernon C/O Mary Patricia Bennett 7409 Kingwood Rd Little Rock, AR 72207-1734
Richard Z. Vernon and Wife 3709 Park Avenue Fort Smith, AR 72903	Arvest Bank C/O Mortgage Dept. P.O. Box 11110 Fort Smith, AR 72917

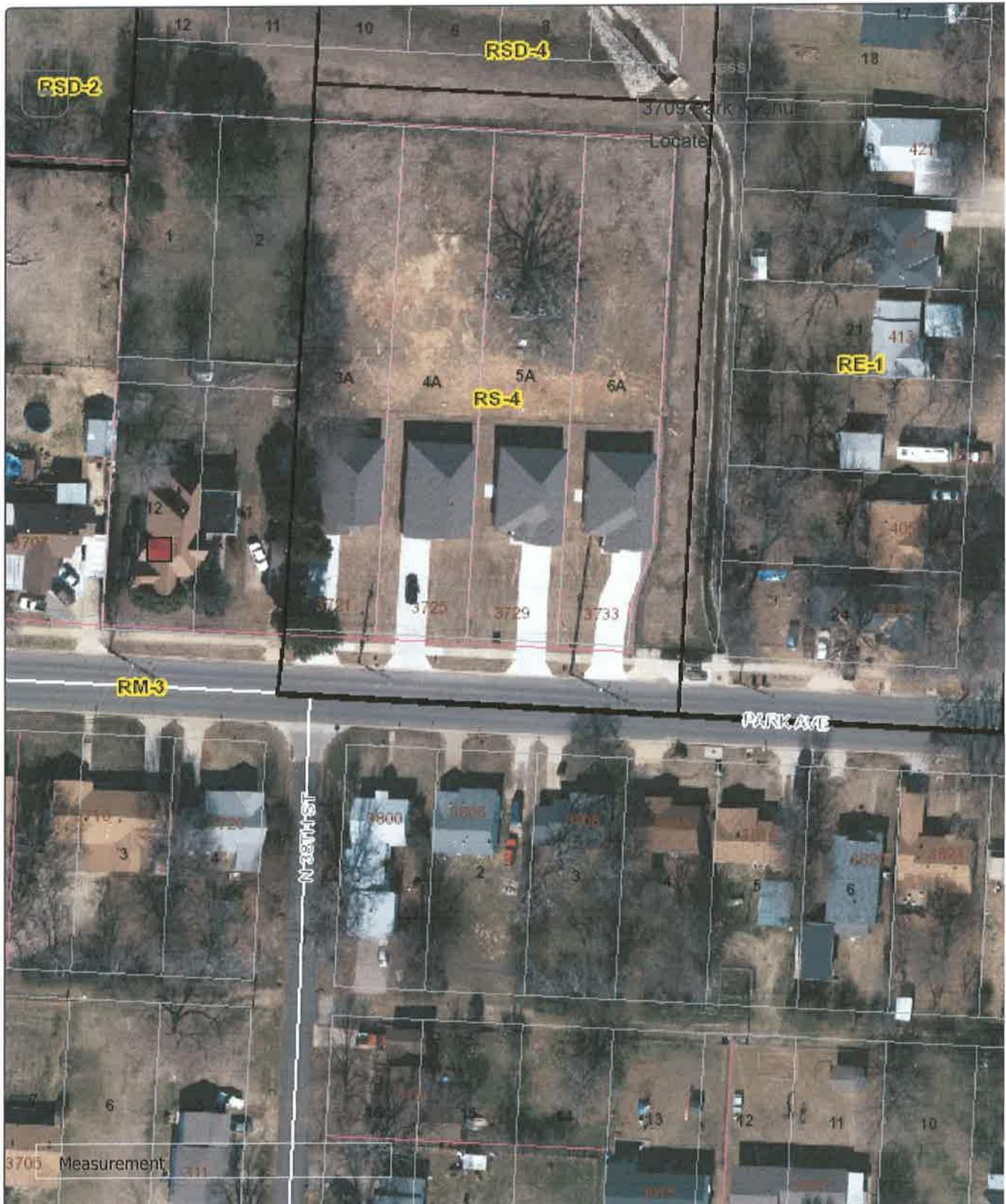
The owners of these properties have been notified according to the procedures outlined in Section 16-88 of the Fort Smith Municipal Code. The property owners were notified by certified mail and we posted the same letters on the building. The letter or notice contains information concerning the appeal procedure outlined in Section 16-91 of the Fort Smith Municipal Code. The Code specifies that they must file any appeals within fifteen (15) days from the date of service. The owner(s) of the subject properties did not file an appeal within the fifteen (15) day period nor have they requested an appeal hearing since that dead line has passed.

The structure has had no water usage since 2009. The Neighborhood Services Division has an open Property Maintenance case on this property. We have been in contact with a sister in-law but have not been able to contact any direct heirs to the property. The city currently has outstanding clean up liens of \$4,123.82 for property clean up actions taken by the City. Due to the condition of the structures and no



# Public GIS Viewer

City of Fort Smith GIS



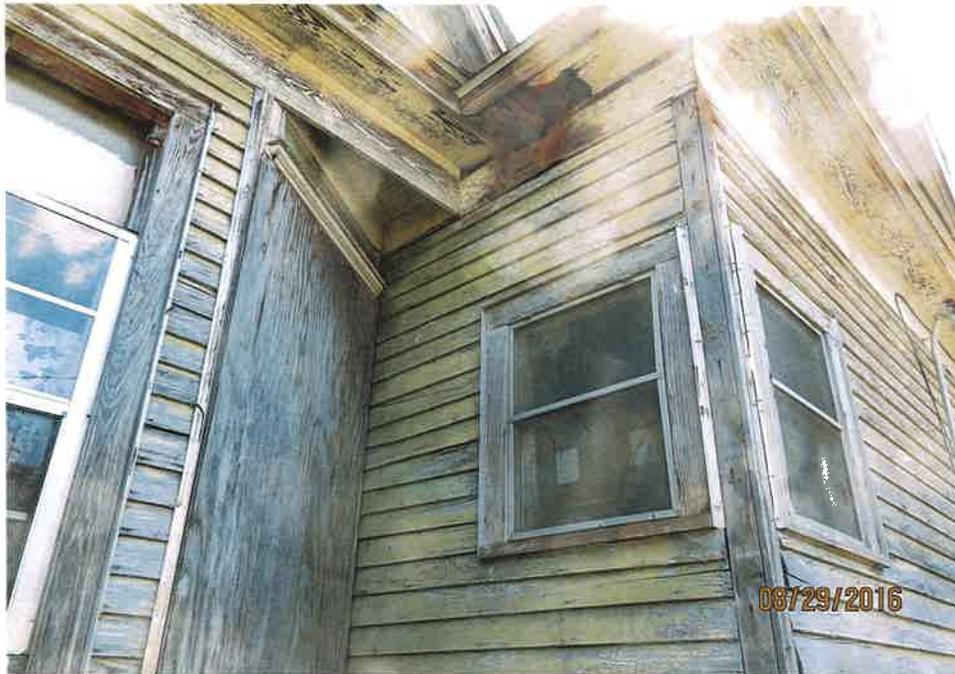
<http://gisapps.fortsmithar.gov/javascript/ParcelMap.html>

10/26/2016





















ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AUTHORIZING AND DIRECTING PERMIT AND INSPECTIONS SYSTEM TO ENSURE PLUMBING CODE COMPLIANCE WITH REFERENCE TO WATER UTILITY SERVICE PROVIDED BY FORT SMITH IN CRAWFORD COUNTY AND ESTABLISHING FEES THEREFORE.

---

WHEREAS, the Rules and Regulations pertaining to public water systems promulgated by the Arkansas State Board of Health prohibit public water systems from providing new service to any building or residence in the absence of written documentation that the service line and building plumbing are inspected by a certified plumbing inspector and found to be in substantial compliance with the State Plumbing Code;

WHEREAS, the General Assembly has provided in legislation codified as Ark. Code Ann. § 17-38-204 that cities operating a public water system shall set up a system of permits and inspections to protect public health and safety and authorized rules and regulations not in conflict with State rules and regulations to be adopted by ordinance or placed into effect by consumer contract; and

WHEREAS, Fort Smith Ordinance 96-05 established a plumbing inspection system applicable to an area of water service in the Greenwood District of Sebastian County, which plumbing inspection system should be applicable to Fort Smith water service in Crawford County;

NOW THEREFORE, BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, THAT

SECTION 1: The plumbing inspection system of permits, inspections, and fees established by Sections 1 and 2 of Ordinance 96-05 is hereby adopted and made applicable to all water system users (and the users' service connections) of the Fort Smith water utility facilities located in Crawford County.

SECTION 2: The provisions of Section 1 shall not be applicable to municipalities or water associations purchasing water from the Fort Smith water utility facilities pursuant to approved contract.

SECTION 3: Emergency Clause. It is hereby determined that an emergency exists by reason of the need to assure conformance with the Arkansas Plumbing Code of Fort Smith's water service in Crawford County. Therefore, the provisions of this Ordinance, being necessary for the protection of health, safety and welfare, shall be in full force and effect commencing from and after adoption.

This Ordinance adopted this \_\_\_\_ day of \_\_\_\_\_, 2016.

APPROVED:

ATTEST:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk

Approved as to form:



\_\_\_\_\_  
City Attorney  
Publish 1 Time

# Memorandum

---

**To:** Carl Geffken, City Administrator  
**From:** Wally Bailey, Director of Development Services  
**C:** Jeff Dingman, Deputy City Administrator  
**Date:** November 9, 2016  
**Subject:** Plumbing inspections in Crawford County

The City of Fort Smith has constructed a new 48-inch water transmission line from the Lake Fort Smith water treatment plant at Mountainburg, Arkansas, to the City of Fort Smith. Several property owners have current water service accounts with the City of Fort Smith and their service is being transferred to this new water transmission line. The project has reached the phase where the individual water service lines are being transferred.

The Arkansas Plumbing Law, Act 200 of 1951 as amended, and the Arkansas State Board of Health Rules and Regulations Pertaining to Public Water Systems require any city, town, water district or water association, etc. to set up a system of permits and inspections to assure that the public health and safety is protected. No public water system shall provide new service to any building or residence until the customer provides written documentation that the service line and building plumbing were inspected by the system's certified plumbing inspector.

I was recently notified by the Arkansas Department of Health plumbing inspector that the City of Fort Smith needs to comply with the Arkansas Plumbing Law with regard to inspections of the new water service connections on the new transmission line.

Presently, Ordinance No. 96-05 addresses the same issue with regard to plumbing inspections of the City's water system in the area known as the Transferred Area which is the area purchased from the South Sebastian County Water User's Association that is south of the corporate limit boundaries of the City.

Jerry Canfield, City Attorney, has prepared an Ordinance that will provide the same authority for plumbing inspections, permit and fees to all water system users of the Fort Smith water utility facilities located in Crawford County. The Ordinance references the a system of permits, inspections and fees as established in Sections 1 and 2 of Ordinance No. 96-05, a copy of which is attached.

Approval of the Ordinance authorizes the City of Fort Smith Plumbing Inspectors to make the inspections, issue permits and an inspection fee to be charged for the inspection.

Please contact me if you have any questions.

3.

ORDINANCE NO. 96-05

**AN ORDINANCE AUTHORIZING AND DIRECTING PERMIT AND INSPECTIONS SYSTEM TO ENSURE PLUMBING CODE COMPLIANCE WITH REFERENCE TO WATER UTILITY SERVICE TO BE PROVIDED BY FORT SMITH IN THE SOUTH SEBASTIAN COUNTY AREA TRANSFERRED TO FORT SMITH BY SOUTH SEBASTIAN COUNTY WATER USER'S ASSOCIATION, ESTABLISHING FEES THEREFORE, DIRECTING WATER SERVICE CONTRACT PROVIDING RATES AND OTHER TERMS OF SERVICE INCLUDING CONFIRMATION REGARDING PLUMBING CODE COMPLIANCE AND FOR RELATED MATTERS.**

WHEREAS, effective January 2, 2006, the City of Fort Smith will begin providing water service through the Fort Smith water system to a portion of South Sebastian County identified as the Transferred Area in the Settlement and Release Agreement between the City of Fort Smith and South Sebastian County Water User's Association, which Transferred Area is identified in Exhibit A attached to the Settlement and Release Agreement currently on file in the office of the City Clerk of the City of Fort Smith, Arkansas; and,

WHEREAS, the Rules and Regulations pertaining to public water systems promulgated by the Arkansas State Board of Health prohibit public water systems from providing new service to any building or residence in the absence of written documentation that the service line and building plumbing are inspected by a certified plumbing inspector and found to be in substantial compliance with the State Plumbing Code; and,

WHEREAS, the General Assembly has provided in legislation codified as Ark. Code Ann. § 17-38-204 that cities operating a public water system shall set up a system of permits and inspections to protect public health and safety and authorized rules and regulations not in conflict with State rules and regulations to be adopted by ordinance or placed into effect by consumer contract;

NOW THEREFORE, BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS that:



**Section 1:** For the area of water system service identified as the Transferred Area by the Release and Settlement Agreement between City of Fort Smith and South Sebastian County Water User's Association, a map of which Transferred Area is currently on file in the office of the City Clerk of the City of Fort Smith, the City Administrator and his authorized designees are hereby authorized and directed to set up a system of permits and inspections to ensure that no new water service is provided to any building or residence within the Transferred Area unless the service line and building plumbing are inspected by a Fort Smith certified plumbing inspector and found to be in compliance with the State Plumbing Code. The system of permits and inspections shall thereafter apply to all additions or modifications to plumbing (regardless of time

*Approved as to form  
JRE  
Publish 1 time*

of initial installation) covered by the State Plumbing Code. In administering said system of permits and inspections, the City Administrator shall apply the rules and regulations provided for in Division 1 of Article VI of Chapter 6 of the Fort Smith Code.

**Section 2:** Pursuant to the system of permits and inspections authorized by Section 1 above and Section 3 below, the following inspections and inspection fees shall be required.

(a) The following inspections are required:

- (1) An inspection is required before pouring of any slab floors.
- (2) A rough-in inspection and test shall be made when all plumbing, drainage, water and gas piping are in place but uncovered, and when all water outlets have been closed except one (1) opening involving the City's entire water supply system. The water test may be limited to a section of the system, as provided by the State of Arkansas plumbing code.
- (3) A final inspection shall be made after the installation has been completed.
- (4) Material and labor necessary for all inspections and tests shall be furnished by the master license holder.

Should additional inspections or tests become necessary by failure of the plumber or gas fitter to be ready for the initial inspection or test, or by failure to comply with any provision of this article, or any rule or regulation made pursuant hereto, such plumber or gas fitter shall suffer a penalty of twenty dollars (\$20.00) for each and every additional inspection or additional test.

(b) Inspection fees shall be paid to the City as follows:

- (1) Each fixture outlet . . . \$5.50
- (2) Water or sewer service . . . 5.50
- (3) Each water heater, disposer, dishwasher and floor drain . . . 4.00
- (4) Gas service with up to five (5) outlets . . . 5.50
- (5) Each additional gas outlet . . . 1.50
- (6) Final inspection . . . 12.00
- (7) Minimum fee . . . 24.00

**Section 3:** The system of permits and inspections as authorized and directed by Section 1 of this Ordinance shall be incorporated as a provision in the water service agreement whereby the Fort Smith water system provides water service to customers in the Transferred Area. With commencement of service as of January 2, 2006, and with reference to any new service subsequently established within any portion of the Transfer Area which is not annexed to the City of Fort Smith, the following terms shall be applicable to the providing of water service to such customer and notice thereof shall be provided in writing to each account on or near January 2, 2006, and, as to new accounts, at the time of opening the account.

**Terms of Water Service**

Effective January 2, 2006, all former customers of the South Sebastian County Water User's Association who become customers of the Fort Smith water system and all subsequently connected new customers in the area transferred by South Sebastian County Water User's Association to the City of Fort Smith for water service ("the Transferred Area") except and until such customer's property is annexed into the City of Fort Smith, shall be subject to the following terms of service.

1. Water service will be provided on a non-discriminatory basis subject to the deposit, payment of monthly billing regulations, water conservation ordinances, and other water system regulations adopted by the water system by the Ordinances and policies of the City of Fort Smith.
2. Until modified by the City of Fort Smith, the following meter and water volume rates shall be charged for supplied water:

	<u>Residential</u>	<u>2" Meter</u>	<u>3" Meter</u>
First 1,000 gallons	\$16.00	\$20.00	\$23.00
Next 4,000 gallons	5.00/1000	5.00/1000	5.00/1000
Next 5,000 gallons	4.50/1000	4.50/1000	4.50/1000
Next 10,000 gallons	3.75/1000	3.75/1000	3.75/1000
Over 20,000 gallons	3.25/1000	3.25/1000	3.25/1000

	<u>Users Connected after 10/25/99</u>
First 1,000 gallons	\$18.00
Next 4,000 gallons	5.50/1000
Next 5,000 gallons	5.25/1000
Next 40,000 gallons	4.75/1000
Over 50,000 gallons	4.25/1000

Fort Smith reserves the right to convert the rates from a "gallons" volume basis to a "hundred cubic feet" volume basis.

3. Service shall be subject to disconnection for non-payment of billing and for any other reason established by the Ordinances and policies of the City of Fort Smith, subject to administrative due process review according to procedures established by the City Administrator of the City of Fort Smith.
4. Water service is subject to disruption due to public health reasons, emergencies including fire fighting, and repair and construction activities of the water system as determined by the director of utilities of the City of Fort Smith or his designated agents.

5. The City of Fort Smith makes no warranty, express or implied, with reference to water volume, water pressure or water quality. Fort Smith notes that its system is subject to regulation by the Arkansas Department of Health pursuant to regulations, if any, which apply to municipal water systems.

6. All structures connected to the Fort Smith water system are subject to the plumbing requirements established by the Arkansas Plumbing Code as promulgated by the Arkansas Department of Health. No new connection and no addition or modification to plumbing connected to the Fort Smith water system shall be installed without inspection by a member of the Fort Smith plumbing inspection staff and compliance with the Arkansas Plumbing Code. With reference to plumbing permits required by the Arkansas Plumbing Code and fees charged for plumbing inspections, the customer agrees to be bound by the provisions adopted, from time to time, by the governing body of the City of Fort Smith and codified in Division 1, Article VI of Chapter 6 of the Fort Smith Code.

7. Whether the foregoing terms of service continue to apply after a user's property is annexed into the City of Fort Smith will be determined by the policies and Ordinances of Fort Smith which may differentiate between terms and customers.

**Section 4: The provisions of this Ordinance are deemed severable. Any determination of unconstitutionality or invalidity of any provision or application of this Ordinance shall not be deemed to effect the constitutionality or validity of any other provision or application of this Ordinance.**

**Section 5: Emergency Clause. It is hereby determined that an emergency exists by reason of the fact that on January 2, 2006, the City of Fort Smith shall provide public water service to water users within that portion of South Sebastian County identified as the Transferred Area in the service transfer agreement between the City of Fort Smith and South Sebastian County Water User's Association and, as of that date, there is required to be in existence Terms of Water Service and a permit and inspection system to assure the application of the Arkansas Plumbing Code. Therefore, the provisions of this Ordinance, being necessary for the protection of health, safety and welfare, shall be in full force and effect commencing at 12:01 a.m. on January 2, 2006.**

Passed and approved this 20 day of December, 2005.

APPROVED:   
Mayor

ATTEST:

  
City Clerk

**Lake Fort Smith 48-Inch Water Transmission Line - Phase One  
Water Tap and Reconnection Policy  
February 2015**

The City of Fort Smith, Arkansas, is undertaking the construction of a new 48-inch water transmission line from the Lake Fort Smith water treatment plant at Mountainburg, Arkansas, to the City of Fort Smith (Fort Smith) to improve water delivery for all its customers and sustain regional growth. When the new 48-inch water transmission line is completed, the 27-inch water transmission line constructed in 1935 will be removed from service. The new 48-inch water transmission line will be constructed in several phases. The initial construction, Phase One, commences at the Lake Fort Smith water treatment plant and extends southward approximately 6 miles to a location within the general vicinity of the Arkansas Missouri Railroad overpass on Highway 282.

The route for the Lake Fort Smith 48-Inch Water Transmission Line - Phase One project (Project) generally parallels the routes of the existing 27-inch and 36-inch water transmission lines from the Lake Fort Smith water treatment plant. The 27-inch and 36-inch transmission lines have metered service connections that serve individual water customers along the routes of those lines. Fort Smith manages individual connections to its water transmission lines in accordance with its water tap policy established in June 1984. With the construction of the Project and removal of a portion of the 27-inch water transmission line from service, the service connections for those individual users will be addressed as follows:

Fort Smith individual water customer accounts currently serving properties within the corporate boundary of the City of Mountainburg, or which may be served from the Mountainburg water system, will be disconnected from Fort Smith and reconnected to the water system operated by the City of Mountainburg. This work will be performed at no cost to the current property owner.

Current Fort Smith individually metered water accounts (First-Party Account) south of the corporate boundary of the City of Mountainburg may be transferred by Fort Smith and reconnected to a new water line to be constructed and operated by Fort Smith. The transfer and reconnection of any First-Party Account will be performed at no cost to the current First-Party Account holder.

Any subsequent user which jointly uses a First-Party Account to obtain Fort Smith water, which water usage is registered as part of the First-Party Account, will be considered a Third-Party User. At the time which the First-Party Account is to be transferred by Fort Smith, Third-Party Users will be allowed a one-time opportunity to establish, at Fort Smith's then normal water connection charges, an individual First-Party Account. Third-Party Users will be responsible for all costs associated with the separation from the First-Party Account's water service line, service line installation cost and connection to their new First-Party Account's meter. Upon the completion of the construction of the Project no other transfers of a Third-Party User to a Fort Smith water line as a First-Party Account will be allowed.

No additional individual connections to Fort Smith's 27-inch water transmission line or 36-inch water transmission line in areas beyond the construction limits of the Project will be authorized as currently established by the existing water transmission line tap policy established in 1984. Furthermore, no additional individual connections to the Lake Fort Smith 36-inch water transmission line or 48-inch water transmission line, or water line constructed by Fort Smith as part of the Project will be authorized following the completion of the Project's construction.

This Lake Fort Smith 48-Inch Water Transmission Line - Phase One Water Tap and Reconnection Policy is hereby adopted on this 12<sup>th</sup> day of February, 2015.

City of Fort Smith



---

Ray Gosack  
City Administrator



Writer's Direct # 479.784.2248  
rcanfield@fortsmithar.gov

September 13, 2016

XXX  
XXXX Dollard Rd.  
Mountainburg, AR 72XXX

Dear Property Owner:

Earlier, the City of Fort Smith mailed letters to impacted property owners providing details about individually metered water accounts affected by the City's construction of a new 48-inch water transmission line. In said letter, the City defined current water users into two (2) groupings.

The first grouping are water users that have a meter currently tapped into a transmission line and are current account holders with the City of Fort Smith. These water customers are referred to as ("First-Party Account Holders"). The second grouping are water users that currently connect to a First-Party Account Holder for service. These water users are referred to as ("Third-Party Users").

First-Party Account Holders will have their connection transferred to the new six (6) inch service line at no cost to the customer.

Third-Party users will have a one-time opportunity to apply for First-Party Account Holder status, and receive water service from the new six (6) inch line upon its completion. Listed below are the requirements to receive First-Party Account Holder status:

1. Applicant must be a current Third-Party User.
2. A licensed plumber is required to disconnect the existing unapproved connection to the First-Party Account Holder's service.
3. A licensed plumber is required to connect the water meter.
4. Must have a State approved septic system, or be on an approved sewer line.
5. Site inspection by City of Fort Smith inspectors is required before a tap will be performed.

Any Third-Party User wishing to receive water service as a First-Party Account Holder will be subject to the standard tapping deposit of \$670.00, if the connection is on the same side of the road as your property. If your property is on the opposite side of the road from the tap, a deposit of \$720.00 will be required plus the additional expense of the road bore, (the potential cost of boring may reach \$800.00).

If you are a current Third-Party User and wish to make application for First-Party Account Holder status, contact Tony Nguyen at 479.784.1016 or [tnguyen@fortsmithar.gov](mailto:tnguyen@fortsmithar.gov) for application information. Applications will be taken by the City of Fort Smith from September 15th to November 15th.

Please feel free to contact myself, or Dedra Davis at 479.494.3393 or [dedavis@fortsmithar.gov](mailto:dedavis@fortsmithar.gov), should you have any questions

Respectfully,

Randy Canfield  
Real Property Manager  
Enclosures

Utility Department • 801 Carnall Avenue, Suite 500  
Fort Smith, Arkansas 72901  
(479) 494-3939

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ROBERT R. BRIGGS, P.A. †  
OF COUNSEL

HARRY P. DAILY (1886-1965)  
JOHN P. WOODS (1886-1976)  
JOHN S. DAILY (1912-1987)  
BEN CORE (1924-2007)

WRITER'S E-MAIL ADDRESS  
JCanfield@DailyWoods.com

January 20, 2015

Mr. Steve Parke  
Director of Utilities  
sparke@fortsmithar.gov

Re: Lake Fort Smith 48-Inch Water Transmission Line - Phase One Water Tap and  
Reconnection Policy

Dear Mr. Parke:

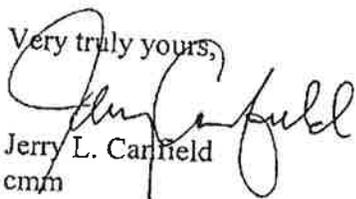
At your request, we have reviewed the captioned policy which is anticipated to be implemented with the beginning of the construction of the Phase One portion of the new 48-inch water transmission line. It is our opinion that the policy is consistent with the policy adopted by the City in the mid-1984 time period with reference to connections of water service on the City's existing 27-inch and 36-inch water transmission lines. We suggest that the first sentence of the third paragraph of the adopted policy be slightly changed to state:

Any subsequent user which jointly uses a First-Party Account to obtain Fort Smith water, which water usage is registered as part of the First-Party Account, will be considered a Third-Party User.

We understand the policy will be published in the Southwest Times Record (and perhaps will receive other press coverage) contemporaneously with the authorization by the Board of Directors of the construction contract for Phase One of the construction of 48-inch water transmission line. As with the 1984 policy, we view the policy to be an administrative policy to be issued by the City Administrator or other authorized administrative official of the City. We recommend that the Board of Directors be advised of the potential issuance of the policy and that the policy will be considered to be in effect once the Board authorizes construction of Phase One of the transmission line construction project.

Thank you for your attention to this matter.

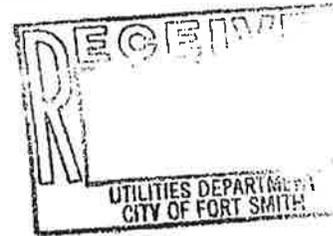
Very truly yours,

  
Jerry L. Canfield  
cmm

DAILY, WEST, CORE, COFFMAN & CANFIELD  
ATTORNEYS AT LAW  
623 GARRISON AVE. - P. O. BOX 1446  
STEPHENS BUILDING  
FORT SMITH, ARK. 72902

JOHN S. DAILY  
JAMES E. WEST  
BEN CORE  
ELDON F. COFFMAN  
JERRY L. CANFIELD  
THOMAS A. DAILY  
WYMAN R. WADE, JR.  
STANLEY A. LEASURE  
DOUGLAS M. CARSON  
STEPHEN G. HOUGH  
JANICE Z. WEST

November 18, 1986



AREA CODE 801  
782-0381

Mr. Steve Parke  
Acting Director of Public Works  
City of Fort Smith  
P.O. Box 1908  
Fort Smith, AR 72902

Re: Policy on free connections to water lines  
north of Van Buren

Dear Mr. Parke

Approximately a year ago the old issue regarding connections to the City's transmission lines through northern Crawford County was raised by the proposed property development by Dr. Kutait and Mr. Catsavis. I believe that Richard Green devised, and perhaps placed in writing, a policy decision as to the manner of handling such issues in the future. There may have been a news release issued or a notice to affected property owners. I would appreciate it if you could have someone review the appropriate file and supply to me a copy of any such policy decision which was then made and which, presumably, is still the controlling policy.

Thank you for your attention to this matter.

Yours very truly,

  
Jerry Lee Canfield  
dgh

Water Transmission Lines - Tap Policy



# City of Fort Smith

FILE COPY

February 17, 1988

Mr. Dennis Davis  
Davis and Cox  
1221 Highway 71 South  
Fort Smith, Arkansas 72903

RE: Water Tap for  
Rudy Fire Station

Dear Mr. Davis:

Enclosed for your information is a news release and newspaper article announcing the City of Fort Smith's policy regarding taps along its water lines in Crawford County. Because of the demands being placed on Fort Smith's water system, requests for taps in Crawford County are routinely denied.

If you have any further questions regarding this policy, please call me at 785-2801, ext. 231.

Sincerely,

*Ray Gosack*

Ray Gosack  
Administrative Assistant, Utilities

bd

Enclosures 2



# City of Fort Smith

NEWS RELEASE  
JUNE 15, 1984

Routing	Date	Initials
<input checked="" type="checkbox"/> Human	6/21/84	TR
<input type="checkbox"/> Parker		
<input type="checkbox"/> [unclear]		
<input checked="" type="checkbox"/> R. Green	2/2/84	LG

The City of Fort Smith, Arkansas, announces its policy regarding additional connections to the water lines belonging to the City of Fort Smith for the purpose of transporting water from its treatment plant located in Mountainburg, Arkansas to the northern boundary of the City of Van Buren, Arkansas. Due to the demands on the City's water system and the specific pumping problems associated with additional tie-ons to the described section of the transmission lines, no additional or further connections will be permitted to such lines without specific authorization of the Director of Utilities of the City of Fort Smith. Any person contemplating the construction of any improvements with anticipated water supply from the Fort Smith transmission lines should be aware of this notice and make appropriate contracts with the City of Fort Smith for the purchase of water from the transmission lines in question.

###

  
 William L. Faught  
 City Administrator

# Water taps restricted

## City requiring approval for more connections

By Robin Miller  
SWTR Staff Writer

The city of Fort Smith has announced a policy restricting additional connections to water lines that transport water from its treatment plant near Mountainburg to the northern boundary of Van Buren.

No connections will be granted without authorization from Richard Green, director of utilities for Fort Smith.

Green said the policy will not allow future connections to the transmission lines unless the request for a new tie-on is accompanied with proof of the

requestor's right to connect to the lines.

Proof would consist of an individual's personal covenant with the city of Fort Smith granting the city right-of-way when the lines were installed in 1936 and 1964, Green said.

He said since the right-of-ways were granted, the city has accommodated random requests for taps to the transmission lines from landowners between Mountainburg and Fort Smith.

The new policy is an attempt for the city to regain control of the lines, which were installed for the purpose of transporting

water from the treatment plant to Fort Smith water users, Green said.

The policy will "only allow the ones who have verifiable rights to it," he said.

A press release issued by city administrator Bill Faught announcing the new policy states, "Any person contemplating the construction of any improvements with anticipated water supply from the Fort Smith transmission lines should be aware of this notice and make appropriate contracts with the city of Fort Smith for the purchase of water from the transmission lines in question."

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JOHN P. WOODS (1886-1976)  
JOHN S. DAILY (RETIRED)  
JAMES E. WEST  
BEN CORE  
ELDON F. COFFMAN  
JERRY L. CANFIELD  
THOMAS A. DAILY  
WYNAN R. WADE, JR.  
STANLEY A. LEASURE  
DOUGLAS M. CARSON  
STEPHEN G. HOUGH  
JANICE WEST WHITE

AREA CODE 501  
762-0381

February 24, 1987



Mr. Steve Parke  
Director of Utilities  
City of Fort Smith  
P.O. Box 1908  
Fort Smith, AR 72902

Re: Construction of provisions in easement deeds  
reserving right of free connection to the  
City's water transmission lines between Lake  
Fort Smith and Van Buren

Dear Mr. Parke:

This letter will confirm oral discussions had with the City's  
Utility Department through the years with reference to the  
captioned matter.

The instruments in question are typically easement conveyances  
from property owners to the City granting the right to lay and  
maintain one or more water transmission lines in the area north  
of Van Buren to the Lake Fort Smith area. Typically, a subject  
easement instrument reserves to the grantor (the property owner)  
a right of one or more free connections to the water  
transmission line.

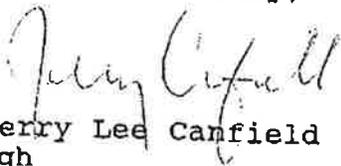
Based on Arkansas authorities such as Fort Smith Gas Co. v.  
Gean, 186 Ark. 573, 55 S.W.2d 63 (1932), it is our opinion that  
there is a strong arugment that such a reservation of a right of  
connection is a personal right to the individual granting the  
easement and is not a covenant running with the land so as to be  
of benefit to the successors or assigns of the original  
grantor.

There are numerous factors which could result in a contrary decision. Any mention that the right of connection was for the benefit of "the grantor and/or his successors or assigns" could cause the right to run with the land and be used by subsequent owners of the property. It could be argued that the right of multiple connections would indicate an intention to benefit the land rather than the grantor (as the grantor could use only one for his personal use). However, we do not believe that the right to multiple connections would necessarily result in a different decision inasmuch as the original grantor could, if he developed his property during his lifetime, receive benefit from multiple connections.

We are enclosing a copy of the above cited case for your review of the rationale utilized by the courts.

Thank you for your attention to this matter.

Yours very truly,

  
Jerry Lee Canfield

dgh

Enclosure

cc: Mr. Strib Boynton

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AMENDING ORDINANCE NO. 46-16 TO ADJUST THE TRANSIT DEPARTMENT RATE SCHEDULE TO INCLUDE UAFS RIDERSHIP INCENTIVES

BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, THAT:

SECTION 1: The Transit Department Services Rate Schedule listed below is hereby amended to become effective upon adoption.

Fort Smith Transit Services Rate Schedule:

<i>Fixed Route Trip</i> .....	\$1.25
<i>Fixed Route Trip - Age 65+ and Certified Disabled</i> .....	\$.50
<i>Fixed Route Trip - Medicare Recipients</i> .....	\$.50
<i>Fixed Route Trip – UAFS STUDENTS with STUDENT ID</i> .....	\$.75
<i>Monthly Pass (Fixed Route)</i> .....	\$35.00
<i>Student Monthly Pass – Age 18 and Under With Verified Enrollment (Fixed Route)</i> .....	\$20.00
<i>Veteran Pass - With Verified Service Connected Disability (Fixed Route)</i> .....	FREE
<i>Demand Response Trip</i> .....	\$2.50
<i>Additional Service Trip</i> .....	\$3.00
<i>(Demand Response Service When Fixed Routes Are Closed)</i>	
<i>Bulk Ticket Sales - (32 - \$1.25 Tickets)</i> .....	\$35.00
<i>Children Age 7 and Under</i> .....	FREE
<i>Transfers</i> .....	FREE
<i>Free Ride Days – 8 Days Per Year</i>	
<i>Charter Service (City of Fort Smith Departments Only):</i>	
<i>First Hour (\$25.00 for Admin. + \$70.00 Service Hour)</i> .....	\$95.00
<i>Each Additional Hour</i> .....	\$70.00
<i>Private Charter Service (All Other Entities):</i>	
<i>First Hour (Includes Local Deadhead Travel)</i> .....	\$200.00
<i>Each Additional Hour</i> .....	\$100.00
<i>All charters require a minimum seven (7) day advance reservation notice and are subject to federal approval.</i>	

SECTION 2: Emergency Clause. It is hereby determined that the new school year has commenced which creates a time emergency for the effectiveness of the Transit Department Services Rate Schedule amendments adopted by Section 1 of this Ordinance; therefore, in order to preserve the health, safety and welfare of the inhabitants of this City, this Ordinance shall be in full force and effectiveness from its adoption.

This Ordinance passed and approved this \_\_\_\_ day of November, 2016.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

Approved As To Form:



\_\_\_\_\_  
Publish One Time



**M E M O R A N D U M**  
**November 1, 2016**

**TO:** Carl Geffken, City Administrator  
**FROM:** Ken Savage, Transit Director  
**SUBJECT:** Transit Fare Rate Schedule Ridership Incentives

Attached is an ordinance that includes a discount for UAFS students to ride fixed route services for \$.75 per trip with a valid UAFS student identification.

The request for a student discount was initiated by the Fort Smith Bus Coalition. Staff met with officials from UAFS and discussed a long term goal of ultimately allowing UAFS students to ride free in exchange for revenues from the university. While the discount is separate from the long term goal that was discussed with UAFS officials, staff is confident the discount option will help determine a level of student interest for future discussions.

Utilization of transit services for the purpose of accessing schools received the lowest ranking in the 2014 transit survey. With a trending decline in overall ridership, staff believes this is a good time to incorporate the discount option in the fare schedule. Encouraging ridership growth aligns with the comprehensive plan element TI-4.1 market public transportation in Fort Smith.

The Transit Advisory Commission conducted a formal public hearing during their September 14, 2016 meeting. The commission unanimously approved the discount option at their October 26, 2016 meeting following a review of the public comments. Three comments were received, two were in favor and one was a question as to whether or not the option would apply to the local Vista College. The commission's approval did not include Vista College; however they indicated a willingness to review a separate request if it was the desire of Vista College.

If the Fort Smith Board of Director's approves the attached ordinance, staff will work aggressively with the Fort Smith Bus Coalition to market the new incentive. Staff recommends approval of the ordinance.

cc: Jeff Dingman, Deputy City Administrator  
Lori Carr, Transit Superintendent

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE AMENDING APPENDIX A, SECTION XVI OF THE  
FORT SMITH MUNICIPAL CODE REGARDING THE CITY OF FORT SMITH  
EDUCATION REIMBURSEMENT POLICY**

**BE IT ORDAINED AND ENACTED BY THE BOARD OF DIRECTORS OF THE  
CITY OF FORT SMITH, ARKANSAS, THAT:**

Section 1: The Fort Smith Municipal Code Section XVI (D) is amended to read as

follows:

**Section XVI. - Benefits**

D. Tuition Reimbursement - The City of Fort Smith supports employees who wish to continue their education to secure increased responsibility and growth within their professional careers. In keeping with this philosophy, the City has established a reimbursement program for expenses incurred through approved and accredited learning institutions. Employees participating in the Program must meet certain requirements for participation:

- Employee must be a Full Time regular employee.
- Employee must have one full year of service with the City before the first class begins.
- Employee must agree to continue working for the City for at least one full year after the degree is obtained. If this qualification is not met, the employee agrees to reimburse the City the full cost of education reimbursements received.
- Employee must submit a degree plan with a declared major for consideration of college or university coursework.
- Management and Program Administrator approval is required prior to participation.
- Participating employees must maintain acceptable job performance, as determined by their managers throughout their course of study.
- Managers and employees are responsible for adherence to City policy. Failure to do so may result in disciplinary action up to and including termination.

The City will reimburse coursework up to a maximum of \$4,000 per year incurred by an employee for continuing education through an accredited program that either offers growth in an area related to his or her current position or might lead to promotional opportunities. This education may include college credit courses and continuing education unit courses. Seminars and certification tests may be reimbursed if it relates to the employee's work.

1. Supplies, books and classroom equipment, and other fees will be the responsibility of the employee. The City will only reimburse college credit course hour fees, flat tuition of courses, and seminar and certification fees.
2. Upon completion of the course, an employee will provide an official transcript or completion certificate from the accredited institution to the Director of Human Resources within thirty (30) days. The employee must secure an overall GPA of 2.5 or greater for the coursework taken during the semester to receive 100% reimbursement. If the employee does not complete the coursework in the semester or completes the coursework in the semester with a GPA less than 2.5, no reimbursement will be given. Expenses must

be validated by receipts, and a copy of the transcript, final grade card, or certification must be presented to show hours or certification received.

3. If an institution of higher learning, organization, or designated third party, agrees to bill directly the City of Fort Smith and/or the employee after the coursework is completed and in accordance with the overall GPA and other requirements, all parties will sign an agreement that delineates the responsibilities of each party.
4. Course work must be scheduled so as not to interfere with the employee's regularly scheduled working hours.
5. The City shall ask an employee to sign a release authorizing the City to solicit the required documentation and/or information from an institution of higher learning, organization, or a designated third party. Providing false information may result in loss of eligibility for benefits and/or disciplinary action in accordance with the City's Code of Conduct.
6. Availability of Funds – all reimbursement for education expenses is made to the extent to which budgeted funds are available. Due to budget considerations, the City may limit the number of employees annually who participate in this program.

**Procedures**

To receive tuition reimbursement, employees shall follow the procedures listed here:

- The employee must provide his or her manager with information about the course for which he or she would like to receive reimbursement. If this is a college course, a completed degree plan shall be included with the course information.
- The pre-approval section of the tuition reimbursement form shall be completed and all the appropriate signatures obtained prior to enrolling.
- The employee must then take the form to HR, and a copy will be added to the employee's file. The employee will maintain the original until he or she has completed the course. The employee can then enroll in the course.
- After completion of the course, the employee shall resubmit the original tuition reimbursement form with the reimbursement section filled out, including appropriate signatures, as well as receipts and evidence of a passing grade or certification attached.
- The HR department will then coordinate the reimbursement with the Accounting department.

PASSED AND APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2015.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

Approved as to form:



\_\_\_\_\_  
City Attorney  
Publish 1 time

# Memo

To: Carl Geffken, City Administrator  
CC: Jeff Dingman, Deputy City Administrator  
From: Jennifer Walker, Finance Director  
Date: 11/10/2016  
Re: Education Reimbursement Policy

---



City Staff presented a proposed revision to the Education Reimbursement Policy to the Board of Directors at a Study Session on September 27, 2016. The following is a summary of changes incorporated based on feedback received during and after that study session.

- Reimbursement requirements will be based on average GPA of the coursework taken during the semester, rather than individual class grades. A GPA of 2.5 or higher will be reimbursed 100%. A GPA less than 2.5 will not be reimbursed.
- If an institution of higher learning agrees to direct bill the City of Fort Smith and/or the employee after the coursework is completed, all parties will sign an agreement that delineates the responsibilities of each party. This would alleviate the need for the student to pre-pay for coursework and ask for reimbursement after coursework is completed.
- Minor spelling/grammar changes.

A full version of the revised policy is attached to this memo in Appendix A. The proposed form for processing is attached in Appendix B. Additional supporting documentation can be found in the Study Session packet dated September 27, 2016.

If you have any questions or require more information, please let me know.

## Proposed changes to Education Reimbursement Policy

*Proposed by: Jennifer Walker, Finance Director*

*Last Updated: November 10, 2016*

*Location: Employee Handbook, Human Resources Policies*

Below is a summary of decision points in the policy (can be converted to a FAQ after approval):

<b>Decision Point</b>	<b>New Policy Answer</b>	<b>Change to Current Policy?</b>
<b>How long do you have to work at the City before you are eligible to participate?</b>	1 Year	YES
<b>What employee status may participate?</b>	Full Time Regular	NO
<b>How long must you stay with the City after you have graduated or received your certificate?</b>	1 Year	YES
<b>What types of classes will be reimbursed?</b>	Accredited college courses, continuing education unit courses, seminars and certification tests	YES
<b>What types of charges are covered?</b>	Course Hours / tuition only – no fees, books, materials, etc	YES
<b>How much money per student?</b>	\$4,000 per year	YES
<b>Restriction on types of courses?</b>	Degree pursuit must be job related (but not each class)	YES
<b>Require a degree development program?</b>	Yes, classes must be included in degree plan and presented to City.	YES
<b>Grade Requirements?</b>	2.5 GPA for reimbursement semester Less than 2.5 GPA – 0%	YES
<b>Time of Payment?</b>	Reimburse student after class is taken and grades are submitted.	YES

## **SECTION XVI: Benefits**

### **D. Tuition Reimbursement**

The City of Fort Smith supports employees who wish to continue their education to secure increased responsibility and growth within their professional careers. In keeping with this philosophy, the City has established a reimbursement program for expenses incurred through approved and accredited learning institutions. Employees participating in the Program must meet certain requirements for participation:

- Employee must be a Full Time regular employee.
- Employee must have one full year of service with the City before the first class begins.
- Employee must agree to continue working for the City for at least one full year after the degree is obtained. If this qualification is not met, the employee agrees to reimburse the City the full cost of education reimbursements received.
- Employee must submit a degree plan with a declared major for consideration of college or university coursework.
- Management and Program Administrator approval is required prior to participation.
- Participating employees must maintain acceptable job performance, as determined by their managers throughout their course of study.
- Managers and employees are responsible for adherence to City policy. Failure to do so may result in disciplinary action up to and including termination.

The City will reimburse coursework up to a maximum of \$4,000 per year incurred by an employee for continuing education through an accredited program that either offers growth in an area related to his or her current position or might lead to promotional opportunities. This education may include college credit courses, continuing education unit courses, seminars and certification tests.

1. Supplies, books and classroom equipment, and other fees will be the responsibility of the employee. The City will only reimburse College credit course hour fees and/or flat tuition of courses.
2. Upon completion of the course, an employee will provide an official transcript or completion certificate from the accredited institution to the Director of Human Resources within thirty (30) days. The employee must secure an overall GPA of 2.5 or greater for the coursework taken during the semester to receive 100% reimbursement. If the employee does not complete the coursework in the semester or completes the coursework in the semester with a GPA less than 2.5, no reimbursement will be given. Expenses must be validated by receipts, and a copy

of the transcript, final grade card, or certification must be presented to show hours or certification received.

3. If an institution of higher learning, organization, or designated 3rd party, agrees to bill directly the City of Fort Smith and/or the employee after the coursework is completed and in accordance with the overall GPA and other requirements, all parties will sign an agreement that delineates the responsibilities of each party.
4. Course work must be scheduled so as not to interfere with the employee's regularly scheduled working hours.
5. The City shall ask an employee to sign a release authorizing the City to solicit the required documentation and/or information from an institution of higher learning, organization, or designated third party. Providing false information may result in loss of eligibility for benefits and/or disciplinary action in accordance with the City's Code of Conduct.
6. Availability of Funds – all reimbursement for education expenses is made to the extent to which budgeted funds are available. Due to budget considerations, the City may limit the number of employees annually who participate in this program.

### **Procedures**

To receive tuition reimbursement, employees shall follow the procedures listed here:

- The employee must provide his or her manager with information about the course for which he or she would like to receive reimbursement. If this is a college course, a completed degree plan shall be included with the course information.
- The pre-approval section of the tuition reimbursement form shall be completed and all the appropriate signatures obtained prior to enrolling.
- The employee must then take the form to HR, and a copy will be added to the employee's file. The employee will maintain the original until he or she has completed the course. The employee can then enroll in the course.
- After completion of the course, the employee shall resubmit the original tuition reimbursement form with the reimbursement section filled out, including appropriate signatures, as well as receipts and evidence of a passing grade or certification attached.
- The HR department will then coordinate the reimbursement with the Accounting department.

<b>Name - Employee Tuition and Education Assistance Policy</b>	Revision #: 0 Revision Date: Effective Date: 1/1/2017 Page 1 of 1
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## Request for Education and Tuition Reimbursement Application Form

Employee Name:		Hire Date:		Department:	
Name of Institution to Attend:					
Type of Degree Pursues:		Number of Hours Needed to Degree:		Estimated Start Date:	
1st Course Title:	Hours	Total Cost	Meeting Day (s)	Est. Completion Date	
2nd Course Title:					
3rd Course Title:					

*How will this course(s) or degreed program assist you in your current position or enhance your potential for advancement with the Company? (Use extra page if necessary):*


### Certification of Authorization

I understand and agree that in exchange for reimbursement under this program, I am subject to the employment requirements under the Code of Conduct and Fort Smith Employee Handbook, which can run concurrent with a multi-year degree completion program. I also understand that I may be required to repay the City of Fort Smith for all or a portion of reimbursement that I have received should my employment with the City cease for any reason other than reduction in force job elimination. By my signature below, I authorize payroll deduction to satisfy any repayment due and I agree to pay any outstanding amounts thereafter immediately. I further understand that the City may employ all legal resources available to pursue collection of any unpaid portion of this debt.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

### Approval Signatures

Immediate Supervisor:	Date:
Department Head:	Date:
Human Resources Director:	Date:
City Administrator:	Date:

RESOLUTION \_\_\_\_\_

**A RESOLUTION AUTHORIZING PARTIAL PAYMENT TO FORSGREN, INC., FOR THE CONSTRUCTION OF JENNY LIND ROAD AND INGERSOLL AVENUE WIDENING PROJECT AHTD JOB 040471, CITY OF FORT SMITH PROJECT NO. 07-01-A**

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, THAT:

Payment in the amount of \$2,140,075.11 for Periodic Pay Estimate No. 8 to Forsgren, Inc., is hereby approved for the construction of Jenny Lind Road and Ingersoll Avenue Widening Project, AHTD Job 040471, City of Fort Smith Project No. 07-01-A.

This resolution adopted this \_\_\_\_\_ day of November, 2016.

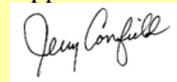
APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

Approved as to Form



\_\_\_\_\_  
 No Publication Required



## Memorandum

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**TO:** Carl Geffken, City Administrator

**CC:** Jeff Dingman, Deputy City Administrator

**FROM:** Stan Snodgrass, P.E., Director of Engineering

**DATE:** November 9, 2016

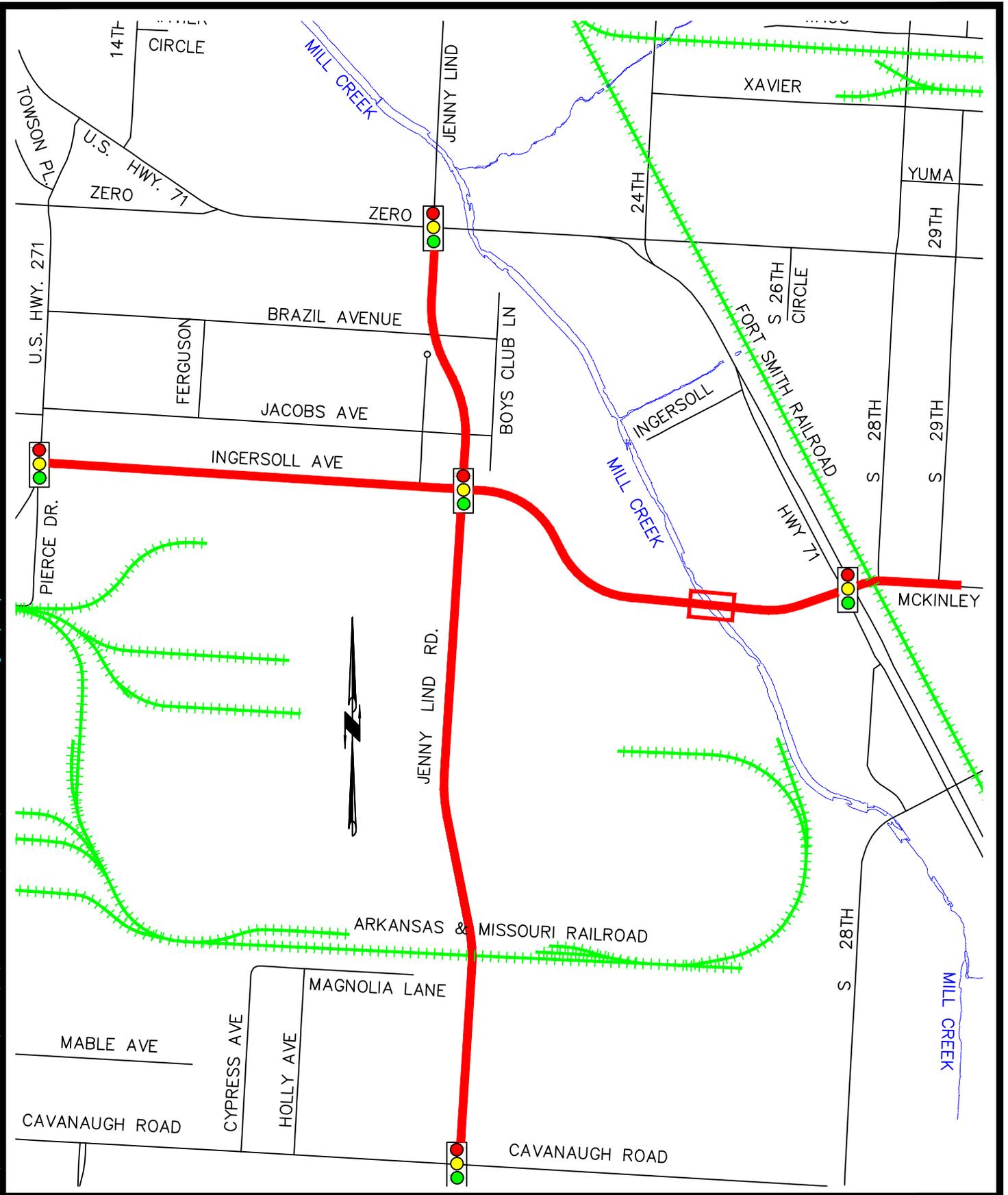
**SUBJECT:** Jenny Lind Road and Ingersoll Avenue Widening Project  
AHTD Job 040471, City Project No. 07-01-A

This project includes widening and improvements to Jenny Lind Road between Zero and Cavanaugh Road, and Ingersoll Avenue from Hwy 271 to Jenny Lind Road. It also includes the extension of Ingersoll Avenue from Jenny Lind Road to Highway 71B. A location map showing the area of the proposed improvements is attached. A project summary sheet which provides more information is also attached.

Periodic pay estimate number 8 is in the amount of \$2,140,075.11. A City Ordinance requires that all payments in excess of \$750,000.00 be approved by the Board of Directors. A Resolution authorizing this payment is attached. I recommend that this payment be approved.

This project is also in alignment with the comprehensive plan policies FLU-1.4 (Ensure adequate, well-maintained infrastructure, public safety, and public facilities for all development and prevent development ahead of infrastructure and service provision), TI-5.1 (Continue to ensure that customers within Fort Smith have access to reliable water, sewer, drainage, solid waste services by reducing or eliminating deficiencies and gaps in infrastructure systems) and TI-5.2 (Ensure that utility and infrastructure systems can meet the city's long-term needs).

Attachments



2016 CAPITAL IMPROVEMENTS PROGRAM  
 JENNY LIND - INGERSOLL  
 ZERO STREET TO CAVANAUGH ROAD



Project:	
Date:	APR. 2016
Scale:	NONE
Drawn By:	RBR

City of Fort Smith  
 Project Status: 30% Complete  
 Today's Date: 11/9/2016  
 Staff Contact Name: Stan Snodgrass  
 Staff Contact Phone: 784-2225  
 Contract Time (no of days): 720  
 Notice to Proceed Issued: 4/4/2016

Project Name: Jenny Lind Road. &  
 Ingersoll Avenue Widening  
 Project Number: 07-01-A  
 Project Engineer: Crafton Tull & Associates, Inc.  
 Project Contractor: Forsgren, Inc.

	Dollar Amount	Bid Date	Contract Completion Date
Original bid award	\$28,830,649.66	2/9/2016	3/24/2018
Contract Revision:	\$0.00		
Adjusted contract amount	<u>\$28,830,649.66</u>		
Payments to date (as negative):	\$6,390,507.99		
Amount of this payment	\$2,140,075.11		
Contract balance remaining	\$20,300,066.56		
Retainage held	\$0.00		
Final payment	N/A		
Amount over original contract as a percentage	N/A		

**Final Comments:**

A City Ordinance requires that all payments in excess of \$750,000.00 be approved by the Board of Directors.

RESOLUTION NO. \_\_\_\_\_

RESOLUTION ACCEPTING CHANGE ORDER NUMBER ONE WITH FORSGREN, INC. FOR CONSTRUCTION OF THE RICE CARDEN WALKING TRAIL

\_\_\_\_\_

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, that:

The Mayor is hereby authorized to execute Change Order No. 1 with Forsgren, Inc., decreasing the contract amount by \$11,898.00.

This Resolution adopted this \_\_\_\_\_ day of November, 2016.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM



\_\_\_\_\_npr



## Memo:

November 9, 2016

To: Carl Geffken, City Administrator  
From: Doug Reinert, Director of Parks and Recreation *DSR*  
Re: Rice-Carden Walking Trail Change Order Number One

During the pre-construction meeting Forsgren, Inc. noted that they would like to change the use of Class 7 Gravel Base material to a recycled concrete material. This is an acceptable replacement, it's less expensive and is a "green" material. This material is readily available locally in Fort Smith and will not affect the quality of work. This material is approved by the Arkansas Highway and Transportation Department as an appropriate substitute and I concur that this is a cost effective alternative.

This project is in alignment with the goals of the Comprehensive Plan policy FLU-2.3, ED-6.1.1, and TI-1.7. I recommend accepting this change order to use recycled concrete base course of 7,932 tons with an associated cost savings of \$11,898.00.

If you have any further questions feel free to contact me.

Cc: Jeff Dingman, Deputy City Administrator  
Sara Deuster, Deputy Director of Parks and Recreation

### Project Summary

Project Status: In Progress      Project name: Rice Carden Walking Trail  
 Today's Date: November 9, 2016      Project contractor: Forsgren, Inc.  
 Staff contact name: Doug Reinert  
 Staff contact phone: (479) 784-1006  
 Notice to proceed issued: November 14, 2016

	Dollar Amount	Contract Time (Days)
Original bid award	717,120.00	90
Change Order 1	-11,898.00	
Total change orders	-11,898.00	0
Adjusted contract amount	705,222.00	90
Payments to date (as negative):	0.00	
Amount of this payment (as negative)	0.00	
Retainage held	0.00	
Contract balance remaining	705,222.00 0.00	
Amount under as a percentage	1.66%	

Final Comments:

**RICE CARDEN WALKING TRAIL  
CHANGE ORDER NO. 1**

**November 8, 2016**

**OWNER:**  
City of Fort Smith  
Parks and Recreation Department  
Fort Smith, Arkansas

**PROJECT:** Rice Carden Walking Trail  
Fort Smith, Arkansas  
Job 040698  
F.A.P. RTP – 1302(257)

**ENGINEER:**  
Frontier Engineering Inc.  
P.O. Box 11988  
Fort Smith, AR 72917

**CONTRACTOR:**  
Forsgren, Inc.  
3000 North 23<sup>rd</sup> Street  
Fort Smith, AR 72902

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**RICE CARDEN WALKING TRAIL**

Notice to Proceed: November 14, 2016  
Scheduled Completion Date: February 13, 2017  
Time With This Request: 0 days

**Description of Change Order:**

The base course material specified for use on the project is to be crushed stone meeting the requirements of the Arkansas Highway and Transportation Departments Specifications for Class 7 Gravel Base Course. The Contractor requests the substitution of recycled base stone meeting the gradations and specification requirements of the Class 7 material. The substituted material is both a locally (Fort Smith) manufactured product and a “green”, recycled product. Should the substitution be allowed, the Contractor purposes a credit to the Owner of \$1.50 per Ton.

CO1A. Substitute Class 7 GBC with Recycled Base... 7,932 TN @ \$1.50/TN = \$11,898.00

**DECREASED** Costs of Change Order: \$ 11,898.00

CONTRACTOR	_____	_____
	Forsgren, Inc.	Date
ENGINEER	_____	_____
	Frontier Engineering, Inc.	Date
OWNER	_____	_____
	City of Fort Smith	Date

RESOLUTION NO. \_\_\_\_\_

9 C

RESOLUTION AUTHORIZING PARTIAL PAYMENT TO S.J. LOUIS  
CONSTRUCTION OF TEXAS, LTD FOR THE CONSTRUCTION OF THE  
LAKE FORT SMITH WATER TRANSMISSION LINE – PHASE I

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT  
SMITH, ARKANSAS, that:

Partial payment number twelve to S.J. Louis Construction of Texas, LTD in the amount  
of \$1,865,599.49 for the construction of the Lake Fort Smith Water Transmission Line –  
Phase I, Project Number 08-07-C1, is hereby approved.

This Resolution adopted this \_\_\_\_\_ day of November 2016.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:



\_\_\_\_\_  
npr



## INTER-OFFICE MEMO

**TO:** Carl Geffken, City Administrator

**DATE:** November 08, 2016

**FROM:** Robert Roddy, Interim Director of Utilities

**SUBJECT:** Lake Fort Smith Water Transmission Line - Phase I  
Project Number 08-07-C1

S.J. Louis Construction of Texas, Ltd., has submitted partial pay request number twelve in the amount of \$1,865,599.49 for work completed on the Lake Fort Smith Water Transmission Line – Phase I, Project Number 08-07-C1. The project consists of furnishing and installing 6 miles of 48-inch water transmission line and appurtenances. An exhibit, which shows the project route, is attached.

The attached Resolution authorizes the partial payment to S.J. Louis Construction of Texas, Ltd. Should you or the members of the Board have any questions or need additional information, please let me know.

attachment

pc: Jeff Dingman

## Project Summary

**Project Name:**  
Lake Fort Smith Water Transmission Line  
- Phase I

**Project Status:**  
In Progress

**Project Number:**  
08-07-C1

**Today's Date:**  
11/8/2016

**Project Engineer:**  
Ben Marts

**Staff Contact Name:**  
Robert Roddy

**Project Contractor:**  
S.J. Louis Construction of Texas LTD

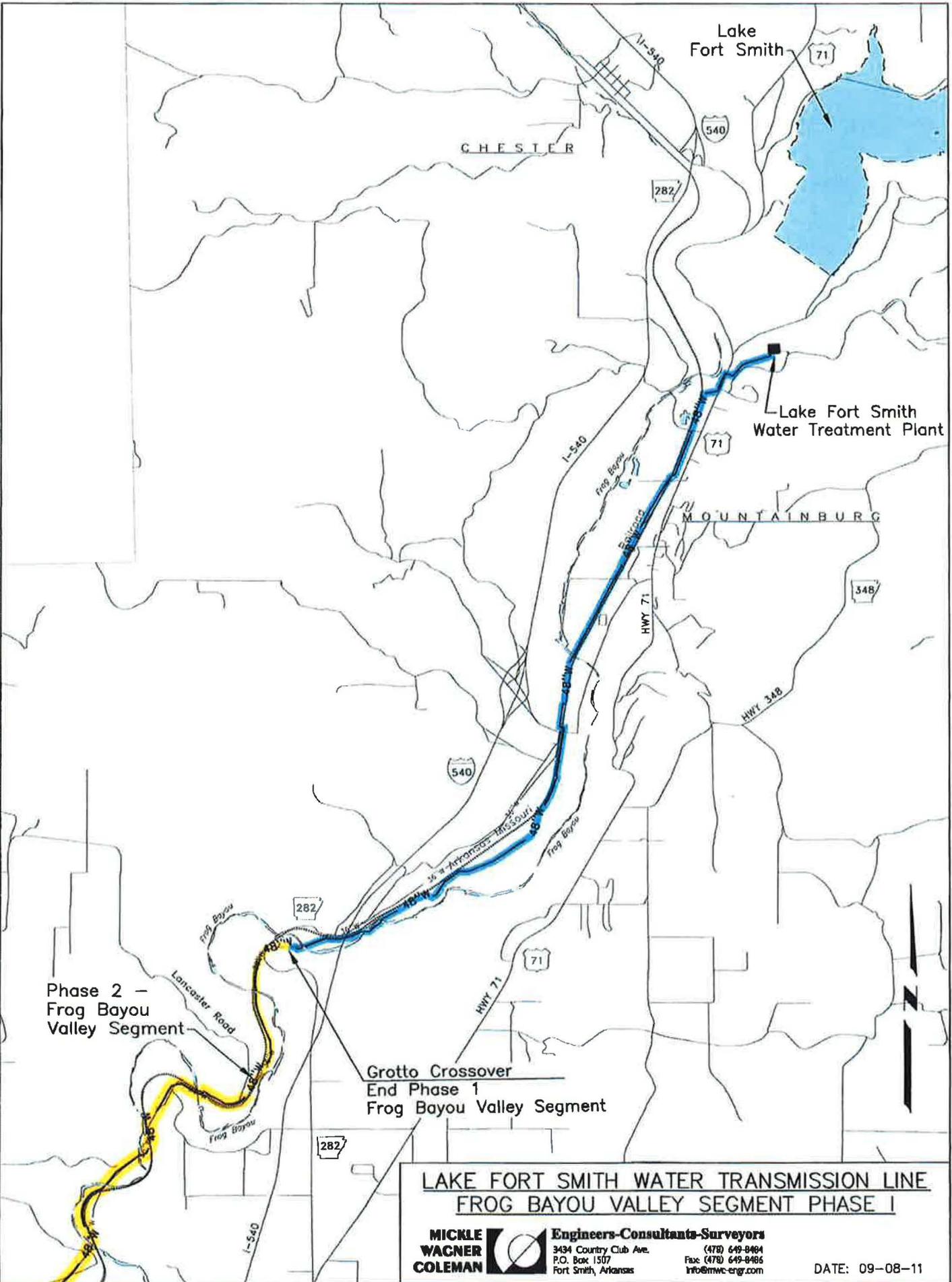
**Staff Contact Phone:**  
784-2401

**Notice to Proceed Issued:**  
11/12/2015

	Dollar Amount	Contract Time (Days)
Original Contract Amount:	\$11,120,753.00	360
Change Order(s):	\$0.00	0
Total Change Orders:	\$0.00	0
Adjusted Contract:	\$11,120,753.00	360
Payments to date (as negative):	-\$6,000,855.94	53.96% of Contract
Amount of this Payment (as negative):	-\$1,865,599.49	16.78% of Contract
Retainage Held	\$353,312.05	
Contract Balance Remaining	\$3,254,297.57	
Amount Under as a Percentage	0%	

**Final Comments:**

K:\Fort Smith\CFS TRANSMISSION LINE\dwg\EXHIBITS\MISC\exhibit-frog bayou valley segment - phase I.dwg, 9/5/2011 5:33:14 PM, 1:2.60323



Phase 2 -  
Frog Bayou  
Valley Segment

Grotto Crossover  
End Phase 1  
Frog Bayou Valley Segment

**LAKE FORT SMITH WATER TRANSMISSION LINE  
FROG BAYOU VALLEY SEGMENT PHASE I**

**MICKLE WAGNER COLEMAN**  **Engineers-Consultants-Surveyors**  
 3434 Country Club Ave. (479) 649-0404  
 P.O. Box 1507 Fort Smith, Arkansas Fax: (479) 649-0486  
 info@mwc-eng.com

DATE: 09-08-11

## **Comprehensive Plan Goal Supported By Water Projects**

- Ensure adequate, well-maintained infrastructure, public safety, and public facilities for all development and prevent development ahead of infrastructure and service provision. (FLU-1.4)
- Continue to ensure that customers within Fort Smith have access to reliable water, sewer, drainage, solid waste services by reducing or eliminating deficiencies and gaps in infrastructure systems (TI-5.1)
- Implement an infrastructure Asset Management Program as a tool for management of the utility department's water and sewer systems and to track, manage, and schedule necessary facility upgrades and improvements. (TI-5.1.1)
- Ensure that utility and infrastructure systems can meet the city's long-term needs. (TI-5.2)
- Coordinate land use planning and capital programming to ensure infrastructure improvements and extensions are phased to support the future land use pattern. (TI-5.2.1)
- Adopt criteria for prioritizing funding to infrastructure-related capital improvement projects. (TI-5.2.4)
- Provide new facilities in a manner that protects investments in existing facilities and promotes orderly growth. (PFS-4.2)

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION AUTHORIZING THE MAYOR TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH THE UNITED STATES DEPARTMENT OF ENERGY, NATIONAL NUCLEAR SECURITY ADMINISTRATION, OFFICE OF SECURE TRANSPORTATION, FOR THE USE OF FORT SMITH TRANSIT PROPERTY AT 6821 JENNY LIND TO CONDUCT DRIVE TRAINING USING SEMI TRACTOR TRAILERS**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, THAT:**

Section 1. The Memorandum of Understanding between the City of Fort Smith and the Department of Energy, National Nuclear Security Administration, Office of Secure Transportation, which shall be substantially in the form attached hereto, is hereby approved and provides for the terms, conditions, and mutual understandings for the operation of drive training between two parties.

Section 2. The Mayor, his signature being attested by the City Clerk, is hereby authorized to execute the attached Memorandum of Understanding to which the City of Fort Smith is a party.

**THIS RESOLUTION ADOPTED this \_\_\_\_\_ day of November, 2016.**

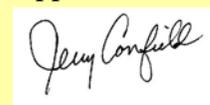
**APPROVED:**

\_\_\_\_\_  
**Mayor**

**ATTEST:**

\_\_\_\_\_  
**CITY CLERK**

Approved as to form:



\_\_\_\_\_  
NPR



**MEMORANDUM**  
**November 1, 2016**

**To:** Carl Geffken, City Administrator  
**From:** Ken Savage, Transit Director  
**Subject:** Memorandum of Understanding

Attached is a resolution regarding a proposed Memorandum of Understanding from the Office of Secure Transportation (OST), a division of the Department of Energy. The Fort Smith Board of Directors previously approved R-53-11, a similar MOU in 2011 that expired in March of this year. There are only minor changes to the proposed MOU which contain current contact information and agency representatives.

The memorandum references semi truck drive (driver) training activities to be performed by federal agents on transit property located at 6821 Jenny Lind Road. The Office of Secure Transportation's primary mission involves the movement of specialized cargo in a secure manner.

The 19 acre transit site is ideal for OST because it is secured and remotely located. The transit department's participation would include property access, a point of contact and permission to maneuver semi trucks and trailers on transit property. OST will provide a set up of barrels and pylons for training purposes. As outlined in the agreement, they will ensure the property remains in its original condition following each training exercise. The OST will not train with any hazardous chemicals on transit property.

The transit department benefits by using the OST's course design to train driver staff on proper maneuvering of buses. The partnership and presence of federal agents on site also demonstrates collaboration to our federal grant partners the Federal Transit Administration (FTA). Attached is FTA's original letter of approval. FTA has been contacted for the renewal of the contract and has no objections to another term.

The agreement would include a term of five years and does not include an exchange of funds. Training activities would be scheduled throughout the year and OST agrees to work around any scheduled uses the city may have involving training request(s) from other departments. The area to be utilized involves approximately one acre and does not interfere with transit operations. Staff recommends approval of the resolution.

Please feel free to contact me for further information concerning the agreement.

**CC:** Jeff Dingman, Deputy City Administrator  
Lori Carr, Transit Superintendent



U.S. Department  
of Transportation  
Federal Transit  
Administration

REGION VI  
Arkansas, Louisiana,  
New Mexico, Oklahoma,  
Texas

819 Taylor St. Suite 8A36  
Fort Worth, TX 76102  
817-978-0550  
817-978-0575 (fax)

January 26, 2011

Ken Savage  
Fort Smith Public Transit  
PO Box 1908  
Fort Smith, AR 72902

Re: Approval of Incidental Use of Transit Project Facilities

Dear Mr. Savage:

The Federal Transit Administration (FTA) has reviewed your request for approval of incidental use of transit property in Fort Smith, Arkansas, by the U.S. Department of Energy Office of Secure Transportation for driver training of federal agents from the National Nuclear Security Administration.

The FTA finds that the proposed use is consistent with the factors for permissible incidental use of project property set forth in FTA Circular 5010.1D. Should you have any questions regarding this approval, please contact Don Koski, Community Planner, at (817) 978-0571.

Sincerely,

Robert C. Patrick  
Regional Administrator

**MEMORANDUM OF UNDERSTANDING  
BETWEEN  
UNITED STATES DEPARTMENT OF ENERGY  
NATIONAL NUCLEAR SECURITY ADMINISTRATION  
OFFICE OF SECURE TRANSPORTATION  
AND  
THE CITY OF FORT SMITH, AR**

**I. BACKGROUND**

The mission of the Office of Secure Transportation (OST) is to provide safe and secure ground and air transportation of nuclear weapons, nuclear weapon components, and special nuclear materials and conduct other missions supporting the national security of the United States of America. Federal Agents (FAs) are specially trained employees of OST who transport cargo and provide security during shipments. To maintain a well-trained FA force, OST continually conducts various types of training and evaluation.

**II. PURPOSE**

This Memorandum of Understanding (MOU) is entered into by OST and the City of Fort Smith, AR. Its purpose is to set forth specific agreements, understandings, and obligations, pursuant to which OST will plan, participate, and support training.

**III. AGREEMENT**

**A. OST will:**

- (1) Use the property at 6821 Jenny Lind Road, Fort Smith, AR to conduct drive training with semi tractor trailer units.
- (2) Provide instructors, evaluators, and staff.
- (3) Provide vehicles and support equipment.
- (4) Operate vehicles in a safe manner in accordance with applicable Department of Transportation and Department of Energy regulations.
- (5) Provide medical personnel/technicians for first aid and evacuation, as needed.
- (6) Ensure all necessary briefings for use of facilities are given to all FAs prior to using the facility.
- (7) Identify and take all necessary steps to prevent/mitigate, to the extent practical, hazards while providing drive training for FAs and FA candidates.
- (8) Leave the facility in the same condition of cleanliness as when we first occupied it for each training rotation.
- (9) Cleanup any chemical and/or fuel spills at 6821 Jenny Lind Road directly caused by OST equipment.

B. City of Fort Smith, AR will:

- (1) Allow city property located at 6821 Jenny Line Road, Fort Smith, AR to be used for drive training with tractor trailers for OST.
- (2) Provide a point of contact for scheduling / notification of the use of the training.
- (3) Provide access codes to the gates of the city property located at 6821 Jenny Lind Road so that OST staff can enter and secure the gates of the training area.

#### **IV. FUNDING REQUIREMENT**

This MOU is neither a fiscal nor a funds obligation document. Nothing in this MOU authorizes or is intended to obligate the Parties to expend, exchange, or reimburse funds, services, or supplies, or transfer or receive anything of value.

#### **V. LITIGATION**

Any claim against the federal government that arises as a result of any actions taken as a part of this activity shall be resolved pursuant to the provisions of the Federal Tort Claims Act (28 U.S.C. 134(b) and 28 U.S.C. 2671 et seq). Each participating Agency acknowledges that financial and civil liability, if any and in accordance with applicable law, for the acts and omissions of each employee remains vested with his or her employing agency. However, the Department of Justice (DOJ) may, in its discretion, determine on a case-by-case basis that an individual should be afforded legal representation, legal defense, or indemnification of a civil judgment, pursuant to the federal law and DOJ policy and regulations. Liability for any negligent or willful acts of employees undertaken outside the terms of this MOU will be the sole responsibility of the respective employee and agency involved subject to controlling laws.

#### **VI. PUBLIC INFORMATION COORDINATION**

Subject to the Freedom of Information Act (5 U.S.C. 552), decisions on disclosure of information to the public regarding procedures implemented under this MOU will be made following consultation between the NNSA Service Center Office of Public Affairs and the City of Fort Smith, AR.

#### **VII. MISCELLANEOUS**

This MOU in no way restricts either of the Parties from participating in any activity with other public or private agencies, organizations or individuals.

This MOU is strictly for internal management purposes for each of the Parties. It is not legally enforceable and shall not be construed to create any legal obligation on the part of either Party. This MOU shall not be construed to provide a private right or cause of action for or by any person or entity.

**VIII. AMENDMENT, REVIEW AND TERMINATION**

This MOU may be modified or amended by written agreement between Parties and terminated by mutual agreement of OST and the City of Fort Smith, AR or by either Party upon 30 days written notice to the other.

This MOU shall remain in effect for a period of five years from the effective date.

**IX. APPROVAL**

The Parties below have executed this MOU effective as of the latter date signature.



Vincent R. Fisher  
Assistant Deputy Administrator  
Office of Secure Transportation

30 Oct 16  
Date

\_\_\_\_\_  
Sandy Sanders  
Mayor  
City of Fort Smith, AR

\_\_\_\_\_  
Date



## Animal Services Advisory Board

The Animal Services Advisory Board shall work in an advisory capacity to the Mayor and the Board of Directors in regard to topics that concern the care and safety of animals within the corporate limits of the city, and shall endeavor to stimulate and encourage communication with all members of the community to ensure that the programs, goals and objectives of the city relative to the care and safety of animals are consistent with community needs and desires. However, the Animal Services Advisory Board will not be responsible for the day to day operations of the Animal Control Division of the Fort Smith Police Department.

The Animal Services Advisory Board shall be composed of nine (9) members appointed by the Board of Directors.

	<u>Date Appointed</u>	<u>Term Expired</u>
<b><u>Veterinarian</u></b>		
Jon Remer Veterinarian 2715 Independence (01) 646-6023 (h) 785-1792 (w) <a href="mailto:drremer@swbell.net">drremer@swbell.net</a>	04/03/12	04/03/17
<b><u>Citizens</u></b>		
Ken O'Donnell Retired 55 Hiland Drive (01) 782-6663 (h) <a href="mailto:Kenod45@gmail.com">Kenod45@gmail.com</a>	08/19/14	04/15/17
Tammy Trouillon Community Outreach Director 8000 Holly Avenue (08) 226-3374 (h)	04/03/12	04/03/17
Robert Lever Retired 3319 Larkspud Land (16) 434-6014 (h) <a href="mailto:bob@grandfamily.net">bob@grandfamily.net</a>	04/15/14	04/15/17

<p>Sherilyn Walton  8818 Meandering Way (03)  452-0146  <a href="mailto:Kittylitter04@yahoo.com">Kittylitter04@yahoo.com</a></p>	<p>04/03/12</p>	<p>04/03/17</p>
<p>Joan Bryant  1005 South 46 Street (03)  926-1266 (h)  434-4740 (w)  No email</p>	<p>04/03/12</p>	<p>04/03/17</p>
<p>Tonya Rogers  Branch Manager  10908 Brant Court (08)  649-9439 (h)  649-1010 (w)  <a href="mailto:tonyarogers@yahoo.com">tonyarogers@yahoo.com</a></p>	<p>01/21/14</p>	<p>01/21/18</p>
<p>LeeAnn Hicklin  12522 Dunston (16)  651-4871 (w)  <a href="mailto:leeannhicklin@yahoo.com">leeannhicklin@yahoo.com</a></p>	<p>06/16/15</p>	<p>04/03/18</p>
<p>Stacie Gibson  5921 Gordon Lane  926-3337 (h)  452-7711 (w)  <a href="mailto:Bailey0251@aol.com">Bailey0251@aol.com</a></p>	<p>06/16/15</p>	<p>04/03/18</p>

CITY OF FORT SMITH
Application for City Boards/Commissions/Committees

Note: As an applicant for a City Board, Commission or Committee, your name, address and phone number will be available to the press and the public. You will be contacted before any action is taken on your appointment.

Date: 9/30/16

Name: Robert M. Naumoff

Home Telephone: 479-799-5282

Home Address: 5100 S. Zero St. Apt# 300 Work Telephone: 479-471-2577

Zip: 72903

Email: rob.naumoff@gmail.com

Occupation: Attorney - USA Truck, Inc.
(If retired, please indicate former occupation or profession)

Education: B.S. in Biology - Univ. of Arkansas; J.D. - Univ. of Arkansas School of Law

Professional and/or Community Activities:

Sebastian County Bar Association

Additional Pertinent Information/References: Jurena Storm (510) 372-4237
Chad Lane (479) 471-6680

Are you a registered voter in the City of Fort Smith? Yes X No

Have you ever been convicted of a felony, misdemeanor, DWI/DUI or other serious traffic offense?

Yes NO X

If yes, please identify the offense and the approximate date. A "yes" answer will not automatically preclude you from consideration

Drivers License information will [Signature]

Date of Birth [Signature]
Background check of all applicants).

I am interested in [blank] (please check):

- ( ) Audit Committee
( ) Advertising & Promoting Commission
( ) Airport Commission
[X] Animal Services Advisory Board
( ) Arkansas Fair & Exhibition Facilities Bd
( ) Benevolent Fund Board
( ) Bldg. Bd. Of Adjustment and Appeals
( ) Central Business Improvement District
( ) Comprehensive Plan Imp. Committee
( ) Convention Center Commission
( ) Civil Service Commission
( ) CIP Committee (Streets, Bridges, & Drainage)
( ) Community Development Advisory Com.
( ) County Equalization Board
( ) Electric Code Board of Appeals
( ) Fire Code Board of Appeals & Adjustments
[X] Historic District Commission
( ) Housing Assistance Bd.
[X] Library Bd of Trustees
( ) Mechanical Bd of Adjustments and Appeals
( ) Oak Cemetery Commission
( ) Outside Agency Review Panel
( ) Parking Authority
[X] Parks & Recreation Commission
[X] Planning Commission
( ) Plumbing Advisory Board
( ) Port Authority
( ) Property Owners Appeals Board
( ) Sebastian County Reg. Solid Waste Mgmt. Bd.
( ) Sister Cities Committee
( ) Transit Advisory Commission
( ) Residential Housing Facilities Board

Please return this form to Wendy Mathis, P.O. Box 1908, FSM, AR 72902
wmathis@fortsmithar.gov