

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2001**

The City of Fort Smith, Arkansas

CITY OF FORT SMITH, ARKANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2001

Prepared By the

CITY OF FORT SMITH, ARKANSAS
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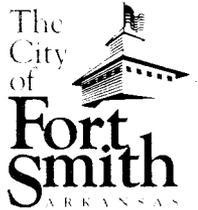
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May 1, 2002

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

Introduction

The Comprehensive Annual Financial Report of the City of Fort Smith, Arkansas (the "City"), for the fiscal year ended December 31, 2001, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City and its discretely presented component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in five sections: Introductory, Financial, Single Audit, Statistical, and Other. The Introductory Section includes this transmittal letter, the 2000 Certificate of Achievement for Excellence in Financial Reporting and the City's organization chart. The Financial Section includes the general purpose financial statements, the combining, individual fund, and account group financial statements and schedules, supplementary information, and combining statements for discretely presented component units, as well as the report of independent public accountants on the financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multiyear basis. The Other Section includes the Report of Independent Public Accountants on Compliance with Arkansas State Statutes. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards and reports of independent public accountants on the internal control structure and compliance with applicable laws and regulations, are included in the Single Audit Section of this report.

This report includes all funds and account groups of the City and its component units. The City provides a full range of services. These services include police and fire protection; sanitation services; water and sewer utilities services; the maintenance and construction of highways, streets, and infrastructure; parks and recreation services; and planning, zoning, and general administrative services. In addition to general government activities, the City is accountable for the Municipal Court Retirement System; therefore, these activities are reported as part of the City. Although the Fort Smith Regional Airport, the Fort Smith Parking Authority, the Advertising and Promotion Commission, and the Fort Smith Public Library are legally separate from the City, the relationship between these entities and the City is such that the Airport, Parking Authority, Advertising and Promotion Commission, and the Public Library are included as a part of the reporting entity in the general purpose financial statements.

Economic Condition and Outlook

The City is the economic and employment center of western Arkansas and eastern Oklahoma. According to the Chamber of Commerce data, new and expanding industries and businesses have created more than 21,000 new jobs in the past five years. Private capital investment by local businesses and industries has exceeded \$2.2 billion in the past five years. Fort Smith, the state's second largest city, enjoys a metropolitan area population of 210,000 and a residential population of over 80,000. The unemployment rate for 2001 was 2.9%, compared with 3.6% for 2000. The latest cost of living index figures indicate that

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Fort Smith's index is 86.4% based upon the U.S. composite index of 100. Although these statistics continue to be positive, the City was not isolated from the downturn in the nation's economy as indicated by the 2001 sales tax receipts. Although the City's 1 1/2% assessed local sales and use tax increased by 1.8% for 2001, the increase fell short of the budgeted 2.5% increase and is compared to the previous five-year annual average increase of 4.4%. The City's share of the 1% Sebastian County (the "County") sales and use tax is allocated based upon its population within the County. As a result of the 2000 Census, the City's share of the County tax declined from 73.1% in 2000 to 69.8% in 2001. The City estimated the impact of the population decline to result in a 3.3% decrease in revenue. The actual decrease between years was 2.7% which reflects that there was a small increase in the County sales tax receipts. However, the average annual increase in the County sales tax was 4.6% for the previous five years.

The City provides a full range of municipal services. In addition, the City provides contract water service to an additional 60,000 citizens in 12 suburban communities and contract wastewater treatment for two small suburban communities. The City's capacity for water production is approximately 45 million gallons per day.

Major Initiatives

For the Year

In 2001, the City's leadership produced many significant results. A partial selection of these results are as follows:

- The levy of an additional one-half percent (1/2%) local sales tax was approved overwhelmingly in March 2001. The tax is pledged for the repayment of \$80 million in 2001 Sales and Use Tax Bonds issued for wastewater improvements and for a portion of the Lake Fort Smith Water Project.
- The three projects funded by the 1997 Sales and Use Tax Bonds were completed during the year. The new main library opened in January 2001, the Convention Center was operational during a portion of the year with the grand opening being held in September 2001, and the river park grounds and facilities became available for use in April 2001.
- Annexed 4,000 acres of Fort Chaffee property in agreement with the Public Trust.
- Successfully defended the reallocation of the City's share of the County sales tax from the Enterprise funds to the General Fund.
- The City was issued the Army Corps of Engineers 404 permit which allows the construction of the Lake Fort Smith Water Supply expansion project to proceed.
- Successfully completed negotiations with the State Parks Commission regarding the relocation/reconstruction of Lake Fort Smith State Park which resolved the last critical issue leading into the construction of the water impoundment.
- Successfully completed negotiations with Van Buren regarding the water rate dispute which resulted in Van Buren paying their outstanding balance due with interest and setting aside litigation that would have significantly impacted the cost of debt issuance and long-term rates.
- Commenced the design and/or construction of all 2001 sales tax street and drainage projects.
- Appointed an internal auditor and began an internal audit function for the City as had been suggested for the past ten years. Also, implemented 11 of the 18 prior year internal control memorandum recommendations.

- Completed the construction of the new senior center located on Cavanaugh Road.
- Published a quarterly newsletter, "Focus on Fort Smith," for citizens.
- Expanded the fixed route transit system with the addition of seven new buses. Ridership on fixed routes has increased 20% in 2001.
- Maintained essential services during the ice storm and cleared 12,350 dump truck loads of debris as a result of the ice storm.
- Increased the hotel/motel occupancy tax from 2% to 3% in September 2001 to improve convention and tourism marketing of Fort Smith.
- Constructed a new wading pool at Creekmore Park.
- Completed the construction of the Ross Pendergraft Park at 200 Garrison which was funded by private donations.

For The Future

Through policy guidance of the City's Board of Directors (the "Board") and in cooperation with the leadership of our educational institutions, business, and industry, the City has enjoyed and shared the role of moving the community in a positive direction over the last decade. To keep the momentum, the City will need to continue focusing its efforts on those policy issues facing the citizens and businesses in the coming year. Several of these policy issues and initiatives can be described as follows:

- Complete the comprehensive plan by the end of 2002. The plan will provide a blueprint for the future growth and development of the City. Financing mechanisms for various aspects of the plan will be included.
- Begin construction of the \$160 million Lake Fort Smith water expansion project. The City plans to authorize the first construction contract, estimated at \$47 million, in May 2002.
- Continue construction of the \$39 million wastewater plant wet weather improvements in accordance with EPA guidelines. Approximately \$30 million of the improvements are being financed with the 2001 Sales and Use Tax Bonds.
- Implement strategies to stabilize the solid waste collection and disposal revenue stream.
- Coordinate efforts with the Fort Chaffee Public Trust to provide services for the development of the annexed area.
- Continue the improvement of the quality of City street and drainage systems through the development and implementation of projects in the 2002 Sales Tax Program which include the continued construction of the Old Greenwood Road Phase III, Phoenix Avenue West, Massard Road and Kelley Highway widening projects. Begin conceptual engineering for the Jenny Lind Road project.
- Continue to monitor the Employee Insurance Fund to adequately fund claims and implement more cost containment measures.
- Improve customer service/citizen access to city services and information.

Financial Information

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial award programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended December 31, 2001, disclosed no instances of material weaknesses in the internal control structure or material violations of applicable laws and regulations.

Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by citizens as the governing body. Activities of the General Fund, the Street Fund in the Special Revenue Funds, the Water and Sewer Operating Fund, and the Sanitation Operating Fund are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Projects Funds and Special Revenue Funds, excluding the Street Maintenance Fund. The level of budgetary control (that is, the level at which expenditures or expenses cannot legally exceed the appropriated amount) is established at the departmental level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances are reflected as a reservation of fund balance in the applicable funds. Unencumbered appropriations lapse at year-end.

General Government Functions

The following schedule presents a summary of the Governmental Fund revenues (excluding component units) for the fiscal year ended December 31, 2001, and the amount and percentage of increases and decreases in relation to prior year:

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease) Total</u>
Taxes	\$ 7,079,863	10.11%	\$ 488,277	12.60%
Sales taxes	35,872,020	51.21	66,751	1.72
Licenses and permits	1,462,282	2.09	87,586	2.26
Utility franchise fees	5,199,799	7.42	491,392	12.68
Intergovernmental	13,943,553	19.90	3,430,494	88.50
Fines and forfeitures	1,615,757	2.31	(104,454)	(2.69)
Fees for services	720,524	1.03	380,258	9.81
Interest	2,864,102	4.09	(1,134,079)	(29.26)
Decrease in fair value of investments	-	-	77,170	1.99
Contributions	930,455	1.33	(101,629)	(2.62)
Miscellaneous	<u>360,903</u>	<u>.51</u>	<u>194,399</u>	<u>5.01</u>
Total	<u>\$70,049,258</u>	<u>100.00%</u>	<u>\$3,876,165</u>	<u>100.00%</u>

Taxes are derived from the assessment of ad valorem taxes upon the appraised value of real and personal property within the City. The increase between years is due to an increase in the appraised property values.

Sales taxes include the revenue generated by the 1% City sales and use tax which has been in effect since November 1985, the Sebastian County 1% sales and use tax which has been in effect since August 1994, and the 1/2% City sales and use tax which became effective in January 1998. Sales tax in the City increased 1.8% in 2001 over the prior year. The City's share of the County's sales tax decreased by 2.7% between years as a result of the decrease in the City's population within the County.

The increase in utility franchise fees between years is due to an increase in natural gas prices which impacted both the electric utilities and the gas utility gross revenues during 2001.

Intergovernmental revenue increased significantly between years due to the fact that the City received approximately \$2.7 million from the state as tourism turnback during 2001. The City did not receive any tourism turnback in 2000. The tourism turnback is restricted for retiring the 1997 Sales and Use Tax Bonds as they relate to the construction of the expanded and renovated convention center.

The revenue generated by fees increased as a result of the Convention Center operations for approximately eight months of 2001. The facility was closed for construction during 2000.

The decrease in interest revenue between years is a direct result of the completion of the convention center, library, and riverfront park projects during the first half of 2001. The 1997 Sales and Use Tax Construction Fund, a capital projects fund, average investment balance for 2001 was approximately \$3 million compared with an average balance for 2000 of approximately \$20 million.

The following schedule presents a summary of the Governmental Fund expenditures (excluding component units) for the fiscal year ended December 31, 2001, and the amounts and percentage of increases and decreases in relation to prior year:

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease) Total</u>
General government	\$ 4,791,577	7.02%	\$ 686,571	4.45%
Public safety	19,956,251	29.22	60,457	.39
Public works	20,063,987	29.38	6,549,336	42.48
Community services	3,739,391	5.47	1,328,268	8.61
Other	2,004,322	2.93	671,694	4.36
Capital outlay	7,133,868	10.44	(27,327,786)	(177.24)
Debt service	<u>10,611,728</u>	<u>15.54</u>	<u>2,613,307</u>	<u>16.95</u>
Total	<u>\$68,301,124</u>	<u>100.00%</u>	<u>\$(15,418,153)</u>	<u>100.00%</u>

The increase in public works expenditures is due to the total street and drainage projects constructed in the Sales Tax Fund, a special revenue fund, being \$12.7 million for 2001 as compared to \$7.1 million for 2000.

Community services expenditures increased primarily due to the costs associated with the operations of the convention center during 2001. During 2000, total operating expenditures for the facility were \$263,000 and in 2001 were \$767,000.

The significant decrease in capital outlay was a result of the decrease in construction costs for the convention center, library, and riverfront park projects. The total expended in 2001 approximated \$4.8 million as compared to \$32 million in 2000.

Debt service expenditures increased as a result of the call of approximately \$5.8 million of 1997 Sales and Use Tax Bonds as compared to the call in 2000 for these bonds which approximated \$3 million in 2000.

General Fund Balance

The total fund balance of the General Fund at December 31, 2001, is \$4,193,751 as compared to \$4,021,183 at December 31, 2000. The City is currently on a pace to meet its revised financial policy whereby the undesignated/unreserved General Fund ending fund balance is maintained at not less than 15% of total expenditures at December 31, 2002, and thereafter.

Enterprise Operations

The City's enterprise operations are comprised of two separate and distinct activities: the water and sewer utilities and sanitation services.

Operating revenues of the Water and Sewer Fund decreased by approximately 0.5% between years. There were no rate increases implemented during 2001 and the consumption rate decreased 0.2% between years. During 2001, water and sewer rate increases were approved to become effective in 2002, 2003, and 2004 to provide funding for revenue bond requirements and for future operating expenses.

Water and sewer expenses increased by approximately 13.5% between years. Personnel services increased by 5.8% as a result of the 2.5% cost of living adjustment granted to all employees as of January 1, 2001, and merit raises for employees based upon performance evaluations. Contractual services increased by 19.1% due to an increase in the amount of consulting and laboratory services which were performed by private firms and the water and sewer portion of the comprehensive plan costs were

included for 2001. Materials and supplies expense increased by 14.1% due to increased chemical costs and more materials being used during 2001 to make minor repairs to the distribution lines during the ice storm in January 2001. Utility costs in 2001 increased by 17.7% as a result of higher natural gas prices which impacted electric and gas rates. Depreciation expense for 2001 increased 22% over the 2000 charge as a result of several projects being completed at the end of 2000 and projects completed during 2001 were capitalized.

Interest and fiscal charges increased by approximately \$347,000 due to the \$1,075,000 interest payment made for the 2001 Sales and Use Tax Bonds and offset by the \$635,000 interest capitalization for the 1999 Water and Sewer System Revenue Bonds.

Sanitation Fund operating revenues decreased by 4.8%. The City's largest landfill customer continued to divert waste collected in Fort Smith to other disposal sites. The City has negotiated an agreement with this customer which should provide a more stable level of waste disposal at the City's facility as all waste collected in Fort Smith must now be taken to the City's landfill. Additionally, rate increases for residential, commercial, and landfill customers became effective October 1, 2001.

Sanitation Fund operating expenses increased approximately 5% between years. Personnel services increased approximately 2% as a result of the 2.5% cost of living adjustment granted to all employees as of January 1, 2001. Contractual services decreased by 8.7% due to the decrease in total waste disposal at the landfill which decreased the amount of state fees paid during 2001. Materials and supplies increased by 19.2% due primarily to the increased current year charge for landfill closure and postclosure care costs. Depreciation expense increased by 12.8% as a result of the third phase of the landfill being completed and available for use in August 2000 at an approximate cost of \$2 million. This phase of the landfill is now included in the depreciation charge for the capacity used at the landfill.

Pension Trust Funds Operations

From December 21, 1976, to March 31, 1997, the City administered a single-employer public employees' retirement system ("PERS") and accounted for the plan as a separate Pension Trust Fund. The Plan was a noncontributory defined benefit plan that covered all full-time employees with the exception of fire, police, municipal court, and certain administrative employees who were eligible for the Fire Relief and Pension Plan, the Police Relief and Pension Plan, LOPFI, Municipal Court Retirement System, and the Deferred Compensation Plan, respectively. The City contributed 10% of covered payroll of the PERS. On April 1, 1997, the 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 ICMARC serves as administrator of the 401(a) plan. The City makes annual contributions equal to 10% of each covered employee earnings. The Plan covers all full-time, nonuniformed employees with the exception of the municipal judges and the municipal court clerk.

The present value of each PERS active member at March 31, 1997, was transferred to ICMARC in the participant's name. An annuity contract was purchased from an insurance company to continue to provide benefit payments to beneficiaries of PERS. The annuity contract provides that all beneficiaries will receive a 3% cost of living adjustment every three years beginning January 1, 1998. The remaining balance of approximately \$1.7 million was transferred to the Employee Insurance Fund to provide for future employee benefits. The present value of the deferred vested members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

The City continues to administer the Municipal Court Retirement System (the "Court System"). Operating revenues increased 53% between years due to an increase in the allocation of court fines and fees to the System per state law. Operating expenses remained stable between 2000 and 2001. The municipal judges and the municipal court clerk are covered by this plan. There is currently one beneficiary of the Court System.

In September 1990, the City entered into an agreement with the LOPFI whereby administration of the Fire and Police pension plans was assumed by LOPFI. This action will provide the City's police and fire civil service personnel with an actuarially funded pension plan and allow the City to provide the pension benefits due police officers and firefighters. Effective July 1, 1996, the Board of Directors approved increases in benefit payments for retirees and beneficiaries. The minimum monthly benefit payment was increased from \$350 to \$500 and a 3% cost of living adjustment will be granted every other year beginning July 1, 1996, and each two years thereafter. The City's contribution rates decreased in 2001 compared with 2000 from 23.36% to 21.92% for police participants and decreased from 31.65% to 29.46% for fire participants.

Debt Administration

At December 31, 2001, the City had revenue bonds outstanding of approximately \$53.1 million and sales and use tax bonds outstanding of approximately \$100.6 million. Six issues comprise this total.

Water and Sewer

In July 1994, the City issued \$27,215,000 of Water and Sewer Refunding and Construction Revenue Bonds which refunded the 1977 and 1987 Water and Sewer Revenue Bonds and included \$6.6 million in new debt. The additional bond proceeds were used to construct improvements to the water and sewer system. The projected maturity date is October 1, 2012. At December 31, 2001, \$19.52 million of bonds were outstanding. The 1994 Revenue Bonds are collateralized by the revenue of the water and sewer system and various special funds established by the authorizing bond ordinance. The 1994 Revenue Bonds are rated Aaa by Moody's Investor Service and AAA by Standard & Poor's Corporation. The issue is insured by the Municipal Bond Investor's Assurance Corporation.

In September 1999, the City issued \$26,415,000 of Water and Sewer System Revenue Bonds. The Bonds were issued to provide the first phase of funding for the expansion and improvements to the Lake Fort Smith water supply project as well as provide improvements to the Lee Creek water impoundment and improvements to the existing water transmission, storage, and distribution system. The projected maturity date is October 1, 2019. At December 31, 2001, \$24.735 million of bonds were outstanding. The 1999 Revenue Bonds are collateralized by the revenue of the water and sewer system and various special funds established by the authorizing bond ordinance. The 1999 Revenue Bonds are rated AAA by Standard & Poor's Corporation. The issue is insured by the Ambac Assurance Corporation. The 1999 Bonds have an underlying rating of A by Standard & Poor's Corporation.

In June 2001, the City issued \$46,000,000 of Sales and Use Tax Bonds and, in October 2001, the City issued \$34,000,000 of Sales and Use Tax Bonds. The total principal for the 2001 Bonds is \$80,000,000 which was allocated at \$50,000,000 for water improvements and \$30,000,000 for wastewater improvements. The water improvements include extensions, betterments, and improvements to the City's water system relative to the Lake Fort Smith water expansion project. The wastewater improvements include expansion of the wastewater treatment plants and land acquisition as necessary. The 2001 Bonds are not general obligations of the City, but are special obligations payable solely from collections of a 1/2% sales and use tax levied by the City. The issuance of the Bonds and the pledging of the tax to the payment of principal of and interest on the Bonds was approved at a special election held March 20, 2001. The voters also approved the pledge of the 1/2% sales and use tax currently pledged for the 1997 Sales and Use Tax Bonds to transfer to the 2001 Bonds once the 1997 Bonds are redeemed.

Revenue generated by the 1/2% sales tax, which became effective May 1, 2001, totaled \$4.5 million in 2001. At December 31, 2001, \$78.065 million of 2001 Bonds were outstanding.

In February 2002, the City issued \$90,425,000 of Water and Sewer Refunding and Construction Revenue Bonds. The 2002A Bonds total \$82,590,000 and were issued to finance a portion of water system improvements (\$8,190,000) and to finance a portion of the cost of the Lake Fort Smith water expansion project (\$74,400,000). The Series 2002B Bonds total \$8,835,000 and were issued to advance refund \$1,100,000 in principal amount of the 1994 Water and Sewer Refunding and Construction Revenue Bonds to be refunded maturing October 1, 2009, and \$6,540,000 in principal amount of the 1994 Bonds to be refunded maturing October 1, 2012.

The 2002 Bonds are collateralized by the revenue of the water and sewer system on a parity with the nonrefunded portion of the 1994 Bonds and with the 1999 Bonds. The 2002 Bonds are rated AAA by Standard & Poor's Corporation. The issue is insured by the Financial Security Assurance Inc. The 2002 Bonds have an underlying rating of A by Standard & Poor's Corporation.

Sanitation

In December 1994, the City issued \$3,560,000 of Solid Waste Revenue Bonds for the purpose of constructing a portion of the second phase of the City's landfill in accordance with the EPA's Subtitle "D" Regulations. The projected maturity date of the bonds is December 1, 2009. On April 21, 1998, the City issued \$3,055,000 Solid Waste Refunding Revenue Bonds, Series 1998 dated May 1, 1998. The Bonds were issued to finance the cost of advance refunding the City's outstanding Solid Waste Revenue Bonds, Series 1994. The Series 1994 Bonds are expected to be redeemed December 1, 2001, at 101%. The Series 1998 Bonds are due in annual installments at varying amounts through December 1, 2009. At December 31, 2001, \$2.29 million of Series 1998 Bonds were outstanding.

In June 1995, the City issued \$9,185,000 of Solid Waste Refunding and Construction Bonds for the purpose of redeeming the 1993 Temporary Solid Waste Revenue Bonds and for funding a portion of the construction costs of the second phase of the City's landfill in accordance with EPA's Subtitle "D" Regulations. The projected maturity date of the bonds is December 1, 2011. At December 31, 2001, \$6.56 million of bonds were outstanding.

Governmental

On November 21, 1997, the City issued \$45,655,000 of Arkansas Sales and Use Tax Bonds, Series 1997, dated December 1, 1997. The Bonds were issued to finance the costs of acquiring and constructing civic center, library and park improvements. The principal amount of the Bonds was allocated among the three projects at \$20,405,000 for civic center improvements, \$19,840,000 for library improvements, and \$5,410,000 for park improvements. The Bonds are not general obligations of the City, but are special obligations payable solely from collections of a 1/2% sales and use tax levied by the City. The issuance of the Bonds and the pledging of the tax to the payment of principal of and interest on the Bonds was approved at a special election held October 28, 1997.

Revenue generated by the 1/2% sales tax, which became effective January 1, 1998, totaled \$7.9 million in 2001. At December 31, 2001, \$22.49 million of bonds were outstanding.

Cash Management

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U.S. Treasury in accordance with policies established by the Board of Directors.

The objective of the City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. At year-end, the City's total bank balance, excluding pension funds, was \$113,428,374 of pooled and nonpooled deposits and this balance was covered by federal depository insurance, by collateral held by the City's agent in the City's name, or by collateral held by the pledging financial institution's agent in the City's name.

Risk Management

The City manages self-insurance programs for providing workers' compensation and health and other medical benefits to employees, retirees, and their dependents and beneficiaries. The retained earnings (deficit) in the Employee Insurance Fund decreased from \$(2,025,265) in 2000 to \$(562,202) in 2001. Employer and employee contributions to the fund were increased during 2001 to cover increased costs of providing medical benefits.

The City's Workers' Compensation Fund had a retained earnings balance of \$901,777 at December 31, 2001, as compared to a balance of \$958,038 at December 31, 2000. The decrease is a result of increased claims during 2001.

Other Information

Independent Audit

State statute requires an annual audit by independent certified public accountants. The accounting firm of Arthur Andersen LLP was selected by the City's Board of Directors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and related OMB Circular A-133. The Report of Independent Public Accountants on the general purpose financial statements and the combining financial statements, and individual fund statements and schedules is included in the Financial Section of this report. The Report of Independent Public Accountants on the City's internal control system, including the practices and procedures required by Arkansas State statutes, is included in the Other Section. The auditors' reports related specifically to the single audit are included in the Single Audit Section.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Smith for its comprehensive annual financial report for the fiscal year ended December 31, 2000. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting. This was the sixteenth 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 comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States and applicable legal requirements.

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

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2001. This was the thirteenth consecutive year that the City has received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, finance, planning, and organization.

Acknowledgments

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

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

In closing, we acknowledge the contributions of the Mayor and the Board of Directors 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,



Bill Harding,
City Administrator



Kara Bushkuhl,
Director of Finance

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Smith,
Arkansas

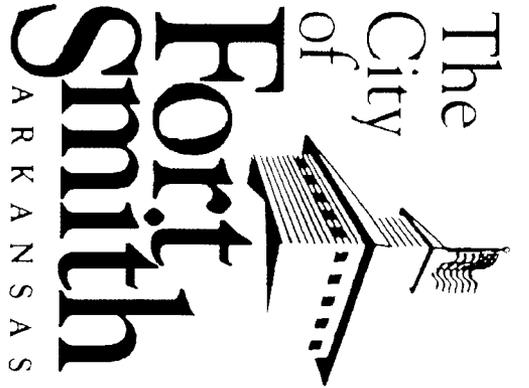
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

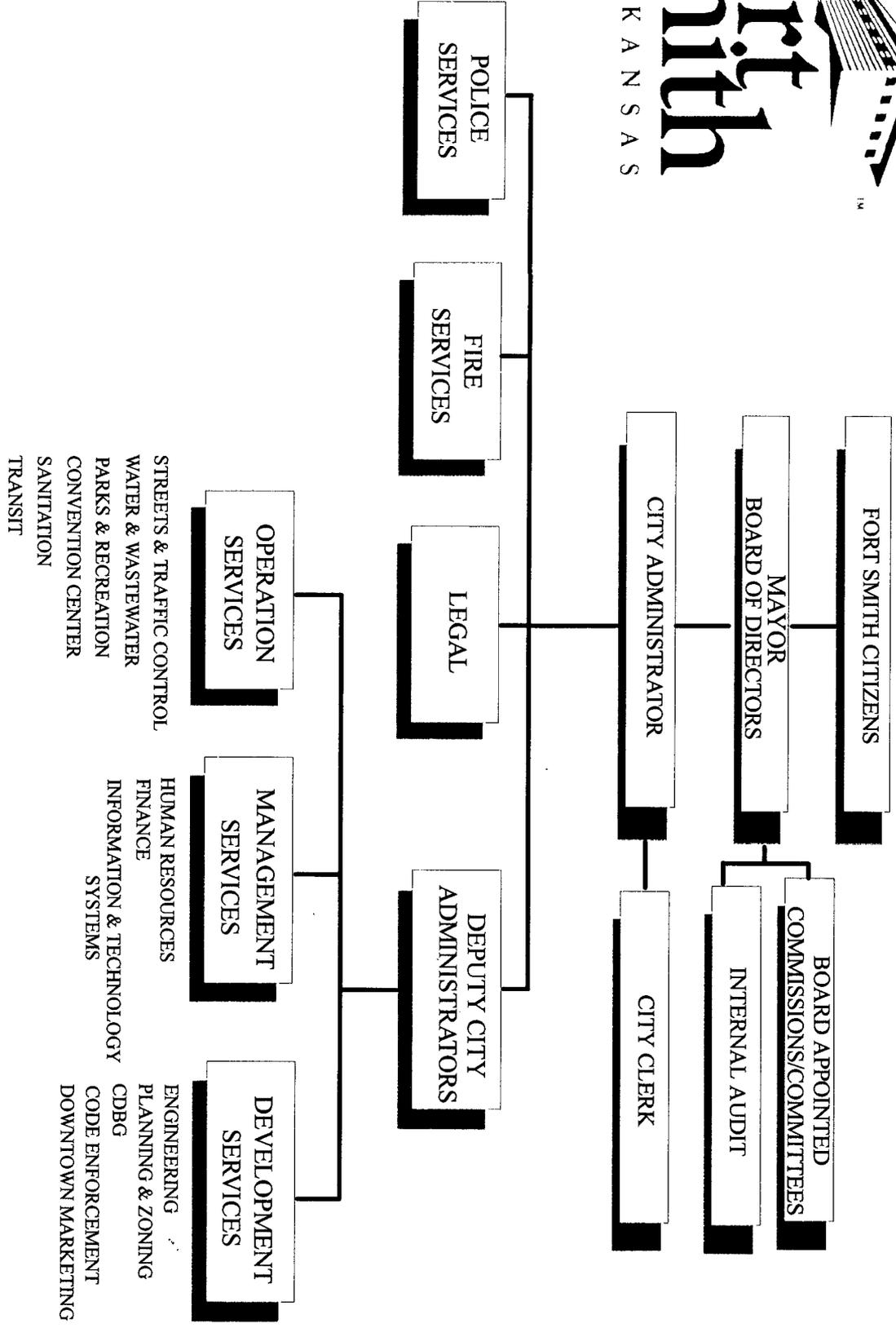


Smith A. Auer
President

Jeffrey L. Esser
Executive Director



Plan of Organization





Report of Independent Public Accountants

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

We have audited the accompanying general purpose financial statements of the City of Fort Smith, Arkansas, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements and the statements and other information referred to below are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Airport Commission, a discretely presented proprietary component unit of the City which statements reflect total assets and total revenues of 94% and 91%, respectively, of the related combined totals of the discretely presented proprietary fund column or the Public Library, a discretely presented governmental component unit of the City which statements reflect total assets and total revenues of 88% and 84%, respectively, of the related combined totals of the discretely presented governmental fund column. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements, and Introductory and Statistical Sections, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The schedule of expenditures of federal and state awards and the combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on them.

The Required Supplementary Information on page 73 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. This information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated April 19, 2002, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Arthur Andersen LLP

Dallas, Texas,
April 19, 2002

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City of Fort Smith, Arkansas

Combined Balance Sheet -
All Fund Types, Account Groups, and Discretely Presented Component Units
December 31, 2001 (Note 1), with Comparative Totals for December 31, 2000
(Continued on following page)

ASSETS AND OTHER DEBITS	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
CASH	\$ 2,495	\$ 146,238	\$ -	\$ -	\$ 180,714	\$ 1,164,042
INVESTMENTS	2,826,177	46,966,632	5,473,593	1,812,345	4,554,209	1,952,186
RECEIVABLES, net of allowance for uncollectibles:						
Taxes	5,493,944	3,159,247	-	-	-	-
Sales taxes	946,146	1,219,343	609,671	-	-	-
Accounts	401,233	5,169	-	-	2,302,113	7,100
Accrued interest	6,940	143,100	-	5,299	12,017	6,103
DUE FROM OTHER FUNDS	54,290	2,904	-	-	-	855
DUE FROM OTHER GOVERNMENTS	249,951	635,941	-	-	-	-
INVENTORY, at cost	-	-	-	-	495,325	24,398
PREPAID ITEMS	71,289	-	-	-	-	-
DEPOSITS	9,771	449,844	-	26,500	-	120,068
RESTRICTED ASSETS:						
Cash	-	-	-	-	208,015	-
Investments	-	-	-	-	99,265,429	-
Accounts receivable, net of allowance for uncollectibles	-	-	-	-	10,161	-
Accrued interest	-	-	-	-	702,042	-
Sales tax receivable	-	-	-	-	609,671	-
Prepaid items and deposits	-	-	-	-	703,357	-
Due from other funds	-	-	-	-	20	-
FIXED ASSETS, net, where applicable, of accumulated depreciation	-	-	-	-	160,316,637	-
AMOUNT AVAILABLE IN DEBT SERVICE FUND	-	-	-	-	-	-
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM LIABILITIES	-	-	-	-	-	-
DEFERRED CHARGES	-	-	-	-	753,344	-
Total Assets and Other Debits	<u>\$10,062,236</u>	<u>\$52,728,418</u>	<u>\$6,083,264</u>	<u>\$1,844,144</u>	<u>\$270,113,054</u>	<u>\$3,274,752</u>

The accompanying notes to financial statements are an integral part of this balance sheet.

**Combined Balance Sheet -
All Fund Types, Account Groups, and Discretely Presented Component Units
(Continued)**

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	Primary Government		Proprietary	Governmental	Reporting Entity	
			2001	2000			2001	2000
\$ 5,717	\$ -	\$ -	\$ 1,499,206	\$ 1,109,007	\$ 43,197	\$ 525,072	\$ 2,067,475	\$ 1,994,197
939,311	-	-	64,524,453	63,228,627	2,350,000	646,454	67,520,907	65,917,962
-	-	-	8,653,191	7,746,999	-	30,109	8,683,300	7,773,375
-	-	-	2,775,160	3,008,880	-	179,364	2,954,524	3,148,547
22	-	-	2,715,637	3,304,820	45,801	-	2,761,438	3,411,413
2,784	-	-	176,243	317,071	4,402	1,152	181,797	365,583
-	-	-	58,049	123,624	-	-	58,049	123,624
-	-	-	885,892	707,059	-	-	885,892	707,059
-	-	-	519,723	599,311	2,689	5,000	527,412	607,574
-	-	-	71,289	20,618	39,804	50,014	161,107	103,753
-	-	-	606,183	652,428	-	-	606,183	652,428
-	-	-	208,015	77,626	4,063,857	-	4,271,872	820,570
-	-	-	99,265,429	37,332,158	1,512,178	-	100,777,607	42,476,752
-	-	-	10,161	42,686	605,315	-	615,476	319,050
-	-	-	702,042	351,893	4,812	-	706,854	523,948
-	-	-	609,671	-	-	-	609,671	-
-	-	-	703,357	289,187	-	-	703,357	289,187
-	-	-	20	7,369	-	-	20	7,369
-	98,403,088	-	258,719,725	236,209,997	34,660,883	450,005	293,830,613	266,376,313
-	-	5,137,736	5,137,736	5,248,492	-	-	5,137,736	5,248,492
-	-	20,475,122	20,475,122	29,251,873	-	-	20,475,122	29,251,873
-	-	-	753,344	493,202	303,317	-	1,056,661	792,929
<u>\$947,834</u>	<u>\$98,403,088</u>	<u>\$25,612,858</u>	<u>\$469,069,648</u>	<u>\$390,122,927</u>	<u>\$43,636,255</u>	<u>\$1,887,170</u>	<u>\$514,593,073</u>	<u>\$430,911,998</u>

City of Fort Smith, Arkansas

Combined Balance Sheet –
All Fund Types, Account Groups, and Discretely Presented Component Units
December 31, 2001 (Note 1), with Comparative Totals for December 31, 2000
(Continued on Following Page)

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 1,070,090	\$ 2,077,994	\$ -	\$ 24,536	\$ 1,157,212	\$ 105,004
Retainage payable	-	590,977	-	3,450	-	-
Liability for accrued vacation and sick leave	-	-	-	-	937,102	-
Liability for landfill closure and postclosure care	-	-	-	-	2,531,814	-
Other long-term obligations	-	-	845,957	-	-	-
Payable from restricted assets-						
Accrued interest	-	-	99,571	-	910,832	-
Revenue bonds payable, current	-	-	-	-	2,935,000	-
Sales and use tax bonds payable, current	-	-	-	-	2,785,000	-
Accounts payable and accrued liabilities	-	-	-	-	2,315,402	-
Deposits	-	-	-	-	883,296	-
Retainage payable	-	-	-	-	636,143	-
Due to other funds	248	53,142	-	-	-	-
Due to other governments	201,568	-	-	-	-	-
Liability for insured events	-	-	-	-	-	1,106,925
Deferred revenues	4,513,211	4,628,226	-	-	-	-
Revenue bonds payable, net	-	-	-	-	48,920,791	-
Sales and use tax bonds payable	-	-	-	-	75,265,048	-
Other	83,368	2,323	-	-	17,224	-
Total Liabilities	5,868,485	7,352,662	945,528	27,986	139,294,864	1,211,929
EQUITY AND OTHER CREDITS:						
Contributed capital-						
From other municipalities or governmental units	-	-	-	-	11,461,108	1,697,495
In aid of construction	-	-	-	-	31,376,939	-
Investment in general fixed assets	-	-	-	-	-	-
Retained earnings-						
Reserved for bond retirement	-	-	-	-	9,741,724	-
Reserved for landfill closure and postclosure care	-	-	-	-	3,524,763	-
Reserved for asset replacement	-	-	-	-	630,932	-
Reserved for construction	-	-	-	-	94,308	-
Reserved for health insurance and workers' compensation	-	-	-	-	-	339,575
Unreserved	-	-	-	-	73,988,416	25,753
Fund balances-						
Reserved for encumbrances	491,766	105,644	-	-	-	-
Reserved for prepaid items	71,289	-	-	-	-	-
Reserved for subsequent years' expenditures	-	31,281,534	-	-	-	-
Reserved for employees' pension benefits	-	-	-	-	-	-
Reserved for bond retirement	-	-	5,137,736	-	-	-
Unreserved-						
Designated for subsequent years' expenditures	410,739	13,988,578	-	1,816,158	-	-
Undesignated	3,219,957	-	-	-	-	-
Total Equity and Other Credits	4,193,751	45,375,756	5,137,736	1,816,158	130,818,190	2,062,823
Total Liabilities, Equity and Other Credits	\$10,062,236	\$52,728,418	\$6,083,264	\$1,844,144	\$270,113,054	\$3,274,752

The accompanying notes to financial statements are an integral part of this balance sheet.

Combined Balance Sheet -
All Fund Types, Account Groups, and Discretely Presented Component Units
(Continued)

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	Primary Government		Proprietary	Governmental	Reporting Entity	
			2001	2000			2001	2000
\$ 1,038	\$ -	\$ -	\$ 4,435,874	\$ 4,948,761	\$ 152,467	\$ 48,494	\$ 4,636,835	\$ 5,095,241
-	-	-	594,427	2,104,614	-	-	594,427	2,115,403
-	-	2,943,858	3,880,960	3,486,676	1,740	-	3,882,700	3,486,676
-	-	-	2,531,814	2,023,997	-	-	2,531,814	2,023,997
-	-	179,000	1,024,957	986,867	-	-	1,024,957	986,867
-	-	-	1,010,403	785,843	86,998	-	1,097,401	873,068
-	-	-	2,935,000	2,805,000	115,000	-	3,050,000	2,875,000
-	-	-	2,785,000	-	-	-	2,785,000	-
-	-	-	2,315,402	1,929,212	992,458	-	3,307,860	2,089,796
-	-	-	883,296	838,556	-	-	883,296	838,556
-	-	-	636,143	204,761	-	-	636,143	204,761
4,679	-	-	58,069	130,993	-	-	58,069	130,993
-	-	-	201,568	9	-	-	201,568	9
-	-	-	1,106,925	1,140,396	-	-	1,106,925	1,140,396
-	-	-	9,141,437	7,544,509	-	-	9,141,437	7,544,509
-	-	-	48,920,791	51,721,415	6,981,768	-	55,902,559	58,807,595
-	-	22,490,000	97,755,048	31,710,000	-	-	97,755,048	31,710,000
-	-	-	102,915	116,770	350,950	-	453,865	539,230
<u>5,717</u>	<u>-</u>	<u>25,612,858</u>	<u>180,320,029</u>	<u>112,478,379</u>	<u>8,681,381</u>	<u>48,494</u>	<u>189,049,904</u>	<u>120,462,097</u>
-	-	-	13,158,603	13,585,928	22,232,374	-	35,390,977	37,126,861
-	-	-	31,376,939	32,737,338	-	-	31,376,939	32,737,338
-	98,403,088	-	98,403,088	93,307,623	-	450,005	98,853,093	93,769,853
-	-	-	9,741,724	5,741,724	486,406	-	10,228,130	6,228,130
-	-	-	3,524,763	3,016,946	-	-	3,524,763	3,016,946
-	-	-	630,932	619,521	-	-	630,932	619,521
-	-	-	94,308	305,836	-	-	94,308	305,836
-	-	-	339,575	(1,067,227)	-	-	339,575	(1,067,227)
-	-	-	74,014,169	72,212,453	12,236,094	-	86,250,263	79,235,871
-	-	-	597,410	1,208,657	-	-	597,410	1,208,657
-	-	-	71,289	20,618	-	50,014	121,303	62,210
-	-	-	31,281,534	27,865,010	-	-	31,281,534	29,115,784
942,117	-	-	942,117	851,949	-	-	942,117	851,949
-	-	-	5,137,736	5,248,492	-	-	5,137,736	5,248,492
-	-	-	16,215,475	19,418,763	-	1,338,657	17,554,132	19,418,763
-	-	-	3,219,957	2,570,917	-	-	3,219,957	2,570,917
<u>942,117</u>	<u>98,403,088</u>	<u>-</u>	<u>288,749,619</u>	<u>277,644,548</u>	<u>34,954,874</u>	<u>1,838,676</u>	<u>325,543,169</u>	<u>310,449,901</u>
<u>\$947,834</u>	<u>\$98,403,088</u>	<u>\$25,612,858</u>	<u>\$469,069,648</u>	<u>\$390,122,927</u>	<u>\$43,636,255</u>	<u>\$1,887,170</u>	<u>\$514,593,073</u>	<u>\$430,911,998</u>

City of Fort Smith, Arkansas

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Governmental Fund Types and Discretely Presented Component Units
For the Fiscal Year Ended December 31, 2001 (Note 1),
With Comparative Totals for the Fiscal Year Ended December 31, 2000
(Continued on Following Page)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES:				
Taxes	\$ 4,164,734	\$ 2,915,129	\$ -	\$ -
Sales taxes	12,278,766	15,728,836	7,864,418	-
Licenses and permits	1,297,811	-	-	164,471
Utility franchise fees	5,199,799	-	-	-
Intergovernmental	2,735,962	8,550,016	2,657,575	-
Fines and forfeitures	1,495,483	120,274	-	-
Fees for services	720,524	-	-	-
Interest	76,701	2,223,774	325,718	237,909
Decrease in fair value of investments	-	-	-	-
Contributions	-	811,389	-	119,066
Miscellaneous	291,919	68,984	-	-
Total Revenues	28,261,699	30,418,402	10,847,711	521,446
EXPENDITURES:				
Current-				
General government	4,017,395	774,182	-	-
Public safety	16,408,702	3,547,549	-	-
Public works	-	19,873,058	-	190,929
Community services	3,381,556	357,835	-	-
Other	1,719,871	246,361	38,090	-
Capital outlay	1,958,660	507,320	-	4,667,888
Debt service-				
Principal	-	-	9,220,000	-
Interest and fiscal charges	-	-	1,391,728	-
Total Expenditures	27,486,184	25,306,305	10,649,818	4,858,817
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	775,515	5,112,097	197,893	(4,337,371)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,695,643	58,923	499,218	1,031,324
Operating transfer from component units	11,410	-	-	-
Operating transfers out	(2,190,000)	(1,985,567)	-	(558,141)
Operating transfers to component units	(120,000)	-	-	-
Operating transfers to primary government	-	-	-	-
Loss on disposition of assets	-	-	-	-
Total Other Financing Sources (Uses)	(602,947)	(1,926,644)	499,218	473,183
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES, AND OTHER FINANCING USES	172,568	3,185,453	697,111	(3,864,188)
RESIDUAL EQUITY TRANSFER IN (OUT)	-	-	(807,867)	807,867
FUND BALANCES, beginning of year	4,021,183	42,190,303	5,248,492	4,872,479
FUND BALANCES, end of year	\$4,193,751	\$45,375,756	\$5,137,736	\$1,816,158

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Governmental Fund Types and Discretely Presented Component Units
(Continued)**

Totals (Memorandum Only) Primary Government		Component Units Governmental	Totals (Memorandum Only) Reporting Entity	
December 31, 2001	December 31, 2000		December 31, 2001	December 31, 2000
\$ 7,079,863	\$ 6,591,586	\$1,213,315	\$ 8,293,178	\$ 7,691,966
35,872,020	35,805,269	736,726	36,608,746	36,562,765
1,462,282	1,374,696	-	1,462,282	1,374,696
5,199,799	4,708,407	-	5,199,799	4,708,407
13,943,553	10,513,059	217,912	14,161,465	10,767,725
1,615,757	1,720,211	-	1,615,757	1,720,211
720,524	340,266	83,637	804,161	400,069
2,864,102	3,998,181	27,511	2,891,613	4,033,662
-	(77,170)	-	-	(118,085)
930,455	1,032,084	18,516	948,971	1,061,573
360,903	166,504	140,623	501,526	179,597
<u>70,049,258</u>	<u>66,173,093</u>	<u>2,438,240</u>	<u>72,487,498</u>	<u>68,382,586</u>
4,791,577	4,105,006	-	4,791,577	4,105,006
19,956,251	19,895,794	-	19,956,251	19,895,794
20,063,987	13,514,651	-	20,063,987	13,514,651
3,739,391	2,411,123	2,003,303	5,742,694	4,297,398
2,004,322	1,332,628	339,447	2,343,769	1,652,985
7,133,868	34,461,654	-	7,133,868	34,461,654
9,220,000	6,325,000	-	9,220,000	6,325,000
1,391,728	1,673,421	-	1,391,728	1,673,421
<u>68,301,124</u>	<u>83,719,277</u>	<u>2,342,750</u>	<u>70,643,874</u>	<u>85,925,909</u>
<u>1,748,134</u>	<u>(17,546,184)</u>	<u>95,490</u>	<u>1,843,624</u>	<u>(17,543,323)</u>
3,285,108	2,440,826	-	3,285,108	2,440,826
11,410	8,951	-	11,410	8,951
(4,733,708)	(3,556,826)	-	(4,733,708)	(3,556,826)
(120,000)	(120,000)	-	(120,000)	(120,000)
-	-	(11,410)	(11,410)	(8,951)
-	-	-	-	(326,918)
<u>(1,557,190)</u>	<u>(1,227,049)</u>	<u>(11,410)</u>	<u>(1,568,600)</u>	<u>(1,562,918)</u>
190,944	(18,773,233)	84,080	275,024	(19,106,241)
-	-	-	-	-
<u>56,332,457</u>	<u>75,105,690</u>	<u>1,754,596</u>	<u>58,087,053</u>	<u>77,193,294</u>
<u>\$56,523,401</u>	<u>\$56,332,457</u>	<u>\$1,838,676</u>	<u>\$58,362,077</u>	<u>\$58,087,053</u>

City of Fort Smith, Arkansas

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual - General and Special Revenue Fund Types
 For the Fiscal Year Ended December 31, 2001 (Note 1)
 (Continued on Following Page)

	General Fund				Variance- Favorable (Unfavorable)
	Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Budget	
REVENUES:					
Taxes	\$4,164,734	\$ -	\$4,164,734	\$3,899,140	\$ 265,594
Sales taxes	12,278,766	-	12,278,766	12,989,878	(711,112)
Licenses and permits	1,297,811	-	1,297,811	1,176,000	121,811
Utility franchise fees	5,199,799	-	5,199,799	4,770,090	429,709
Intergovernmental	2,735,962	-	2,735,962	2,904,065	(168,103)
Fines and forfeitures	1,495,483	-	1,495,483	1,993,000	(497,517)
Fees for services	720,524	-	720,524	1,006,200	(285,676)
Interest	76,701	-	76,701	60,000	16,701
Miscellaneous	291,919	-	291,919	165,163	126,756
Total Revenues	28,261,699	-	28,261,699	28,963,536	(701,837)
EXPENDITURES:					
Current-					
General government-					
Administration	2,205,894	62,740	2,268,634	2,372,052	103,418
Legal	1,234,425	29,431	1,263,856	1,282,399	18,543
Finance	577,076	2,925	580,001	586,533	6,532
Public safety-					
Police	9,657,515	11,869	9,669,384	10,625,260	955,876
Fire	6,751,187	43,920	6,795,107	6,799,883	4,776
Public works-					
Operations	-	-	-	-	-
Street	-	-	-	-	-
Traffic control	-	-	-	-	-
Community services-					
Health	61,429	9,661	71,090	87,220	16,130
Parks and recreation	3,320,127	20,215	3,340,342	3,618,229	277,887
Other	1,719,871	154,905	1,874,776	1,903,402	28,626
Capital outlay	1,958,660	156,100	2,114,760	2,195,101	80,341
Total Expenditures	27,486,184	491,766	27,977,950	29,470,079	1,492,129
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	775,515	(491,766)	283,749	(506,543)	790,292
OTHER FINANCING SOURCES (USES):					
Operating transfers in	1,695,643	-	1,695,643	1,859,841	(164,198)
Operating transfers in – component units	11,410	-	11,410	9,000	2,410
Operating transfers out	(2,190,000)	-	(2,190,000)	(2,190,000)	-
Operating transfers out – component units	(120,000)	-	(120,000)	(120,000)	-
Total Other Financing Sources (Uses)	(602,947)	-	(602,947)	(441,159)	(161,788)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	172,568	(491,766)	(319,198)	(947,702)	628,504
FUND BALANCES, beginning of year	4,021,183	-	4,021,183	4,021,183	-
FUND BALANCES, end of year	\$4,193,751	\$ (491,766)	\$3,701,985	\$3,073,481	\$ 628,504

The accompanying notes to financial statements are an integral part of this statement.

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual - General and Special Revenue Fund Types
 (Continued)

Special Revenue				
(Street Maintenance Fund Only)				
Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
\$1,249,388	\$ -	\$1,249,388	\$1,158,260	\$ 91,128
-	-	-	-	-
-	-	-	-	-
3,776,892	-	3,776,892	3,600,000	176,892
-	-	-	-	-
272,962	-	272,962	310,000	(37,038)
<u>22,970</u>	<u>-</u>	<u>22,970</u>	<u>15,000</u>	<u>7,970</u>
<u>5,322,212</u>	<u>-</u>	<u>5,322,212</u>	<u>5,083,260</u>	<u>238,952</u>
274,927	5,690	280,617	315,982	35,365
37,554	-	37,554	50,000	12,446
461,701	19,117	480,818	486,415	5,597
-	-	-	-	-
-	-	-	-	-
304,048	2,732	306,780	327,500	20,720
1,866,676	-	1,866,676	2,125,036	258,360
1,423,141	480	1,423,621	1,493,202	69,581
-	-	-	-	-
184,814	10,922	195,736	212,638	16,902
198,397	66,703	265,100	667,475	402,375
<u>192,759</u>	<u>-</u>	<u>192,759</u>	<u>201,610</u>	<u>8,851</u>
<u>4,944,017</u>	<u>105,644</u>	<u>5,049,661</u>	<u>5,879,858</u>	<u>830,197</u>
<u>378,195</u>	<u>(105,644)</u>	<u>272,551</u>	<u>(796,598)</u>	<u>1,069,149</u>
-	-	-	-	-
-	-	-	-	-
(218,660)	-	(218,660)	(218,660)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(218,660)</u>	<u>-</u>	<u>(218,660)</u>	<u>(218,660)</u>	<u>-</u>
159,535	(105,644)	53,891	(1,015,258)	1,069,149
<u>5,491,843</u>	<u>-</u>	<u>5,491,843</u>	<u>5,491,843</u>	<u>-</u>
<u>\$5,651,378</u>	<u>\$ (105,644)</u>	<u>\$5,545,734</u>	<u>\$4,476,585</u>	<u>\$1,069,149</u>

City of Fort Smith, Arkansas

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -
 All Proprietary Fund Types and Discretely Presented Component Units
 For the Fiscal Year Ended December 31, 2001 (Note 1),
 With Comparative Totals for the Fiscal Year Ended December 31, 2000
 (Continued on Following Page)

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
OPERATING REVENUES:		
Water service	\$12,229,508	\$ -
Sewer service	7,985,242	-
Charges for services	9,824,892	410,264
Contributions	-	4,739,683
Other	<u>30,073</u>	<u>-</u>
Total Operating Revenues	<u>30,069,715</u>	<u>5,149,947</u>
OPERATING EXPENSES:		
Personnel services	12,569,908	-
Contractual services	2,324,557	476,779
Materials and supplies	5,105,801	416,982
Heat, light, and power	1,178,098	-
Depreciation	9,191,374	-
Premium payments	-	421,714
Claims for insured events	-	4,548,243
Miscellaneous	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>30,369,738</u>	<u>5,863,718</u>
OPERATING INCOME (LOSS)	<u>(300,023)</u>	<u>(713,771)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	2,688,526	104,358
Increase in fair value of investments	169,325	-
Interest expense and fiscal charges	(3,407,633)	-
Sales tax revenue for bond redemption	4,522,710	-
Other nonoperating revenues, net	<u>219,072</u>	<u>9,497</u>
Total Nonoperating Revenues, Net	<u>4,192,000</u>	<u>113,855</u>
Income (Loss) Before Operating Transfers and Capital Contributions	3,891,977	(599,916)
OPERATING TRANSFERS IN	285,000	2,035,000
OPERATING TRANSFERS OUT	(871,400)	-
CAPITAL CONTRIBUTIONS	<u>1,192,872</u>	<u>-</u>
Net Income	4,498,449	1,435,084
DEPRECIATION ON CONTRIBUTED ASSETS (PRIOR TO GASB 33)	1,582,685	-
RETAINED EARNINGS, beginning of year	<u>81,899,009</u>	<u>(1,069,756)</u>
RETAINED EARNINGS, end of year	<u>\$87,980,143</u>	<u>\$ 365,328</u>

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -
All Proprietary Fund Types, and Discretely Presented Component Units
(Continued)**

Totals (Memorandum Only) Primary Government		Component Units Proprietary	Totals (Memorandum Only) Reporting Entity	
December 31, 2001	December 31, 2000		December 31, 2001	December 31, 2000
\$12,229,508	\$12,296,756	\$ -	\$ 12,229,508	\$12,296,756
7,985,242	7,952,646	-	7,985,242	7,952,646
10,235,156	10,621,098	2,024,132	12,259,288	12,441,635
4,739,683	4,007,695	-	4,739,683	4,007,695
30,073	31,943	362,452	392,525	400,344
<u>35,219,662</u>	<u>34,910,138</u>	<u>2,386,584</u>	<u>37,606,246</u>	<u>37,099,076</u>
12,569,908	12,026,540	827,133	13,397,041	12,743,539
2,801,336	2,619,473	540,530	3,341,866	3,158,270
5,522,783	4,814,704	146,242	5,669,025	4,882,876
1,178,098	1,000,315	109,418	1,287,516	1,088,584
9,191,374	7,674,586	1,762,953	10,954,327	9,369,029
421,714	354,716	-	421,714	354,716
4,548,243	4,398,830	-	4,548,243	4,398,830
-	-	54,652	54,652	46,666
<u>36,233,456</u>	<u>32,889,164</u>	<u>3,440,928</u>	<u>39,674,384</u>	<u>36,042,510</u>
<u>(1,013,794)</u>	<u>2,020,974</u>	<u>(1,054,344)</u>	<u>(2,068,138)</u>	<u>1,056,566</u>
2,792,884	2,848,077	187,435	2,980,319	3,076,535
169,325	54,295	-	169,325	54,295
(3,407,633)	(3,089,784)	(134,370)	(3,542,003)	(3,226,645)
4,522,710	-	-	4,522,710	-
228,569	158,538	(51,687)	176,882	73,527
<u>4,305,855</u>	<u>(28,874)</u>	<u>1,378</u>	<u>4,307,233</u>	<u>(22,288)</u>
3,292,061	1,992,100	(1,052,966)	2,239,095	1,034,278
2,320,000	1,210,000	120,000	2,440,000	1,330,000
(871,400)	(94,000)	-	(871,400)	(94,000)
<u>1,192,872</u>	<u>-</u>	<u>4,837,083</u>	<u>6,029,955</u>	<u>-</u>
5,933,533	3,108,100	3,904,117	9,837,650	2,270,278
1,582,685	1,459,010	1,308,559	2,891,244	2,785,515
<u>80,829,253</u>	<u>76,262,143</u>	<u>7,509,824</u>	<u>88,339,077</u>	<u>83,283,284</u>
<u>\$88,345,471</u>	<u>\$80,829,253</u>	<u>\$12,722,500</u>	<u>\$101,067,971</u>	<u>\$88,339,077</u>

City of Fort Smith, Arkansas

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -
Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds
For the Fiscal Year Ended December 31, 2001 (Note 1)**

	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on a Budgetary Basis</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
OPERATING REVENUES:					
Water service	\$12,229,508	\$ -	\$ 12,229,508	\$12,455,621	\$ (226,113)
Sewer service	7,985,242	-	7,985,242	8,291,320	(306,078)
Charges for services	9,824,892	-	9,824,892	12,170,253	(2,345,361)
Other	<u>30,073</u>	<u>-</u>	<u>30,073</u>	<u>35,000</u>	<u>(4,927)</u>
Total Operating Revenues	<u>30,069,715</u>	<u>-</u>	<u>30,069,715</u>	<u>32,952,194</u>	<u>(2,882,479)</u>
OPERATING EXPENSES:					
Personnel services	12,422,142	-	12,422,142	13,052,602	630,460
Contractual services	2,125,930	267,655	2,393,585	3,000,950	607,365
Materials and supplies	4,564,208	70,004	4,634,212	4,813,047	178,835
Heat, light, and power	1,178,098	-	1,178,098	1,181,350	3,252
Depreciation	<u>9,191,374</u>	<u>(9,191,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>29,481,752</u>	<u>(8,853,715)</u>	<u>20,628,037</u>	<u>22,047,949</u>	<u>1,419,912</u>
OPERATING INCOME (LOSS)	<u>587,963</u>	<u>8,853,715</u>	<u>9,441,678</u>	<u>10,904,245</u>	<u>(1,462,567)</u>
NONOPERATING REVENUES:					
Interest revenue	210,846	-	210,846	393,000	(182,154)
Other nonoperating revenues, net	<u>229,947</u>	<u>-</u>	<u>229,947</u>	<u>145,000</u>	<u>84,947</u>
Total Nonoperating Revenues, Net	<u>440,793</u>	<u>-</u>	<u>440,793</u>	<u>538,000</u>	<u>(97,207)</u>
Income Before Operating Transfers and Capital Contributions	1,028,756	8,853,715	9,882,471	11,442,245	(1,559,774)
OPERATING TRANSFERS IN	285,000	-	285,000	330,700	(45,700)
OPERATING TRANSFERS OUT	(9,158,140)	-	(9,158,140)	(12,174,410)	3,016,270
CAPITAL CONTRIBUTIONS	<u>1,192,872</u>	<u>-</u>	<u>1,192,872</u>	<u>-</u>	<u>1,192,872</u>
Net Income (Loss)	(6,651,512)	8,853,715	2,202,203	(401,465)	2,603,668
DEPRECIATION ON CONTRIBUTED ASSETS (Prior to GASB 33)	1,582,685	-	1,582,685	-	1,582,685
RETAINED EARNINGS, beginning of year	<u>5,112,016</u>	<u>-</u>	<u>5,112,016</u>	<u>5,112,016</u>	<u>-</u>
RETAINED EARNINGS, end of year	<u>\$ 43,189</u>	<u>\$8,853,715</u>	<u>\$ 8,896,904</u>	<u>\$4,710,551</u>	<u>\$4,186,353</u>

The accompanying notes to financial statements are an integral part of this statement.

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City of Fort Smith, Arkansas

**Combined Statement of Cash Flows -
All Enterprise Funds, Internal Service Funds, and Discretely Presented Component Units
For the Fiscal Year Ended December 31, 2001 (Note 1),
With Comparative Totals for the Fiscal Year Ended December 31, 2000
(Continued on Following Page)**

	Enterprise	Internal Service	Total (Memorandum Only) Primary Government	
			December 31, 2001	December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$30,818,201	\$ -	\$30,818,201	\$30,901,516
Cash received from service users	-	410,225	410,225	394,381
Cash received from city and employee contributions	-	4,761,012	4,761,012	4,022,826
Cash payments for goods and services	(9,247,215)	(861,976)	(10,109,191)	(9,580,220)
Cash payments to employees	(12,467,044)	-	(12,467,044)	(11,847,564)
Cash payments for premiums and other operating expenses	-	(421,714)	(421,714)	(467,061)
Cash payments for claims paid	-	(4,765,276)	(4,765,276)	(4,748,081)
Cash received from other operating revenues	182,045	-	182,045	581,177
Net Cash Provided by (Used for) Operating Activities	9,285,987	(877,729)	8,408,258	9,256,974
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers-in from other funds	285,000	2,035,000	2,320,000	1,210,000
Operating transfers-out to other funds	(871,400)	-	(871,400)	(194,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(586,400)	2,035,000	1,448,600	1,116,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bonds	80,080,627	-	80,080,627	-
Proceeds from sales tax	3,913,039	-	3,913,039	-
Proceeds from grants	-	-	-	-
Proceeds from sale of fixed assets	101,612	-	101,612	131,217
Acquisition and construction of capital assets	(23,934,710)	-	(23,934,710)	(14,643,184)
Principal paid on revenue bonds	(4,740,000)	-	(4,740,000)	(2,690,000)
Interest and fiscal charges paid on revenue bonds	(3,421,927)	-	(3,421,927)	(3,079,256)
Net Cash Provided by (Used for) Capital and Related Financing Activities	51,998,641	-	51,998,641	(20,281,223)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investment securities	127,187,529	1,106,267	128,293,796	55,003,816
Outlays for purchases of investment securities	(190,094,936)	(1,555,829)	(191,650,765)	(47,685,529)
Interest on investments	2,518,607	109,240	2,627,847	2,769,571
Net Cash Provided by (Used for) Investing Activities	(60,388,800)	(340,322)	(60,729,122)	10,087,858
NET INCREASE IN CASH AND RESTRICTED CASH	309,428	816,949	1,126,377	179,609
CASH AND RESTRICTED CASH, beginning of year	79,301	347,093	426,394	246,785
CASH AND RESTRICTED CASH, end of year	\$ 388,729	\$1,164,042	\$ 1,552,771	\$ 426,394

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Cash Flows -
All Enterprise Funds, Internal Service Funds, and Discretely Presented Component Units
(Continued)**

Component Units	Totals (Memorandum Only)	
	Reporting Entity	
	December 31, 2001	December 31, 2000
Proprietary		
\$1,909,153	\$32,727,354	\$32,624,555
-	410,225	394,381
-	4,761,012	4,022,826
(756,613)	(10,865,804)	(10,170,822)
(831,076)	(13,298,120)	(12,578,560)
(54,652)	(476,366)	(513,727)
-	(4,765,276)	(4,748,081)
<u>364,881</u>	<u>546,926</u>	<u>946,247</u>
<u>631,693</u>	<u>9,039,951</u>	<u>9,976,819</u>
120,000	2,440,000	1,330,000
-	(871,400)	(94,000)
<u>120,000</u>	<u>1,568,600</u>	<u>1,236,000</u>
-	80,080,627	-
-	3,913,039	-
-	-	3,754,094
1,000	102,612	131,217
(1,354,364)	(25,289,074)	(19,254,077)
(70,000)	(4,810,000)	(2,755,000)
<u>(410,125)</u>	<u>(3,832,052)</u>	<u>(3,491,849)</u>
<u>(1,833,489)</u>	<u>50,165,152</u>	<u>(21,615,615)</u>
9,777,022	138,070,818	61,260,643
(6,094,605)	(197,745,370)	(53,741,423)
<u>637,684</u>	<u>3,265,531</u>	<u>3,119,065</u>
<u>4,320,101</u>	<u>(56,409,021)</u>	<u>10,638,285</u>
3,238,305	4,364,682	235,489
<u>868,749</u>	<u>1,295,143</u>	<u>1,059,654</u>
<u>\$4,107,054</u>	<u>\$ 5,659,825</u>	<u>\$ 1,295,143</u>

City of Fort Smith, Arkansas

**Combined Statement of Cash Flows -
All Enterprise Funds, Internal Service Funds, and Discretely Presented Component Units
For the Fiscal Year Ended December 31, 2001 (Note 1),
With Comparative Totals for the Fiscal Year Ended December 31, 2000
(Continued)**

	Enterprise	Internal Service	Total (Memorandum Only)	
			December 31, 2001	December 31, 2000
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (300,023)	\$ (713,771)	\$ (1,013,794)	\$ 2,020,974
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Depreciation	9,191,374	-	9,191,374	7,674,586
Miscellaneous revenue	156,257	9,497	165,754	161,698
Changes in assets and liabilities-				
Accounts receivable	703,746	12,101	715,847	(585,923)
Sales tax receivable	-	-	-	394,627
Due from other funds	7,349	(308)	7,041	965,968
Inventory	79,451	137	79,588	(117,037)
Prepaid items	(414,170)	(120,068)	(534,238)	(288,196)
Accounts payable and accrued liabilities	(233,511)	(31,846)	(265,357)	13,699
Deposits	44,740	-	44,740	21,171
Liability for accrued vacation and sick leave	61,791	-	61,791	112,049
Due to other funds	(2,976)	-	(2,976)	(970,465)
Liability for insured events	-	(33,471)	(33,471)	(148,422)
Other liabilities	(8,041)	-	(8,041)	2,245
Total Adjustments	<u>9,586,010</u>	<u>(163,958)</u>	<u>9,422,052</u>	<u>7,236,000</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 9,285,987</u>	<u>\$ (877,729)</u>	<u>\$ 8,408,258</u>	<u>\$9,256,974</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Enterprise Funds-

Water and Sewer Fund received contributions of capital assets of \$1,192,872 and \$1,099,368 for 2001 and 2000, respectively, and recognized a \$170,241 increase in fair value of investments in 2001 and a \$53,419 increase in fair value of investments in 2000.

Sanitation Fund recognized a \$916 decrease in fair value of investments in 2001 and an \$876 increase in fair value of investments in 2000 and received contributions of capital assets of \$8,344 for 2000. The 1998 advance refunding of solid waste revenue bonds results in a cash flow difference of \$35,305 for 2001 and \$38,643 for 2000.

Component Units-

Airport Commission received hangar improvements provided by the tenant of \$38,220 for 2001. There was no such contribution for 2000.

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Cash Flows -
All Enterprise Funds, Internal Service Funds, and Discretely Presented Component Units
(Continued)**

Component Units	Totals (Memorandum Only)	
	Reporting Entity	
	December 31, 2001	December 31, 2000
<u>Proprietary</u>		
\$ (1,054,344)	\$ (2,068,138)	\$ 1,056,566
1,762,953	10,954,327	9,369,029
(855)	164,899	161,704
(4,394)	711,453	(573,322)
-	-	394,627
-	7,041	965,968
574	80,162	(117,004)
1,739	(532,499)	(209,758)
42,370	(222,987)	26,861
-	44,740	21,171
(9,049)	52,742	111,055
-	(2,976)	(970,465)
-	(33,471)	(148,422)
<u>(107,301)</u>	<u>(115,342)</u>	<u>(111,191)</u>
<u>1,686,037</u>	<u>11,108,089</u>	<u>8,920,253</u>
<u>\$ 631,693</u>	<u>\$ 9,039,951</u>	<u>\$9,976,819</u>

City of Fort Smith, Arkansas

Statement of Changes in Plan Net Assets -
Municipal Court Retirement Pension Trust Fund
For the Fiscal Year Ended December 31, 2001
With Comparative Totals for Fiscal Year Ended December 31, 2000

	<u>2001</u>	<u>2000</u>
ADDITIONS:		
Court fines and fees	\$ 54,949	\$ 15,989
Investment earnings	<u>44,638</u>	<u>48,909</u>
Total additions	<u>99,587</u>	<u>64,898</u>
DEDUCTIONS:		
Benefit payments	<u>9,419</u>	<u>9,419</u>
Total deductions	<u>9,419</u>	<u>9,419</u>
INCREASE IN NET ASSETS	90,168	55,479
NET ASSETS, beginning of year	<u>851,949</u>	<u>796,470</u>
NET ASSETS, end of year	<u>\$942,117</u>	<u>\$851,949</u>

The accompanying notes to financial statements are an integral part of this statement.

City of Fort Smith, Arkansas

**Notes to Financial Statements
December 31, 2001**

1. Summary of Significant Accounting Policies:

The financial statements of the City of Fort Smith, Arkansas (the "City"), have been prepared in conformity with accounting principles generally accepted in the United States ("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. The more significant accounting policies of the City are described below:

A. Reporting Entity

The City is a municipality governed by an elected mayor and a seven-member Board of Directors ("BOD"). As required by GAAP, these financial statements present the City (the "primary government") and its component units. The component units 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." Generally, GASB Statement 14 requires entities upon which the City is able to impose its will, or that are fiscally dependent upon the City, to be included in the City's financial reporting entity. Additionally, those entities that the nature and significance of their relationship with the City is such that exclusion from the City's financial reporting entity would render the City's financial statements incomplete or misleading, should also be included in the City's reporting entity.

Those entities that meet the above established criteria for inclusion, as well as meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantively 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 BOD but is not financially accountable, are related organizations.

All entities that are not included as "Blended Component Units," "Discretely Presented Component Units," or "Related Organizations" below are excluded from the City's financial reporting entity.

The following is included as part of the primary government reporting entity:

Discretely Presented Component Units

Proprietary:

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 BOD. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the BOD. The Airport Commission is an enterprise fund and is discretely presented in the City's general purpose financial statements. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 5600 Airport Boulevard, Fort Smith, Arkansas 72903, or from the City Clerk's office.

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

Fort Smith Parking Authority (the "Authority"). The Authority's governing board is appointed by the City's BOD; 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 an enterprise fund and is discretely presented in the City's general purpose financial statements. Separate financial statements are not prepared for the Authority.

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 City's BOD. The Mayor and one City 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 governmental fund and is discretely presented in the City's general purpose financial statements. Separate financial statements are not prepared for the Commission.

Public Library. The Board of Trustees for the Fort Smith Public Library manages the Public Library and consists of seven members as appointed by the Mayor and confirmed by the BOD. Debt is issued in the name of the City and the Public Library's ad valorem tax is levied by the City annually. The Public Library is a governmental fund and is discretely presented in the City's general purpose financial statements. Financial statements of the Public Library can be obtained from the Library's administrative office located at 61 South 8 Street, Fort Smith, Arkansas 72901, or from the City Clerk's office. The Public Library financial statements include a General Fund and a General Fixed Assets Account Group.

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

Condensed Financial Statements -- Discretely Presented Component Units

Balance Sheets

	<u>Proprietary</u>		<u>Governmental</u>		<u>Total</u>
	<u>Airport Commission</u>	<u>Parking Authority</u>	<u>Advertising and Promotion</u>	<u>Public Library</u>	
Assets-					
Current assets	\$8,560,352	\$ 111,703	\$229,759	\$1,028,042	\$ 9,929,856
Sales taxes receivable from the City	-	-	-	179,364	179,364
Fixed assets, net of accumulated depreciation, as applicable	32,097,218	2,563,665	-	450,005	35,110,888
Deferred charges	<u>274,319</u>	<u>28,998</u>	<u>-</u>	<u>-</u>	<u>303,317</u>
Total assets	<u>\$40,931,889</u>	<u>\$2,704,366</u>	<u>\$229,759</u>	<u>\$1,657,411</u>	<u>\$45,523,425</u>

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

	Proprietary		Governmental		Total
	Airport Commission	Parking Authority	Advertising and Promotion	Public Library	
Liabilities-					
Current liabilities	\$1,200,691	\$ 73,522	\$ 12,146	\$ 36,348	\$ 1,322,707
Bonds payable	5,244,012	1,852,756	-	-	7,096,768
Other	310,400	-	-	-	310,400
Total liabilities	<u>6,755,103</u>	<u>1,926,278</u>	<u>12,146</u>	<u>36,348</u>	<u>8,729,875</u>
Equity and other credits-					
Contributed capital	18,207,203	410,295	-	-	18,617,498
Investment in general fixed assets	-	-	-	450,005	450,005
Retained earnings	15,969,583	367,793	-	-	16,337,376
Fund balances	-	-	217,613	1,171,058	1,388,671
Total equity and other credits	<u>34,176,786</u>	<u>778,088</u>	<u>217,613</u>	<u>1,621,063</u>	<u>36,793,550</u>
Total liabilities and equity and other credits	<u>\$40,931,889</u>	<u>\$2,704,366</u>	<u>\$229,759</u>	<u>\$1,657,411</u>	<u>\$45,523,425</u>

Statements of Revenues, Expenses, and Changes in Retained Earnings

	Airport Commission	Parking Authority	Total
Operating revenues	\$2,169,628	\$216,956	\$2,386,584
Operating expenses-			
Depreciation	1,687,786	75,167	1,762,953
Other	1,514,332	163,643	1,677,975
Operating loss	(1,032,490)	(21,854)	(1,054,344)
Other nonoperating revenue (expense)	88,909	(87,531)	1,378
Net transfer in from the City	-	120,000	120,000
Capital contributions	4,837,083	-	4,837,083
Net income	3,893,502	10,615	3,904,117
Depreciation on contributed assets (prior to GASB 33)	1,308,559	-	1,308,559
Retained earnings, beginning	7,152,646	357,178	7,509,824
Retained earnings, ending	<u>\$12,354,707</u>	<u>\$367,793</u>	<u>\$12,722,500</u>

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

Statements of Revenues, Expenditures and Changes in Equity

	<u>Advertising And Promotion</u>	<u>Public Library</u>	<u>Total</u>
Revenues	\$393,169	\$2,045,071	\$2,438,240
Current expenditures	<u>339,447</u>	<u>2,003,303</u>	<u>2,342,750</u>
Excess of revenues over expenditures	53,722	41,768	95,490
Transfer out to City of Fort Smith	(11,410)	-	(11,410)
Fund balances, beginning	<u>175,301</u>	<u>1,579,295</u>	<u>1,754,596</u>
Fund balances, ending	<u>\$217,613</u>	<u>\$1,621,063</u>	<u>\$1,838,676</u>

Related Organization

The City's Mayor and BOD 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 BOD 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 Statement 14; therefore, the financial operations of these related organizations have not been included in the City's general purpose financial statements.

B. Fund Accounting

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity or retained earnings, as appropriate, and revenues and expenses or expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Fund Types-

General Fund-

The General Fund is the principal fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds-

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Sales Tax Fund is the primary source of revenue of the Special Revenue

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

Funds. Other major funds include the Street Maintenance Fund, Arkansas Local Police and Fire Retirement System ("LOPFI") Contribution Fund, and funds that account for grants received from the Department of Housing and Urban Development - Community Development Block Grant Fund and the HOME Investment Partnership Act Fund. Additionally, the special grant fund consists of grants received from various other federal and state governmental entities.

Debt Service Fund-

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds-

The Capital Projects Funds are used to account for the acquisition of capital facilities being financed from bond proceeds, intergovernmental revenues, contributed capital, or transfers from other funds, other than those recorded in the Proprietary Fund Types.

Proprietary Fund Types-

Enterprise Funds-

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. These funds include the water and sewer and sanitation funds.

Internal Service Funds-

The Internal Service Funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis. These funds include the working capital fund (i.e., vehicle maintenance, office supplies, and operating equipment) and the City's self-insurance programs (employee insurance and workers' compensation).

Fiduciary Fund Types-

Trust and Agency Funds-

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Pension Trust Funds and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

Account Groups-

General Fixed Assets Account Group-

The General Fixed Assets Account Group represents a summary of the fixed assets of the City, other than assets of the Proprietary Funds. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

General Long-Term Debt Account Group-

The General Long-Term Debt Account Group represents a summary of the long-term liabilities of the City paid principally by taxes levied by the City. This account group does not include debt accounted for in the Proprietary Funds or in the discretely presented component units.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses), in net current assets.

All Enterprise Funds, Internal Service Funds, and Pension Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets), is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses), in net total assets.

The City has adopted the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Accordingly, only Financial Accounting Standards Board statements issued on or before November 30, 1989, and all applicable GASB Statements are applied.

The accrual basis--The accrual basis of accounting is utilized by Enterprise Fund types, Internal Service Funds, Pension Funds, and discretely presented proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Modified accrual basis--The modified accrual basis is used for all other funds. Modifications in the accrual basis for these funds include the following:

1. Revenues are recognized when they become both measurable and available for use during the year. Under the modified accrual basis of accounting, "available" means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Significant revenues which have been accrued under the modified accrual basis of accounting include ad

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

valorem taxes, sales taxes, utility franchise fees, state tax turnback, grant revenues, and interest. Other revenue sources from licenses and permits, fines and forfeitures, service charges, and other miscellaneous revenues are recognized as the cash is received.

2. Expenditures are recognized when the related fund liability is incurred, except for interest and principal on general long-term debt, which are recorded when due or otherwise payable.
3. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

D. Budgets and Budgetary Accounting

The BOD adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. By December 1 of each year, the City Administrator is required to submit to the BOD 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 1, the budget is legally adopted by the BOD.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any department must be approved by the BOD. Budget amounts in the accompanying financial statements include transfers and revisions to the original budget totaling approximately \$275,000 in 2001 which were primarily from providing funds for a youth golf program, transit fixed route expansion, and purchase of additional transit buses. For budgetary purposes, unencumbered appropriations lapse at year-end.
5. Annual budgets are legally adopted for the General Fund, for the Street Maintenance Fund in the Special Revenue Funds and for the Water and Sewer Operating and Sanitation Operating Funds. Budgets for the other Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are normally established pursuant to the terms of the bond indentures, or the related federal and state grant awards, on a program or project basis. Accordingly, the Street Maintenance Fund is the only Special Revenue Fund for which an annual operating budget is prepared as a part of the City's annual operating budget, and a comparison of budget to actual is presented in the financial statements.
6. The budgets for the General Fund, Street Maintenance Fund, Water and Sewer Operating Fund, and the Sanitation Operating Fund are prepared on a basis which differs from GAAP. The difference between budget and GAAP basis for Governmental Fund types is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

reservation of fund balance (GAAP) and advances and interfund payables are recorded as expenditures when repaid (budget) rather than recognized as interfund liabilities (GAAP). For Enterprise Fund types, the major differences between budget and GAAP basis are that encumbrances are recorded as the equivalent of expenses (budget) as opposed to no accounting recognition (GAAP), capital outlays are recorded as expenses (budget) as opposed to being capitalized (GAAP), and depreciation is not recorded as an expense for budgetary purposes. Accordingly, encumbrances, capital outlays, and depreciation have been reflected in the budget versus actual statements as budget adjustments, as appropriate, depending on fund type, to provide a more meaningful comparison. Budget versus actual comparisons are presented at the departmental level, the legal level of budgetary control. A reconciliation of entity differences between budgeted and nonbudgeted fund balances and retained earnings at December 31, 2001, is as follows:

	Primary Government		
	General Fund	Special Revenue Funds	Enterprise Funds
Fund balance/retained earnings - budgeted funds, December 31, 2001	\$4,193,751	\$ 5,651,378	\$ 43,189
Fund balance/retained earnings - nonbudgeted funds, December 31, 2001	<u>-</u>	<u>39,724,378</u>	<u>87,936,954</u>
Fund balance/retained earnings - December 31, 2001	<u>\$4,193,751</u>	<u>\$45,375,756</u>	<u>\$87,980,143</u>

E. 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, excluding pension trust fund investments, are carried at fair value. Interest earned on investments is recorded in the funds in which the investments are recorded.

Pension trust fund investments consist primarily of certificates of deposit which are carried at fair value.

F. Inventories

Inventories, consisting primarily of gasoline and waterline materials, are valued at cost. Cost is determined using a first-in, first-out method.

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

G. Fixed Assets

Enterprise Funds-

Fixed assets are recorded at cost, including interest during the construction period. Contributed property is recorded at fair market 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.

Improvements other than buildings in the sanitation funds include the construction of improvements to the municipal solid waste landfill. The City depreciates improvements other than buildings on the units-of-production method.

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

<u>Fixed Asset</u>	<u>Useful Life (Years)</u>
Enterprise Funds-	
<u>Water and Sewer System</u>	
Water system	10 to 150
Sewer system	10 to 50
Machinery and equipment	3 to 10
<u>Sanitation</u>	
Buildings	35
Leasehold improvements	10 to 30
Machinery and equipment	3 to 10
Discretely Presented Component Units-Proprietary-	
<u>Airport Commission</u>	
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
<u>Parking Authority</u>	
Buildings	30
Machinery and equipment	3 to 10

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 Financial Statements (Continued)
December 31, 2001**

Interest is capitalized on Enterprise Fund 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. Interest capitalized in 2001 approximated \$635,000 and there was no capitalized interest in 2000.

General Fixed Assets-

General fixed assets are recorded as expenditures in the General, Special Revenue, and Capital Projects Funds when acquired. Such assets are capitalized at historical cost, including interest during the construction period, in the General Fixed Assets Account Group. Significant gifts or contributions of assets are recorded in the General Fixed Assets Account Group at the fair market value at the date of acquisition. Public domain (infrastructure) general fixed assets consisting of streets, curbs, sidewalks, gutters, and drainage systems are not capitalized. No depreciation is provided on general fixed assets.

H. Contributed Capital

Proprietary Fund Types-

Contributed capital is recorded at the fair value of the asset contributed as of the date of contribution. The activity during the year is summarized below:

	<u>Primary Government</u>		<u>Component Unit</u>		<u>Total Reporting Entity</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Airport Commission</u>	<u>Parking Authority</u>	
Contributed capital, beginning of year	\$44,625,771	\$1,697,495	\$23,130,638	\$410,295	\$69,864,199
Contributions during the year-					
In aid of construction	(205,039)	-	-	-	(205,039)
Depreciation on contributed capital assets (prior to GASB 33)	<u>(1,582,685)</u>	<u>-</u>	<u>(1,308,559)</u>	<u>-</u>	<u>(2,891,244)</u>
Contributed capital, end of year	<u>\$42,838,047</u>	<u>\$1,697,495</u>	<u>\$21,822,079</u>	<u>\$410,295</u>	<u>\$66,767,916</u>

I. Property Tax Revenue

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

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

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued) December 31, 2001

The City is permitted by Arkansas State Law to levy taxes up to \$.50 per \$100 of assessed valuation on real and personal property for general governmental services, \$.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$.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 2000 to finance the above operations was \$.70 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$.50 per \$100 of assessed valuation on real and personal property. Approximately \$4,652,795 of additional taxes could be raised per year based on the current year's assessed value of \$636,575,485 for real property and \$293,983,422 for personal property before the limit is reached.

J. 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 months' salary for police officers in the rank retired. 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 months' salary in the rank of Assistant Chief and above and to a maximum amount of 728 hours for firefighters in the rank of Captain and below.

The City records a liability for compensated absences as the employee earns benefits attributable to services already rendered that are not contingent on a specific event that is outside the control of the City. Additionally, the City accrues benefits for earned sick leave only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies. As of December 31, 2001, the liability for accrued vacation and accrued sick leave for the primary government is \$3,880,960. The amounts applicable to the Enterprise Funds \$(937,102) have been recorded in those funds, and the amounts applicable to other funds \$(2,943,858) have been recorded in the General Long-Term Debt Account Group. The amount expected to be paid from current resources is not significant. Accrued vacation and sick leave liability activity for the year consisted of the current year accruals net of vacation and sick leave taken.

K. Risk Management

Prior to fiscal year 1997, the City only maintained a health self-insurance plan, which was funded by the City and administered by an insurance company. Effective January 1, 1997, City employees were granted the option of choosing medical plan coverage provided by an HMO Plan or continue in the self-insured plan. In 1998, all participants were required to participate in the self-insured plan. These plans provide certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's cost of providing these benefits, including premiums, totaled \$5,041,399 and \$4,564,379 in 2001 and 2000, respectively, and are included in operating expenses in the Employee Insurance Fund. The

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued) December 31, 2001

costs for providing these benefits to retired employees is not identified separately from the costs attributable to the active employees. The City contributes fully for each employee and shares the contribution for any dependents. Retired employees may continue coverage under the City's policy, but must bear the entire cost of these contributions.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$281,580 and \$284,470 in 2001 and 2000, respectively, to fund this program. There have been no significant reductions in insurance coverage from coverage in the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

L. 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 remitted to the City or in control of the taxing authority at year-end totaled \$15,728,836 and \$15,453,552 for fiscal years 2001 and 2000, respectively, 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.

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 73% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for the purposes specified below remitted to the City or in control of the taxing authority totaled \$12,278,766 and \$12,624,941 for fiscal years 2001 and 2000, respectively. These taxes are included in the General Fund's sales tax revenues.

In January 1998, the City began assessing a 1/2% 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 remitted to the City or in control of the taxing authority at year-end totaled \$7,864,418 and \$7,726,776 for fiscal 2001 and 2000, respectively, and are included in the debt service fund sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for the repayment of the Sales and Use Tax Construction Bonds, Series 1997, which are funding the Civic Center, Library, and Riverfront Park improvements. The bonds are anticipated to be retired by 2004.

In May 2001, the City began assessing a 1/2% 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 remitted to the City or in control of the taxing authority at year-end totaled \$4,522,710 for fiscal 2001 and are included in the enterprise funds nonoperating revenue in the accompanying financial statements. Sales tax revenues are restricted for the repayment of the Sales and Use Tax Construction Bonds, Series 2001, which are funding wastewater improvements and a portion of the Lake Fort Smith Water Project. Once the Sales and Use Tax Construction Bonds, Series 1997, are redeemed, the 1/2% sales tax pledged for those bonds will be pledged to the repayment of the Series 2001 Bonds. The Series 2001 Bonds are expected to be retired by 2008.

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)

December 31, 2001

M. "Memorandum Only" Total Columns

Total columns on the combined statements are captioned as "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with GAAP, nor are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. Statements of Cash Flows

For purposes of the statement of cash flows, the Enterprise Funds, Internal Service Funds, and discretely presented 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 balance sheet.

2. Cash and Investments:

The City maintains a cash and investment pool that is available for use by all City funds. The Municipal Court Retirement System is the only City pension fund to participate in the pool. In addition, investments are separately held by some of the City's funds.

The City follows GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The investments and deposits of the primary government are stated at quoted fair values. As a result, an unrealized gain of approximately \$169,400 is recorded as an increase in fair value of investments for the primary government in 2001 and a net unrealized loss of approximately \$22,900 was recorded as a decrease in fair value of investments for the primary government in 2000. There is no change in the fair value of investments in 2001 for component units and an unrealized loss of approximately \$41,000 in 2000 was recorded as a decrease in fair value of investments for component units.

Deposits

State and City statutes authorize the City's funds to be deposited in demand deposits or certificates of deposit. The City's deposits at the carrying value and the bank balance at year-end are shown on the following page.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 are uncollateralized.

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

The bank balance and carrying amount of the City's deposits held as of December 31, 2001, were as follows:

Pooled and Non-Pooled Funds

<u>Description</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand deposits	\$ 47,762,449	\$ -	\$ -	\$ 47,762,449	\$ 48,402,532
Certificates of deposit	34,824,570	30,841,355	-	65,665,925	65,665,925
	<u>\$ 82,587,019</u>	<u>\$30,841,355</u>	<u>\$ -</u>	<u>\$113,428,374</u>	<u>\$114,068,457</u>

Pension Funds

<u>Description</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of deposit	<u>\$942,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$942,095</u>	<u>\$942,095</u>

Component Units

At year-end, the carrying amount of the Airport Commission's deposits was \$7,870,964 and the bank balance was \$6,852,950. Of the bank balance, \$300,000 was covered by federal depository insurance (Category 1), and \$6,552,950 was covered by collateral held by the pledging bank's agent in the Airport Commission's name (Category 2).

At year-end, the carrying amount and the bank balance of the Parking Authority's deposits was \$107,482. The balance was covered by collateral held by the pledging bank's agent in the City's name (Category 2).

At year-end, the carrying amount and the bank balance of the Advertising and Promotion Commission's deposits was \$199,085 and was covered by collateral held by the City's agent in the City's name (Category 1).

At year-end, the carrying amount of the Public Library's deposits was \$725,634 and the bank balance was \$792,104. Of the bank balance, \$300,000 was covered by federal depository insurance (Category 1), \$439,419 was collateralized by securities held by the pledging financial institution's trust department or agent in the Public Library's name (Category 2), and \$52,685 was uncollateralized (Category 3).

Investments

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

The City's investments, including accrued interest, held as of December 31, 2001, were as follows:

Pooled and Non-Pooled Funds

Description	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Treasury Bills	\$16,365,777	\$ -	\$ -	\$16,365,777	\$16,349,946
U.S. Treasury Notes	<u>34,999,060</u>	<u>-</u>	<u>-</u>	<u>34,999,060</u>	<u>34,999,060</u>
	<u>\$51,364,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$51,364,837</u>	<u>\$51,349,006</u>

Component Units

At year-end, the Public Library held \$247,394 in mutual funds. The Public Library investments are not classified as to collateral risk because the investments are not evidenced by securities that exist in book entry or physical form. The Public Library reports investments at fair value.

Total deposits and investments, including accrued interest, are presented on the combined balance sheet in the Totals (Memorandum Only) column as follows:

Primary Government-	
Cash	\$ 1,499,206
Investments	64,524,453
Accrued interest	176,243
Restricted-cash	208,015
Restricted-investments	99,265,429
Restricted-accrued interest receivable	<u>702,042</u>
Total Primary Government	<u>166,375,388</u>

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

Component Units-	
Airport Commission-	
Cash	\$ 43,197
Investments	2,350,000
Accrued interest	4,402
Restricted - cash	4,063,857
Restricted - investments	1,404,971
Restricted - accrued interest receivable	<u>4,537</u>
Total Airport Commission	<u>7,870,964</u>
Parking Authority-	
Restricted - investments	107,207
Restricted - accrued interest receivable	<u>275</u>
Total Parking Authority	<u>107,482</u>
Advertising and Promotion Commission-	
Cash	25
Investments	199,060
Accrued Interest	<u>565</u>
Total Advertising and Promotion Commission	<u>199,650</u>
Public Library-	
Cash	525,047
Investments	447,394
Accrued interest	<u>587</u>
Total Public Library	<u>973,028</u>
Total Reporting Entity	<u>\$175,526,512</u>

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

3. Fixed Assets:

General Fixed Assets

Primary Government-

General fixed assets balances and transactions for the year ended December 31, 2001, are summarized below:

	December 31, 2000	Additions	Deductions	Transfers	December 31, 2001
Land	\$ 9,520,087	\$1,286,701	\$ 21,163	\$ -	\$10,785,625
Buildings	19,994,280	832,285	2,641,249	46,054,534	64,239,850
Improvements other than buildings	5,311,466	248,043	69,768	82,339	5,572,080
Machinery and equipment	13,887,934	1,770,016	1,086,139	3,131,229	17,703,040
Construction-in-progress	<u>44,593,856</u>	<u>4,807,120</u>	<u>30,381</u>	<u>(49,268,102)</u>	<u>102,493</u>
	<u>\$93,307,623</u>	<u>\$8,944,165</u>	<u>\$3,848,700</u>	<u>\$ -</u>	<u>\$98,403,088</u>
Investment in General Fixed Assets-					
From bond issues	\$63,153,503	\$4,667,888	\$2,663,508	\$ (2,946,887)	\$62,210,996
From current revenue	28,737,784	2,225,257	1,185,192	2,357,383	32,135,232
From contributions	<u>1,416,336</u>	<u>2,051,020</u>	<u>-</u>	<u>589,504</u>	<u>4,056,860</u>
Total	<u>\$93,307,623</u>	<u>\$8,944,165</u>	<u>\$3,848,700</u>	<u>\$ -</u>	<u>\$98,403,088</u>

Additions consisted of expenditures from the General Fund (\$1,958,660), the Special Revenue Funds (\$507,320), the Capital Projects Funds (\$4,667,888), and contributions (\$1,810,297).

Component Unit-

The Public Library fixed assets balance and transactions for the year ended December 31, 2001, are summarized below:

	December 31, 2000	Additions	Transfers	December 31, 2001
Land	\$ 422,132	\$ -	\$ -	\$422,132
Furniture and fixtures	426,239	15,499	-	441,738
Vehicles	135,952	-	-	135,952
Less- Allowance for depreciation	<u>(522,093)</u>	<u>(27,724)</u>	<u>-</u>	<u>(549,817)</u>
Investment in General Fixed Assets	<u>\$ 462,230</u>	<u>\$ (12,225)</u>	<u>\$ -</u>	<u>\$450,005</u>

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

Enterprise Funds

Fixed assets of these funds are as follows:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Water and Sewer-		
Land	\$ 6,347,329	\$ 5,316,904
Machinery and equipment	6,486,236	6,925,171
Water system	106,491,718	95,706,637
Sewer system	79,263,058	77,708,717
Less- Accumulated depreciation	<u>(67,173,098)</u>	<u>(61,175,197)</u>
	131,415,243	124,482,232
Construction-in-progress	<u>15,806,852</u>	<u>4,529,255</u>
Total Water and Sewer	<u>147,222,095</u>	<u>129,011,487</u>
Sanitation-		
Land	373,772	373,772
Buildings	1,334,375	1,324,385
Improvements other than buildings	14,449,140	14,449,138
Leasehold improvements	709,952	712,760
Machinery and equipment	12,189,409	11,734,947
Less- Accumulated depreciation	<u>(16,243,767)</u>	<u>(14,704,115)</u>
	12,812,881	13,890,887
Construction-in-progress	<u>281,661</u>	<u>-</u>
Total Sanitation	<u>13,094,542</u>	<u>13,890,887</u>
Total for Enterprise Funds	<u>\$160,316,637</u>	<u>\$142,902,374</u>

Component Units

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Airport Commission-		
Land	\$ 6,010,552	\$ 6,010,552
Buildings and improvements	5,420,060	5,374,340
Improvements other than buildings	1,356,464	1,356,464
Machinery and equipment	990,877	933,492
Furniture and fixtures	292,897	289,680
Ramps, runways, taxiways, and improvements	34,089,247	32,297,858
Less- Accumulated depreciation	<u>(21,317,862)</u>	<u>(19,645,632)</u>
	26,842,235	26,616,754
Construction-in-progress	<u>5,254,983</u>	<u>644,531</u>
Total Airport Commission	<u>\$32,097,218</u>	<u>\$27,261,285</u>

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

	December 31,	
	2001	2000
Parking Authority-		
Land	\$ 1,654,161	\$ 1,414,413
Building	1,672,955	1,660,911
Machinery and equipment	46,472	49,174
Less- Accumulated depreciation	(809,923)	(736,602)
Construction-in-progress	<u>-</u>	<u>54,905</u>
Total Parking Authority	<u>\$ 2,563,665</u>	<u>\$ 2,442,801</u>
Total for Component Units	<u>\$34,660,883</u>	<u>\$29,704,086</u>

Construction-in-progress is composed of the following:

	Project Appropriation	Expended to December 31, 2001	Committed
<u>Primary Government</u>			
Water and Sewer Capital Improvements	\$123,108,858	\$15,806,852	\$107,302,006
Solid Waste Capital Improvements	<u>2,058,111</u>	<u>281,661</u>	<u>1,776,450</u>
Total	<u>\$125,166,969</u>	<u>\$16,088,513</u>	<u>\$109,078,456</u>
<u>Component Unit</u>			
Airport Commission	<u>\$ 5,860,298</u>	<u>\$ 5,254,983</u>	<u>\$ 605,315</u>

The City anticipates additional financing with the Water and Sewer capital improvements in relation to the Lake Fort Smith water expansion project and distribution lines. The 2002 Water and Sewer Construction Revenue Bonds were issued for this purpose and the City expects to issue additional revenue bonds during 2003 to provide funding for the third phase of the Lake Fort Smith water expansion project. Additionally, the Airport Commission does not anticipate additional financing associated with capital improvements other than through grant funding.

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

4. Long-Term Debt:

General Long-Term Debt

General long-term debt balances and transactions for the year ended December 31, 2001, are summarized below:

	<u>Balance, December 31, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, December 31, 2001</u>
Accrued vacation and sick leave	\$ 2,611,365	\$348,676	\$ 16,183	\$ 2,943,858
1997 sales and use tax bonds payable	31,710,000	-	9,220,000	22,490,000
Litigation settlement accrual	<u>179,000</u>	<u>-</u>	<u>-</u>	<u>179,000</u>
Total	<u>\$34,500,365</u>	<u>\$348,676</u>	<u>\$9,236,183</u>	<u>\$25,612,858</u>

On November 21, 1997, the City issued \$45,655,000 Arkansas Sales and Use Tax Bonds, Series 1997, dated December 1, 1997. The Bonds were issued to finance the costs of acquiring and constructing civic center, library, and park improvements. The principal amount of the Bonds was allocated among the three projects at \$20,405,000 for civic center improvements, \$19,840,000 for library improvements, and \$5,410,000 for park improvements. The Bonds are not general obligations of the City, but are special obligations payable solely from collections from a one-half percent (1/2%) sales and use tax levied by the City beginning January 1, 1998. The issuance of the Bonds and the pledging of the tax to the payment of principal of and interest on the Bonds was approved at a special election held October 28, 1997.

The Bonds mature on December 1 of each year through December 1, 2007, with interest ranging from 4% to 6% payable semiannually. The Bonds are subject to extraordinary redemption from surplus tax receipts and proceeds of the Bonds not needed for the purposes intended at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The bond ordinance requires a debt service reserve in the amount of \$2,725,000 be maintained during the life of the Bonds.

The bond proceeds are subject to the arbitrage provisions of the Internal Revenue Tax Act of 1986. Accordingly, excess arbitrage earnings of approximately \$846,000 and \$808,000 were estimated at December 31, 2001 and 2000, respectively, and are included in the 1997 Sales and Use Tax Bond Fund, a debt service fund, as other long term obligations.

Revenue Bonds/Sales and Use Tax Bonds

The following is a summary of revenue bond and sales and use tax bond transactions of the City for the year ended December 31, 2001:

Bonds outstanding, December 31, 2000	\$ 55,910,000
Issuances	80,000,000
Maturities	<u>(4,740,000)</u>
Bonds outstanding, December 31, 2001	<u>\$131,170,000</u>

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

Revenue bonds outstanding at December 31, 2001, are comprised of the following individual issues:

Revenue Bonds/Sales and Use Tax Bonds-

Water and Sewer

\$27,215,000 of Series 1994 Water and Sewer Refunding and Construction Revenue Bonds; \$20,675,000 of which are serial bonds due in annual installments at varying amounts through October 1, 2009; interest ranging from 3.70% to 5.75% payable semiannually; \$6,540,000 of which are term bonds due October 1, 2012, with interest at 6% payable semiannually \$ 19,520,000

\$26,415,000 of Series 1999 Water and Sewer System Revenue Bonds; \$18,815,000 of which are serial bonds due in annual installments at varying amounts through October 1, 2015, with interest ranging from 3.80% to 5.375% payable semiannually; \$7,600,000 of the bonds are term bonds due October 1, 2019, with interest at 5.65% payable semiannually 24,735,000

\$80,000,000 of Series 2001 Sales and Use Tax Bonds due in annual installments at varying amounts through December 1, 2012; interest ranging from 2.25% to 4.4% payable semiannually 78,065,000

Sanitation

\$9,185,000 of Series 1995 Solid Waste Revenue Construction Bonds; \$5,125,000 of which are serial bonds due in annual installments at varying amounts through December 1, 2006, with interest ranging from 4.25% to 5.55% payable semiannually; \$4,060,000 of which are term bonds due December 1, 2011, with interest at 5.85%, payable semiannually 6,560,000

\$3,055,000 of Series 1998 Solid Waste Refunding Revenue Bonds due in annual installments at varying amounts through December 1, 2009, with interest ranging from 3.65% to 4.55% payable semiannually 2,290,000

Bonds outstanding, December 31, 2001 131,170,000

Less-

Unamortized bond discount/premium 784,455
Deferred amount on refunding 479,706

Net bonds outstanding, December 31, 2001 \$129,905,839

Revenue Bonds, net \$ 51,855,791
Sales and Use Tax Bonds, net 78,050,048

\$129,905,839

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

Water and Sewer

On July 1, 1994, the City issued \$27,215,000 in Water and Sewer Refunding and Construction Revenue Bonds, Series 1994, to be used for construction and improvements to the Water and Sewer Systems in accordance with the City's Capital Improvement Plan, and to advance refund the Series 1987 and 1977 bonds. The net proceeds provided by the refunding debt were used to purchase securities that were placed in an irrevocable trust which will provide resources for all future debt payments on the refunded debt. The refunded debt is considered defeased and the related liabilities have been removed from the Water and Sewer Fund balance sheet. The 1977 and 1987 bonds were redeemed on October 1, 1994, and April 1, 1997, respectively. The reacquisition price exceeded the carrying amount of the old debt by \$1,680,000. The unamortized amount is netted against the previously outstanding debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method. The remaining unamortized deferred amount on refunding was \$277,557 as of December 31, 2001.

The Series 1994 Revenue Bonds may be redeemed at the option of the City in whole on any date or in part on any interest payment date, from funds from any source, in inverse order of maturity on and after April 1, 2004, at a redemption price of 101% for the period April 1, 2004, through March 31, 2005, 100.5% for the period April 1, 2005, through March 31, 2006, and 100% April 1, 2006, and thereafter.

On September 21, 1999, the City issued \$26,415,000 in Water and Sewer System Revenue Bonds, Series 1999, to be used for the first phase of the Lake Fort Smith Water Supply Expansion Project, improvements to the Lee Creek water impoundment, and improvements to the existing water transmission, storage and distribution system in accordance with the City's Capital Improvement Plan. The Series 1999 Bonds were issued as additional bonds under the Series 1994 ordinance on a parity of security with the Series 1994 Bonds.

The Series 1999 Bonds may be redeemed at the option of the City, on and after October 1, 2009, in whole on any date or in part on any interest payment date, from any source, in inverse order of maturity at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption.

The Series 1994 and 1999 Revenue Bonds are collateralized by the 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 above, 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.

The ordinances also contain provisions which, 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, 2001, the City is in compliance with all applicable requirements.

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued) December 31, 2001

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 \$2,468,640 related to the Series 1994 Bonds and \$2,179,462 related to the Series 1999 Bonds. The City held surety bonds valued at \$2,468,640 and \$2,179,462 at December 31, 2001, for this purpose.

Asset Replacement - 3% of the gross revenues of the water and sewer system for the then preceding month plus \$5,000 per month until the sum of \$500,000 has been accumulated in the Depreciation Fund. Amounts are to be used for replacements made necessary by the depreciation of the system. The City has accumulated \$500,000 for asset replacement as of December 31, 2001.

On June 7, 2001, the City issued \$46,000,000 Sales and Use Tax Bonds and on October 17, 2001, issued \$34,000,000 Sales and Use Tax Bonds. The bonds are payable solely from collections from a one-half percent (1/2%) local sales and use tax levied by the City beginning May 1, 2001. In addition, the repayment of the bonds will be paid by collections of the one-half percent (1/2%) local sales and use tax levied by the City on January 1, 1998, for the Series 1997 Sales and Use Tax Bonds once the 1997 Bonds are redeemed. The issuance of the bonds and the pledging of the taxes to the payment of and interest on the Bonds was approved at a special election held March 20, 2001.

The 2001 Bond principal is allocated at \$30,000,000 for wastewater improvements including particularly, without limitation, the expansion of wastewater treatment plants and any land acquisition therefore. The remaining \$50,000,000 principal is allocated for water improvements including extensions, betterments, and improvements to the City's water system, including particularly, without limitation, the Lake Fort Smith water supply expansion project, related road, and state park relocation improvements and land acquisition for buffer zone and other purposes related to the water supply expansion project.

The 2001 Bonds are subject to extraordinary redemption from surplus tax receipts and proceeds of the Bonds not needed for purposes intended at a purchase price equal to the principal amount being redeemed plus accrued interest to the redemption date. On December 1, 2001, the City paid principal due of \$1,190,000 and called \$745,000 bonds prior to maturity.

Bond Retirement - The City is required to maintain a debt service reserve equal to \$4,000,000 during the life of the 2001 Bonds.

Sanitation

In November 1994, the City issued \$3,560,000 in Solid Waste Refunding Revenue Bonds for the purpose of providing a portion of the funds to construct the second phase of the City's landfill. In June 1995, the City issued \$9,185,000 of Solid Waste Refunding and Construction Bonds to redeem the previously outstanding 1993 Temporary Solid Waste Revenue Bonds and to provide financing for future expansion of the Municipal Solid Waste Landfill. In April 1998, the City issued \$3,055,000 of Solid Waste Refunding Revenue Bonds to advance refund the outstanding Series 1994 Solid Waste Revenue Bonds. The net proceeds provided by the refunding debt were used to purchase securities that were placed in an irrevocable trust, which were used to redeem the debt on December 1, 2001, at 101%. The refunded

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

debt is defeased and the related liabilities have been removed from the Sanitation Fund balance sheet. In accordance with GASB Statement 23, the unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method. The remaining unamortized deferred amount on refunding was \$202,149 as of December 31, 2001.

The Series 1995 Solid Waste Bonds may be redeemed at the option of the City on and after December 1, 2002, in whole on any date or in part on any interest payment date, from funds from any source, in inverse order of maturity at a redemption price plus accrued interest to the date of redemption at 101% for the period December 1, 2002, through November 30, 2003, at 100.5% for the period December 1, 2003, through November 30, 2004, and at 100% for the period December 1, 2004, and thereafter.

The Series 1998 Solid Waste Bonds may be redeemed at the option of the City on and after December 1, 2003, in whole on any date or in part on any interest payment date, in inverse order of maturity at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

There was no defeased debt at December 31, 2001. The Series 1995 and 1998 Revenue Bonds are collateralized by the revenue of the solid waste system and the various special funds established by the authorizing 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 above, for the purchase of bonds not to exceed par and accrued interest, for construction, betterments, and improvements to the system or for any other lawful purpose.

The ordinances also contain provisions which, 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, 2001, the City is in compliance with all applicable requirements. Restricted accounts required by the bond ordinance are as follows:

Bond Retirement - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$1,093,621 as of December 31, 2001. Of this amount, \$918,500 is related to the Series 1995 Bonds and \$175,121 is related to the Series 1998 Bonds.

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

Maturity Schedule

Aggregate maturities of bonds are as follows:

	<u>Sales and Use Tax Bonds</u>	<u>Revenue Bonds</u>
2002	\$ 10,648,952	\$ 5,798,928
2003	10,647,882	5,797,913
2004	10,649,668	5,791,722
2005	12,594,617	5,795,009
2006	16,680,118	5,786,606
2007-2011	59,405,203	29,017,066
2012-2016	5,341,612	13,330,928
2017-2019	<u>-</u>	<u>6,528,763</u>
Total payments	125,968,052	77,846,935
Less- Interest included above	<u>25,413,052</u>	<u>24,741,935</u>
Total principal	<u>\$100,555,000</u>	<u>\$53,105,000</u>

Component Units

Airport Commission-

On September 9, 1999, the Airport Commission issued \$5,290,000 of City of Fort Smith, Arkansas Airport Refunding and Improvement Revenue Bonds, Series 1999, dated October 1, 1999. Together with \$177,855 of existing funds, approximately \$4,514,415 of the net proceeds are being used to construct a new terminal, and \$269,275 was used to redeem \$260,000 of Series 1978 Bonds on December 1, 1999.

At December 31, 2001, bonds payable were \$5,290,000. The bonds are due in annual installments at varying amounts through October 1, 2029, with interest ranging from 4.80% to 6.25%, payable semiannually. The bonds outstanding net of unamortized discount at December 31, 2001, were \$5,244,012.

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

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

<u>Year Ending</u> <u>December 31,</u>	
2002	\$ 364,740
2003	382,580
2004	404,395
2005	404,850
2006	404,863
2007-2011	2,022,040
2012-2016	2,028,202
2017-2021	2,023,683
2022-2026	2,020,625
2027-2029	<u>1,212,187</u>
Total payments	11,268,165
Less- Interest included above	<u>5,978,165</u>
Bonds outstanding, December 31, 2001	5,290,000
Less- Unamortized bond discount	<u>45,988</u>
Net bonds outstanding, December 31, 2001	<u>\$ 5,244,012</u>

The Series 1999 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption. The Commission may prepay all or a portion of the bonds in inverse order of maturity in whole at any time or in part on any interest payment date on or after October 1, 2009, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 1999 Bonds must be redeemed from proceeds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. To the extent not previously redeemed, the Series 1999 Bonds maturing on October 1, 2021, and October 1, 2029, are subject to mandatory sinking fund redemption. The bond covenants require the maintenance of the following restricted account:

Bond Retirement - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$406,930 as of December 31, 2001.

Parking Authority-

On November 1, 1998, the City issued \$2,025,000 of Parking Facilities and Refunding and Improvement Revenue Bonds, Series 1998. Together with \$675,000 of existing funds, approximately \$2,072,000 of the net proceeds are being used to acquire and improve off-street parking facilities, including necessary demolition, and \$849,000 was used to redeem \$825,000 of Series 1991 Bonds on January 1, 1999. In accordance with GASB Statement 23, the unamortized amount was netted against the new debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

effective interest method, since the refunded debt's life is the same as the new debt. The remaining unamortized deferred amount on refunding was \$7,043 as of December 31, 2001.

The Parking Facilities Refunding and Improvement Revenue Bonds are collateralized by the revenues derived from the operations of parking facilities and by the revenues derived from parking meters located in the City. The restricted account required by the bond ordinance is as follows:

Bond Retirement - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$79,476 as of December 31, 2001.

The Series 1998 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption. The City may prepay all or a portion of the bonds in inverse order of maturity in whole at any time or in part on any interest payment date on and after December 1, 2003, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 1998 Bonds must be redeemed from proceeds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. To the extent not previously redeemed, the Series 1998 Bonds maturing on December 1, 2015, and December 1, 2019, are subject to mandatory sinking fund redemption.

At December 31, 2001, parking authority revenue bonds payable was \$1,890,000. The bonds are due in annual installments at varying amounts through December 1, 2019, with interest ranging from 3.80% to 4.75%, payable semiannually. The bonds outstanding net of unamortized discount and deferred amount on refunding at December 31, 2001, was \$1,852,756.

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

2002	\$ 154,755
2003	156,955
2004	153,918
2005	155,843
2006	157,523
2007-2011	785,188
2012-2016	787,448
2017-2019	<u>466,088</u>
Total payments	2,817,718
Less- Interest included above	<u>927,718</u>
Bonds outstanding, December 31, 2001	1,890,000
Less-	
Unamortized bond discount	30,201
Deferred amount on refunding	<u>7,043</u>
Net bonds outstanding, December 31, 2001	<u>\$1,852,756</u>

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue 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 as liabilities in the accompanying financial statements.

As of December 31, 2001, there was one series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$1,000,000, one series of Fair and Exhibition Facilities Bonds outstanding with an aggregate principal amount payable of \$3,000,000, and one series of Tourism Bonds outstanding with an aggregate principal amount payable of \$2,200,000.

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.

All funds of the City participate in the City's insurance programs described in Note 1 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 participates in the City's health plans by making contributions as required by the City. At December 31, 2001, the retained earnings (deficit) balances were \$(562,202) and \$901,777 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$874,333 and \$232,592 reported in the Health 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 effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

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 2001 are detailed below:

	<u>Employee Insurance</u>	<u>Workers' Compensation</u>
Self-insurance liability, December 31, 1999	\$ 874,333	\$ 414,485
Current year claims and changes in estimate	4,564,379	40,745
Claim payments	<u>(4,564,379)</u>	<u>(189,167)</u>
Self-insurance liability, December 31, 2000	874,333	266,063
Current year claims and changes in estimate	4,670,262	266,224
Claim payments	<u>(4,670,262)</u>	<u>(299,695)</u>
Self-insurance liability, December 31, 2001	<u>\$ 874,333</u>	<u>\$ 232,592</u>

6. Pension Plans:

Public Employees Retirement System

Plan Description-

Effective April 1, 1997, the Public Employees' Retirement System ("PERS") was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the "401(a) Plan"). The International City Management Association Retirement Corporation ("ICMARC") serves as administrator of the 401(a) Plan. All full-time, nonuniformed employees with the exception of the two municipal judges and the Municipal 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 from various investment options offered by ICMARC. Plan benefits are based upon the total amount of money in an individual's account at retirement. Plan provisions and contribution rates are established by the 401(a) Plan agreement between the BOD and ICMARC. Approval from both the BOD and ICMARC is required for 401(a) Plan amendments. Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 10% of each covered employee's earnings. Employer contributions to the PERS plan totaled approximately \$1,700,000 and \$1,500,000 for 2001 and 2000, respectively.

The present value of each PERS active member 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 vested members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

Municipal Judge and Court Clerk's Retirement System

The City sponsors and administers the Municipal Judge and Court Clerk's Retirement System (the "Plan"), a single-employer defined benefit public employees retirement system, for municipal court judges and the municipal court clerk. The Plan was established by the City in accordance with Arkansas statutes and is included in the City's primary financial reporting entity as a separate pension trust fund. Benefits of one-

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

half of the highest annual salary after 20 years of service are payable at termination and for the remainder of the participant's natural life. Covered payroll of the system for the years ended December 31, 2001 and 2000, was \$211,454 and \$186,032, respectively.

At December 31, 2001 and 2000, the Plan had no active vested members, three nonvested, and one retiree. Funding for the system is provided by the assessment of a fee of \$1.00 for entering upon the records of the Court each criminal case and each moving traffic violation and \$.20 for each summons in a civil action. Total contributions from fines and forfeitures in 2001 and 2000 amounted to \$54,949 and \$15,989, respectively. The City and Plan members are not required to make contributions to the Plan. No actuarial information was obtained for the Plan. Accordingly, information concerning net assets and covered payroll as a percentage of funded excess actuarial liability, as well as other related disclosures which are required by GAAP, are not presented as it involves actuarial information which is unavailable.

Basis of Accounting-

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period that the contributions are due. The Plan does not issue separate financial statements.

Method Used to Value Investments-

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

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

The Fire Relief and Pension Plan and the Police Relief and Pension Plan (the "Old Plans") are agent multiemployer defined benefit pension plans for employees of the Fire and Police Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with LOPFI 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 Plans' net pension obligation over a 40-year period. The Old Plans' benefit structure remains unchanged under the administration by LOPFI. The Old Plans do not issue separate stand-alone financial statements.

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

Members and participants of the old plans at December 31, 2001, are:

	<u>Fire</u>	<u>Police</u>
Active members-		
Vested	27	15
Nonvested	2	5
Retirees and beneficiaries	<u>147</u>	<u>108</u>
Total	<u>176</u>	<u>128</u>

Pension Benefits-

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 day 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.

Contributions Required and Contributions Made-

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, and 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 2001 plan year were based upon the December 31, 2000, actuary report.

The actuarially required contribution rates as of December 31, 2001, 2000, and 1999, and amounts required by the City and active participants of the Old Plans for 2001, 2000, and 1999 were as follows:

	<u>Fire Plan</u>			<u>Police Plan</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Employer actuarially required contribution rates	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions as a percentage of annual covered payroll	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions to LOPFI	\$453,858	\$630,614	\$587,675	\$238,420	\$338,201	\$328,484
Annual pension cost ("APC")	\$453,858	\$630,614	\$587,675	\$238,420	\$338,201	\$328,484
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$0	\$0	\$0	\$0	\$0	\$0

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 2001, for the Old Plans:

	<u>Old Fire and Police Plans</u>
Valuation date	12/31/00
Cost method	Entry age
Asset valuation method	Reported book value adjusted to partially recognize the difference between book value and market value
Amortization method	Level percentage
Amortization period	31 years open
Assumptions-	
Inflation rate	5.0%
Investment rate of return	7.5%
Projected salary increases	5.0%
Postretirement benefit increases	3.0%

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

Employees of the City's Fire and Police Department hired subsequent to December 31, 1982, are covered by the state-administered Arkansas Local Police and Fire Retirement System (the "New Plans"), an agent multiple-employer plan. The New Plans are defined benefit plans which were established by Arkansas statutes. The New Plans do not issue separate stand-alone financial statements.

Members and participants of the new plans at December 31, 2001, are:

	<u>Fire</u>	<u>Police</u>
Active members-		
Vested	62	84
Nonvested	34	46
Retirees and beneficiaries	<u>2</u>	<u>4</u>
Total	<u>98</u>	<u>134</u>

Pension Benefits-

Participants who retire at or after age 55 with 20 years of credited service are entitled to retirement benefits payable annually for life equal to 2% of final average pay for each year of credited service. Benefits are fully vested after ten years.

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

Contributions Required and Contributions Made-

State statutes require active participants of the New Plans to make contributions equivalent to 6% of their gross salary and their contributions are 100% vested. The City is also required by state statute to contribute the remaining amounts necessary to pay benefits when due, as determined by the New Plans' administrator, as well as fund the Old Plans' unfunded actuarial accrued liability over a 40-year period for the Fire Plan and a 30-year period for the Police Plan.

The actuarially computed contribution rates as of December 31, 2001, 2000, and 1999, and amounts required by the City and active participants of the New Plans for 2001, 2000, and 1999 were as follows:

	Fire Plan			Police Plan		
	2001	2000	1999	2001	2000	1999
Employer actuarially required contribution rates	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions as a percentage of annual covered payroll	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions to the New Plans	\$1,016,939	\$1,073,457	\$741,608	\$1,020,906	\$1,075,193	\$877,386
Annual pension cost	\$1,016,939	\$1,073,457	\$741,608	\$1,020,906	\$1,075,193	\$877,386
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$0	\$0	\$0	\$0	\$0	\$0

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 2001, for the New Plans:

	<u>New Fire and Police Plan</u>
Valuation date	12/31/00
Cost method	Entry age
Asset valuation method	Reported book value adjusted to partially recognize the difference between book value and market value
Amortization method	Level percentage
Amortization period	30 years open
Assumptions-	
Inflation rate	5.0%
Investment rate of return	7.5%
Projected salary increases	5.0%
Postretirement benefit increases	3.0%

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

7. Commitments and Contingencies:

Litigation

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

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.

8. Segment Information for Enterprise Funds:

Segment information for the year ended December 31, 2001, was as follows:

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
TOTAL OPERATING REVENUES	\$ 20,793,120	\$ 9,276,595	\$ 30,069,715
DEPRECIATION	7,082,710	2,108,664	9,191,374
OPERATING LOSS	(42,968)	(177,509)	(220,477)
OPERATING TRANSFERS IN (OUT), net	(355,700)	(230,700)	(586,400)
NET INCOME (LOSS)	3,906,627	(521,504)	3,385,123
CURRENT CONTRIBUTED CAPITAL: In aid of construction	1,192,872	-	1,192,872
FIXED ASSETS:			
Additions	25,731,573	1,369,869	27,101,442
Deletions	(1,523,064)	(626,562)	(2,149,626)
TOTAL ASSETS	249,643,486	20,469,568	270,113,054
WORKING CAPITAL	90,571,927	3,379,345	93,951,272
NET INCREASE IN CASH AND RESTRICTED CASH	226,118	83,310	309,428
LONG-TERM REVENUE BONDS PAYABLE, net	41,106,559	7,814,232	48,920,791
TOTAL EQUITY	122,096,322	8,721,868	130,818,190

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)
December 31, 2001

9. Individual Fund Disclosures:

Interfund receivables and payables as of December 31, 2001, are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$54,290	\$ 248
Special Revenue Funds-		
Community Development	2,904	10,992
HOME Investment Partnership Act	-	6,042
Special Grants	-	36,108
Internal Service Funds-		
Working Capital	855	-
Enterprise Funds-		
Sanitation	20	-
Agency Fund-		
Payroll	-	<u>4,679</u>
Total	<u>\$58,069</u>	<u>\$58,069</u>

Operating transfers in (out) for the year ended December 31, 2001, are as follows:

<u>Fund</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>(Out)</u>
<u>Primary Government</u>		
General Fund	\$ 1,707,053	\$ 2,310,000
Special Revenue Funds-		
Sales Tax	58,923	1,607,324
Street Maintenance	-	218,660
Special Grants	-	159,583
Debt Service Fund-		
1997 Sales and Use Tax Bond	499,218	-
Capital Projects Funds-		
1997 Sales and Use Tax Construction	1,031,324	558,141

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

Fund	Operating Transfers	
	In	(Out)
Enterprise Funds-		
Water and Sewer	\$ 250,000	\$ 605,700
Sanitation	35,000	265,700
Internal Service Funds-		
Working Capital	35,000	-
Employee Insurance	2,000,000	-
<u>Component Unit</u>		
Governmental-		
Advertising and Promotion	-	11,410
Proprietary-		
Parking Authority	120,000	-
Total	\$ 5,736,518	\$ 5,736,518

10. Landfill Closure and Postclosure Care Costs:

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

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

The \$2,531,814 reported as landfill closure and postclosure care liability at December 31, 2001, represents the amount calculated to date based on the use of the landfill, in accordance with the City's anticipated closure plan. At December 31, 2001, the percentage of landfill capacity used to date was approximately 30%. The landfill was opened October 9, 1993, and the City expects the landfill to close September 2013. The City will recognize the remaining estimated cost of closure and postclosure care of approximately \$6,000,000 as the remaining estimated capacity is filled. These amounts are based on engineering estimates of what it would cost to perform all closure and postclosure costs, based on the City's anticipated closure plan, through December 31, 2001. Actual costs may be significantly higher due to inflation, changes in technology, or changes in regulations, including the ultimate acceptance of the City's anticipated closure plan by the Arkansas Department of Environmental Quality.

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued) December 31, 2001

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, 2001, is \$4,855,446. In order to comply with this requirement, the City held an irrevocable standby letter of credit with City National Bank which is pledged to the Arkansas Department of Environmental Quality in the amount of \$3,800,000 at December 31, 2001. The City plans to increase the letter of credit to meet the total required during 2002.

During 2001, the City's largest landfill customer continued to decrease the amount of waste disposed in the City's landfill even though the waste was collected in Fort Smith. This customer accounted for approximately 6.7% and 8.5% of total sanitation fund operating revenues during 2001 and 2000, respectively.

11. New Applicable GASB Standards:

In 1999, GASB Statement 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," was issued. This statement establishes that the basic financial statements and required supplementary information for general purpose governments should consist of management's discussion and analysis, basic financial statements which include government-wide financial statements, fund financial statements, and required supplementary information. The government-wide financial statements will require the reporting of all capital assets, including infrastructure assets. This statement becomes effective fiscal year 2003. The City has not adopted this statement nor determined the effects of adoption.

GASB has issued Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an Amendment of GASB Statements No. 21 and 34." The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by GASB Statement No. 34. The amendments either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement will become effective for the City in fiscal year 2003.

GASB has issued Statement No. 38, "Certain Financial Statement Note Disclosures," which modifies, establishes, and rescinds certain financial statement disclosure requirements. This statement will become effective for the City in fiscal year 2003.

Management has not yet determined the impact of these statements on the financial statements.

12. Deficit /Retained Earnings and Deficit Fund Balance:

The City's Employee Insurance Fund had a retained earnings deficit of \$562,202 attributable to unusually high claim experience. The City plans to review its contribution levels as well as employee contribution levels and review cost containment measures as well as other options to reduce the level of claims.

The City's Special Grants Fund, a special revenue fund, had a fund balance deficit of \$360,893 due to a delay in the reimbursement from an EDA grant for expenditures incurred of \$466,201 during 2001. The City anticipates receiving the reimbursement in May 2002.

City of Fort Smith, Arkansas

**Notes to Financial Statements (Continued)
December 31, 2001**

13. Violation of Bond Covenant:

Component Unit

The Parking Authority Fund facilities operations provided debt service coverage of 104% for the fiscal year ended December 31, 2001. The bond covenant for the Parking Facilities Refunding and Improvement Revenue Bonds, Series 1998 requires that the facilities operations provide annual debt service coverage at a minimum of 110% of the average annual principal and interest due on the bonds. The Parking Authority plans to monitor the revenue requirements during 2002 and authorize adjustments to fees or expenses as necessary to meet debt service coverage.

14. Subsequent Event:

On February 5, 2002, the City issued \$90,425,000 Water and Sewer Refunding and Construction Revenue Bonds. The Series 2002A Bonds were issued in the amount of \$82,590,000, of which \$69,350,000 are serial bonds due in annual installments at varying amounts through October 1, 2019, with interest ranging from 5% to 5.25% payable semiannually and \$13,240,000 of which are term bonds due October 1, 2021, with an interest rate of 5%. The 2002A Bonds were issued for the purpose of financing a portion of the costs of the acquisition, construction, and equipping of extensions, betterments, and improvements to the City's water system. A portion of the 2002A Bonds, \$74,400,000, are allocated to finance a portion of the cost of the Lake Fort Smith Water Supply Project.

The Series 2002B Bonds were issued in the amount of \$7,835,000 to advance refund \$1,100,000 in principal amount of the 1994 Water and Sewer Refunding and Construction Revenue Bonds to be refunded maturing October 1, 2009, and \$6,540,000 in principal amount of the 1994 Bonds to be refunded maturing on October 1, 2012. A portion of the 1994 Bonds remain nonrefunded.

The 2002 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 system. The pledge of the system revenues to the payment of the 2002 Bonds is on a parity of security with the City's Water and Sewer Refunding and Construction Revenue Bonds, Series 1994 which are not being refunded and the Water and Sewer Revenue Bonds, Series 1999.

The first construction contract for the Lake Fort Smith water expansion project is estimated to total approximately \$47 million. The City expects to authorize the project during May 2002.

City of Fort Smith, Arkansas

Required Supplementary Information
 Analysis of Funding Progress - Pension Plans
 (Unaudited)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio (1) / (2)	Total Funded Excess (Unfunded) Actuarial Liability* (1) - (2)	Annual Covered Payroll	Ratio of Funded Excess (Unfunded) Actuarial Liability to Annual Covered Payroll (4) / (5)
Fire Plan:**						
1995	\$ -	\$12,020,055	-	\$12,020,055***	\$3,194,310	376%
1996	\$ -	\$10,819,562	-	\$10,819,562***	\$3,505,492	309%
1997	\$ -	\$ 9,591,791	-	\$ 9,591,791***	\$3,712,935	258%
1998	\$ -	\$ 9,719,595	-	\$ 9,719,595***	\$4,154,865	234%
1999	\$2,551,580	\$12,033,484	21%	\$ 9,481,904***	\$4,372,640	217%
2000	\$4,301,169	\$13,854,739	31%	\$ 9,553,570***	\$5,384,197	177%
Police Plan:**						
1995	\$ 913,885	\$ 9,138,378	10%	\$ 8,224,493***	\$3,618,755	227%
1996	\$ 951,249	\$ 8,473,207	11%	\$ 7,521,958***	\$4,008,130	188%
1997	\$2,037,885	\$10,123,918	20%	\$ 8,086,033***	\$4,134,201	196%
1998	\$3,930,063	\$11,253,058	35%	\$ 7,322,995***	\$4,567,149	160%
1999	\$6,880,943	\$16,679,953	41%	\$ 9,799,010***	\$5,288,903	185%
2000	\$9,442,220	\$15,175,069	62%	\$ 5,732,849***	\$6,050,485	95%

* Analysis of the dollar amount of actuarial value of Plan assets, actuarial accrued liability and total funded excess (unfunded) actuarial liability in isolation can be misleading. Expressing the actuarial value of Plan assets as a percentage of the actuarial accrued liability provides one indication of each plan's funding status on a going-concern basis. Generally, the greater this percentage, the stronger the plan. Expressing the total funded excess (unfunded) actuarial liability as a percentage of annual covered payroll for the Fire Relief and Pension Plan and Police Relief and Pension Plan approximately adjusts for the effects of inflation and aids analysis of these plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

** Actuarial information for 2001 for these plans is not currently available.

*** Arkansas LOPFI plan administration policy, as required by state statutes, contains the following provisions: segregate all of the plan's retired participants and fund future benefit payments at 100%; remove these retirees as City obligations while the City realizes the remaining, net unfunded obligation on the segregated retirees; amortize these funded, accrued liabilities over a closed period of 40 years that began September 20, 1990; if the length of the financing period for unfunded liabilities causes closed plan assets to temporarily dip below zero, Arkansas LOPFI would loan the shortages until the financing period is complete as, at that time, Arkansas LOPFI will have been fully reimbursed including investment credits. The negative amounts presented on this schedule indicate that these plans do not have sufficient assets to cover their present retired persons.

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City of Fort Smith, Arkansas

**Summary of Special Revenue Funds
For the Fiscal Year Ended December 31, 2001**

STREET MAINTENANCE - To account for operations related to the repair, maintenance, and improvement of City streets and rights-of-way. Revenues collected in the fund are restricted for these uses and are derived from State turnback for gasoline and one-half of the three mill county road tax.

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.

SALES TAX - To account for projects utilizing City sales tax revenues. Such revenues are restricted for repair, maintenance and improvement of City streets, bridges, and associated drainage.

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: Economic Development Administration ("EDA") for infrastructure projects, Federal Emergency Management Agency ("FEMA") assistance, COPS grants, Department of Transportation planning grant, State of Arkansas recycling grants, 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 LOPFI.

City of Fort Smith, Arkansas

Combining Balance Sheet - All Special Revenue Funds
 December 31, 2001, With Comparative Totals for December 31, 2000
 (Continued on following page)

<u>ASSETS</u>	<u>Street Maintenance</u>	<u>Community Development Block Grant</u>	<u>Sales Tax</u>	<u>Tilles Park</u>
CASH	\$ 150	\$ 29,671	\$ -	\$ -
INVESTMENTS	5,761,298	-	31,082,196	3,205
RECEIVABLES, net of allowance for uncollectibles:				
Taxes	1,353,963	-	-	-
Sales taxes	-	-	1,219,343	-
Accounts	-	195	-	-
Accrued interest	18,247	-	94,759	10
DUE FROM OTHER FUNDS	-	2,904	-	-
DUE FROM OTHER GOVERNMENTS	-	78,947	-	-
DEPOSITS	-	-	449,844	-
Total Assets	<u>\$7,133,658</u>	<u>\$111,717</u>	<u>\$32,846,142</u>	<u>\$ 3,215</u>
<u>LIABILITIES AND EQUITY</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 128,317	\$ 68,929	\$ 1,592,237	\$ -
Retainage payable	-	28,831	509,894	-
Due to other funds	-	10,992	-	-
Deferred revenues	1,353,963	-	-	-
Other	-	2,323	-	-
Total Liabilities	<u>1,482,280</u>	<u>111,075</u>	<u>2,102,131</u>	<u>-</u>
EQUITY:				
Reserved for encumbrances	105,644	-	-	-
Reserved for subsequent years' expenditures	537,523	-	30,744,011	-
Unreserved-				
Designated for subsequent years' expenditures	<u>5,008,211</u>	<u>642</u>	<u>-</u>	<u>3,215</u>
Total Equity	<u>5,651,378</u>	<u>642</u>	<u>30,744,011</u>	<u>3,215</u>
Total Liabilities and Equity	<u>\$7,133,658</u>	<u>\$111,717</u>	<u>\$32,846,142</u>	<u>\$ 3,215</u>

**Combining Balance Sheet - All Special Revenue Funds
(Continued)**

HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Totals	
			Year Ended	
			December 31, 2001	December 31, 2000
\$116,417	\$ -	\$ -	\$ 146,238	\$ 145,513
-	549,240	9,570,693	46,966,632	41,652,213
-	-	1,805,284	3,159,247	2,717,910
-	-	-	1,219,343	1,305,309
138	4,711	125	5,169	3,391
-	866	29,218	143,100	231,459
-	-	-	2,904	2,605
-	556,994	-	635,941	481,885
-	-	-	449,844	625,817
<u>\$116,555</u>	<u>\$1,111,811</u>	<u>\$11,405,320</u>	<u>\$52,728,418</u>	<u>\$47,166,102</u>
\$ 239	\$ 25,639	\$ 262,633	\$ 2,077,994	\$ 1,037,768
-	52,252	-	590,977	174,665
6,042	36,108	-	53,142	123,624
110,274	1,358,705	1,805,284	4,628,226	3,637,419
-	-	-	2,323	2,323
<u>116,555</u>	<u>1,472,704</u>	<u>2,067,917</u>	<u>7,352,662</u>	<u>4,975,799</u>
-	-	-	105,644	44,802
-	-	-	31,281,534	27,865,010
-	(360,893)	9,337,403	13,988,578	14,280,491
-	(360,893)	9,337,403	45,375,756	42,190,303
<u>\$116,555</u>	<u>\$1,111,811</u>	<u>\$11,405,320</u>	<u>\$52,728,418</u>	<u>\$47,166,102</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
 All Special Revenue Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31 ,2000
 (Continued on following page)

	Street Maintenance	Community Development Block Grant	Sales Tax	Tilles Park
REVENUES:				
Taxes	\$1,249,388	\$ -	\$ -	\$ -
Sales taxes	-	-	15,728,836	-
Intergovernmental	3,776,892	804,824	-	-
Fines and forfeitures	-	-	-	-
Interest	272,962	-	1,472,076	155
Contributions	-	-	-	-
Miscellaneous	22,970	-	28,914	400
Total Revenues	<u>5,322,212</u>	<u>804,824</u>	<u>17,229,826</u>	<u>555</u>
EXPENDITURES:				
Current-				
General government	774,182	-	-	-
Public safety	-	-	-	-
Public works	3,593,865	804,824	12,677,062	-
Community services	184,814	-	-	-
Other	198,397	-	-	-
Capital outlay	192,759	-	-	-
Total Expenditures	<u>4,944,017</u>	<u>804,824</u>	<u>12,677,062</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>378,195</u>	<u>-</u>	<u>4,552,764</u>	<u>555</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	58,923	-
Operating transfers out	(218,660)	-	(1,607,324)	-
Total Other Financing Sources (Uses)	<u>(218,660)</u>	<u>-</u>	<u>(1,548,401)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	159,535	-	3,004,363	555
FUND BALANCES, beginning of year	<u>5,491,843</u>	<u>642</u>	<u>27,739,648</u>	<u>2,660</u>
FUND BALANCES, end of year	<u>\$5,651,378</u>	<u>\$ 642</u>	<u>\$30,744,011</u>	<u>\$ 3,215</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
All Special Revenue Funds
(Continued)**

HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Totals	
			Year Ended	
			December 31, 2001	December 31, 2000
\$ -	\$ -	\$1,665,741	\$ 2,915,129	\$ 2,711,643
-	-	-	15,728,836	15,453,552
453,539	2,691,067	823,694	8,550,016	8,021,064
-	-	120,274	120,274	90,221
-	23,538	455,043	2,223,774	2,194,545
-	-	811,389	811,389	827,858
-	9,061	7,639	68,984	38,638
<u>453,539</u>	<u>2,723,666</u>	<u>3,883,780</u>	<u>30,418,402</u>	<u>29,337,521</u>
-	-	-	774,182	674,587
-	173,676	3,373,873	3,547,549	3,808,657
453,539	2,343,768	-	19,873,058	13,312,097
-	173,021	-	357,835	104,143
-	45,312	2,652	246,361	48,681
-	314,561	-	507,320	530,077
<u>453,539</u>	<u>3,050,338</u>	<u>3,376,525</u>	<u>25,306,305</u>	<u>18,478,242</u>
-	(326,672)	507,255	5,112,097	10,859,279
-	-	-	58,923	-
-	(159,583)	-	(1,985,567)	(1,515,405)
-	(159,583)	-	(1,926,644)	(1,515,405)
-	(486,255)	507,255	3,185,453	9,343,874
-	125,362	8,830,148	42,190,303	32,846,429
<u>\$ -</u>	<u>\$ (360,893)</u>	<u>\$9,337,403</u>	<u>\$45,375,756</u>	<u>\$42,190,303</u>

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City of Fort Smith, Arkansas

**Summary of Capital Projects Funds
For the Fiscal Year Ended December 31, 2001**

SIDEWALK CONSTRUCTION - To account for resources utilized to construct sidewalks within the City limits. Revenues collected for sidewalk construction include contributions from the community and permit assessments on new construction. Projects are selected by the City BOD. The fund is perpetual.

1997 SALES AND USE TAX CONSTRUCTION – To account for the construction of the civic center, public library, and riverfront park projects approved by the 1997 sales and use tax referendum approved in October 1997. Bond proceeds from the 1997 issue of sales and use tax bonds fund the three projects.

City of Fort Smith, Arkansas

Combining Balance Sheet - All Capital Projects Funds
December 31, 2001, With Comparative Totals for December 31, 2000

	Sidewalk Construction	1997 Sales and Use Tax Construction	Totals	
			December 31, 2001	December 31, 2000
<u>ASSETS</u>				
INVESTMENTS	\$448,098	\$1,364,247	\$1,812,345	\$9,172,011
RECEIVABLES:				
Accrued interest	1,219	4,080	5,299	36,593
DEPOSITS	<u>-</u>	<u>26,500</u>	<u>26,500</u>	<u>15,100</u>
Total Assets	<u>\$449,317</u>	<u>\$1,394,827</u>	<u>\$1,844,144</u>	<u>\$9,223,704</u>
 <u>LIABILITIES AND EQUITY</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 794	\$ 23,742	\$ 24,536	\$1,686,525
Retainage payable	-	3,450	3,450	1,856,833
Other long-term obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,867</u>
Total Liabilities	<u>794</u>	<u>27,192</u>	<u>27,986</u>	<u>4,351,225</u>
EQUITY:				
Unreserved- Designated for subsequent years' expenditures	<u>448,523</u>	<u>1,367,635</u>	<u>1,816,158</u>	<u>4,872,479</u>
Total Equity	<u>448,523</u>	<u>1,367,635</u>	<u>1,816,158</u>	<u>4,872,479</u>
Total Liabilities and Equity	<u>\$449,317</u>	<u>\$1,394,827</u>	<u>\$1,844,144</u>	<u>\$9,223,704</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
 All Capital Projects Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31, 2000

	Sidewalk Construction	1997 Sales and Use Tax Construction	Totals	
			Year Ended	
			December 31, 2001	December 31, 2000
REVENUES:				
Licenses and permits	\$164,471	\$ -	\$ 164,471	\$ 177,370
Interest	23,390	214,519	237,909	1,338,779
Decrease in fair value of investments	-	-	-	(77,170)
Contributions	-	119,066	119,066	204,226
Other	-	-	-	1,091
Total Revenues	<u>187,861</u>	<u>333,585</u>	<u>521,446</u>	<u>1,644,296</u>
EXPENDITURES:				
Current-				
Public works	187,345	3,584	190,929	202,554
Capital outlay	-	4,667,888	4,667,888	31,967,436
Total Expenditures	<u>187,345</u>	<u>4,671,472</u>	<u>4,858,817</u>	<u>32,169,990</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>516</u>	<u>(4,337,887)</u>	<u>(4,337,371)</u>	<u>(30,525,694)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	1,031,324	1,031,324	915,326
Operating transfers out	-	(558,141)	(558,141)	-
Total other financing sources	<u>-</u>	<u>473,183</u>	<u>473,183</u>	<u>915,326</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>516</u>	<u>(3,864,704)</u>	<u>(3,864,188)</u>	<u>(29,610,368)</u>
RESIDUAL EQUITY TRANSFER IN	-	807,867	807,867	-
FUND BALANCES, beginning of year	<u>448,007</u>	<u>4,424,472</u>	<u>4,872,479</u>	<u>34,482,847</u>
FUND BALANCES, end of year	<u>\$448,523</u>	<u>\$1,367,635</u>	<u>\$ 1,816,158</u>	<u>\$ 4,872,479</u>

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City of Fort Smith, Arkansas

**Summary of Enterprise Funds
For the Fiscal Year Ended December 31, 2001**

WATER AND SEWER - To account for the provision of water and sewer services to residential, commercial, and industrial customers of the City. 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.

SANITATION - To account for the provision of sanitation services to residential, commercial, and industrial customers of the City. Sanitary landfill services are also accounted for in this fund. 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 Balance Sheet - All Enterprise Funds
December 31, 2001, With Comparative Totals for December 31, 2000

<u>ASSETS</u>	Water and Sewer	Sanitation	Totals	
			December 31, 2001	December 31, 2000
CASH	\$ 179,614	\$ 1,100	\$ 180,714	\$ 1,675
INVESTMENTS	3,237,736	1,316,473	4,554,209	3,580,073
RECEIVABLES, net of allowance for uncollectibles:				
Accounts	1,504,996	797,117	2,302,113	2,973,334
Accrued interest	7,788	4,229	12,017	22,922
INVENTORY	495,325	-	495,325	574,776
RESTRICTED ASSETS:				
Cash	51,997	156,018	208,015	77,626
Investments	94,250,830	5,014,599	99,265,429	37,332,158
Accounts receivable, net of allowances for uncollectibles	-	10,161	10,161	42,686
Interest receivable	688,946	13,096	702,042	351,893
Sales tax receivable	609,671	-	609,671	-
Due from other funds	-	20	20	7,369
Prepaid items and deposits	703,357	-	703,357	289,187
FIXED ASSETS, net of accumulated depreciation	147,222,095	13,094,542	160,316,637	142,902,374
DEFERRED CHARGES	<u>691,131</u>	<u>62,213</u>	<u>753,344</u>	<u>493,202</u>
Total Assets	<u>\$249,643,486</u>	<u>\$20,469,568</u>	<u>\$270,113,054</u>	<u>\$188,649,275</u>

City of Fort Smith, Arkansas

Combining Balance Sheet - All Enterprise Funds
December 31, 2001, With Comparative Totals for December 31, 2000

LIABILITIES AND EQUITY	Water and Sewer	Sanitation	Totals	
			December 31, 2001	December 31, 2000
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 798,715	\$ 358,497	\$ 1,157,212	\$ 1,033,018
Liability for accrued vacation and sick leave	708,880	228,222	937,102	875,311
Liability for landfill closure and postclosure care	-	2,531,814	2,531,814	2,023,997
Payable from restricted assets-				
Accrued interest	871,572	39,260	910,832	664,984
Revenue bonds payable, current	2,240,000	695,000	2,935,000	2,805,000
Sales and use tax bonds payable, current	2,785,000	-	2,785,000	-
Accounts payable and accrued liabilities	2,234,727	80,675	2,315,402	1,929,212
Deposits	883,296	-	883,296	838,556
Retainage payable	636,143	-	636,143	204,761
Due to other funds	-	-	-	2,976
Revenue bonds payable, net	41,106,559	7,814,232	48,920,791	51,721,415
Sales and use tax bonds payable, net	75,265,048	-	75,265,048	-
Other	17,224	-	17,224	25,265
Total Liabilities	127,547,164	11,747,700	139,294,864	62,124,495
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	11,423,246	37,862	11,461,108	11,888,433
In aid of construction	31,376,939	-	31,376,939	32,737,338
Retained earnings-				
Reserved for bond retirement	8,648,103	1,093,621	9,741,724	5,741,724
Reserved for landfill closure and postclosure care	-	3,524,763	3,524,763	3,016,946
Reserved for asset replacement	500,000	130,932	630,932	619,521
Reserved for construction	-	94,308	94,308	305,836
Unreserved	70,148,034	3,840,382	73,988,416	72,214,982
Total Equity	122,096,322	8,721,868	130,818,190	126,524,780
Total Liabilities and Equity	\$249,643,486	\$20,469,568	\$270,113,054	\$188,649,275

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City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -
 All Enterprise Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31, 2000

	Water and Sewer	Sanitation	Totals	
			December 31, 2001	December 31, 2000
OPERATING REVENUES:				
Water service	\$12,229,508	\$ -	\$12,229,508	\$12,296,756
Sewer service	7,985,242	-	7,985,242	7,952,646
Charges for services	548,297	9,276,595	9,824,892	10,226,344
Other	30,073	-	30,073	31,943
Total Operating Revenues	20,793,120	9,276,595	30,069,715	30,507,689
OPERATING EXPENSES:				
Personnel services	8,382,146	4,187,762	12,569,908	12,026,540
Contractual services	1,104,983	1,219,574	2,324,557	2,263,982
Materials and supplies	3,114,408	1,991,393	5,105,801	4,400,813
Heat, light, and power	1,151,841	26,257	1,178,098	1,000,315
Depreciation	7,082,710	2,108,664	9,191,374	7,674,586
Total Operating Expenses	20,836,088	9,533,650	30,369,738	27,366,236
OPERATING INCOME (LOSS)	(42,968)	(257,055)	(300,023)	3,141,453
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	2,373,986	314,540	2,688,526	2,693,819
Increase (decrease) in fair value of investments	170,241	(916)	169,325	54,295
Interest expense and fiscal charges	(2,908,039)	(499,594)	(3,407,633)	(3,089,784)
Sales tax revenue	4,522,710	-	4,522,710	-
Other nonoperating revenues, net	146,397	72,675	219,072	158,538
Total Nonoperating Revenues (Expenses)	4,305,295	(113,295)	4,192,000	(183,132)
Income (Loss) Before Operating Transfers and Capital Contributions	4,262,327	(370,350)	3,891,977	2,958,321
OPERATING TRANSFERS IN	250,000	35,000	285,000	1,210,000
OPERATING TRANSFERS OUT	(605,700)	(265,700)	(871,400)	(94,000)
CAPITAL CONTRIBUTIONS	1,192,872	-	1,192,872	-
Net Income (Loss)	5,099,499	(601,050)	4,498,449	4,074,321
DEPRECIATION ON CONTRIBUTED ASSETS (Prior to GASB 33)	1,582,685	-	1,582,685	1,459,010
RETAINED EARNINGS, beginning of year	72,613,953	9,285,056	81,899,009	76,365,678
RETAINED EARNINGS, end of year	\$79,296,137	\$8,684,006	\$87,980,143	\$81,899,009

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -
 All Enterprise Funds
 For The Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31 ,2000
 (Continued on following page)

	Water and Sewer	Sanitation	Totals	
			December 31, 2001	December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$21,633,044	\$ 9,185,157	\$30,818,201	\$30,901,516
Cash Payments for Goods and Services	(5,940,895)	(3,306,320)	(9,247,215)	(9,131,811)
Cash Payments to Employees	(8,308,926)	(4,158,118)	(12,467,044)	(11,847,564)
Cash Received from Other Operating Revenues	<u>118,520</u>	<u>63,525</u>	<u>182,045</u>	<u>581,177</u>
Net Cash Provided by Operating Activities	<u>7,501,743</u>	<u>1,784,244</u>	<u>9,285,987</u>	<u>10,503,318</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers-in from Other Funds	250,000	35,000	285,000	1,210,000
Operating Transfers-out to Other Funds	<u>(605,700)</u>	<u>(265,700)</u>	<u>(871,400)</u>	<u>(94,000)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(355,700)</u>	<u>(230,700)</u>	<u>(586,400)</u>	<u>1,116,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Bonds	80,080,627	-	80,080,627	-
Proceeds from Sales Tax	3,913,039	-	3,913,039	-
Proceeds from Sale of Fixed Assets	62,379	39,233	101,612	131,217
Acquisition and Construction of Capital Assets	(23,206,387)	(728,323)	(23,934,710)	(14,643,184)
Principal Paid on Revenue Bonds	(4,075,000)	(665,000)	(4,740,000)	(2,690,000)
Interest Paid on Revenue Bonds	<u>(2,926,358)</u>	<u>(495,569)</u>	<u>(3,421,927)</u>	<u>(3,079,256)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>53,848,300</u>	<u>(1,849,659)</u>	<u>51,998,641</u>	<u>(20,281,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from Sales and Maturities of Investment Securities	121,670,763	5,516,766	127,187,529	52,896,161
Outlays for Purchases of Investment Securities	(184,626,996)	(5,467,940)	(190,094,936)	(46,849,649)
Interest on Investments	<u>2,188,008</u>	<u>330,599</u>	<u>2,518,607</u>	<u>2,613,724</u>
Net Cash Provided by (Used for) Investing Activities	<u>(60,768,225)</u>	<u>379,425</u>	<u>(60,388,800)</u>	<u>8,660,236</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	226,118	83,310	309,428	(1,669)
CASH AND RESTRICTED CASH, January 1	<u>5,493</u>	<u>73,808</u>	<u>79,301</u>	<u>80,970</u>
CASH AND RESTRICTED CASH, December 31	<u>\$ 231,611</u>	<u>\$ 157,118</u>	<u>\$ 388,729</u>	<u>\$ 79,301</u>

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -
All Enterprise Funds

For the Fiscal Year Ended December 31, 2001,
With Comparative Totals for the Fiscal Year Ended December 31, 2000
(Continued)

	Water and Sewer	Sanitation	Totals	
			December 31, 2001	December 31, 2000
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (42,968)	\$ (257,055)	\$ (300,023)	\$ 3,141,453
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities-				
Depreciation	7,082,710	2,108,664	9,191,374	7,674,586
Miscellaneous Revenue	84,018	72,239	156,257	161,698
Change in Assets and Liabilities-				
Accounts Receivable	795,184	(91,438)	703,746	(600,785)
Sales Tax Receivable	-	-	-	394,627
Due From Other Funds	-	7,349	7,349	966,072
Inventory	79,451	-	79,451	(122,928)
Prepaid Items	(414,170)	-	(414,170)	(288,210)
Accounts Payable and Accrued Liabilities	(171,172)	(62,339)	(233,511)	11,805
Deposits	44,740	-	44,740	21,171
Liability for Accrued Vacation and Sick Leave	51,991	9,800	61,791	112,049
Due To Other Funds	-	(2,976)	(2,976)	(970,465)
Other Liabilities	(8,041)	-	(8,041)	2,245
Total Adjustments	<u>7,544,711</u>	<u>2,041,299</u>	<u>9,586,010</u>	<u>7,361,865</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,501,743</u>	<u>\$ 1,784,244</u>	<u>\$ 9,285,987</u>	<u>\$ 10,503,318</u>

NONCASH INVESTING, CAPITAL, AND FINANCING
ACTIVITIES:

Enterprise Funds-

Water and Sewer Fund received contributions of capital assets of \$1,192,872 and \$1,099,368 for 2001 and 2000, respectively, and recognized a \$170,241 increase in fair value of investments in 2001 and a \$53,419 increase in fair value of investments in 2000.

Sanitation Fund recognized a \$916 decrease in fair value of investments in 2001 and an \$876 increase in fair value of investments in 2000 and received contributions of capital assets of \$8,344 for 2000. The 1998 advance refunding of solid waste revenue bonds results in a cash flow difference of \$35,305 for 2001 and \$38,643 for 2000.

City of Fort Smith, Arkansas

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -
 Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds
 For the Fiscal Year Ended December 31, 2001
 (Continued on following page)

	Water and Sewer Operating				Variance- Favorable (Unfavorable)
	Actual	Adjustments to Budgetary Basis	Actual On a Budgetary Basis	Budget	
OPERATING REVENUES:					
Water service	\$12,229,508	\$ -	\$12,229,508	\$12,455,621	\$ (226,113)
Sewer service	7,985,242	-	7,985,242	8,291,320	(306,078)
Charges for services	548,297	-	548,297	510,000	38,297
Other	30,073	-	30,073	35,000	(4,927)
Total Operating Revenues	<u>20,793,120</u>	<u>-</u>	<u>20,793,120</u>	<u>21,291,941</u>	<u>(498,821)</u>
OPERATING EXPENSES:					
Personnel services	8,382,146	-	8,382,146	8,862,316	480,170
Contractual services	1,104,983	224,975	1,329,958	1,493,743	163,785
Materials and supplies	3,114,408	62,244	3,176,652	3,201,117	24,465
Heat, light, and power	1,151,841	-	1,151,841	1,160,770	8,929
Depreciation	7,082,710	(7,082,710)	-	-	-
Total Operating Expenses	<u>20,836,088</u>	<u>(6,795,491)</u>	<u>14,040,597</u>	<u>14,717,946</u>	<u>677,349</u>
OPERATING INCOME (LOSS)	<u>(42,968)</u>	<u>6,795,491</u>	<u>6,752,523</u>	<u>6,573,995</u>	<u>178,528</u>
NONOPERATING REVENUES:					
Interest revenue	188,101	-	188,101	265,500	(77,399)
Other nonoperating revenues	180,899	-	180,899	95,000	85,899
Total Nonoperating Revenues	<u>369,000</u>	<u>-</u>	<u>369,000</u>	<u>360,500</u>	<u>8,500</u>
Income Before Operating Transfers	326,032	6,795,491	7,121,523	6,934,495	187,028
OPERATING TRANSFERS IN	250,000	-	250,000	250,000	-
OPERATING TRANSFER:					
Depreciation non contributed assets (prior to GASB 33)	1,582,685	-	1,582,685	-	1,582,685
OPERATING TRANSFERS OUT	<u>(7,188,250)</u>	<u>-</u>	<u>(7,188,250)</u>	<u>(7,188,250)</u>	<u>-</u>
Net Income (Loss) Before Capital Contributions	(5,029,533)	6,795,491	1,765,958	(3,755)	1,769,713
CAPITAL CONTRIBUTIONS	1,192,872	-	1,192,872	-	1,192,872
RETAINED EARNINGS, beginning of year	94,570	-	94,570	94,570	-
RETAINED EARNINGS, end of year	<u>\$ (3,742,091)</u>	<u>\$ 6,795,491</u>	<u>\$ 3,053,400</u>	<u>\$ 90,815</u>	<u>\$ 2,962,585</u>

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -
 Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds
 (Continued)

Sanitation Operating				
Actual	Adjustments to Budgetary Basis	Actual On a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
9,276,595	-	9,276,595	11,660,253	(2,383,658)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,276,595</u>	<u>-</u>	<u>9,276,595</u>	<u>11,660,253</u>	<u>(2,383,658)</u>
4,039,996	-	4,039,996	4,190,286	150,290
1,020,947	42,680	1,063,627	1,507,207	443,580
1,449,800	7,760	1,457,560	1,611,930	154,370
26,257	-	26,257	29,509	3,252
<u>2,108,664</u>	<u>(2,108,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,645,664</u>	<u>(2,058,224)</u>	<u>6,587,440</u>	<u>7,338,932</u>	<u>751,492</u>
<u>630,931</u>	<u>2,058,224</u>	<u>2,689,155</u>	<u>4,321,321</u>	<u>(1,632,166)</u>
22,745	-	22,745	127,500	(104,755)
<u>49,048</u>	<u>-</u>	<u>49,048</u>	<u>50,000</u>	<u>(952)</u>
<u>71,793</u>	<u>-</u>	<u>71,793</u>	<u>177,500</u>	<u>(105,707)</u>
702,724	2,058,224	2,760,948	4,498,821	(1,737,873)
35,000	-	35,000	80,700	(45,700)
-	-	-	-	-
<u>(1,969,890)</u>	<u>-</u>	<u>(1,969,890)</u>	<u>(4,986,160)</u>	<u>3,016,270</u>
(1,232,166)	2,058,224	826,058	(406,639)	1,232,697
-	-	-	-	-
<u>5,017,446</u>	<u>-</u>	<u>5,017,446</u>	<u>5,017,446</u>	<u>-</u>
<u>\$3,785,280</u>	<u>\$2,058,224</u>	<u>\$5,843,504</u>	<u>\$4,610,807</u>	<u>\$1,232,697</u>

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City of Fort Smith, Arkansas

**Summary of Internal Service Funds
For the Fiscal Year Ended December 31, 2001**

WORKING CAPITAL - To account for the accumulation and allocation of costs associated with vehicle maintenance, warehouse, and office supplies.

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 Blue Cross-Blue Shield of Arkansas 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 Balance Sheet - All Internal Service Funds
December 31, 2001, With Comparative Totals for December 31 ,2000

ASSETS	Working Capital	Employee Insurance	Workers' Compensation	Totals	
				December 31, 2001	2000
CASH	\$23,307	\$1,100,332	\$ 40,403	\$1,164,042	\$ 347,093
INVESTMENTS	-	812,135	1,140,051	1,952,186	1,502,624
RECEIVABLES, net of allowance for uncollectibles:					
Accounts	-	7,100	-	7,100	19,201
Accrued interest	-	2,440	3,663	6,103	10,985
INVENTORY, at cost	24,398	-	-	24,398	24,535
DUE FROM OTHER FUNDS	855	-	-	855	547
DEPOSITS	-	120,068	-	120,068	-
Total Assets	<u>\$48,560</u>	<u>\$2,042,075</u>	<u>\$1,184,117</u>	<u>\$3,274,752</u>	<u>\$1,904,985</u>
LIABILITIES AND EQUITY					
LIABILITIES:					
Accounts payable and accrued liabilities	\$20,432	\$ 34,824	\$ 49,748	\$ 105,004	\$ 136,850
Liability for insured events	-	874,333	232,592	1,106,925	1,140,396
Total Liabilities	<u>20,432</u>	<u>909,157</u>	<u>282,340</u>	<u>1,211,929</u>	<u>1,277,246</u>
EQUITY:					
Contributed capital	2,375	1,695,120	-	1,697,495	1,697,495
Retained earnings-					
Reserved for health insurance and workers' compensation	-	(562,202)	901,777	339,575	(1,067,227)
Unreserved	<u>25,753</u>	<u>-</u>	<u>-</u>	<u>25,753</u>	<u>(2,529)</u>
Total Equity	<u>28,128</u>	<u>1,132,918</u>	<u>901,777</u>	<u>2,062,823</u>	<u>627,739</u>
Total Liabilities and Equity	<u>\$48,560</u>	<u>\$2,042,075</u>	<u>\$1,184,117</u>	<u>\$3,274,752</u>	<u>\$1,904,985</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -
 All Internal Service Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31, 2000

	Working Capital	Employee Insurance	Workers' Compensation	Totals December 31,	
				2001	2000
OPERATING REVENUES:					
Charges for services	\$410,264	\$ -	\$ -	\$ 410,264	\$ 394,754
Contributions	-	4,458,103	281,580	4,739,683	4,007,695
Total Operating Revenues	<u>410,264</u>	<u>4,458,103</u>	<u>281,580</u>	<u>5,149,947</u>	<u>4,402,449</u>
OPERATING EXPENSES:					
Contractual services	-	371,137	105,642	476,779	355,491
Materials and supplies	416,982	-	-	416,982	413,891
Premium payments	-	421,714	-	421,714	354,716
Claims for insured events	-	4,248,548	299,695	4,548,243	4,398,830
Total Operating Expenses	<u>416,982</u>	<u>5,041,399</u>	<u>405,337</u>	<u>5,863,718</u>	<u>5,522,928</u>
OPERATING LOSS	<u>(6,718)</u>	<u>(583,296)</u>	<u>(123,757)</u>	<u>(713,771)</u>	<u>(1,120,479)</u>
NONOPERATING REVENUES:					
Interest revenue	-	36,862	67,496	104,358	154,258
Other nonoperating revenue	-	9,497	-	9,497	-
Total Nonoperating Revenues	<u>-</u>	<u>46,359</u>	<u>67,496</u>	<u>113,855</u>	<u>154,258</u>
NET LOSS BEFORE OPERATING TRANSFERS	(6,718)	(536,937)	(56,261)	(599,916)	(966,221)
OPERATING TRANSFERS IN	<u>35,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,035,000</u>	<u>-</u>
NET INCOME (LOSS)	28,282	1,463,063	(56,261)	1,435,084	(966,221)
RETAINED EARNINGS, beginning of year	<u>(2,529)</u>	<u>(2,025,265)</u>	<u>958,038</u>	<u>(1,069,756)</u>	<u>(103,535)</u>
RETAINED EARNINGS, end of year	<u>\$ 25,753</u>	<u>\$ (562,202)</u>	<u>\$ 901,777</u>	<u>\$ 365,328</u>	<u>\$ (1,069,756)</u>

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -
All Internal Service Funds
For the Fiscal Year Ended December 31, 2001,
With Comparative Totals for the Fiscal Year Ended December 31, 2000
(Continued on following page)

	Working Capital	Employee Insurance	Workers' Compensation	Totals	
				December 31,	
				2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Service Users	\$410,225	\$ -	\$ -	\$ 410,225	\$ 394,381
Cash Received from City and Employee Contributions	-	4,477,744	283,268	4,761,012	4,022,826
Cash Payments for Goods and Services	(422,895)	(371,137)	(67,944)	(861,976)	(448,409)
Cash Payments for Premiums and Other Operating Expenses	-	(421,714)	-	(421,714)	(467,061)
Cash Payments for Claims Paid	-	(4,432,110)	(333,166)	(4,765,276)	(4,748,081)
Net Cash Used for Operating Activities	<u>(12,670)</u>	<u>(747,217)</u>	<u>(117,842)</u>	<u>(877,729)</u>	<u>(1,246,344)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers in	<u>35,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,035,000</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>35,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,035,000</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from Sales and Maturities of Investment Securities	-	697,924	408,343	1,106,267	2,107,655
Outlays for Purchases of Investment Securities	-	(1,193,946)	(361,883)	(1,555,829)	(835,880)
Interest on Investments	-	<u>38,444</u>	<u>70,796</u>	<u>109,240</u>	<u>155,847</u>
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>(457,578)</u>	<u>117,256</u>	<u>(340,322)</u>	<u>1,427,622</u>
NET INCREASE (DECREASE) IN CASH	22,330	795,205	(586)	816,949	181,278
CASH, January 1	<u>977</u>	<u>305,127</u>	<u>40,989</u>	<u>347,093</u>	<u>165,815</u>
CASH, December 31	<u>\$ 23,307</u>	<u>\$ 1,100,332</u>	<u>\$ 40,403</u>	<u>\$ 1,164,042</u>	<u>\$ 347,093</u>

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -
 All Internal Service Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31, 2000
 (Continued)

	Working Capital	Employee Insurance	Workers' Compensation	Totals	
				December 31, 2001	2000
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:					
Operating Loss	\$ (6,718)	\$(583,296)	\$(123,757)	\$(713,771)	\$(1,120,479)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities-					
Miscellaneous Revenue	-	9,497	-	9,497	-
Change in Assets and Liabilities-					
Accounts Receivable	269	10,144	1,688	12,101	14,862
Due from Other Funds	(308)	-	-	(308)	(104)
Inventory	137	-	-	137	5,891
Prepaid Items	-	(120,068)	-	(120,068)	14
Accounts Payable and Accrued Liabilities	(6,050)	(63,494)	37,698	(31,846)	1,894
Liability for Insured Events	-	-	(33,471)	(33,471)	(148,422)
Total Adjustments	<u>(5,952)</u>	<u>(163,921)</u>	<u>5,915</u>	<u>(163,958)</u>	<u>(125,865)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (12,670)</u>	<u>\$(747,217)</u>	<u>\$(117,842)</u>	<u>\$(877,729)</u>	<u>\$(1,246,344)</u>

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City of Fort Smith, Arkansas

**Summary of Fiduciary Funds
For the Fiscal Year Ended December 31, 2001**

PENSION TRUST FUNDS:

Municipal Court Retirement - To account for assets held by the City in a trustee capacity for active and retired judges and court clerks of the City's Municipal Court Department. The fund is a defined benefit plan instituted by the Arkansas State Legislature.

AGENCY FUND:

Payroll - To account for the collection and payment of the City's payroll and associated liabilities.

City of Fort Smith, Arkansas

Combining Balance Sheet - All Fiduciary Funds
 December 31, 2001, With Comparative Totals for December 31, 2000

<u>ASSETS</u>	<u>Pension</u>	<u>Agency</u>	<u>Totals</u>	
	<u>Trust Fund</u>	<u>Fund</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>Municipal</u>	<u>Payroll</u>	<u>2001</u>	<u>2000</u>
	<u>Court</u>			
	<u>Retirement</u>			
CASH	\$ -	\$5,717	\$ 5,717	\$ 874
INVESTMENTS	939,311	-	939,311	847,212
RECEIVABLES, net of allowances for uncollectibles:				
Accounts	22	-	22	30
Accrued interest	<u>2,784</u>	<u>-</u>	<u>2,784</u>	<u>4,707</u>
Total Assets	<u>\$942,117</u>	<u>\$5,717</u>	<u>\$947,834</u>	<u>\$852,823</u>
 <u>LIABILITIES AND EQUITY</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$1,038	\$ 1,038	\$ 874
Due to other funds	<u>-</u>	<u>4,679</u>	<u>4,679</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>5,717</u>	<u>5,717</u>	<u>874</u>
EQUITY:				
Reserved for employees' pension benefits	<u>942,117</u>	<u>-</u>	<u>942,117</u>	<u>851,949</u>
Total Equity	<u>942,117</u>	<u>-</u>	<u>942,117</u>	<u>851,949</u>
Total Liabilities and Equity	<u>\$942,117</u>	<u>\$5,717</u>	<u>\$947,834</u>	<u>\$852,823</u>

City of Fort Smith, Arkansas

Statement of Changes in Plan Net Assets -
All Pension Trust Funds
For the Fiscal Years Ended December 31, 2001,
With Comparative Totals for Fiscal Year Ended December 31, 2000

	<u>2001</u>	<u>2000</u>
ADDITIONS:		
Court fines and fees	\$ 54,949	\$ 15,989
Investment earnings	<u>44,638</u>	<u>48,909</u>
Total additions	<u>99,587</u>	<u>64,898</u>
DEDUCTIONS:		
Benefit payments	<u>9,419</u>	<u>9,419</u>
Total deductions	<u>9,419</u>	<u>9,419</u>
INCREASE IN NET ASSETS	90,168	55,479
NET ASSETS, beginning of year	<u>851,949</u>	<u>796,470</u>
NET ASSETS, end of year	<u>\$942,117</u>	<u>\$851,949</u>

City of Fort Smith, Arkansas

Combining Statement of Changes in Assets and Liabilities - Payroll Fund
For the Fiscal Year Ended December 31, 2001

	<u>Payroll</u>
CASH BALANCE, January 1	\$ 874
Additions	36,120,098
Deductions	<u>(36,115,255)</u>
CASH BALANCE, December 31	<u>5,717</u>
Total Assets	<u>\$ 5,717</u>
<u>LIABILITIES</u>	
ACCOUNTS PAYABLE BALANCE, January 1	\$ 874
Additions	17,015,845
Deductions	<u>(17,015,681)</u>
ACCOUNTS PAYABLE BALANCE, December 31	<u>1,038</u>
DUE TO OTHER FUNDS, January 1	-
Additions	4,679
Deductions	<u>-</u>
DUE TO OTHER FUNDS, December 31	<u>4,679</u>
Total liabilities	<u>\$ 5,717</u>

City of Fort Smith, Arkansas

**Summary of General Fixed Assets Account Group
For the Fiscal Year Ended December 31, 2001**

GENERAL FIXED ASSETS ACCOUNT GROUP - A self-balancing group of accounts established to account for fixed assets of the City not accounted for through proprietary funds or trust funds.

City of Fort Smith, Arkansas

**Schedule of General Fixed Assets - By Source
December 31, 2001**

GENERAL FIXED ASSETS:

Land	\$10,785,625
Buildings	64,239,850
Improvements other than buildings	5,572,080
Machinery and equipment	17,703,040
Construction in progress	<u>102,493</u>

Total General Fixed Assets \$98,403,088

INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:

Bond issues	\$62,210,996
Current revenues-	
General fund	21,212,505
Special revenue funds	10,922,727
Contributions	<u>4,056,860</u>

Total Investment in General Fixed Assets \$98,403,088

City of Fort Smith, Arkansas

Schedule of General Fixed Assets - By Function and Activity
December 31, 2001

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
GENERAL GOVERNMENT:						
Administration	\$ 4,200	\$ 23,218	\$ 27,758	\$ 700,552	\$ -	\$ 755,728
Legal	-	-	24,005	196,912	-	220,917
Finance	-	55,305	50,727	473,028	-	579,060
PUBLIC SAFETY:						
Police	1,150,000	5,273,015	177,998	3,450,236	-	10,051,249
Fire	303,541	2,804,175	-	4,237,789	-	7,345,505
PUBLIC WORKS:						
Operations	-	-	54,689	86,980	-	141,669
Streets	-	-	-	2,810,092	-	2,810,092
Traffic Control	-	-	-	371,760	-	371,760
COMMUNITY SERVICE:						
Parks and Recreation	873,887	10,741,474	5,045,664	870,859	-	17,531,884
OTHER						
	<u>8,453,997</u>	<u>45,342,663</u>	<u>191,239</u>	<u>4,504,832</u>	<u>102,493</u>	<u>58,595,224</u>
Total	<u>\$10,785,625</u>	<u>\$64,239,850</u>	<u>\$5,572,080</u>	<u>\$17,703,040</u>	<u>\$102,493</u>	<u>\$98,403,088</u>

City of Fort Smith, Arkansas

Schedule of Changes in General Fixed Assets -
By Function and Activity
For the Fiscal Year Ended December 31, 2001

	General Fixed Assets December 31, 2000	Additions	Deletions	Transfers	General Fixed Assets December 31, 2001
GENERAL GOVERNMENT:					
Administration	\$ 855,518	\$ 41,274	\$ 141,064	\$ -	\$ 755,728
Legal	270,409	6,823	56,315	-	220,917
Finance	602,625	91,819	115,384	-	579,060
PUBLIC SAFETY:					
Police	9,887,774	591,725	428,250	-	10,051,249
Fire	7,096,878	298,081	49,454	-	7,345,505
PUBLIC WORKS:					
Operations	154,367	-	12,698	-	141,669
Streets	2,760,626	169,336	119,870	-	2,810,092
Traffic Control	405,946	23,423	57,609	-	371,760
COMMUNITY SERVICE:					
Parks and Recreation	15,851,888	947,357	188,073	920,712	17,531,884
OTHER					
	<u>55,421,592</u>	<u>6,774,327</u>	<u>2,679,983</u>	<u>(920,712)</u>	<u>58,595,224</u>
Total	<u>\$93,307,623</u>	<u>\$8,944,165</u>	<u>\$3,848,700</u>	<u>\$ -</u>	<u>\$98,403,088</u>

City of Fort Smith, Arkansas

**Summary of Discretely Presented Component Units
For the Fiscal Year Ended December 31, 2001**

PROPRIETARY FUND TYPES – ENTERPRISE FUNDS:

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.

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.

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 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.

City of Fort Smith, Arkansas

Combining Balance Sheet – Component Unit Proprietary Funds
 December 31, 2001, With Comparative Totals for December 31, 2000
 (Continued on following page)

<u>ASSETS</u>	<u>Airport Commission</u>	<u>Parking Authority</u>	<u>Totals</u>	
			<u>December 31, 2001</u>	<u>December 31, 2000</u>
CASH	\$ 43,197	\$ -	\$ 43,197	\$ 125,805
INVESTMENTS	2,350,000	-	2,350,000	2,400,000
RECEIVABLES, net of allowances for uncollectibles:				
Accounts	43,261	2,540	45,801	41,407
Accrued interest	4,402	-	4,402	46,304
INVENTORY, at cost	2,689	-	2,689	3,263
PREPAID ITEMS	38,123	1,681	39,804	41,543
RESTRICTED ASSETS:				
Cash	4,063,857	-	4,063,857	742,944
Investments	1,404,971	107,207	1,512,178	5,144,594
Accounts receivable, net of allowances for uncollectibles	605,315	-	605,315	276,364
Accrued interest	4,537	275	4,812	172,055
FIXED ASSETS, net of accumulated depreciation	32,097,218	2,563,665	34,660,883	29,704,086
DEFERRED CHARGES	<u>274,319</u>	<u>28,998</u>	<u>303,317</u>	<u>299,727</u>
Total Assets	<u>\$40,931,889</u>	<u>\$2,704,366</u>	<u>\$43,636,255</u>	<u>\$38,998,092</u>

City of Fort Smith, Arkansas

Combining Balance Sheet – Component Unit Proprietary Funds
 December 31, 2001, With Comparative Totals for December 31, 2000
 (Continued)

<u>LIABILITIES AND EQUITY</u>	<u>Airport Commission</u>	<u>Parking Authority</u>	<u>Totals</u>	
			<u>December 31, 2001</u>	<u>December 31, 2000</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 87,748	\$ 64,719	\$ 152,467	\$ 110,097
Liability for accrued vacation and sick leave	-	1,740	1,740	10,789
Payable from restricted assets-				
Accrued interest	79,935	7,063	86,998	87,225
Revenue bonds payable, current	45,000	70,000	115,000	70,000
Accounts payable	992,458	-	992,458	160,584
Revenue bonds payable	5,199,012	1,782,756	6,981,768	7,086,180
Other	<u>350,950</u>	<u>-</u>	<u>350,950</u>	<u>422,460</u>
Total Liabilities	<u>6,755,103</u>	<u>1,926,278</u>	<u>8,681,381</u>	<u>7,947,335</u>
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	21,822,079	410,295	22,232,374	23,540,933
Retained earnings-				
Reserved for bond retirement	406,930	79,476	486,406	486,406
Unreserved	<u>11,947,777</u>	<u>288,317</u>	<u>12,236,094</u>	<u>7,023,418</u>
Total Equity	<u>34,176,786</u>	<u>778,088</u>	<u>34,954,874</u>	<u>31,050,757</u>
Total Liabilities and Equity	<u>\$40,931,889</u>	<u>\$2,704,366</u>	<u>\$43,636,255</u>	<u>\$38,998,092</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses and Changes in Retained Earnings -
 Component Unit Proprietary Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for December 31, 2000

	Airport Commission	Parking Authority	Totals	
			Year Ended	
			December 31, 2001	December 31, 2000
OPERATING REVENUES:				
Charges for services	\$ 1,807,176	\$216,956	\$ 2,024,132	\$ 1,820,537
Other	<u>362,452</u>	<u>-</u>	<u>362,452</u>	<u>368,401</u>
Total Operating Revenues	<u>2,169,628</u>	<u>216,956</u>	<u>2,386,584</u>	<u>2,188,938</u>
OPERATING EXPENSES:				
Personnel services	705,054	122,079	827,133	716,999
Contractual services	528,252	12,278	540,530	538,797
Materials and supplies	126,602	19,640	146,242	68,172
Heat, light, and power	99,772	9,646	109,418	88,269
Depreciation	1,687,786	75,167	1,762,953	1,694,443
Miscellaneous	<u>54,652</u>	<u>-</u>	<u>54,652</u>	<u>46,666</u>
Total Operating Expenses	<u>3,202,118</u>	<u>238,810</u>	<u>3,440,928</u>	<u>3,153,346</u>
OPERATING LOSS	<u>(1,032,490)</u>	<u>(21,854)</u>	<u>(1,054,344)</u>	<u>(964,408)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest	176,108	11,327	187,435	228,458
Interest expense and fiscal charges	(47,112)	(87,258)	(134,370)	(136,861)
Other nonoperating expenses, net	<u>(40,087)</u>	<u>(11,600)</u>	<u>(51,687)</u>	<u>(85,011)</u>
Total Nonoperating Revenues (Expenses), Net	<u>88,909</u>	<u>(87,531)</u>	<u>1,378</u>	<u>6,586</u>
Loss Before Operating Transfers and Capital Contributions	(943,581)	(109,385)	(1,052,966)	(957,822)
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	-	120,000	120,000	120,000
CAPITAL CONTRIBUTIONS	<u>4,837,083</u>	<u>-</u>	<u>4,837,083</u>	<u>-</u>
Net Income	3,893,502	10,615	3,904,117	(837,822)
DEPRECIATION ON CONTRIBUTED ASSETS (Prior to GASB 33)	1,308,559	-	1,308,559	1,326,505
RETAINED EARNINGS, beginning of year	<u>7,152,646</u>	<u>357,178</u>	<u>7,509,824</u>	<u>7,021,141</u>
RETAINED EARNINGS, end of year	<u>\$12,354,707</u>	<u>\$367,793</u>	<u>\$12,722,500</u>	<u>\$ 7,509,824</u>

City of Fort Smith, Arkansas

**Combining Statement of Cash Flows-
Component Unit Proprietary Funds
For the Fiscal Year Ended December 31, 2001,
With Comparative Totals for the Fiscal Year Ended December 31, 2000
(Continued on Following Page)**

	Airport Commission	Parking Authority	Totals	
			Year Ended	
			December 31, 2001	December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$1,693,260	\$215,893	\$1,909,153	\$1,723,039
Cash payments for goods and services	(767,069)	10,456	(756,613)	(590,602)
Cash payments to employees	(700,271)	(130,805)	(831,076)	(730,996)
Cash payments for other operating expenses	(54,652)	-	(54,652)	(46,666)
Cash received from other operating revenues	<u>364,881</u>	<u>-</u>	<u>364,881</u>	<u>365,070</u>
Net Cash Provided by Operating Activities	<u>536,149</u>	<u>95,544</u>	<u>631,693</u>	<u>719,845</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers-in from primary government	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of assets	1,000	-	1,000	-
Proceeds from grants	-	-	-	3,754,094
Acquisition and construction of capital assets	(1,158,333)	(196,031)	(1,354,364)	(4,610,893)
Principal paid on revenue bonds	-	(70,000)	(70,000)	(65,000)
Interest and fiscal charges paid on revenue bonds	<u>(322,640)</u>	<u>(87,485)</u>	<u>(410,125)</u>	<u>(412,593)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(1,479,973)</u>	<u>(353,516)</u>	<u>(1,833,489)</u>	<u>(1,334,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investment securities	9,600,558	176,464	9,777,022	6,256,827
Outlays for purchases of investment securities	(6,044,015)	(50,590)	(6,094,605)	(6,055,894)
Interest on investments	<u>625,586</u>	<u>12,098</u>	<u>637,684</u>	<u>349,494</u>
Net Cash Provided by Investing Activities	<u>4,182,129</u>	<u>137,972</u>	<u>4,320,101</u>	<u>550,427</u>
NET INCREASE IN CASH AND RESTRICTED CASH	3,238,305	-	3,238,305	55,880
CASH AND RESTRICTED CASH, beginning of year	<u>868,749</u>	<u>-</u>	<u>868,749</u>	<u>812,869</u>
CASH AND RESTRICTED CASH, end of year	<u>\$4,107,054</u>	<u>\$ -</u>	<u>\$4,107,054</u>	<u>\$ 868,749</u>

City of Fort Smith, Arkansas

Combining Statement of Cash Flows-
 Component Unit Proprietary Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31, 2000
 (Continued)

	Airport Commission	Parking Authority	Totals	
			December 31, 2001	December 31, 2000
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	\$(1,032,490)	\$ (21,854)	\$(1,054,344)	\$ (964,408)
Adjustments to reconcile operating loss to net cash provided by operating activities-				
Depreciation	1,687,786	75,167	1,762,953	1,694,443
Miscellaneous revenue (expense)	-	(855)	(855)	6
Changes in assets and liabilities-				
Accounts receivable	(4,186)	(208)	(4,394)	12,601
Inventory	574	-	574	33
Prepaid items	1,739	-	1,739	78,438
Accounts payable and accrued liabilities	(9,973)	52,343	42,370	13,162
Liability for accrued vacation and sick leave	-	(9,049)	(9,049)	(994)
Other liabilities	<u>(107,301)</u>	<u>-</u>	<u>(107,301)</u>	<u>(113,436)</u>
Total adjustments	<u>1,568,639</u>	<u>117,398</u>	<u>1,686,037</u>	<u>1,684,253</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 536,149</u>	<u>\$ 95,544</u>	<u>\$ 631,693</u>	<u>\$ 719,845</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

The Airport Commission received hangar improvements provided by the tenant of \$38,220 for 2001. There was no such contribution for 2000.

City of Fort Smith, Arkansas

Combining Balance Sheet – Component Unit Governmental Funds
December 31, 2001, With Comparative Totals for December 31, 2000

ASSETS	Advertising and Promotion	Public Library	Totals	
			December 31, 2001	December 31, 2000
CASH	\$ 25	\$ 525,047	\$ 525,072	\$ 759,385
INVESTMENTS	199,060	447,394	646,454	289,335
RECEIVABLES, net of allowances for uncollectibles:				
Taxes	30,109	-	30,109	26,376
Sales taxes	-	179,364	179,364	139,667
Accounts	-	-	-	65,186
Accrued interest	565	587	1,152	2,208
INVENTORY, at cost	-	5,000	5,000	5,000
PREPAID ITEMS	-	50,014	50,014	41,592
FIXED ASSETS, net of accumulated depreciation	-	450,005	450,005	462,230
Total Assets	<u>\$229,759</u>	<u>\$1,657,411</u>	<u>\$1,887,170</u>	<u>\$1,790,979</u>
LIABILITIES AND EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 12,146	\$ 36,348	\$ 48,494	\$ 36,383
Total Liabilities	<u>12,146</u>	<u>36,348</u>	<u>48,494</u>	<u>36,383</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	450,005	450,005	462,230
Fund balances-				
Reserved for prepaid items	-	50,014	50,014	41,592
Unreserved-				
Designated for subsequent years' expenditures	<u>217,613</u>	<u>1,121,044</u>	<u>1,338,657</u>	<u>1,250,774</u>
Total Equity and Other Credits	<u>217,613</u>	<u>1,621,063</u>	<u>1,838,676</u>	<u>1,754,596</u>
Total Liabilities and Equity and Other Credits	<u>\$229,759</u>	<u>\$1,657,411</u>	<u>\$1,887,170</u>	<u>\$1,790,979</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Component Unit Governmental Funds
For the Fiscal Year Ended December 31, 2001,
With Comparative Totals for December 31, 2000

	Advertising and Promotion	Public Library	Totals	
			December 31, 2001	December 31, 2000
REVENUES:				
Taxes	\$380,445	\$ 832,870	\$1,213,315	\$1,100,380
Sales taxes	-	736,726	736,726	757,496
Intergovernmental	-	217,912	217,912	254,666
Fees for services	-	83,637	83,637	59,803
Interest	8,025	19,486	27,511	35,481
(Increase) decrease in fair value of investments	-	-	-	(40,915)
Contributions	4,699	13,817	18,516	29,489
Miscellaneous	-	140,623	140,623	13,093
Total Revenues	<u>393,169</u>	<u>2,045,071</u>	<u>2,438,240</u>	<u>2,209,493</u>
EXPENDITURES:				
Current-				
Community services	-	2,003,303	2,003,303	1,886,275
Other	<u>339,447</u>	-	<u>339,447</u>	<u>320,357</u>
Total Expenditures	<u>339,447</u>	<u>2,003,303</u>	<u>2,342,750</u>	<u>2,206,632</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>53,722</u>	<u>41,768</u>	<u>95,490</u>	<u>2,861</u>
OTHER FINANCING USES:				
Operating transfers to primary government	(11,410)	-	(11,410)	(8,951)
Loss on disposition of assets	-	-	-	(326,918)
Total other financing uses	<u>(11,410)</u>	<u>-</u>	<u>(11,410)</u>	<u>(335,869)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	42,312	41,768	84,080	(333,008)
FUND BALANCES, beginning of year	<u>175,301</u>	<u>1,579,295</u>	<u>1,754,596</u>	<u>2,087,604</u>
FUND BALANCES, end of year	<u>\$217,613</u>	<u>\$1,621,063</u>	<u>\$1,838,676</u>	<u>\$1,754,596</u>

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City of Fort Smith, Arkansas

Combining Balance Sheet - All Water and Sewer Funds
 December 31, 2001, With Comparative Totals for December 31, 2000
 (Continued on Following Page)

<u>ASSETS</u>	<u>Water and Sewer Operating</u>	<u>Water and Sewer Depreciation</u>	<u>Meter Deposit</u>	<u>Water and Sewer Bond</u>
CASH	\$ 179,614	\$ -	\$ -	\$ -
INVESTMENTS	3,237,736	-	-	-
RECEIVABLES, net of allowances for uncollectibles:				
Accounts	1,504,996	-	-	-
Accrued interest	7,788	-	-	-
INVENTORY	495,325	-	-	-
RESTRICTED ASSETS:				
Cash	-	-	51,997	-
Investments	-	498,425	828,678	1,250,623
Interest receivable	-	1,575	2,621	2,449
Sales tax receivable	-	-	-	-
Prepaid items and deposits	-	-	-	-
FIXED ASSETS, net of accumulated depreciation	35,154,031	-	-	-
DEFERRED CHARGES	-	-	-	395,159
Total Assets	<u>\$40,579,490</u>	<u>\$500,000</u>	<u>\$883,296</u>	<u>\$1,648,231</u>

**Combining Balance Sheet - All Water and Sewer Funds
(Continued)**

2001 Sales & Use Tax Bond	Water and Sewer Capital Improvements	Totals	
		December 31, 2001	December 31, 2000
\$ -	\$ -	\$ 179,614	\$ 575
-	-	3,237,736	2,705,208
-	-	1,504,996	2,300,180
-	-	7,788	16,031
-	-	495,325	574,776
-	-	51,997	4,918
5,321,433	86,351,671	94,250,830	31,827,125
59,139	623,162	688,946	324,484
609,671	-	609,671	-
-	703,357	703,357	289,187
-	112,068,064	147,222,095	129,011,487
<u>295,972</u>	<u>-</u>	<u>691,131</u>	<u>424,375</u>
<u>\$6,286,215</u>	<u>\$199,746,254</u>	<u>\$249,643,486</u>	<u>\$167,478,346</u>

City of Fort Smith, Arkansas

Combining Balance Sheet - All Water and Sewer Funds
 December 31, 2001, With Comparative Totals for December 31, 2000
 (Continued on Following Page)

<u>LIABILITIES AND EQUITY</u>	Water and Sewer <u>Operating</u>	Water and Sewer <u>Depreciation</u>	Meter <u>Deposit</u>	Water and Sewer <u>Bond</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 798,715	\$ -	\$ -	\$ -
Liability for accrued vacation and sick leave	708,880	-	-	-
Payable from restricted assets-				
Accrued interest	-	-	-	598,202
Revenue bonds payable, current	-	-	-	2,240,000
Accounts payable and accrued expenses	-	-	-	-
Deposits	-	-	883,296	-
Retainage payable	-	-	-	-
Revenue bonds payable	-	-	-	41,106,559
Other	<u>17,224</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,524,819</u>	<u>-</u>	<u>883,296</u>	<u>43,944,761</u>
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	11,423,246	-	-	-
In aid of construction	31,373,516	-	-	-
Retained earnings (deficit)-				
Reserved for bond retirement	-	-	-	4,648,103
Reserved for asset replacement	-	500,000	-	-
Unreserved	<u>(3,742,091)</u>	<u>-</u>	<u>-</u>	<u>(46,944,633)</u>
Total Equity	<u>39,054,671</u>	<u>500,000</u>	<u>-</u>	<u>(42,296,530)</u>
Total Liabilities and Equity	<u>\$40,579,490</u>	<u>\$500,000</u>	<u>\$883,296</u>	<u>\$ 1,648,231</u>

Combining Balance Sheet - All Water and Sewer Funds (Continued)
(Continued)

2001 Sales & Use Tax Bond	Water and Sewer Capital Improvements	Totals	
		December 31, 2001	December 31, 2000
\$ -	\$ -	\$ 798,715	\$ 622,210
-	-	708,880	656,889
273,370	-	871,572	623,135
2,785,000	-	5,025,000	2,140,000
-	2,234,727	2,234,727	1,914,688
-	-	883,296	838,556
-	636,143	636,143	204,761
75,265,048	-	116,371,607	43,250,980
-	-	17,224	25,265
<u>78,323,418</u>	<u>2,870,870</u>	<u>127,547,164</u>	<u>50,276,484</u>
-	-	11,423,246	11,850,571
-	3,423	31,376,939	32,737,338
4,000,000	-	8,648,103	4,648,103
-	-	500,000	500,000
<u>(76,037,203)</u>	<u>196,871,961</u>	<u>70,148,034</u>	<u>67,465,850</u>
<u>(72,037,203)</u>	<u>196,875,384</u>	<u>122,096,322</u>	<u>117,201,862</u>
<u>\$ 6,286,215</u>	<u>\$199,746,254</u>	<u>\$249,643,486</u>	<u>\$167,478,346</u>

City of Fort Smith, Arkansas

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings-
 All Water and Sewer Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for the Fiscal Year Ended December 31, 2000
 (Continued on Following Page)

	<u>Water and Sewer Operating</u>	<u>Water and Sewer Depreciation</u>	<u>Meter Deposit</u>	<u>Water and Sewer Bond</u>
OPERATING REVENUES:				
Water service	\$12,229,508	\$ -	\$ -	\$ -
Sewer service	7,985,242	-	-	-
Charges for services	548,297	-	-	-
Other	<u>30,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>20,793,120</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES:				
Personnel services	8,382,146	-	-	-
Contractual services	1,104,983	-	-	-
Materials and supplies	3,114,408	-	-	-
Heat, light, and power	1,151,841	-	-	-
Depreciation	<u>7,082,710</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>20,836,088</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>(42,968)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	188,101	-	-	92,214
Increase (decrease) in fair value of investments	-	-	-	-
Interest expense and fiscal charges	-	-	-	(1,832,688)
Sales tax revenue	-	-	-	-
Other nonoperating revenues (expenses)	<u>180,899</u>	<u>-</u>	<u>-</u>	<u>(133,440)</u>
Total Nonoperating Revenues (Expenses)	<u>369,000</u>	<u>-</u>	<u>-</u>	<u>(1,873,914)</u>
Income (Loss) Before Operating Transfers and Capital Contributions	326,032	-	-	(1,873,914)
OPERATING TRANSFERS IN – INTERFUND	250,000	-	-	-
OPERATING TRANSFERS IN – INTRAFUND	-	-	-	4,632,550
OPERATING TRANSFERS OUT – INTERFUND	(605,700)	-	-	-
OPERATING TRANSFERS OUT – INTRAFUND	(6,582,550)	-	-	(634,919)
CAPITAL CONTRIBUTIONS	<u>1,192,872</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>(5,419,346)</u>	<u>-</u>	<u>-</u>	<u>2,123,717</u>
DEPRECIATION ON CONTRIBUTED ASSETS (Prior to GASB 33)	1,582,685	-	-	-
RETAINED EARNINGS (DEFICIT), beginning of year	<u>94,570</u>	<u>500,000</u>	<u>-</u>	<u>(44,420,247)</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ (3,742,091)</u>	<u>\$500,000</u>	<u>\$ -</u>	<u>\$ (42,296,530)</u>

**Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings-
All Water and Sewer Funds
(Continued)**

2001 Sales & Use Tax Bond	Water and Sewer Capital Improvements	Totals	
		December 31, 2001	December 31, 2000
\$ -	\$ -	\$12,229,508	\$12,296,756
-	-	7,985,242	7,952,646
-	-	548,297	484,031
-	-	30,073	31,943
-	-	<u>20,793,120</u>	<u>20,765,376</u>
-	-	8,382,146	7,919,796
-	-	1,104,983	928,074
-	-	3,114,408	2,730,385
-	-	1,151,841	978,865
-	-	<u>7,082,710</u>	<u>5,804,636</u>
-	-	<u>20,836,088</u>	<u>18,361,756</u>
-	-	<u>(42,968)</u>	<u>2,403,620</u>
81,139	2,012,532	2,373,986	2,280,906
(24,415)	194,656	170,241	53,419
(1,075,351)	-	(2,908,039)	(2,561,255)
4,522,710	-	4,522,710	-
<u>100,600</u>	<u>(1,662)</u>	<u>146,397</u>	<u>42,716</u>
<u>3,604,683</u>	<u>2,205,526</u>	<u>4,305,295</u>	<u>(184,214)</u>
3,604,683	2,205,526	4,262,327	2,219,406
-	-	250,000	1,180,000
-	78,226,805	82,859,355	7,519,170
-	-	(605,700)	(62,000)
(75,641,886)	-	(82,859,355)	(7,519,170)
-	-	<u>1,192,872</u>	<u>-</u>
(72,037,203)	80,432,331	5,099,499	3,337,406
-	-	1,582,685	1,459,010
-	<u>116,439,630</u>	<u>72,613,953</u>	<u>67,817,537</u>
<u>\$ (72,037,203)</u>	<u>\$196,871,961</u>	<u>\$79,296,137</u>	<u>\$72,613,953</u>

City of Fort Smith, Arkansas

Combining Balance Sheet - All Sanitation Funds
 December 31, 2001, with Comparative Totals for December 31, 2000
 (Continued on Following Page)

<u>ASSETS</u>	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
CASH	\$ 1,100	\$ -	\$ -	\$ -
INVESTMENTS	1,316,473	-	-	-
RECEIVABLES, net of allowances for uncollectibles:				
Accounts	797,117	-	-	-
Accrued interest	4,229	-	-	-
RESTRICTED ASSETS:				
Cash	-	156,018	-	-
Investments	-	1,164,334	79,548	3,770,717
Accounts receivable, net of allowances for uncollectibles	-	-	10,161	-
Interest receivable	-	2,126	172	10,798
Due from other funds	-	-	20	-
FIXED ASSETS, net of accumulated depreciation	2,276,113	-	19,236	10,799,193
DEFERRED CHARGES	-	62,213	-	-
Total Assets	<u>\$4,395,032</u>	<u>\$1,384,691</u>	<u>\$109,137</u>	<u>\$14,580,708</u>

**Combining Balance Sheet - All Sanitation Funds
(Continued)**

Totals	
December 31, 2001	December 31, 2000
\$ 1,100	\$ 1,100
1,316,473	874,865
797,117	673,154
4,229	6,891
156,018	72,708
5,014,599	5,505,033
10,161	42,686
13,096	27,409
20	7,369
13,094,542	13,890,887
<u>62,213</u>	<u>68,827</u>
<u>\$20,469,568</u>	<u>\$21,170,929</u>

City of Fort Smith, Arkansas

Combining Balance Sheet - All Sanitation Funds
 December 31, 2001, with Comparative Totals for December 31, 2000
 (Continued on following page)

<u>LIABILITIES AND EQUITY</u>	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 347,194	\$ -	\$ 11,303	\$ -
Liability for accrued vacation and sick leave	224,696	-	3,526	-
Liability for landfill closure and postclosure care	-	-	-	2,531,814
Payable from restricted assets-				
Accrued interest	-	39,260	-	-
Revenue bonds payable, current	-	695,000	-	-
Accounts payable and accrued expenses	-	-	-	80,675
Revenue bonds payable, net	-	7,814,232	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>571,890</u>	<u>8,548,492</u>	<u>14,829</u>	<u>2,612,489</u>
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	37,862	-	-	-
Retained earnings (deficit)-				
Reserved for bond retirement	-	1,093,621	-	-
Reserved for landfill closure and postclosure care	-	-	-	3,524,763
Reserved for asset replacement	130,932	-	-	-
Reserved for construction	-	-	94,308	-
Unreserved	<u>3,654,348</u>	<u>(8,257,422)</u>	<u>-</u>	<u>8,443,456</u>
Total Equity	<u>3,823,142</u>	<u>(7,163,801)</u>	<u>94,308</u>	<u>11,968,219</u>
Total Liabilities and Equity	<u>\$4,395,032</u>	<u>\$1,384,691</u>	<u>\$109,137</u>	<u>\$14,580,708</u>

**Combining Balance Sheet - All Sanitation Funds
(Continued)**

Totals	
December 31, 2001	December 31, 2000
\$ 358,497	\$ 410,808
228,222	218,422
2,531,814	2,023,997
39,260	41,849
695,000	665,000
80,675	14,524
7,814,232	8,470,435
<u>-</u>	<u>2,976</u>
<u>11,747,700</u>	<u>11,848,011</u>
37,862	37,862
1,093,621	1,093,621
3,524,763	3,016,946
130,932	119,521
94,308	305,836
<u>3,840,382</u>	<u>4,749,132</u>
<u>8,721,868</u>	<u>9,322,918</u>
<u>\$20,469,568</u>	<u>\$21,170,929</u>

City of Fort Smith, Arkansas

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -
 All Sanitation Funds
 For the Fiscal Year Ended December 31, 2001,
 With Comparative Totals for December 31, 2000
 (Continued on following page)

	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
OPERATING REVENUES:				
Charges for services	\$ 9,276,595	\$ -	\$ -	\$ -
OPERATING EXPENSES:				
Personnel services	4,039,996	-	147,766	-
Contractual services	1,020,947	-	198,627	-
Materials and supplies	1,449,800	-	33,776	507,817
Heat, light, and power	26,257	-	-	-
Depreciation	2,108,664	-	-	-
Total Operating Expenses	<u>8,645,664</u>	<u>-</u>	<u>380,169</u>	<u>507,817</u>
OPERATING INCOME (LOSS)	<u>630,931</u>	<u>-</u>	<u>(380,169)</u>	<u>(507,817)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	22,745	62,555	12,158	217,082
Increase (decrease) in fair value of investments	-	(916)	-	-
Interest and fiscal charges	-	(499,594)	-	-
Other nonoperating revenues (expenses)	49,048	(52,856)	76,483	-
Total Nonoperating Revenues (Expenses)	<u>71,793</u>	<u>(490,811)</u>	<u>88,641</u>	<u>217,082</u>
Income (Loss) Before Operating Transfers	702,724	(490,811)	(291,528)	(290,735)
OPERATING TRANSFERS IN – INTERFUND	35,000	-	-	-
OPERATING TRANSFERS IN – INTRAFUND	-	1,167,190	80,000	457,000
OPERATING TRANSFERS OUT – INTERFUND	(265,700)	-	-	-
OPERATING TRANSFERS OUT – INTRAFUND	<u>(1,704,190)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	(1,232,166)	676,379	(211,528)	166,265
RETAINED EARNINGS (DEFICIT), beginning of year	<u>5,017,446</u>	<u>(7,840,180)</u>	<u>305,836</u>	<u>11,801,954</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ 3,785,280</u>	<u>\$ (7,163,801)</u>	<u>\$ 94,308</u>	<u>\$11,968,219</u>

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -
 All Sanitation Funds
 (Continued)

Totals	
December 31, 2001	December 31, 2000
<u>\$9,276,595</u>	<u>\$9,742,313</u>
4,187,762	4,106,744
1,219,574	1,335,908
1,991,393	1,670,428
26,257	21,450
<u>2,108,664</u>	<u>1,869,950</u>
<u>9,533,650</u>	<u>9,004,480</u>
<u>(257,055)</u>	<u>737,833</u>
314,540	412,913
(916)	876
(499,594)	(528,529)
<u>72,675</u>	<u>115,822</u>
<u>(113,295)</u>	<u>1,082</u>
(370,350)	738,915
35,000	30,000
1,704,190	3,522,416
(265,700)	(32,000)
<u>(1,704,190)</u>	<u>(3,522,416)</u>
(601,050)	736,915
<u>9,285,056</u>	<u>8,548,141</u>
<u>\$8,684,006</u>	<u>\$9,285,056</u>

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City of Fort Smith, Arkansas

General Government Expenditures by Function (1) and (2)
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Services</u>	<u>Other</u>	<u>Debt Service</u>	<u>Total</u>
1992	\$2,360,753	\$ 7,993,596	\$11,717,454	\$ 786,999	\$2,660,852	\$ 281,500	\$25,801,154
1993	\$2,412,384	\$ 8,196,871	\$10,998,716	\$1,108,863	\$2,239,107	\$ 278,650	\$25,234,591
1994	\$2,395,054	\$ 8,739,092	\$17,284,148	\$ 998,413	\$2,476,217	\$ -	\$31,892,924
1995	\$2,726,919	\$11,773,614	\$18,725,616	\$ 921,353	\$1,117,311	\$ -	\$35,264,813
1996	\$2,861,021	\$13,334,796	\$16,336,109	\$1,637,082	\$1,524,650	\$ -	\$35,693,658
1997	\$3,016,803	\$14,298,925	\$16,823,329	\$1,390,933	\$1,707,646	\$ 252,333	\$37,489,969
1998	\$3,091,735	\$15,235,568	\$15,406,557	\$1,981,055	\$1,242,962	\$4,240,216	\$41,198,093
1999	\$3,542,767	\$16,893,976	\$15,180,628	\$2,105,136	\$1,749,246	\$7,485,305	\$46,957,058
2000	\$4,105,006	\$19,895,794	\$13,312,097	\$2,411,123	\$1,332,628	\$7,998,421	\$49,055,069
2001	\$4,791,577	\$19,956,251	\$19,873,058	\$3,739,391	\$1,966,232	\$2,465,980	\$52,792,489

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) This schedule excludes General Fund and Special Revenue Fund capital outlays.

City of Fort Smith, Arkansas

General Revenue by Source (1)
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes (2)</u>	<u>Sales Tax (3)</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Fines and Forfeitures</u>	<u>Fees for Services</u>	<u>Interest</u>	<u>Other (4)</u>	<u>Total</u>
1992	\$ 9,057,950	\$10,424,648	\$1,139,200	\$ 6,426,944	\$1,066,939	\$216,682	\$ 304,778	\$ 613,748	\$29,250,889
1993	\$ 9,555,985	\$11,552,563	\$1,193,378	\$ 8,152,456	\$1,157,541	\$215,485	\$ 391,956	\$ 579,642	\$32,799,006
1994	\$ 9,354,105	\$14,049,584	\$ 603,368	\$ 7,850,023	\$1,313,112	\$221,095	\$ 660,320	\$ 758,061	\$34,809,668
1995	\$ 9,457,431	\$18,481,174	\$ 642,665	\$ 7,614,332	\$1,585,493	\$255,280	\$1,016,993	\$ 797,690	\$39,851,058
1996	\$ 9,487,379	\$19,451,766	\$ 737,199	\$ 8,341,274	\$1,758,333	\$262,531	\$1,096,542	\$ 810,202	\$41,945,226
1997	\$ 9,972,921	\$19,732,421	\$ 718,234	\$ 7,757,251	\$1,835,552	\$286,989	\$1,279,268	\$ 776,068	\$42,358,704
1998	\$10,268,710	\$26,599,219	\$ 819,234	\$ 9,828,021	\$1,757,023	\$384,289	\$1,511,836	\$1,639,154	\$52,807,486
1999	\$10,467,904	\$29,121,222	\$1,001,801	\$10,977,226	\$1,694,367	\$329,352	\$1,830,242	\$ 922,715	\$56,344,829
2000	\$11,299,993	\$35,805,269	\$1,197,326	\$10,513,059	\$1,720,211	\$340,266	\$2,659,402	\$ 993,271	\$64,528,797
2001	\$12,279,662	\$35,872,020	\$1,297,811	\$13,943,553	\$1,615,757	\$720,524	\$2,626,193	\$1,172,292	\$69,527,812

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) Includes taxes and utility franchise fees.

(3) The City began collecting the 1% City sales tax in November 1985, the ½% City sales tax in January 1998, and the 1% County sales tax in August 1994.

(4) Includes contributions and miscellaneous revenues.

City of Fort Smith, Arkansas

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

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Collection Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
1992	\$ 4,971,677	\$ 4,762,800	95.80%	\$200,103	\$4,962,903	99.82%	\$179,987	3.62%
1993	\$ 4,971,677	\$ 4,860,126	97.76%	\$200,206	\$5,060,332	101.78%	\$187,649	3.77%
1994	\$ 4,815,548	\$ 4,697,860	97.56%	\$200,754	\$4,898,614	101.72%	\$149,673	3.11%
1995	\$ 5,013,613	\$ 4,914,796	98.03%	\$161,378	\$5,076,174	101.25%	\$139,330	2.78%
1996	\$ 5,333,661	\$ 5,188,597	97.28%	\$145,282	\$5,333,879	100.00%	\$178,399	3.34%
1997	\$ 5,724,797	\$ 5,532,859	96.65%	\$195,923	\$5,728,782	100.07%	\$221,049	3.86%
1998	\$ 5,794,689	\$ 5,622,468	97.03%	\$173,623	\$5,796,091	100.02%	\$227,176	3.92%
1999	\$ 5,925,809	\$ 5,829,854	98.38%	\$181,543	\$6,011,397	101.44%	\$237,037	4.00%
2000	\$ 6,460,708	\$ 6,158,209	95.32%	\$ 29,427	\$6,187,636	95.77%	\$233,346	3.61%
2001	\$ 6,979,535	\$ 6,004,289	86.03%	\$121,353	\$6,125,642	87.77%	\$ 56,473	0.81%

(1) Total Tax Levy is based upon assessed valuation of the previous year.

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
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1992	\$422,928,404	\$2,114,642,020	\$176,190,454	\$ 880,952,270	\$599,118,858	\$2,995,594,290	20%
1993	\$437,652,596	\$2,188,262,980	\$179,787,756	\$ 898,938,780	\$617,440,352	\$3,087,201,760	20%
1994	\$449,615,226	\$2,248,076,130	\$185,078,434	\$ 925,392,170	\$634,693,660	\$3,173,468,300	20%
1995	\$467,705,956	\$2,338,529,780	\$207,064,714	\$1,035,323,570	\$674,770,670	\$3,373,853,350	20%
1996	\$500,702,647	\$2,503,513,235	\$220,326,778	\$1,101,633,890	\$721,029,425	\$3,605,147,125	20%
1997	\$506,220,849	\$2,531,104,245	\$225,555,162	\$1,127,775,810	\$731,776,011	\$3,658,880,055	20%
1998	\$522,018,450	\$2,610,092,250	\$239,096,910	\$1,195,484,550	\$761,115,360	\$3,805,576,800	20%
1999	\$535,068,911	\$2,675,344,555	\$245,708,442	\$1,228,542,210	\$780,777,353	\$3,903,886,765	20%
2000	\$607,508,450	\$3,037,542,250	\$262,110,959	\$1,310,554,795	\$869,619,409	\$4,348,097,045	20%
2001	\$636,575,485	\$3,182,877,425	\$293,983,422	\$1,469,917,110	\$930,558,907	\$4,652,794,535	20%

(1) Fiscal year is year of valuation.

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City of Fort Smith, Arkansas

**Direct 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		Sebastian County		Fort Smith School District		Fort Smith Library	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
1992	.750	.750	.800	.800	3.650	3.650	.100	.100
1993	.700	.700	.800	.800	3.650	3.650	.100	.100
1994	.700	.700	.800	.800	3.650	3.650	.100	.100
1995	.700	.700	.800	.800	3.650	3.650	.100	.100
1996	.700	.700	.800	.800	3.650	3.650	.100	.100
1997	.700	.700	.800	.800	3.650	3.650	.100	.100
1998	.700	.700	.800	.800	3.650	3.650	.100	.100
1999	.700	.700	.800	.800	3.650	3.650	.100	.100
2000	.700	.700	.800	.800	3.650	3.650	.100	.100
2001	.700	.700	.800	.800	3.650	3.650	.100	.100

TAX LEVIES (Millages):

Fiscal Year (1)	City of Fort Smith		Sebastian County		Fort Smith School District		Fort Smith Library	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
1992	7.50	7.50	8.00	8.00	36.50	36.50	1.00	1.00
1993	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1994	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1995	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1996	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1997	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1998	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1999	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
2000	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
2001	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00

(1) Fiscal year is year of levy.

(Continued on following page)

City of Fort Smith, Arkansas

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

Westark Community College		Total	
Real Property	Personal Property	Real Property	Personal Property
.525	.525	5.825	5.825
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775

Westark Community College		Total	
Real Property	Personal Property	Real Property	Personal Property
5.25	5.25	58.25	58.25
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75

(Continued)

City of Fort Smith, Arkansas

**Special Assessment Collections
Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Current Assessment Due</u>	<u>Current Assessment Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
1992 (1)	\$ -	\$ -	-	\$ 11,466
1993	\$ -	\$ -	-	\$ -
1994	\$ -	\$ -	-	\$ -
1995	\$ -	\$ -	-	\$ -
1996	\$ -	\$ -	-	\$ -
1997	\$ -	\$ -	-	\$ -
1998	\$ -	\$ -	-	\$ -
1999	\$ -	\$ -	-	\$ -
2000	\$ -	\$ -	-	\$ -
2001	\$ -	\$ -	-	\$ -

- (1) The levy of assessments against property owners within the Executive Park Street Improvement District was terminated by the adoption of Ordinance No. 47-92 dated July 21, 1992. Therefore, there was no current assessment due for 1992 and the remaining balance of assessments outstanding represents unpaid assessments from prior years.

City of Fort Smith, Arkansas

Ratio of Net General Bonded Debt
to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (1)</u>	<u>Less Debt Service Funds (3)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1992	72,798	\$599,119	\$265,000	\$148,202	\$116,798	.02%	\$ 1.60
1993	72,798	\$617,440	\$ -	\$ -	\$ -	-	\$ -
1994	72,798	\$634,694	\$ -	\$ -	\$ -	-	\$ -
1995	72,798	\$674,771	\$ -	\$ -	\$ -	-	\$ -
1996	72,798	\$721,029	\$ -	\$ -	\$ -	-	\$ -
1997	72,798	\$731,776	\$ -	\$ -	\$ -	-	\$ -
1998	72,798	\$761,115	\$ -	\$ -	\$ -	-	\$ -
1999	72,798	\$780,777	\$ -	\$ -	\$ -	-	\$ -
2000	80,268	\$869,619	\$ -	\$ -	\$ -	-	\$ -
2001	80,268	\$930,559	\$ -	\$ -	\$ -	-	\$ -

- (1) Includes General Obligation Bonds only.
- (2) From Table 4 (in 000's).
- (3) Amount available for repayment of General Obligation Bonds.

City of Fort Smith, Arkansas

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

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Net assessed value (1)	\$599,118,858	\$617,440,352	\$634,693,660	\$674,770,670
Plus exempt property	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Total assessed value	<u>\$599,118,858</u>	<u>\$617,440,352</u>	<u>\$634,693,660</u>	<u>\$674,770,670</u>
Debt limit - 25% of total assessed value (3)	\$149,779,115	\$154,360,088	\$158,673,415	\$168,692,668
Amount of debt applicable to limit (4)	<u>116,798</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt margin	<u>\$149,662,317</u>	<u>\$154,360,088</u>	<u>\$158,673,415</u>	<u>\$168,692,668</u>

(1) From Table 4.

(2) Not available.

(3) Limitation is established by State Statute.

(4) Includes General Obligation Debt net of assets available for bond retirement. See Table 7.

(Continued on following page)

City of Fort Smith, Arkansas

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

<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
\$721,029,425	\$731,776,011	\$761,115,360	\$780,777,353	\$869,619,409	\$930,558,907
<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
<u>\$721,029,425</u>	<u>\$731,776,011</u>	<u>\$761,115,360</u>	<u>\$780,777,353</u>	<u>\$869,619,409</u>	<u>\$930,558,907</u>
\$180,257,356	\$182,944,003	\$190,278,840	\$195,194,338	\$217,404,852	\$232,639,727
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$180,257,356</u>	<u>\$182,944,003</u>	<u>\$190,278,840</u>	<u>\$195,194,338</u>	<u>\$217,404,852</u>	<u>\$232,639,727</u>

(Continued)

City of Fort Smith, Arkansas

**Computation of Direct and Estimated Overlapping Debt
 December 31, 2001
 (Unaudited)**

<u>Jurisdiction</u>	<u>Total Outstanding Bonded Debt (1)</u>	<u>Estimated Percent Applicable (2)</u>	<u>Direct and Estimated Overlapping Bonded Debt</u>
Direct-			
City of Fort Smith	<u>\$100,555,000</u>	100%	<u>\$100,555,000</u>
Overlapping-			
Fort Smith Special School District	6,937,351	95%	6,590,483
Sebastian County	<u>829,000</u>	76%	<u>630,040</u>
Total overlapping	<u>7,766,351</u>		<u>7,220,523</u>
Total direct and estimated overlapping bonded debt	<u>\$108,321,351</u>		<u>\$107,775,523</u>
Ratio, direct and estimated overlapping debt to fiscal 2001 assessed valuation (3)			12%
Per capital direct and estimated overlapping bonded debt (4)			<u>\$ 1,343</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 4, \$930,558,907.

(4) Based on 2000 census population of 80,268.

City of Fort Smith, Arkansas

**Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures (1)
Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenditures (2)</u>	<u>Ratio of Debt Service Expenditures To Total Expenditures (Percent)</u>
1992	\$ 250,000	\$ 31,500	\$ 281,500	\$25,801,154	1.09%
1993	\$ 265,000	\$ 13,640	\$ 278,640	\$25,234,591	1.10%
1994	\$ -	\$ -	\$ -	\$31,892,924	-
1995	\$ -	\$ -	\$ -	\$35,264,813	-
1996	\$ -	\$ -	\$ -	\$35,693,658	-
1997	\$ -	\$ 252,333	\$ 252,333	\$37,489,969	.07%
1998	\$2,100,000	\$2,140,216	\$ 4,240,216	\$41,198,093	10.29%
1999	\$5,520,000	\$1,965,305	\$ 7,485,305	\$46,957,058	15.94%
2000	\$6,325,000	\$1,673,421	\$ 7,998,421	\$49,055,069	16.30%
2001	\$9,220,000	\$1,391,728	\$10,611,728	\$52,792,489	20.10%

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) From Table 1.

City of Fort Smith, Arkansas

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

	<u>Fiscal Year</u>	<u>Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>
Water and Sewer System	1992	\$12,838,399	\$ 8,377,522	\$ 4,460,877
	1993	\$13,383,908	\$ 8,839,580	\$ 4,544,328
	1994	\$13,583,316	\$ 8,771,983	\$ 4,811,333
	1995	\$13,916,768	\$ 9,614,955	\$ 4,301,813
	1996	\$14,233,369	\$10,395,390	\$ 3,837,979
	1997	\$14,109,692	\$10,787,499	\$ 3,322,193
	1998	\$14,595,971	\$11,178,704	\$ 3,417,267
	1999	\$17,666,495	\$11,906,342	\$ 5,760,153
	2000	\$23,046,282	\$12,557,120	\$10,489,162
	2001	\$23,167,106	\$13,753,378	\$ 9,413,728
Solid Waste System	1992	\$ 4,935,237	\$ 4,245,900	\$ 689,337
	1993	\$ 5,689,923	\$ 4,225,254	\$1,464,669
	1994	\$ 6,532,027	\$ 4,844,436	\$1,687,591
	1995	\$ 7,161,396	\$ 5,244,807	\$1,916,589
	1996	\$ 7,253,381	\$ 5,305,828	\$1,947,553
	1997	\$ 7,305,144	\$ 5,819,320	\$1,485,824
	1998	\$ 7,489,476	\$ 5,967,537	\$1,521,939
	1999	\$ 8,220,315	\$ 6,533,853	\$1,686,462
	2000	\$10,155,226	\$ 7,134,530	\$3,020,696
	2001	\$ 9,591,135	\$ 7,345,440	\$2,245,695

- (1) For purposes of this schedule, revenue includes operating revenue and interest revenue.
(2) Excludes depreciation expense and amortization expense.
(3) No principal payments required in these years.
(4) Total interest paid for the fiscal year is presented in this schedule including capitalized interest.

(Continued on following page)

City of Fort Smith, Arkansas

Revenue Bond Debt Service Coverage
Last Ten Fiscal Years
(Unaudited)

<u>Debt Service Requirements</u>			<u>Coverage</u>
<u>Principal</u>	<u>Interest (4)</u>	<u>Total</u>	
\$1,005,000	\$1,592,593	\$2,597,593	172%
\$1,060,000	\$1,504,925	\$2,564,925	177%
\$ 545,000	\$1,883,279	\$2,428,279	198%
\$ 765,000	\$1,740,437	\$2,505,437	172%
\$1,040,000	\$1,417,850	\$2,457,850	156%
\$1,080,000	\$1,373,600	\$2,453,600	135%
\$1,125,000	\$1,325,023	\$2,450,023	139%
\$1,170,000	\$1,610,697	\$2,780,697	207%
\$2,055,000	\$2,561,255	\$4,616,255	227%
\$2,140,000	\$2,908,039	\$5,048,039	186%
\$ -	\$ -	\$ -	-%
\$ -	\$ 134,151	\$ 134,151	1,092% (3)
\$ -	\$ 246,052	\$ 246,052	686% (3)
\$ 485,000	\$ 613,738	\$1,098,738	174%
\$ 505,000	\$ 698,718	\$1,203,718	162%
\$ 525,000	\$ 674,991	\$1,199,991	124%
\$ 450,000	\$ 617,605	\$1,067,605	143%
\$ 610,000	\$ 555,378	\$1,165,378	145%
\$ 635,000	\$ 528,529	\$1,163,529	260%
\$ 665,000	\$ 499,594	\$1,164,594	193%

(Continued)

City of Fort Smith, Arkansas

**Property Value, Construction, and Bank Deposits
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Property Value (in thousands) (2)	Commercial Construction (1)		Residential Construction (1)		Bank (in thousands)
		Number of Units	Value	Number of Units	Value	
1992	\$2,114,642	37	\$11,792,319	180	\$15,724,790	(3)
1993	\$2,188,263	52	\$22,340,871	197	\$21,440,868	(3)
1994	\$2,235,098	48	\$22,546,203	128	\$14,687,860	(3)
1995	\$2,324,053	57	\$21,221,234	193	\$18,809,705	(3)
1996	\$2,503,513	44	\$21,868,896	254	\$29,424,394	(3)
1997	\$2,514,333	48	\$20,233,050	195	\$17,778,640	(3)
1998	\$2,610,092	60	\$60,970,776	234	\$23,183,003	(3)
1999	\$2,675,345	76	\$51,386,195	269	\$37,904,702	(3)
2000	\$3,037,542	88	\$32,890,175	209	\$27,388,944	(3)
2001	\$3,182,877	54	\$51,903,874	290	\$33,932,448	(3)

- (1) City of Fort Smith Building Department Estimate.
(2) From Table 4.
(3) Not available.

City of Fort Smith, Arkansas

Principal Taxpayers
December 31, 2001
(Unaudited)

<u>Name of Taxpayer (1)</u>	<u>Kind of Property</u>	<u>2001 Assessed Valuation (2)</u>	<u>Percentage of Total Assessed Valuation</u>
Oklahoma Gas & Electric Co.	Electric Utility	\$12,673,137	1.36%
Gerber Products	Baby Food Processing Plant	12,313,345	1.32
Whirlpool Corp.	Refrigeration Products Manufacturing Warehouse	11,736,275	1.26
Wal-Mart	Retail Shopping Center	9,606,115	1.03
Beverly Enterprises	Office Complex	9,532,310	1.02
Southwestern Bell	Telecommunications	8,392,151	0.90
CMFS Limited Partnership (Central Mall)	Retail Shopping Center	6,726,050	0.72
Planters Lifesavers	Peanut Processing Plant	6,388,220	0.69
Hiram Walker	Cordials Industry	5,790,220	0.62
Arkansas Best Corporation	Office Complex	<u>5,216,855</u>	0.56
	Total	<u>\$88,374,678</u>	

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2001 are based upon 2000 assessed valuation.

City of Fort Smith, Arkansas

Insurance in Force
December 31, 2001
(Unaudited)

Insurance Company	Premium	Policy No.	Expiration Date
Coregis Insurance Co. (Fleet)	\$134,988	651-009454	06/19/02
Coregis Insurance Co. (Sanitation)	\$ 72,928	651-009453	06/19/02
Coregis Insurance Co. (Transit)	\$ 10,220	651-009452	06/19/02
Coregis Insurance Co. (Property)	\$118,251	651-011043	08/05/02
First Specialty Insurance Co. (Convention Center)	\$ 10,504	PGL37136	01/22/03
Old Republic Surety Co. (R-O-W-CC)	\$ 250	LSC-1037206	04/11/03
Old Republic Surety Co. (R-O-W)	\$ 2,500	LSC-0821592	02/10/03
Essex Insurance Company (Deployer)	\$ 3,094	3CD7889	02/02/03
One Beacon Insurance (Port Authority – 100/200 Navy Rd)	\$ 1,759	QER494046	03/14/03
Arkansas Insurance Department	\$ 4,029	FBTF10 (Pool)	12/31/02
Coregis Insurance Co. (Bridge)	\$ 1,149	CAP5430485	05/26/02
Coregis Insurance Co. (Fine Arts)	\$ 1,500	651-011043	08/05/02
Rebsamen Insurance	\$ 988	NC043031-03	08/01/02

(Continued on following page)

City of Fort Smith, Arkansas

Insurance in Force
December 31, 2001
(Unaudited)

Coverage	Amount or Limit
Vehicle liability with extended coverage and uninsured motorist medical and physical	Actual Cash Value up to \$100,000 per loss
Roll-off trucks liability with extended coverage and uninsured motorist medical and physical	Actual Cash Value up to \$1,000,000 per loss
Transit buses liability with extended coverage and uninsured motorist medical and physical	Actual Cash Value up to \$1,000,000 per loss
Property coverage/inland marine/boiler & machinery coverage	Actual Cash Value (Limit of \$133,984,151)
Comprehensive general liability convention center	\$1,000,000 Combined
Arkansas Highway Department right-of-way bond	\$25,000
Arkansas Highway Department right-of-way bond	\$250,000
Enviro cover & deployer support unit – general liability	\$1,000,000
Property and comprehensive general liability – Port Authority (100/200 Navy Rd.)	\$80,200 Combined
Municipal officials and employees blanket bond	\$250,000
General liability coverage – land beneath Garrison Avenue Bridge (including parking)	\$1,000,000
Fine arts property coverage – Convention Center	\$500,000
Refuse receptacles (newspapers, aluminum, cans, glass)	\$1,000,000

City of Fort Smith, Arkansas

Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>City Population</u>	<u>Sebastian County Population</u>	<u>Per Capita Income (4)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Schooling (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1992	72,798	99,590	\$14,296	34.4	12.2	12,361	7.2%
1993	72,798	99,590	\$15,168	34.4	12.2	12,601	4.7%
1994	72,798	99,590	\$15,939	34.4	12.2	12,514	4.7%
1995	72,798	99,590	\$15,276	34.4	12.2	12,570	4.5%
1996	72,798	99,590	\$16,057	34.4	12.2	12,763	5.0%
1997	72,798	99,590	\$16,661	34.4	12.2	12,741	4.7%
1998	72,798	99,590	\$17,116	34.4	12.2	12,496	4.3%
1999	72,798	99,590	\$17,495	34.4	12.2	12,430	3.3%
2000	80,268	115,071	\$16,719	34.4	12.2	12,637	3.6%
2001	80,268	115,071	(5)	34.4	12.2	12,596	2.9%

(1) Community Development Department's Estimate.

(2) Fort Smith School District.

(3) Arkansas Employment Security Division.

(4) Chamber of Commerce.

(5) Not available.

City of Fort Smith, Arkansas

**Miscellaneous Statistical Data
 December 31, 2001
 (Unaudited)**

Form of Government	City Administrator
Area	53.64 square miles
Date of Incorporation	December 24, 1842
Miles of Streets	603 miles
Number of Street Lights	5,383
Number of Traffic Signals	123
Fire Protection:	
Number of stations	10
Number of firefighters and officers (exclusive of volunteer firefighters)	128
Police Protection:	
Number of stations	1
Number of police members and officers	150
Municipal Water Department:	
Number of consumers	29,873
Average daily production capacity	55,000,000 gallons
Average daily production	29,511,000 gallons
Maximum average daily consumption	30,656,000 gallons
Miles of water main	576 miles
Sewers:	
Sanitary sewers	481 miles
Storm sewers	7,900
Average daily sewage flow	15,130,000 gallons
Building Permits Issued	2,638
Recreation and Culture:	
Number of parks	20 with 295.03 acres
Number of libraries	4 (one main, three branch)
Number of volumes	250,782
Employees:	
Exempt	118
Nonexempt	<u>729</u>
Total employees	<u>847</u>

City of Fort Smith, Arkansas

Principal Employers by Number of Employees
December 31, 2001
(Unaudited)

Company	Business or Product	Number of Employees
Whirlpool Corporation	Ice makers, refrigerators	4,575
O K Foods	Frozen processed chicken parts	4,500
Sparks Health System	Hospital	2,800
Baldor Electric	Grinders, drives, electric motors	1,711
St. Edward Mercy Medical Center	Hospital	1,703
Rheem-Ruud	Residential heat/air equipment	1,651
Fort Smith Public Schools	Education	1,594
Riverside Furniture	Wooden upholstered furniture, sofas	1,325
Arkansas Best	Transportation industry	876
Beverly Enterprises	Nursing homes	870
Trane Company	Air conditioning equipment, heat pumps	850
City of Fort Smith	Government	847
Cooper Clinic	Medical clinic	725
Gerber Products	Baby foods; infant cereal	651
Westark College	Educational Institution	610

Source: Fort Smith Chamber of Commerce

City of Fort Smith, Arkansas

Local Sales and Use Tax Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	1% City Sales & Use Tax Allocated for Streets (1)	1% City Sales & Use Tax Allocated for Lee Creek Water Project (2)	City Share 1% County Sales & Use Tax (3)	1% City Sales & Use Tax Allocated for Bonds (4)	Total
1992	\$ 10,424,649	\$10,424,649	\$ -	\$ -	\$ 20,849,298
1993	11,552,565	2,803,197	-	-	14,355,762
1994	12,431,109	-	2,839,430	-	15,270,539
1995	12,472,680	-	10,072,904	-	22,545,584
1996	13,379,605	-	10,652,914	-	24,032,519
1997	13,504,781	-	10,925,683	-	24,430,464
1998	13,936,617	-	11,243,858	6,253,603	31,434,078
1999	14,689,273	-	11,812,187	7,344,637	33,846,097
2000	15,453,552	-	12,624,941	7,726,776	35,805,269
2001	<u>15,728,836</u>	<u>-</u>	<u>12,278,766</u>	<u>12,387,128</u>	<u>40,394,730</u>
Total	<u>\$133,573,667</u>	<u>\$13,227,846</u>	<u>\$82,450,683</u>	<u>\$33,712,144</u>	<u>\$262,964,340</u>

- (1) The 1% City Sales & Use Tax allocated for construction, repair and maintenance of streets, bridges, and associated drainage improvements was initially assessed in 1985 for a period of ten years. The tax was reaffirmed by the citizens in 1995 for an additional ten years. The tax is accounted for in the Sales Tax Fund, a special revenue fund.
- (2) The 1% City Sales & Use Tax allocated to redeem the City of Fort Smith Sales & Use Tax Bonds, Series 1988, was the financing method for construction of the Lee Creek Water Impoundment Project. The collection of the special assessment began January 1, 1989, and ended February 28, 1993, when the bonds were redeemed in full.
- (3) Sebastian County began assessing a 1% Sales & 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 as follows: 57% to the General Fund, 33% to the Water and Sewer Fund, and 10% to the Sanitation Fund.
- (4) The City currently assesses two ½% sales and use tax to total 1% for Bonds. The first ½% City Sales and Use Tax allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 1997 is the financing method for the construction of the civic center, public library, and riverfront park projects. The tax became effective January 1, 1998. The second ½% City Sales and Use Tax allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 2001 is the financing method for a portion of the Lake Fort Smith Water Supply Expansion Project and wastewater improvements. The tax for the 2001 Bonds became effective May 1, 2001. Once the 1997 Bonds are redeemed, the entire 1% tax will be allocated to the repayment of the 2001 Bonds.

City of Fort Smith, Arkansas

Solid Waste System Statistics
December 31, 2001
(Unaudited)

<u>Fiscal Year</u>	<u>Sanitation System Customers</u>	<u>Cubic Yardage of Waste at Landfill</u>	<u>Useful Life of Landfill Remaining</u>	<u>Remaining Storage Capacity at Landfill</u>
1993	212,910	993,173	20 years	13,387,000 cubic yards
1994	215,980	957,374	19 years	12,907,000 cubic yards
1995	219,075	979,533	18 years	12,417,000 cubic yards
1996	220,150	1,076,172	17 years	11,857,000 cubic yards
1997	221,300	1,175,821	16 years	11,357,000 cubic yards
1998	223,480	1,160,034	15 years	10,907,000 cubic yards
1999	272,616	1,369,106	14 years	10,550,000 cubic yards
2000	236,376	1,106,718	13 years	9,790,000 cubic yards
2001	276,564	1,096,082	12 years	9,506,000 cubic yards

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**Independent Auditors' Report on
Compliance with Arkansas State Statutes**

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

We have audited the general purpose financial statements of the City of Fort Smith, Arkansas (the "City"), as of and for the year ended December 31, 2001, and have issued our report thereon dated April 19, 2002. As part of our audit, we made a study and evaluation of the City's internal control (including the practices and procedures required by the following Arkansas state statutes: Municipal Accounting Law, Act 159 of 1973; Municipal Court and Police Department, Act 332 of 1977; Bonding of Municipal Officers and Employees, Act 728 of 1987 and Act 319 of 1993; Improvement Contract over \$10,000, Act 159 of 1949; Budgets, Purchases over \$2,000, Payments of Claims, Etc., Act 28 of 1959; Investment of Public Funds, Act 273 of 1943 and Act 106 of 1973; Deposit of Public Funds, Act 21 of 1935, Act 57 of 1945 and Act 107 of 1973), to the extent we considered necessary to evaluate the internal control as required by auditing standards generally accepted in the United States.

In planning and performing our audit of the general purpose financial statements of the City for the year ended December 31, 2001, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and to report on internal control in accordance with Office of Management and Budget Circular A-133.

The management of the City is responsible for establishing and maintaining internal control and the practices and procedures referred to in the first paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control of the policies and procedures referred to in the first paragraph. The objectives of internal control and the practices and procedures referred to above are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with accounting principles generally accepted in the United States. Because of inherent limitations in any internal control and the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the practices and procedures referred to above, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. Our procedures were less in scope than would be necessary to render an opinion on these internal control policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might constitute a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving internal control and its operation that we have reported to the management of the City in a separate letter dated April 19, 2002.

This report is intended solely for the information of management and the Arkansas General Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Dallas, Texas,
April 19, 2002

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Report of Independent Public Accountants on Compliance and Internal Control

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

We have audited the general purpose financial statements of the City of Fort Smith, Arkansas as of and for the year ended December 31, 2001, and have issued our report thereon dated April 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated April 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated April 19, 2002.

This report is intended solely for the information of the Mayor, Board of Directors, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Dallas, Texas,
April 19, 2002



Report of Independent Public Accountants on Compliance and Internal Control Related to Federal and State Programs

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

Compliance

We have audited the compliance of the City of Fort Smith, Arkansas with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to each of its major federal and state programs for the year ended December 31, 2001. The City's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and state programs occurred. An audit includes 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular-A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to major federal and state programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated April 19, 2002.

This report is intended solely for the information of the Mayor, Board of Directors, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Dallas, Texas,
April 19, 2002

City of Fort Smith, Arkansas

Schedule of Expenditures of Federal and State Awards
For the Year Ended December 31, 2001
(Continued on following page)

Granting Agency/Grant Program	Federal CFDA Number	Grant Number	Expenditures
FEDERAL AWARDS:			
Department of Housing and Urban Development Direct Federal Payments -			
Community Development Block Grants-			
Twenty Third Entitlement	14.218	B98MC0500003	\$ 785,153
Twenty Fourth Entitlement	14.218	B00MC0500003	19,671
Home Investment Partnership Act	14.239	M99MC050202	<u>453,539</u>
Total Department of Housing and Urban Development			<u>1,258,363</u>
Department of Justice-			
COPS Universal Hiring Award	16.710	95CCWX0110	132,786
BJA/LLEBG	16.592	00LBVX0916	73,436
BJA/LLEBG	16.592	00LBBX1310	<u>76,594</u>
Total Department of Justice			<u>282,816</u>
U.S. Department of Transportation-			
Passed through the Arkansas Highway Transportation Department-			
Federal Transit Administration Grant- Operating and Capital	20.507	AR90X046	<u>629,140</u>
U.S. Department of the Interior, National Parks Service-			
Passed through the National Trust for Historic Preservation, Arkansas Historic Preservation-			
NPS Grant – Historic Preservation Program	15.904	101-02-9502-97-01	<u>1,477</u>
Department of Commerce-			
Economic Development Act			
Title IX SSED	11.307	08-19-03188	<u>1,000,000</u>
Federal Emergency Management Agency-			
Passed through the Arkansas Office of Emergency Services-			
FEMA – Hazard Mitigation Grant	83.548	1111DRARHM	192,026
FEMA – Ice Storm	83.544	1354DRARPA	<u>970,887</u>
Total Federal Emergency Management Agency			<u>1,162,913</u>
Total Federal Awards			<u>4,334,709</u>

The accompanying Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

City of Fort Smith, Arkansas

Schedule of Expenditures of Federal and State Awards
For the Year Ended December 31, 2001
(Continued)

<u>Granting Agency/Grant Program</u>	<u>Grant Number</u>	<u>Expenditures</u>
STATE AWARDS:		
Arkansas Department of Pollution Control and Ecology – Solid Waste Management and Recycling Grant Fund Program-		
Equipment, Education, Market Development, and Administration	S3-96, S5-96	\$ 784
Equipment, Education, Market Development, and Administration	S1-98, 2-98	21,141
Equipment, Education, Market Development, and Administration	S1-99, 2-99, 4-99, 5-99 Adm	28,356
Equipment, Education, Market Development, and Administration	S00-00 Adm, 5-00, 1-00, 2-00, 3-00	77,431
Equipment, Education, Market Development, and Administration	S00-01 Adm, 3-01, 4-01	<u>43,601</u>
Total Arkansas Department of Pollution Control and Ecology		<u>171,313</u>
Department of Arkansas Heritage-		
CLG Grant - Historic Preservation Program	CLG00-02	5,317
CLG Grant - Darby Community Center	CLG01-1/8	<u>115,125</u>
Total Department of Arkansas Heritage		<u>120,442</u>
Arkansas Department of Economic Development (ADED)-		
Economic Development Grants-		
Gerber Products	EIF 9707	106,450
C Bean Transport	EIF 99918	210,000
GNB Battery	EIF 200022	<u>800</u>
Total Arkansas Industrial Development Commission		<u>317,250</u>
Total State Awards		<u>609,005</u>
Total Federal and State Awards		<u>\$4,943,714</u>

The accompanying Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

City of Fort Smith, Arkansas

**Notes to Schedule of Expenditures of Federal and State Awards
December 31, 2001**

1. Scope of Audit Pursuant to OMB Circular A-133:

All federal and state financial award programs of the City of Fort Smith, Arkansas (the "City"), are included in the scope of the OMB Circular A-133 audit (the "single audit"). For purposes of this report, awards include those received from other agencies, the original source of which was a federal or state agency. The Schedule of Expenditures of Federal and State Awards does not include the Airport Commission's federal and state financial award programs.

The single audit was performed in accordance with the provisions of the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments (the "Compliance Supplement"), issued in March 2001. Compliance testing was performed for the City's major programs specified below.

2. Organization and Accounting Policies:

The City is the recipient of certain federal and state grant funds. The grant programs are administered by various departments within the City. The activities of these organizations are monitored by City staff to ensure compliance with the requirements of the underlying grants.

The accounting policies of the City conform to accounting principles generally accepted in the United States for local government units as prescribed by the Government Accounting Standards Board.

3. Summary of Significant Accounting Policies:

Basis of Accounting

The grant accounts are maintained and the accompanying Schedule of Expenditures of Federal and State Awards has been prepared on the modified accrual basis. Grant revenues are recognized when both measurable and available.

4. Major Programs:

The City has the following major federal and state programs:

<u>Federal CFDA/Grant Number</u>	<u>Program Name</u>
Federal-	
16.710	COPS Universal Hiring Award
11.307	Economic Development Act – Title IX SSED
83.548	FEMA – Hazard Mitigation
85.544	FEMA – Ice Storm
State-	
EIF9707	Economic Development Grants – C. Bean Transport
CLG01-1/8	CLG Grant – Darby Community Center
CLG00-02	CLG Grant – Historic Preservation Program

City of Fort Smith, Arkansas

**Notes to Schedule of Expenditures of Federal and State Awards
December 31, 2001**

5. Relationship to Federal and State Financial Reports:

Amounts reported in the accompanying Schedule of Expenditures of Federal and State Awards may not agree with the amounts reported in the related federal and state financial reports filed with grantor agencies because of accruals which would be included in the next report filed with the agencies.

6. Litigation:

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 a material adverse effect on the City's financial position.

7. Commitments and Contingencies:

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 2001, may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

8. Schedule of Current and Prior Year Findings of Noncompliance:

The schedule of findings and questioned costs, including the summary of auditors' results is disclosed on Schedule I. The corrective action plan status of the one material instance of noncompliance noted in connection with the 2000 single audit is disclosed on Schedule II.

City of Fort Smith, Arkansas

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2001

Section I. SUMMARY OF THE AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes none reported
- Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133 _____ yes no

The following grants were tested as major federal and state grants:

<u>Federal CFDA/Grant Number</u>	<u>Program Name</u>
Federal-	
16.710	COPS Universal Hiring Award
11.307	Economic Development Act – Title IX SSED
83.548	FEMA – Hazard Mitigation
85.544	FEMA – Ice Storm
State-	
EIF9707	Economic Development Grants – C. Bean Transport
CLG01-1/8	CLG Grant – Darby Community Center
CLG01-02	CLG Grant – Historic Preservation Program

The dollar threshold used to distinguish between Type A and Type B programs, as described in Section .520(b), is \$300,000.

The City qualified as a "low risk" auditee under Section .530.

City of Fort Smith, Arkansas

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2001**

Section II. FINANCIAL STATEMENT FINDINGS:

There were no findings relating to the general purpose financial statements which are required to be reported in accordance with Government Auditing Standards. However, we have noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated April 19, 2002.

Section III. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS:

There were no material findings or questioned costs for federal and state awards for the year ended December 31, 2001.

City of Fort Smith, Arkansas

**Status of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2001**

Federal Awards:

Department of Justice – COPS Universal Hiring Award (“COPS”)

Finding 00-01: Allowable Activities, Costs and Cost Principles
Status: Corrective action was taken

State Awards:

None

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