

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2004**

CITY OF FORT SMITH, ARKANSAS

Comprehensive Annual Financial Report
Year Ended December 31, 2004

Prepared By the

**CITY OF FORT SMITH, ARKANSAS
FINANCE DEPARTMENT**

CITY BOARD OF DIRECTORS

C. Ray Baker, Mayor

Ken Pyle
Velvet Medlock-Graham
Rick Parrish
Bill Maddox
Gary Campbell
Ben Shipley
Cole Goodman, M.D.

**CITY ADMINISTRATOR
Bill Harding**

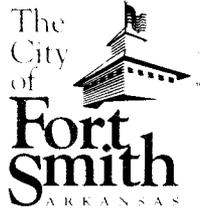
**DIRECTOR OF FINANCE
Kara Bushkuhl**

CITY OF FORT SMITH, ARKANSAS

Table of Contents

	Page
Computation of Direct and Estimated Overlapping Debt- Table 10	119
Computation of Legal Debt Margin-Table 11	120
Ratios of Outstanding Debt By Type- Table 12	121
Revenue Bonds Debt Service Coverage- Water and Sewer System and Solid Waste System- Table 13	122
Demographic Statistics- Table 14	123
Principal Employers- Table 15	124
Full-time Equivalent City Government Employees by Function- Table 16	125
Capital Asset Statistics by Function- Table 17	126
Operating Indicators by Function- Table 18	127
 Continuing Financial Disclosure Tables:	
Local Sales and Use Tax Collections- Table 19	128
Solid Waste System Statistics- Table 20	129
Water and Sewer Statistics- Table 21	130
 Other Required Report:	
Independent Accountants' Report on Compliance with Certain State Acts	131
 Single Audit Section:	
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	133
Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs	135
Schedule of Expenditures of Federal and State Awards	137
Notes to Schedule of Expenditures of Federal and State Awards	139
Schedule of Findings and Questioned Costs	140

Introductory Section



March 25, 2005

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

Introduction

The Comprehensive Annual Financial Report (CAFR) of the City of Fort Smith, Arkansas (the City), for the fiscal year ended December 31, 2004, 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 City as measured by the financial activity of its various funds. We believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the CAFR in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Report

The CAFR is presented in four primary sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, plan of organization and a list of elected and appointed officials. The financial section includes management's discussion and analysis (MD&A), the basic financial statements, combining and individual fund financial statements and schedules, as well as the independent accountants' report on the basic financial statements and supplementary information. The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and it should be read in conjunction with the MD&A. The statistical section includes financial and demographic information, usually presented on a multi-year basis, that is relevant to a financial statement reader.

In accordance with state law, the CAFR is presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America.

The City of Fort Smith's basic financial statements have been audited by BKD, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended December 31, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor's unqualified opinion is presented as the first component of the financial section of this report.

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

625 Garrison Avenue
P.O. Box 1908
Fort Smith, Arkansas 72902
(501) 785-2801
Administrative Offices FAX (501) 784-2407

City Profile

Fort Smith is located in western Arkansas on the border of Oklahoma and is the second largest city in Arkansas. The City was incorporated in 1842 and is the county seat for Sebastian County. The City encompasses 69.2 square miles and has a 2000 census population of 80,268. The City is empowered by state statutes to levy real and personal property taxes within its limits and extend the corporate limit by annexation, which occurs periodically when deemed appropriate by the Board of Directors.

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

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

The Board of Directors adopt an annual budget which serves as Fort Smith's financial planning document. Control over spending and allocation of resources are a main focus of the budget. The annual budget process begins in June of each year and is usually adopted each December. Appropriation requests by fund, division and department are submitted to the City Administrator and resources are allocated based on priorities established by the Board of Directors. The legal level of budgetary control is the departmental level. For example, the Police Department is reported as a Public Safety (division) expenditure in the General Fund budget to actual schedule located in the required supplementary information in the financial section. The City Administrator is authorized to transfer appropriated amounts within individual funds. However, additional appropriations during the year require authorization by the Board of Directors.

Factors Affecting Financial Condition

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

Local Economy

The City's economic outlook is positive. The sales tax revenue from the City's local sales tax increased 5.3% between 2003 and 2004 and the shared county sales tax increased 6% between years. This trend is expected to continue for the near future.

Long-standing industrial businesses in Fort Smith are making additional investments in their plants. Whirlpool Corporation has added another assembly line to its Fort Smith plant, with additional employment expected to exceed 500. Whirlpool has delayed the transfer of one of its manufacturing lines from Fort Smith to an international site indefinitely. Gerber Products is modernizing its Fort Smith plant to convert packaging from glass jars to plastic containers. Gerber Products investment in this project is estimated at \$70 million and it will help assure its continued long-term viability in the City. Graphics Packaging, a manufacturer of food containers, is constructing a new plant with an investment of \$42 million. This new plant will add 150 new jobs for a total employment in excess of 300.

National retailers continue to find the City a strong marketplace. Wal-Mart is seeking a site for a third supercenter in the City and that development will include a departments store and a sporting goods store. Target is seeking a site.

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

The City also levies an additional one percent (1%) local sales and use tax which is pledged to redeem bonds issued for large construction projects. The Lake Fort Smith water supply expansion project is funded in part with sales tax. This has proven to be a very effective way to fund projects and the City saves on interest charges as the sale tax bonds have mandatory redemption requirements. Once the current sales tax bonds are redeemed, currently estimated at June 1, 2008, the City may consider asking for approval of the tax for other projects such as downtown development, park expansion and improvements, and public safety facilities.

The City's comprehensive plan includes development and planning in and around Fort Smith. Local developers of planned residential areas outside the City limits have requested City services which may provide future annexation which would increase the City's tax base.

Cash Management Policies and Practices- 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. The City's average yield on investments was 2.29% for 2004 and maturities range from 6 months to a year.

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. Employer and employee contributions to the fund were increased during 2004 to cover increased costs of providing medical benefits. Several cost containment efforts were implemented for 2004 to help reduce the cost of providing medical benefits. Safety training continues to be an important aspect for controlling workers' compensation claims.

Other Information

Awards- The Government Finance Officers Association of the United States of America 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, 2003. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting. This was the nineteenth 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 of America and applicable legal requirements.

A Certificate of Achievement is valid for 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.

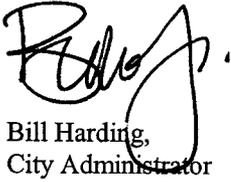
In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2004. This was the sixteenth consecutive year that the City has received this award. In order to qualify for the Distinguished Budget Presentation Award, the 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 BKD, LLP.

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

Respectfully submitted,



Bill Harding,
City Administrator



Kara Bushkuhl
Director of Finance

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, 2003

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.

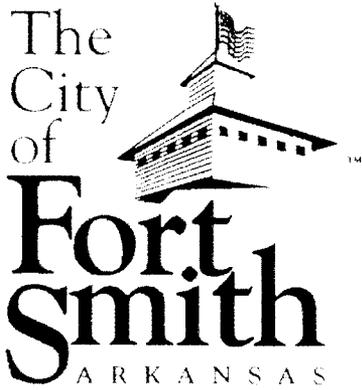


Nancy L. Zjella

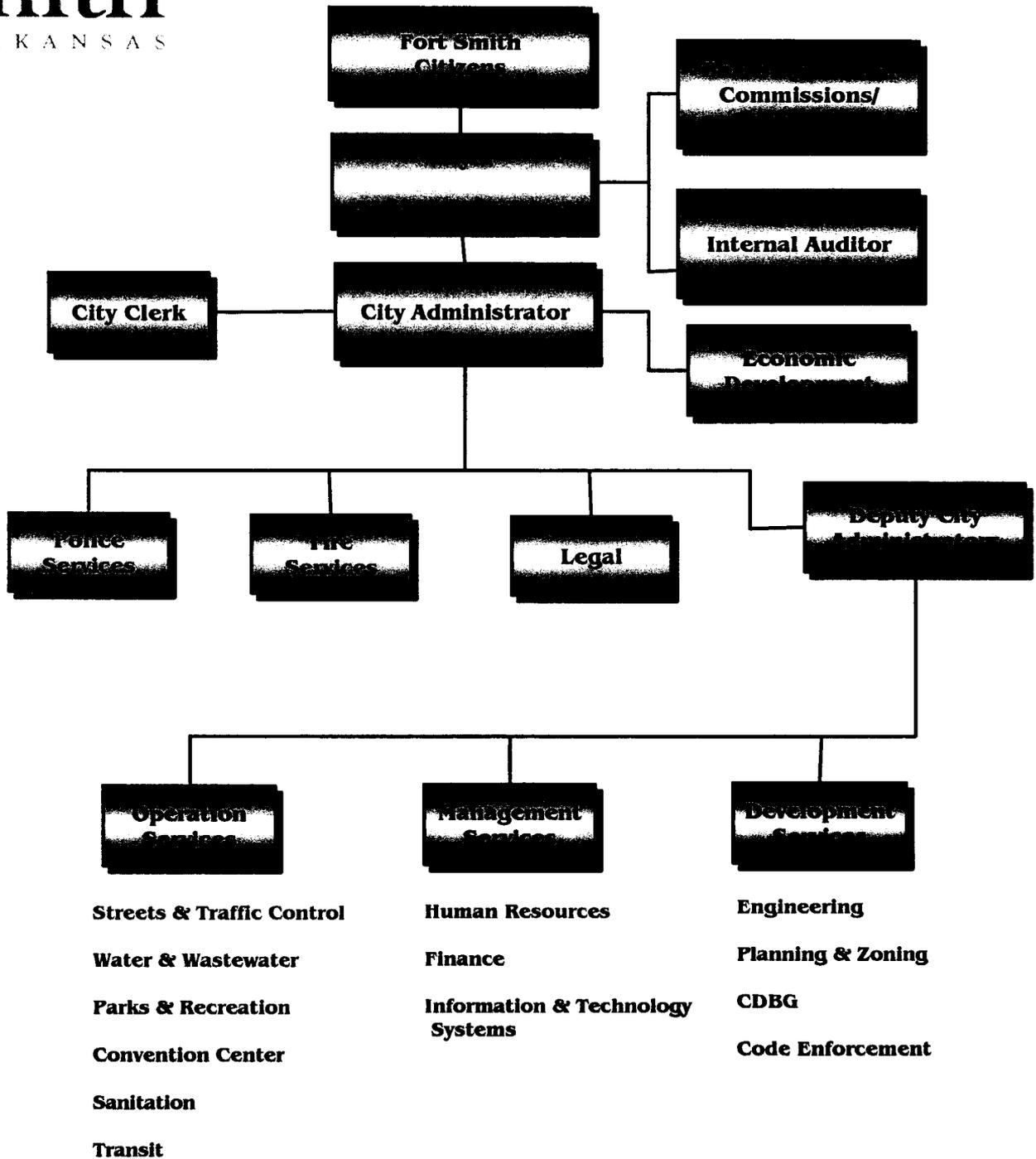
President

Jeffrey R. Emmer

Executive Director



Plan of Organization



City of Fort Smith, Arkansas
List of Elected and Appointed Officials
December 31, 2004

Elected Officials

Mayor	C. Ray Baker
Director-Ward 1	Ken Pyle
Director-Ward 2	Velvet Medlock-Graham
Director- Ward 3	Rick Parrish
Director-Ward 4	Bill Maddox
Director at Large/Vice Mayor	Gary Campbell
Director at Large	Ben Shipley
Director at Large	Cole Goodman, M.D.
District Court Judge	David Saxon
District Court Judge	Ben Beland

Appointed Officials

City Administrator	Bill Harding
Deputy City Administrator	Dean Kruithof
Deputy City Administrator	Ray Gosack
Advertising and Promotion	Claude Legris
Airport	Kent Penney
City Clerk	Cindy Remler
Construction and Development/Planning	Wally Bailey
Convention Center	Frankie Hamilton
District Court	Rachel Sims
Engineering	Stan Snodgrass
Finance	Kara Bushkuhl
Fire	Jerry Tomlin
Human Resources	Richard Jones
Information and Technology	Jim Swena
Library	Jennifer Goodson
Parks and Recreation	Mike Alsup
Police	Randy Reed
Sanitation	T. Baridi Nkokheli
Streets and Traffic Control	Bob Wright
Transit	Ken Savage
Utilities	Steve Parke

THIS PAGE INTENTIONALLY LEFT BLANK



Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Smith, Arkansas as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Library and Airport Commission, which statements reflect total assets and revenues of \$42,173,918 and \$4,989,216, respectively, and represent 93% and 84% of the aggregate discretely presented component units' total assets and revenues at December 31, 2004 and for the year then ended, respectively. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Smith as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mayor and Board of Directors
City of Fort Smith, Arkansas
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

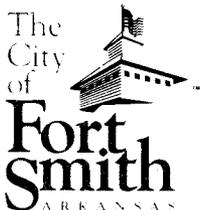
The accompanying management's discussion and analysis and budgetary and pension information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information in the statistical section as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

March 25, 2005, except for Note 13 as to which the date is June 2, 2005



Management's Discussion and Analysis

The following discussion and analysis of the City of Fort Smith's financial performance provides a narrative overview and analysis of its financial activities for the year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

Financial Highlights

- Total Primary Government assets of the City exceeded total liabilities at the close of 2004 by \$449,716,182 (net assets). Of this amount, \$50,018,775 is considered unrestricted net assets and may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with the City's fund designations and financial policies. The City's governmental activities have unrestricted net assets of \$55,390,169. The City's business-type activities have an unrestricted net deficit of \$5,371,394.
- The City's total net assets increased by \$36,180,885 in 2004. Net assets of the governmental activities increased by \$16,714,521 in 2004 which was a 6.4% increase over 2003 ending net assets. Net assets of the business-type activities increased by \$19,466,364 in 2004 which was a 13.8% increase over 2003 ending net assets.
- As of the close of 2004, the City's governmental funds reported combined ending fund balances of \$52,752,223 which was a decrease of \$1,286,789 from the prior year. The unreserved portion of the fund balances is \$22,340,754 which represents 42.4% of the total and is available for spending at the Board's discretion.
- At the end of 2004, the unreserved fund balance for the General Fund was \$5,911,270 or 17.6% of total General Fund expenditures. There was an increase of \$2,203,766 in total General Fund balance between years.
- The City's total bonded indebtedness decreased by \$22,975,000 during the current year. This decrease was net of the \$8.7 million issue for the Series 2004 Water and Sewer Refunding Revenue Bonds. The key factors in the decrease were the annual debt service requirements for long-term bonds and the call of \$13,600,000 sales and use tax bonds under mandatory redemption.
- The City's governmental component units reported net assets of \$1,678,798 at December 31, 2004 which was an increase of \$125,119 from 2003.
- The City's business-type component units reported net assets of \$36,558,408 at December 31, 2004 which was a \$1,463,785 decrease from 2003.

623 Garrison Avenue
P.O. Box 1908
Fort Smith, Arkansas 72902
(501) 785-2801
Administrative Offices FAX (501) 784-2407

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 23-35 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance Fund, Sales Tax Fund, and the 1997 Sales and Use Tax Fund which are considered to be major funds. Data from the other eight (8) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 30-33 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37-80 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's General Fund budget, the City's Street Maintenance Fund budget and an analysis of funding progress for the City's fire and police pension plans. The City adopts an annual appropriation budget for its General Fund and its Street Maintenance Fund. Budgetary comparison schedules have been provided for the General Fund and the Street Maintenance Fund to demonstrate compliance with the annual budgets. *Required supplementary information* can be found on pages 81-84 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 85-107 of this report.

Government-Wide Financial Analysis

City of Fort Smith Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 68,780,472	\$ 69,522,999	\$ 105,260,968	\$ 148,206,044	\$ 174,041,440	\$ 217,729,043
Capital assets	218,603,100	207,757,413	287,995,761	249,852,857	506,598,861	457,610,270
<i>Total assets</i>	<u>287,383,572</u>	<u>277,280,412</u>	<u>393,256,729</u>	<u>398,058,901</u>	<u>680,640,301</u>	<u>675,339,313</u>
Long-term liabilities	2,154,496	9,845,181	196,670,595	215,793,392	198,825,091	225,638,573
Other liabilities	6,765,575	5,686,251	25,333,453	30,479,192	32,099,028	36,165,443
<i>Total liabilities</i>	<u>8,920,071</u>	<u>15,531,432</u>	<u>222,004,048</u>	<u>246,272,584</u>	<u>230,924,119</u>	<u>261,804,016</u>
Net Assets:						
Invested in capital assets, net of related debt	218,603,100	200,550,082	152,618,444	136,738,137	371,221,544	337,288,219
Restricted	4,470,232	6,135,903	24,005,631	25,199,051	28,475,863	31,334,954
Unrestricted (deficit)	55,390,169	55,062,995	(5,371,394)	(10,150,871)	50,018,775	44,912,124
<i>Total Net assets</i>	<u>\$ 278,463,501</u>	<u>\$ 261,748,980</u>	<u>\$ 171,252,681</u>	<u>\$ 151,786,317</u>	<u>\$ 449,716,182</u>	<u>\$ 413,535,297</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$449,716,182 at the close of 2004.

The largest portion of the City's net assets (82.5%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6.3 %) represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets (\$50,018,775) may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in net assets for the government as a whole and for its separate governmental activities as was the case in the prior year. However, the business-type activities reported deficit net assets at the end of 2004 as well as 2003.

There was a decrease of \$1,193,420 in restricted net assets reported in connection with the City's business-type activities. This decrease resulted from the removal of restrictions on certain assets associated with revenue bonds that were refunded during the current fiscal year.

The government's net assets increased by \$35,909,373 during 2004. Although total revenues decreased between years, there was a similar decrease in total expenses in 2004 as compared to 2003. Revenue generated by fees and charges increased by 7% due primarily to rate increases. Sales tax revenue increased by 6.7% in 2004 over 2003.

**City of Fort Smith
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program revenues</i>						
Fees, fines, and charges for services	\$ 4,680,538	\$ 3,921,587	\$ 39,470,445	\$ 37,700,141	\$ 44,150,983	\$ 41,621,728
Operating grants and contributions	9,837,419	9,786,072	343,786	596,100	10,181,205	10,382,172
Capital grants and contributions	6,600,991	6,650,958	980,093	259,167	7,581,084	6,910,125
	<u>21,118,948</u>	<u>20,358,617</u>	<u>40,794,324</u>	<u>38,555,408</u>	<u>61,913,272</u>	<u>58,914,025</u>
<i>General revenues</i>						
Property taxes	8,812,154	16,117,664	-	-	8,812,154	16,117,664
Sales taxes	30,940,060	35,748,841	15,024,256	7,817,663	45,964,316	43,566,504
Utility franchise fees	5,986,546	5,530,957	-	-	5,986,546	5,530,957
Alcoholic beverage tax and miscellaneous taxes	-	463,596	-	-	-	463,596
Grants and contributions not restricted to specific programs	1,280,450	1,411,739	-	-	1,280,450	1,411,739
Unrestricted investment earnings	740,108	813,104	1,417,046	1,252,669	2,157,154	2,065,773
Gain on sale of capital assets	24,462	4,174	-	-	24,462	4,174
Other	14,907	100,331	212,889	283,977	227,796	384,308
	<u>68,917,635</u>	<u>80,549,023</u>	<u>57,448,515</u>	<u>47,909,717</u>	<u>126,366,150</u>	<u>128,458,740</u>
Expenses:						
General government	6,291,295	6,285,719	-	-	6,291,295	6,285,719
Public safety	22,814,182	22,479,701	-	-	22,814,182	22,479,701
Public works	12,061,258	14,767,856	-	-	12,061,258	14,767,856
Community services	10,319,043	9,881,779	-	-	10,319,043	9,881,779
Interest on long-term debt	128,042	519,078	-	-	128,042	519,078
Water and sewer	-	-	29,270,855	30,064,927	29,270,855	30,064,927
Sanitation	-	-	9,300,590	8,466,593	9,300,590	8,466,593
	<u>51,613,820</u>	<u>53,934,133</u>	<u>38,571,445</u>	<u>38,531,520</u>	<u>90,185,265</u>	<u>92,465,653</u>
Increase in net assets before transfers	17,303,815	26,614,890	18,877,070	9,378,197	36,180,885	35,993,087
Transfers	(589,294)	(579,200)	589,294	579,200	-	-
Increase in net assets	16,714,521	26,035,690	19,466,364	9,957,397	36,180,885	35,993,087
Net assets- January 1	261,748,980	235,713,290	151,786,317	141,828,920	413,535,297	377,542,210
Net assets- December 31	<u>\$ 278,463,501</u>	<u>\$ 261,748,980</u>	<u>\$ 171,252,681</u>	<u>\$ 151,786,317</u>	<u>\$ 449,716,182</u>	<u>\$ 413,535,297</u>

Governmental Activities. Governmental activities increased the City's net assets by \$16,714,521, thereby accounting for 46.5% of total growth in net assets of the City. Key elements of the increase are as follows:

- Net capital asset acquisition exceeded depreciation by \$10,890,220.
- The repayment of principal on bonds payable of \$6,540,000 is an adjustment which increases the change in net assets.
- Deferred revenue at the fund level recognized at the government-wide level increased net assets by \$726,504.

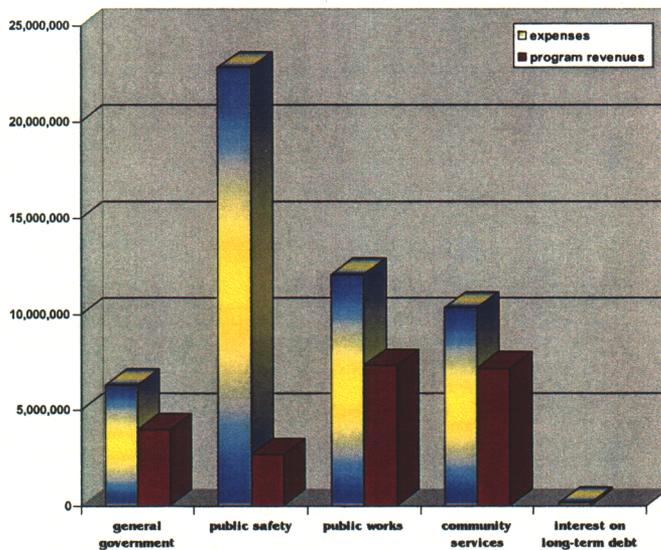
Property tax revenue for 2004 shows a large decline from 2003 of \$7.3 million. This is due to the effect of the accrual for the year's tax levy for the first time in 2003.

Sales tax revenue reflects a decrease for governmental activities due to the transfer of the one-half percent (½%) sales tax allocated for the 1997 Sales and Use Tax Bonds to the 2001 Sales and Use Tax Bonds for ten months in 2004. The 1997 Bonds were accounted for as a governmental activity and the 2001 Bonds are accounted for in the Water and Sewer business-type activity.

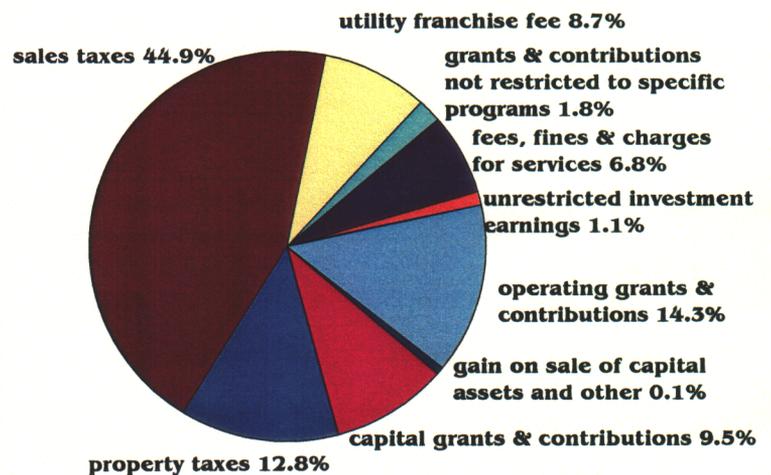
Utility franchise fees increased by \$455,589 or 8% during 2004 primarily due to higher electric and natural gas rates.

The reported 2004 expenses decreased by \$2.3 million or 4.3% for the year. The largest decrease was for public works expenses due to the number and value of ongoing street and drainage projects.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net assets by \$19,194,852 accounting for 53.5% of the total growth in net assets of the City. Key elements of the increase are as follows:

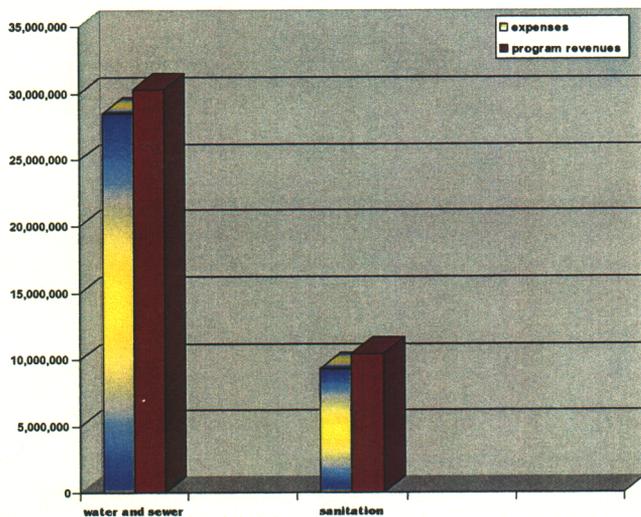
- The water and sewer system contributed \$17,371,693 to total net assets. The operating income for the system totaled \$5,409,985 in 2004. Sales tax revenue for bond retirement and net investment earnings combined for a total of \$15,282,543 less interest expense of \$4,860,174 increased net assets by \$10,422,369.
- The solid waste system added \$1,713,012 to total net assets. The operating income for the system in 2004 totaled \$1,536,596.

Water and sewer system service charges contribute 51.4% of the revenue to business-type activities. Water and sewer rates were increased January 1, 2004.

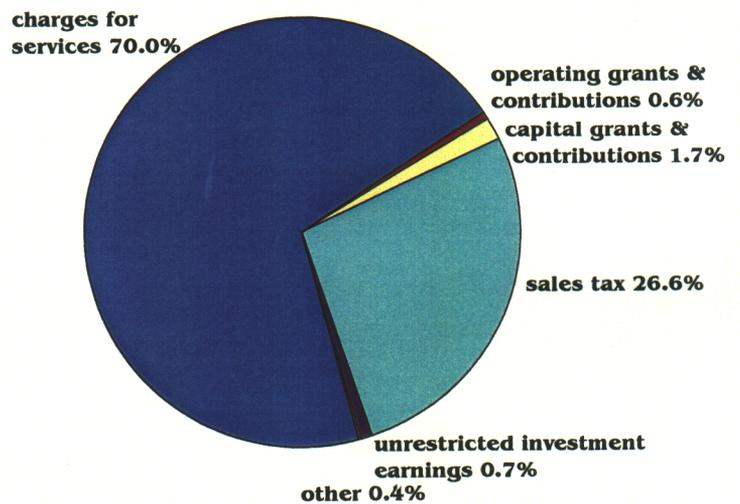
The solid waste system service charges accounted for 18.6% of the revenue to business-type activities.

Current year expenses for the business-type activities were 67% of current revenues.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, the City's governmental funds reported combined ending fund balances of \$52,752,223, a decrease of \$1,286,789 in comparison with the prior year. Of this amount, \$22,340,754 represents *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balances are reserved to indicate that it is not available for new spending because it has already been committed for capital projects and other purposes.

The General Fund is the chief operating fund of the City. At December 31, 2004, unreserved fund balance of the General Fund was \$5,911,270, while the total fund balances were \$8,761,748. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balances to total fund expenditures, including transfers out. Unreserved fund balances represent 17.6% of total General Fund expenditures, including transfers out, while total fund balances represents 26.1% of that same amount. The fund balances of the City's General Fund increased by \$2,203,766 during 2004. Key factors in this increase are as follows;

- The City's share of the one-percent (1%) Sebastian County sales tax generated \$736,519 more revenue for 2004 as compared to 2003.
- Utility franchise fees for 2004 exceeded the 2003 fees by \$455,589. The increase resulted from increased demand for electric and natural gas.

The special revenue funds had total fund balances of \$43,623,408. The net increase in fund balances during 2004 was \$2,067,506.

The Street Maintenance Fund and the Sales Tax Fund, both special revenue funds, are presented as major funds and account for 57.6% of the total governmental fund balances. Revenues include a one-percent (1%) local sales tax dedicated to streets, bridges and associated drainage, as well as gasoline tax turnback from the state and federal transportation grants. The increase in fund balances for these two funds was \$1,604,103 between years. The increase is attributable to planned projects expected to be completed during 2005.

The debt service fund, 1997 Sales and Use Tax Bond Fund, is presented as a major fund. The 1997 Sales and Use Tax Bonds were redeemed in full on June 1, 2004. Therefore, the fund was closed during 2004. The one-half percent (½%) local sales tax originally pledged for the redemption of the 1997 Bonds is now pledged towards the 2001 Sales and Use Tax Bonds which are reported as liabilities in the Water and Sewer Fund.

Proprietary funds. The City's proprietary funds provide the same information found in the government-wide financial statements, but with more detail.

A prior year adjustment was made to the beginning net assets at January 1, 2004 for the Water and Sewer Fund due to an error in the calculation of interest earnings for the fiscal year ended December 31, 2003. The amount of the adjustment was a reduction of \$276,976.

Net assets at the end of the year amounted to \$158,531,981 and \$12,308,074 for the Water and Sewer Fund and the Sanitation Fund, respectively. The increase in net assets was \$17,371,693 for the Water and Sewer Fund and \$1,713,012 for the Sanitation Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

General Fund. The final amended General Fund budget had total appropriations of \$37,723,302 compared to the original budget total of \$35,970,670. The increase in appropriations of \$1,752,632 is summarized briefly as follows:

- \$1,461,250 for reconstruction of the Carol Ann Cross Park lake and dam
- \$230,000 for Chaffee Crossing improvements.
- \$61,382 for capital assets for the convention center annex and transit buses.

Revenue estimates for the General Fund were increased from an original budget of \$31,876,077 to the final estimate of \$32,917,960. The \$1,041,883 increase was due to an estimated additional \$512,000 in sales taxes and \$446,000 in franchise fees.

Total actual revenue for the General Fund was \$137,880 less than the final budget estimates which was due primarily to less grant funds received than anticipated. Total actual expenditures were \$1,274,193 less than the final appropriated budget of the General Fund.

Street Maintenance Fund. The final amended Street Maintenance Fund budget had total appropriations of \$7,586,679 compared to the original budget of \$6,363,812. The increase in appropriations of \$1,222,867 is summarized briefly as follows:

- \$780,000 for the Rogers Avenue signal improvements.
- \$100,000 for sidewalk improvements.
- \$50,000 for the Massard bikeway
- \$288,750 for this fund's share of the Carol Ann Cross lake and dam reconstruction.
- \$4,117 for administrative purposes.

The final estimated revenues for the Street Maintenance Fund were \$5,339,504 compared to the original budget estimate of \$5,444,000. The \$104,496 decrease resulted from a significant decline in investment earnings due to additional appropriations.

Actual Street Maintenance Fund revenue for 2004 was \$36,076 more than the final budget estimate which was due to additional property tax revenue. The total actual expenditures of the Street Maintenance Fund were \$936,143 less than the final budget. The major difference between actual and budget expenditures was in this fund's allocation for parks and recreation. Several park projects were still in process at the end of 2004 and will impact the future liquidity of the Street Maintenance Fund.

The budget and actual schedules for the General Fund and the Street Maintenance Fund may be found on pages 82-83 in the required supplementary section of this document.

Capital Assets and Debt Administration

Capital assets. The City's investments in capital assets for governmental and business-type activities as of December 31, 2004 amounts to \$506,534,285, net of accumulated depreciation. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park and library facilities, streets, and drainage systems. The total increase in the City's investment in capital assets was 9.7%, a 5.2% increase for governmental activities and a 15.6% increase for business-type activities.

City of Fort Smith
Capital Assets, net of accumulated depreciation

	Governmental		Business-Type		Total	
	Activities		Activites			
	2004	2003	2004	2003	2004	2003
Land	\$ 18,831,043	\$ 17,344,247	\$ 9,840,298	\$ 9,040,243	\$ 28,671,341	26,384,490
Buildings	61,189,097	60,226,159	911,701	958,410	62,100,798	61,184,569
Water system	-	-	72,893,696	69,891,452	72,893,696	69,891,452
Sewer system	-	-	77,802,618	59,838,654	77,802,618	59,838,654
Improvement other than buildings	2,623,369	2,343,521	4,888,911	4,957,177	7,512,280	7,300,698
leasehold improvements	-	-	87,152	119,684	87,152	119,684
Infrastructure	127,787,206	119,061,551	-	-	127,787,206	119,061,551
Machinery and equipment	8,048,952	8,282,762	7,441,721	7,568,539	15,490,673	15,851,301
Construction in progress	123,433	499,173	114,129,664	97,478,698	114,253,097	97,977,871
Total	\$ 218,603,100	\$ 207,757,413	\$ 287,995,761	\$ 249,852,857	\$ 506,598,861	\$ 457,610,270

Major capital asset events during 2004 included the following:

- Infrastructure additions were \$12,413,880.
- Additions to construction in progress totaled \$44,097,586 with \$36,225,891 of this amount attributable to the Lake Fort Smith water supply expansion project.
- Depreciation expense totaled \$15,214,796.

Additional information on the City's capital assets can be found in Note 3 on pages 50-56 of this report.

Long-term debt. At December 31, 2004, the City had \$203,025,000 of long-term bonds outstanding, including \$144,755,000 of bonds secured solely by specified revenue sources, (i.e. revenue bonds).

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

	Governmental		Business-Type		Total	
	Activities		Activites			
	2004	2003	2004	2003	2004	2003
Sales and Use Tax Bonds	\$ -	\$ 6,540,000	\$ 58,270,000	\$ 68,415,000	\$ 58,270,000	\$ 74,955,000
Revenue Bonds	-	-	144,755,000	151,045,000	144,755,000	151,045,000
Total	\$ -	\$ 6,540,000	\$ 203,025,000	\$ 219,460,000	\$ 203,025,000	\$ 226,000,000

The City's total bonded debt decreased by \$22,975,000 or 10.2% during 2004. The key factors in this decrease were the principal payments due during 2004 of \$8,960,000 as well as the call prior to maturity of \$13,600,000 in sales and use tax bonds during 2004 and the current refunding of \$9,115,000 of 1994 Water and Sewer Bonds. The total decrease was offset by an issue of \$8,700,000 in Water and Sewer Refunding Revenue Bonds in 2004.

The City maintains a "AAA" rating from Standard & Poor's on its water and sewer revenue bonds and an "A" rating from Standard & Poor's on its sales and use tax bonds. The solid waste revenue bonds are unrated.

State statutes limit the amount of general obligation bonds a government entity may issue to 25% of its total assessed valuation. The current debt limitation for the City is \$258,285,320. The City has no general obligation debt at December 31, 2004.

In April 2005, the City issued \$17,605,000 water and sewer revenue refunding bonds to advance refund a portion of the 1999 water and sewer refunding and construction revenue bonds.

Additional information regarding the City's long-term debt can be found in Note 4 on pages 57-68 of this report.

Economic Factors and the Next Year's Budget and Rates

- The year end unemployment rate for the City was 5%, which is a decrease from a rate of 5.1% a year ago. This compares favorably to the state's average unemployment rate of 5.6% and the national average of 5.4%.
- The City's sales tax revenue during the last quarter of 2004 increased by 7.7% which gives us an indication that the economy is continuing in a positive trend.

These factors were considered when the City prepared its 2005 Budget.

One of the major goals of the Board of Directors is to maintain financial stability in the General Fund by adopting a budget with a minimum unreserved fund balance at 15% of operating expenditures. With this in mind, the City's General Fund budget for 2005 was approved at \$36,220,424 and includes an estimated year end fund balance approximating 10%.

Request for Information

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

THIS PAGE INTENTIONALLY LEFT BLANK

City of Fort Smith, Arkansas
Statement of Net Assets
December 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Assets					
Cash	\$ 3,447,298	\$ 385,359	\$ 3,832,657	\$ 503,292	\$ 1,091,540
Investments	50,171,124	12,946,657	63,117,781	417,562	1,264,556
Receivables, net of allowance for uncollectibles:					
Taxes	10,446,297	-	10,446,297	105,833	-
Sales taxes	2,666,746	-	2,666,746	131,021	-
Accounts	557,335	4,178,272	4,735,607	53,865	40,029
Interest	91,199	32,899	124,098	290	6,795
Grants and other governments	1,317,521	-	1,317,521	-	-
Internal balances	(371)	371	-	-	-
Inventory	-	720,885	720,885	5,000	1,947
Prepays and deposits	83,323	-	83,323	47,007	49,054
Deferred charges	-	1,314,790	1,314,790	-	167,666
Other assets	-	-	-	-	119,952
Restricted assets:					
Cash	-	3,961	3,961	-	412,384
Investments	-	83,606,741	83,606,741	-	1,148,049
Accounts receivable, net of allowances for uncollectibles	-	21,019	21,019	-	38,210
Sales tax receivable	-	1,500,812	1,500,812	-	-
Interest receivable	-	326,002	326,002	-	4,058
Prepaid items and deposits	-	223,200	223,200	-	-
Capital assets					
Nondepreciable	18,954,476	123,969,962	142,924,438	422,132	7,996,682
Depreciable	199,648,624	164,025,799	363,674,423	46,720	31,040,271
Total Assets	287,383,572	393,256,729	680,640,301	1,732,722	43,381,193
Liabilities					
Accounts payable and accrued expenses	4,614,199	4,257,254	8,871,453	53,924	130,318
Other current liabilities	-	12,852	12,852	-	-
Accrued interest	-	1,945,860	1,945,860	-	66,204
Accounts payable and accrued expenses	-	5,761,091	5,761,091	-	-
Current portion of long-term debt	-	11,665,000	11,665,000	-	175,000
Deposits	-	1,153,006	1,153,006	-	-
Unearned revenue	858,676	-	858,676	-	-
Noncurrent liabilities:					
Due within one year	1,292,700	538,390	1,831,090	-	200,616
Due in more than one year	2,154,496	196,670,595	198,825,091	-	6,250,647
Total Liabilities	8,920,071	222,004,048	230,924,119	53,924	6,822,785
Net Assets					
Invested in capital assets, net of related debt	218,603,100	152,618,444	371,221,544	468,852	33,161,278
Restricted for:					
Capital projects	-	1,183,053	1,183,053	-	364,199
Debt service	-	18,932,420	18,932,420	-	574,152
Other	4,470,232	3,890,158	8,360,390	-	637,374
Unrestricted (deficit)	55,390,169	(5,371,394)	50,018,775	1,209,946	1,821,405
Total Net Assets	\$ 278,463,501	\$ 171,252,681	\$ 449,716,182	\$ 1,678,798	\$ 36,558,408

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Activities
For the Year Ended December 31, 2004

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Fees, Fines, and Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Governmental activities:									
General government:									
Administration	\$ 3,556,797	\$ 754,484	\$ -	\$ -	\$ (2,802,313)	\$ (2,802,313)			
Legal	1,363,824	1,838,880	817,385	-	1,292,441	1,292,441			
Finance	1,370,674	547,672	-	-	(823,002)	(823,002)			
Public safety:									
Police	13,768,538	150,762	1,506,282	48,068	(12,063,426)	(12,063,426)			
Fire	9,045,644	72,462	616,661	263,986	(8,092,535)	(8,092,535)			
Public works:									
Operations	337,114	-	-	-	(337,114)	(337,114)			
Streets	10,137,684	466,849	3,945,868	2,903,939	(2,821,028)	(2,821,028)			
Traffic Control	1,586,460	-	-	-	(1,586,460)	(1,586,460)			
Community services:									
Health and Social Services	750,580	-	42,956	-	(707,624)	(707,624)			
Parks and Recreation	4,181,300	170,885	184,331	93,732	(3,732,352)	(3,732,352)			
Convention Center	1,887,698	496,834	930,259	836,960	376,355	376,355			
Transit	2,031,270	181,710	843,062	1,872,380	865,882	865,882			
Housing and Rehabilitation	1,468,195	-	950,615	581,926	64,346	64,346			
Interest on long-term debt	128,042	-	-	-	(128,042)	(128,042)			
Total Governmental Activities	51,613,820	4,680,538	9,837,419	6,600,991	(30,494,872)	(30,494,872)			
Business-Type Activities:									
Water and Sewer	29,270,855	28,995,627	343,786	980,093	1,048,651	1,048,651			
Sanitation	9,300,590	10,474,818	-	-	1,174,228	1,174,228			
Total Business-Type Activities	38,571,445	39,470,445	343,786	980,093	2,222,879	2,222,879			
Total Primary Government	\$ 90,185,265	\$ 44,150,983	\$ 10,181,205	\$ 7,581,084	\$ (30,494,872)	\$ 2,222,879	\$ (28,271,993)		
Component Units:									
Governmental									
Advertising & Promotion	\$ 556,758	\$ -	\$ 3,589	\$ -	(553,169)	(553,169)			
Public Library	2,075,717	103,692	352,585	-	(1,619,440)	(1,619,440)			
Sub-total	2,632,475	103,692	356,174	-	(2,172,609)	(2,172,609)			
Business-Type									
Parking Authority	319,671	205,594	-	-	\$ (114,077)	\$ (114,077)			
Airport	4,361,439	2,010,143	-	345,250	(2,006,046)	(2,006,046)			
Sub-total	4,681,110	2,215,737	-	345,250	(2,120,123)	(2,120,123)			
Total Component Units	\$ 7,313,585	\$ 2,319,429	\$ 356,174	\$ 345,250	(2,172,609)	(2,172,609)			

City of Fort Smith, Arkansas
Statement of Activities
For the Year Ended December 31, 2004
(Continued)

General revenues:					
Property taxes	8,812,154	8,812,154		949,628	
Sales taxes	30,940,060	45,964,316		781,942	
Utility franchise fees	5,986,546	5,986,546	15,024,256	542,922	
Grants and contributions not restricted to specific programs	1,280,450	1,280,450			58,911
Unrestricted investment earnings	740,108	2,157,154	1,417,046	5,385	
Gain on sale of capital assets	24,462	24,462			230,000
Payment from City of Fort Smith					367,427
Other	14,907	227,796		17,851	
Transfers	(589,294)		589,294		
	47,209,393	64,452,878	17,243,485	2,297,728	656,338
Total general revenues and transfers					(1,463,785)
Change in net assets	16,714,521	36,180,885	19,466,364	125,119	
Net assets, beginning of year, as previously reported	261,748,980	413,812,273	152,063,293	1,553,679	38,022,193
Adjustment applicable to the prior year	-	(276,976)	(276,976)		
Net assets, beginning of year, as restated	261,748,980	413,535,297	151,786,317	1,553,679	38,022,193
Net assets, end of year	\$ 278,463,501	\$ 449,716,182	\$ 171,252,681	\$ 1,678,798	\$ 36,558,408

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
 Balance Sheet
 Governmental Funds
 December 31, 2004

Assets	General	Street Maintenance	Sales Tax	1997 Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Cash	\$ 1,093,701	\$ 426,556	\$ 1,145,869	\$ -	\$ 494,001	\$ 3,160,127
Investments	5,738,841	5,345,077	23,631,874	-	14,273,948	48,989,740
Receivables, net of allowance for uncollectibles						
Taxes	6,742,796	1,575,218	-	-	2,128,283	10,446,297
Sales taxes	1,165,934	-	1,500,812	-	-	2,666,746
Accounts	418,219	122,406	-	-	800	541,425
Accrued interest	10,860	10,493	42,314	-	25,138	88,805
Due from other funds	13,993	-	-	-	613	14,606
Due from other governments	290,216	-	927,290	-	100,015	1,317,521
Prepaid items	34,227	-	-	-	408	34,635
Deposits	16,106	-	30,000	-	2,582	48,688
Total Assets	\$ 15,524,893	\$ 7,479,750	\$ 27,278,159	\$ -	\$ 17,025,788	\$ 67,308,590
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,271,491	\$ 201,258	\$ 1,535,455	\$ -	\$ 487,607	\$ 3,495,811
Retainage payable	-	-	1,044,511	-	12,261	1,056,772
Due to other funds	408	-	-	-	14,569	14,977
Unearned revenues	5,297,858	1,563,866	-	-	2,931,372	9,793,096
Other	193,388	-	-	-	2,323	195,711
Total Liabilities	6,763,145	1,765,124	2,579,966	-	3,448,132	14,556,367
Fund Balances:						
Reserved for:						
Encumbrances	2,816,251	1,389,497	-	-	229,849	4,435,597
Prepaid items	34,227	-	-	-	408	34,635
Other purposes - construction projects	-	882,774	24,698,193	-	360,270	25,941,237
Unreserved:						
Designated for subsequent years' expenditures	1,128,537	3,442,355	-	-	-	4,570,892
Undesignated	4,782,733	-	-	-	-	4,782,733
Unreserved, reported in nonmajor:						
Special revenue funds	-	-	-	-	12,620,062	12,620,062
Capital projects funds	-	-	-	-	367,067	367,067
Total Fund Balances	8,761,748	5,714,626	24,698,193	-	13,577,656	52,752,223
Total Liabilities and Fund Balances	\$ 15,524,893	\$ 7,479,750	\$ 27,278,159	\$ -	\$ 17,025,788	\$ 67,308,590

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2004

Total fund balances - governmental funds \$ 52,752,223

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

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

Land	\$ 18,831,043	
Buildings	68,570,112	
Improvements other than buildings	7,118,901	
Machinery and equipment	20,807,700	
Infrastructure	159,942,884	
Accumulated depreciation	<u>(56,790,973)</u>	
	218,479,667	
Construction In Progress	<u>123,433</u>	
Total	\$ <u>218,603,100</u>	218,603,100

Some revenues in the governmental funds are unearned because they are not collected within the prescribed time period after year end and are not considered available. On the accrual basis, however, those revenues would be recognized regardless of when they are collected. 8,934,420

Internal service funds are used by management to charge the costs of certain activities, such as fuel and insurance, to individual funds. A portion of the assets and liabilities are included in governmental activities in the statement of net assets. 726,687

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

Compensated absences	\$ 1,578,694	
Claims payable	82,500	
Capital leases payable	<u>891,735</u>	
	\$ <u>2,552,929</u>	<u>(2,552,929)</u>

Net assets of governmental funds \$ 278,463,501

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street Maintenance	Sales Tax	1997 Sales & Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 4,756,226	\$ 1,426,836	\$ -	\$ -	\$ 1,902,588	\$ 8,085,650
Sales taxes	13,032,372	-	16,465,972	1,441,716	-	30,940,060
Licenses and permits	1,151,427	-	-	-	119,984	1,271,411
Utility franchise fees	5,986,546	-	-	-	-	5,986,546
Intergovernmental	4,849,390	3,854,769	2,903,939	-	4,512,337	16,120,435
Fines and forfeitures	1,769,320	-	-	-	119,348	1,888,668
Fees for services	941,582	-	-	-	-	941,582
Interest	64,877	88,075	374,129	26,534	201,740	755,355
Contributions	-	-	-	-	774,010	774,010
Miscellaneous	228,340	5,900	472,196	-	6,330	712,766
Total Revenues	32,780,080	5,375,580	20,216,236	1,468,250	7,636,337	67,476,483
Expenditures						
Current:						
General government						
Administration	2,854,697	340,794	-	-	-	3,195,491
Legal	1,377,456	40,999	-	-	-	1,418,455
Finance	872,504	422,468	-	-	-	1,294,972
Public safety						
Police	11,205,034	-	-	-	2,099,812	13,304,846
Fire	7,810,733	-	-	-	1,191,062	9,001,795
Public works						
Operations	-	318,546	-	-	-	318,546
Streets	-	2,165,879	3,612,709	-	400,400	6,178,988
Traffic Control	-	1,566,839	-	-	-	1,566,839
Community services						
Health and Social Services	85,912	-	-	-	-	85,912
Parks and Recreation	1,560,932	236,089	-	-	53,349	1,850,370
Convention Center	-	-	-	-	1,113,264	1,113,264
Transit	1,900,705	-	-	-	-	1,900,705
Housing and Rehabilitation	-	-	-	-	1,599,834	1,599,834
Other	2,062,949	35,651	-	3,850	10,959	2,113,409
Debt Service:						
Principal	-	-	-	6,540,000	-	6,540,000
Interest	-	-	-	128,042	-	128,042
Capital Outlay	3,301,936	74,604	13,343,265	-	919,829	17,639,634
Total Expenditures	33,032,858	5,201,869	16,955,974	6,671,892	7,388,509	69,251,102
Excess (Deficiency) of revenues over (under) expenditures	(252,778)	173,711	3,260,262	(5,203,642)	247,828	(1,774,619)
Other Financing Sources (Uses):						
Transfers in	2,443,521	-	-	-	-	2,443,521
Transfers out	(600,000)	(59,170)	(1,770,700)	(107,634)	(31,210)	(2,568,714)
Capital lease financing	613,023	-	-	-	-	613,023
Total Other Financing Sources and Uses	2,456,544	(59,170)	(1,770,700)	(107,634)	(31,210)	487,830
Net Change in Fund Balances	2,203,766	114,541	1,489,562	(5,311,276)	216,618	(1,286,789)
Fund Balances, January 1	6,557,982	5,600,085	23,208,631	5,311,276	13,361,038	54,039,012
Fund Balances, December 31	\$ 8,761,748	\$ 5,714,626	\$ 24,698,193	\$ -	\$ 13,577,656	\$ 52,752,223

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ (1,286,789)

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

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 17,639,634

The net effect of various transactions, i.e. sales, contributions, capital leases, is to increase net assets. 89,994

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (7,099,938)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction has no effect on net assets. 6,540,000

Some property taxes will not be collected for several months after the City's fiscal year end and they are not considered "available" revenues in the governmental funds. 726,504

Some expenses, i.e. the increase in compensated absences liability, reported in the statement of activities and changes in net assets do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds. (9,067)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fuel, to individual funds. The net income of the internal service funds is reported with governmental activities [net of the amount allocated to business-type activities of \$64,105 and the external activities adjustment of \$21,957]. 114,183

Change in net assets of governmental funds \$ 16,714,521

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Assets				
Current Assets:				
Cash	\$ 24,237	\$ 181,369	\$ 205,606	\$ 466,924
Investments	6,814,528	5,490,057	12,304,585	1,823,456
Receivables, net of allowance for uncollectibles				
Accounts	3,271,412	898,412	4,169,824	24,358
Accrued interest	17,770	13,823	31,593	3,700
Restricted:				
Cash	-	3,961	3,961	-
Investments	12,457,591	183,062	12,640,653	-
Accounts receivable, net of allowances for uncollectibles	-	21,019	21,019	-
Interest receivable	294,869	2,613	297,482	-
Sales tax receivable	1,500,812	-	1,500,812	-
Inventory	694,631	-	694,631	26,254
Due from other funds	344,218	-	344,218	371
Total Current Assets	25,420,068	6,794,316	32,214,384	2,345,063
Noncurrent Assets:				
Restricted:				
Investments	67,843,743	3,122,345	70,966,088	-
Interest receivable	28,520	-	28,520	-
Prepaid items and deposits	223,200	-	223,200	-
Deferred charges	1,252,670	62,120	1,314,790	-
Capital assets:				
Land	9,466,526	373,772	9,840,298	-
Buildings	-	1,334,375	1,334,375	-
Improvements other than buildings	-	14,518,910	14,518,910	-
Leasehold improvements	-	709,952	709,952	-
Machinery and equipment	7,249,085	12,899,104	20,148,189	-
Water system	117,055,074	-	117,055,074	-
Sewer system	117,402,945	-	117,402,945	-
Construction in progress	113,310,135	819,529	114,129,664	-
Less accumulated depreciation	(88,709,623)	(18,434,023)	(107,143,646)	-
Total Noncurrent Assets	345,122,275	15,406,084	360,528,359	-
Total Assets	370,542,343	22,200,400	392,742,743	2,345,063
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	3,707,710	493,934	4,201,644	117,226
Retainage payable	5,761,091	-	5,761,091	-
Accrued vacation and sick leave	5,118	2,184	7,302	-
Accrued interest	1,925,698	20,162	1,945,860	-
Claims and judgments	-	-	-	1,083,060
Revenue bonds payable	5,700,000	820,000	6,520,000	-
Sales tax bonds payable	5,145,000	-	5,145,000	-
Capital leases payable	-	146,584	146,584	-
Deposits	1,153,006	-	1,153,006	-
Due to other funds	-	344,218	344,218	-
Other	12,852	-	12,852	-
Total Current Liabilities	23,410,475	1,827,082	25,237,557	1,200,286
Noncurrent liabilities:				
Accrued vacation and sick leave	825,203	265,473	1,090,676	-
Landfill closure and postclosure care	-	2,395,269	2,395,269	-
Revenue bonds, net	134,669,940	5,252,771	139,922,711	-
Sales and use tax bonds, net	53,110,208	-	53,110,208	-
Capital Leases Payable	-	151,731	151,731	-
Total Noncurrent Liabilities	188,605,351	8,065,244	196,670,595	-
Total Liabilities	212,015,826	9,892,326	221,908,152	1,200,286
Net Assets				
Invested in capital assets, net of related debt	146,469,596	6,148,848	152,618,444	-
Restricted for bond retirement	18,205,689	726,731	18,932,420	-
Restricted for landfill closure and postclosure care	-	3,890,158	3,890,158	-
Restricted for asset replacement	500,000	125,471	625,471	-
Restricted for capital projects	-	557,582	557,582	-
Unrestricted (deficit)	(6,648,768)	859,284	(5,789,484)	1,144,777
Total Net Assets	\$ 158,526,517	\$ 12,308,074	170,834,591	\$ 1,144,777

Reconciliation to government - wide statement of net assets:

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds

418,090

Net assets of business type activities

\$ 171,252,681

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Operating Revenues				
Water service	\$ 18,894,849	\$ -	\$ 18,894,849	\$ -
Sewer service	9,622,114	-	9,622,114	-
Charges for services	444,797	10,474,818	10,919,615	6,529,697
Other	33,867	-	33,867	-
Total Operating Revenues	<u>28,995,627</u>	<u>10,474,818</u>	<u>39,470,445</u>	<u>6,529,697</u>
Operating Expenses				
Personnel services	9,504,156	4,725,525	14,229,681	-
Contractual services	1,954,420	1,265,153	3,219,573	725,813
Materials and supplies	3,490,127	2,040,652	5,530,779	428,628
Heat, light, and power	1,390,627	38,346	1,428,973	-
Depreciation	7,246,312	868,546	8,114,858	-
Insurance claims and expenses	-	-	-	5,171,480
Total Operating Expenses	<u>23,585,642</u>	<u>8,938,222</u>	<u>32,523,864</u>	<u>6,325,921</u>
Operating Income	<u>5,409,985</u>	<u>1,536,596</u>	<u>6,946,581</u>	<u>203,776</u>
Nonoperating Revenues (Expenses)				
Interest revenue	1,419,871	121,378	1,541,249	28,961
Decrease in fair value of investments	(124,068)	(135)	(124,203)	-
Interest expense and fiscal charges	(5,626,178)	(262,540)	(5,888,718)	-
Sales tax revenue	15,024,256	-	15,024,256	-
Other nonoperating revenues, net	260,782	26,883	287,665	-
Total Nonoperating Revenues (Expenses)	<u>10,954,663</u>	<u>(114,414)</u>	<u>10,840,249</u>	<u>28,961</u>
Income Before Contributions and Transfers	<u>16,364,648</u>	<u>1,422,182</u>	<u>17,786,830</u>	<u>232,737</u>
Capital contributions	980,093	-	980,093	-
Transfers in	357,634	350,000	707,634	-
Transfers out	(59,170)	(59,170)	(118,340)	-
Change in Net Assets	<u>17,643,205</u>	<u>1,713,012</u>	<u>19,356,217</u>	<u>232,737</u>
Total net assets, beginning of year, as previously reported	141,160,288	10,595,062		912,040
Adjustment applicable to the prior year	(276,976)	-		-
Total net assets, beginning of year, as restated	<u>140,883,312</u>	<u>10,595,062</u>		<u>912,040</u>
Total net assets, ending	<u>\$ 158,526,517</u>	<u>\$ 12,308,074</u>		<u>\$ 1,144,777</u>
Reconciliation to government - wide statement of activities:				
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds			110,147	
Change in net assets of business type activities for government - wide statement of activities			<u>\$ 19,466,364</u>	

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 29,019,770	\$ 10,635,376	\$ 39,655,146	\$ -
Cash received from service users	-	-	0	758,538
Cash received from city and employee contributions	-	-	0	5,762,726
Cash payments for goods and services	(9,216,400)	(3,283,968)	(12,500,368)	(420,125)
Cash paid to employees	(9,426,813)	(4,668,682)	(14,095,495)	-
Cash payments for premiums and other operating expenses	-	-	-	(706,864)
Cash payments for claims paid	-	-	-	(5,029,616)
Cash received from other operating revenues	463,300	127,242	590,542	-
Net cash provided by operating activities	10,839,857	2,809,968	13,649,825	364,659
Cash Flows from Noncapital Financing Activities:				
Transfers in from other funds	357,634	350,000	707,634	-
Transfers out to other funds	(59,170)	(59,170)	(118,340)	-
Net cash provided by noncapital financing activities	298,464	290,830	589,294	-
Cash Flows from Capital and Related Financing Activities:				
Proceeds from sales tax	14,167,771	-	14,167,771	-
Proceeds from sale of capital assets	-	15,086	15,086	-
Acquisition and construction of capital assets	(47,205,540)	(541,459)	(47,746,999)	-
Principal paid on bonds	(12,850,000)	(805,000)	(13,655,000)	-
Interest paid on bonds	(10,609,715)	(411,591)	(11,021,306)	-
Net cash used for capital and related financing activities	(56,497,484)	(1,742,964)	(58,240,448)	-
Cash Flows from Investing Activities:				
Proceeds from sales and maturities of investment securities	256,961,487	4,561,231	261,522,718	957,792
Outlays for purchases of investment securities	(213,832,500)	(5,981,495)	(219,813,995)	(1,426,082)
Interest on investments	1,776,354	118,203	1,894,557	27,452
Net cash provided by (used for) investing activities	44,905,341	(1,302,061)	43,603,280	(440,838)
Net increase (decrease) in cash and restricted cash	(453,822)	55,773	(398,049)	(76,179)
Cash and restricted cash, January 1	478,059	129,557	607,616	543,103
Cash and restricted cash, December 31	\$ 24,237	\$ 185,330	\$ 209,567	\$ 466,924

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(Continued)

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Sanitation	Total	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 5,409,985	\$ 1,536,596	\$ 6,946,581	\$ 203,776
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	7,246,312	868,546	8,114,858	-
Miscellaneous revenue (expenses)	312,779	92,780	405,559	-
Change in assets and liabilities:				
Accounts receivable	352,272	160,558	512,830	(8,635)
Due from other funds	(344,218)	-	(344,218)	202
Inventory	(89,283)	-	(89,283)	4,292
Prepaid items	793,734	-	793,734	-
Accounts payable and accrued liabilities	(2,352,413)	(198,375)	(2,550,788)	32,868
Deposits	(489,788)	-	(489,788)	-
Accrued vacation and sick leave	10,221	5,645	15,866	-
Due to other funds	-	344,218	344,218	-
Liability for claims and judgments	-	-	-	132,156
Other liabilities	(9,744)	-	(9,744)	-
Total adjustments	5,429,872	1,273,372	6,703,244	160,883
Net cash provided by operating activities	\$ 10,839,857	\$ 2,809,968	\$ 13,649,825	\$ 364,659

Noncash investing, capital and financing activities:
Enterprise funds:

The Water and Sewer Fund received contributions of capital assets of \$980,093 for 2004 and recognized a \$124,068 decrease in fair value of investments in 2004. The 2002 advance refunding and the 2004 current refunding of water and sewer revenue bonds resulted in cash flow of \$36,618 and \$99,720, respectively, for 2004.

The Sanitation Fund recognized a decrease in fair value of investments of \$135 for 2004. During 2004, the 1998 and 2002 advance refundings for solid waste revenue bonds resulted in cash flow savings of \$38,008 and \$97,968, respectively.

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2004

Assets	<u>Court Retirement</u>
Cash and cash equivalents	\$ 587,687
Total assets	<u>587,687</u>
 Liabilities	
Payable to state retirement system	<u>587,687</u>
Total liabilities	<u>587,687</u>
 Net Assets	 <u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

City of Fort Smith, Arkansas
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2004

	<u>Court Retirement</u>
Additions	
Investment earnings	\$ 15,522
Court fines and forfeitures	<u>54,870</u>
Total additions	<u>70,392</u>
Deductions	
Benefit payments	33,052
Contributions to state retirement system	587,687
Transfer out	<u>464,101</u>
Total deductions	<u>1,084,840</u>
Change in net assets	(1,014,448)
Net assets, beginning of year	<u>1,014,448</u>
Net assets, end of year	<u>\$ -</u>

See accompanying notes to basic financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(1) Nature of Operations and Summary of Significant Accounting Policies

The City of Fort Smith, Arkansas (the "City") is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city administrator form of government. Seven elected directors and the Mayor set policy. The directors employ the City Administrator. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. Enterprise funds and similar component units also apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant accounting and reporting policies of the City.

(a) Reporting Entity

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

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

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

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Discretely Presented Component Units

Business-Type

Fort Smith Parking Authority (the Authority)

The Authority's governing board is appointed by the City's Board; the operation and administration of the Authority's property is conducted by City personnel; and the legal liability for the Authority's revenue bond obligation remains with the City. In addition, the City provides a subsidy to fund the Authority's operations; however, the Authority functions almost entirely for the benefit of residents and other customers. The Authority is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Authority. See Note 15 on pages 79-80 of these notes for condensed financial statements.

Airport Commission

The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 6700 McKennon Boulevard, Suite 200, Fort Smith, Arkansas 72903, or from the City Clerk's office. See Note 15 on pages 79-80 of these notes for condensed financial statements.

Governmental

Advertising and Promotion Commission (the Commission)

The Commission was established during 1989 to promote the City and increase tourism. The Commission is governed by seven members appointed by the Board. The Mayor and one board member serve as two of the seven members of the Commission. The City levies taxes for the Commission's revenue, performs administrative services for collection of taxes and provides financial services to the Commission. However, the Commission functions for the benefit of the citizens and visitors to the City. The Commission is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Separate financial statements are not prepared for the Commission. See Note 15 on pages 79-80 of these notes for condensed financial statements.

Public Library

The board of trustees for the Fort Smith Public Library manages the Public Library and consists of seven members appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the Public Library's ad valorem tax is levied by the City annually. The Public Library is a special purpose government engaged in governmental activities and is discretely presented in the City's basic financial statements. Financial statements of the Public Library can be obtained from the Library's administrative office located at 3201 Rogers Avenue, Fort Smith, Arkansas, 72903, or from the City Clerk's office. See Note 15 on pages 79-80 of these notes for condensed financial statements.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Related Organizations:

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

(b) Change in Accounting Principles

Effective January 1, 2004, the City implemented the following new financial accounting and reporting standards issued by GASB:

- Statement No. 39, *Determining Whether Certain Organizations Are Component Units*
- Statement No. 44, *Economic Condition Reporting: The Statistical Section*

Statement No. 39 establishes additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. This statement amends GASB Statement 14.

Statement No. 44 establishes and modifies requirements related to the supplementary information as presented in the statistical section that accompanies the basic financial statements.

(c) Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The *Street Maintenance Fund* is a special revenue fund which accounts for resources related to street and traffic control operations. Minor maintenance, repair and construction of streets and traffic control signals as well as street lighting are included in this fund.

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

The *1997 Sales and Use Tax Fund* is a debt service fund which accounts for the resources accumulated and payments made for principal and interest on the 1997 Sales and Use Tax bond issue.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

Special Revenue Funds- The special revenue funds, which include federal and state grants, are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

Capital Projects Funds-The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by enterprise funds.

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

Agency Fund- Accounts for payroll activities for the City. The City's agency fund is the Payroll Fund.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(d) *Measurement Focus and Basis of Accounting*

Government-Wide, Proprietary and Fiduciary Funds

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

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

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

Governmental Fund Financial Statements

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

(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 are carried at fair value. Interest earned on investments is recorded in the funds in which the investments are recorded.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(f) Inventories

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

(g) Capital Assets

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

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

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

<u>Fixed Assets</u>	<u>Useful life (years)</u>
Governmental Activities:	
Buildings	10 to 50
Improvements other than buildings	5 to 50
Infrastructure-	
Streets	40
Bridges	30
Drainage	20
Machinery and equipment	5 to 20
Business-Type Activities:	
Enterprise Funds:	
Water and Sewer System:	
Water system	10 to 50
Sewer system	10 to 50
Machinery and equipment	5 to 10
Sanitation:	
Buildings	35
Leasehold improvements	10 to 30
Machinery and equipment	3 to 10
Discretely Presented Component Units:	
Public Library:	
Fixtures and equipment	5 to 10
Transportation equipment	5
Parking Authority:	
Buildings	30
Machinery and equipment	3 to 10
Airport Commission:	
Buildings and improvements	10 to 30
Improvements other than buildings	5 to 20
Machinery and equipment	3 to 15
Furniture and fixtures	3 to 10
Ramps, runways, taxiways, and improvements	3 to 50

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

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Interest is capitalized on enterprise fund capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Interest capitalized in 2004 approximated \$4,139,000.

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

(h) *Property Tax Revenue*

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

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

The City is permitted by Arkansas State Law to levy taxes up to \$0.50 per \$100 of assessed valuation on real and personal property for general governmental services, \$0.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$0.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$0.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2004 to finance the above operations was \$0.70 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$0.50 per \$100 of assessed valuation on real and personal property. Approximately \$5,165,706 of additional taxes could be raised per year based on the current year's assessed value of \$725,381,058 for real property and \$307,760,220 for personal property before the limit is reached.

(i) *Compensated Absences*

The City allows nonuniformed employees to accumulate unused vacation of up to 160 hours, police to accumulate unused vacation of up to 160 hours, and firefighters to accumulate unused vacation of up to 240 hours for one year. Upon termination, any accumulated unused vacation time will be paid to the employees. Generally, City employees are allowed to accumulate unused sick leave up to a maximum of 120 days. Any accumulated unused sick leave over 45 days for nonuniformed employees hired prior to February 4, 1992, and any accumulated unused sick leave over 90 days for nonuniformed employees hired February 4, 1992, and thereafter is paid upon termination. At the end of term of service, police officers will be paid for any accumulated unused sick leave upon retirement to a maximum amount equal to three month's salary for police officers 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 month's salary in the rank of Assistant Chief and above, and to a maximum amount of 728 hours for firefighters in the rank of Captain and below.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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

(j) Risk Management

The City maintains a medical self-insurance plan funded by the City and administered by a third party. The plan provides certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's cost of providing these benefits, including premiums, totaled \$5,409,111 in 2004, and are included in operating expenses in the Employee Insurance Fund. The City contributes fully for each employee and shares in the contribution for any dependants. 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 \$488,182 in 2004 to fund this program. There have been no significant reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

(k) Sales Taxes

In November 1985, the City began assessing a 1% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled \$16,465,972 for fiscal year 2004, and are included in the Sales Tax Fund's sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage. The City refers the tax to the voters every ten years for reapproval.

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 70% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes totaled \$13,032,372 for fiscal year 2004. These taxes are included in the General Fund's sales tax revenues. The City refers the tax to the voters every ten years for reapproval. The tax is currently in place through August 2014 as the tax was reapproved during 2003 for the period August 2004 through August 2014.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

In January 1998, the City began assessing a ½% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled \$1,441,716 for fiscal year 2004, and are included in the 1997 Sales and Use Tax Bond Fund sales tax revenues in the accompanying financial statements. The revenue received for the purpose of redeeming the 1997 Bonds represents two months revenue. The remaining ten (10) months revenue was allocated to the Sales and Use Tax Construction Bonds, Series 2001. Sales tax revenues were restricted for the repayment of the Sales and Use Tax Construction Bonds, Series 1997, which funded the Convention Center, Library, and Riverfront Park improvements. These bonds were redeemed in full on June 1, 2004.

In May 2001, the City began assessing a ½% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled \$15,024,256 for fiscal year 2004, and are included in the Water and Sewer Fund nonoperating revenues 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 supply expansion project. With the redemption of Sales and Use Tax Construction Bonds, Series 1997, the ½% sales tax pledged for those bonds is now pledged to the repayment of the Series 2001 Bonds. The Series 2001 Bonds are expected to be retired by 2008.

(l) Statements of Cash Flows

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

(m) Long-Term Obligations

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

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

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(n) Restricted Assets

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

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first. Certain proceeds of the City's enterprise funds revenue bonds and sales and use tax bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The balances of the restricted assets accounts in the enterprise funds are as follows:

Current Assets:	
Cash- solid waste bond account	\$ 3,961
Investments- solid waste bond account	183,062
Investments- water and sewer bond account	4,218,113
Investments- water and sewer sales and use tax bond account	2,773,256
Investments- water and sewer bond construction account	5,466,222
Accounts receivable- solid waste cleanup program account	21,019
Interest receivable- solid waste bond account	2,613
Interest receivable- water and sewer bond construction account	294,869
Sales tax receivable- water and sewer sales and use tax bond account	<u>1,500,812</u>
Total current assets- restricted	<u>14,463,927</u>
Noncurrent assets:	
Investments- solid waste debt service reserve account	727,076
Investments- solid waste landfill closure and postclosure care account	2,395,269
Investments- water and sewer sales and use tax debt service reserve account	3,989,363
Investments- water and sewer bond construction account	63,854,380
Interest receivable- solid waste debt service reserve account	28,520
Prepaid items and deposits- water and sewer bond construction account	<u>223,200</u>
Total noncurrent assets	<u>71,217,808</u>
 Total restricted assets	 <u>\$ 85,681,735</u>

(o) Estimates

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

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(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 participates in the pool. In addition, investments are separately held by some of the City's funds.

The City follows GASB Statement 3, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement 40, *Deposit and Investment Risk Disclosure*.

The investments and deposits of the primary government are stated at quoted fair values. As a result, an unrealized loss of \$124,203 is recorded as a decrease in fair value of investments for the primary government in 2004, all related to the City's enterprise funds.

(a) Deposits

State and City statutes authorize the City's funds to be deposited in demand deposits or certificates of deposit. The bank balances and carrying amount of the City's deposits held as of December 31, 2004, were as follows:

Pooled and Nonpooled Funds (excluding pension fund)

<u>Description</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits	\$12,594,498	\$15,494,624
Certificates of deposit	<u>64,793,021</u>	<u>65,015,305</u>
	<u>\$77,387,519</u>	<u>\$80,509,929</u>

Pension Fund

<u>Description</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits	<u>\$ -</u>	<u>\$ 587,687</u>

Component Units

At year-end, the carrying amount and the bank balance of the Advertising and Promotion Commission deposits was \$167,860.

At year-end, the carrying amount of the Public Library's deposits was \$501,783 and the bank balance was \$539,567.

At year-end, the carrying amount and the bank balance of the Parking Authority's deposits was \$27,809.

At year-end, the carrying amount of the Airport Commission's deposits was \$3,819,980 and the bank balance was \$3,780,655.

(b) 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.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

The City's investments, including accrued interest, held as of December 31, 2004, were as follows:

Pooled and Nonpooled Funds (excluding pension fund)

<u>Description</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u> <u>Less than 1 year</u>
U.S. Treasury Bills	\$ 3,464,528	\$ 3,464,528
U.S. Treasury Notes	<u>67,036,783</u>	<u>67,036,783</u>
	<u>\$ 70,501,311</u>	<u>\$ 70,501,311</u>

Component Units

At year-end, the Public Library held \$251,501 in mutual funds and savings certificates. The Public Library reports investments at fair value.

At year-end, the Parking Authority fund held \$79,593 in U.S. Treasury Notes. The Parking Authority reports investments at fair value and the maturity of the notes is May 31, 2005.

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

Credit Risk. The City's investments at December 31, 2004 are securities issued by the U.S. Government.

Custodial Credit Risks. The City's certificates of deposit are collateralized at a minimum of 100% of the deposits fair value. The collateral is held by the Federal Reserve Bank and the Arkansas Bankers' Bank.

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

Primary Government:

Carrying value of deposits-	
Pooled and nonpooled funds	\$80,509,929
Pension fund	<u>587,687</u>
	81,097,616
Deposits classified as investments	<u>(76,673,311)</u>
	<u>\$ 4,424,305</u>
Cash as reported on the government-wide statement of net assets	\$ 3,832,657
Restricted cash as reported on the government-wide statement of net assets	3,961
Cash as reported on the fiduciary fund statement of net assets	<u>587,687</u>
	<u>\$ 4,424,305</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Carrying value of investments-	
Pooled and nonpooled funds	\$ 70,501,311
Deposits classified as investments	<u>76,673,311</u>
	<u>\$147,174,622</u>

As reported on the government-wide statement of net assets:	
Investments	\$ 63,117,781
Interest receivable	124,098
Restricted investments	83,606,741
Restricted interest receivable	<u>326,002</u>
	<u>\$147,174,622</u>

Component Units:

Governmental type-	
Carrying value of deposits:	
Advertising and Promotion	
Commission	\$ 167,860
Public Library	501,783
Carrying value of investments:	
Public Library	<u>251,501</u>
	<u>\$ 921,144</u>

As reported on the government-wide statement of net assets:	
Cash	\$ 503,292
Investments	417,562
Interest receivable	290
	<u>\$ 921,144</u>

Business-type-	
Carrying value of deposits:	
Parking Authority	\$ 27,809
Airport Commission	3,819,980
Carrying value of investments:	
Parking Authority	<u>79,593</u>
	<u>\$ 3,927,382</u>

As reported on the government-wide statement of net assets:	
Cash	\$1,091,540
Investments	1,264,556
Interest receivable	6,795
Restricted cash	412,384
Restricted investments	1,148,049
Restricted interest receivable	<u>4,048</u>
	<u>\$ 3,927,382</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(3) **Capital Assets**

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government:

	December 31, 2003	Additions	Deletions/ Transfers	December 31, 2004
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 17,344,247	\$ 1,486,796	\$ -	\$ 18,831,043
Construction in progress	499,173	94,705	(470,445)	123,433
Total capital assets not being depreciated	<u>17,843,420</u>	<u>1,581,501</u>	<u>(470,445)</u>	<u>18,954,476</u>
Capital assets being depreciated:				
Buildings	66,098,094	2,472,018	-	68,570,112
Improvements other than buildings	6,573,596	74,860	470,445	7,118,901
Infrastructure	147,529,004	12,413,880	-	159,942,884
Machinery and equipment	19,796,872	1,447,899	(437,071)	20,807,700
Total depreciable capital assets at historical cost	<u>239,997,566</u>	<u>16,408,657</u>	<u>33,374</u>	<u>256,439,597</u>
Less accumulated depreciation for:				
Buildings	5,871,935	1,509,080	-	7,381,015
Improvements other than buildings	4,230,075	265,457	-	4,495,532
Infrastructure	28,467,453	3,688,225	-	32,155,678
Machinery and equipment	11,514,110	1,637,176	(392,538)	12,758,748
Total accumulated depreciation	<u>50,083,573</u>	<u>7,099,938</u>	<u>(392,538)</u>	<u>56,790,973</u>
Capital assets being depreciated, net	<u>189,913,993</u>	<u>9,308,719</u>	<u>425,912</u>	<u>199,648,624</u>
Governmental activities capital assets, net	<u>\$ 207,757,413</u>	<u>\$ 10,890,220</u>	<u>\$ (44,533)</u>	<u>\$ 218,603,100</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Primary Government-

	December 31, 2003 Restated Note (12)	Additions	Deletions/ Transfers	December 31, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,040,243	\$ 800,055	\$ -	\$ 9,840,298
Construction in Progress	97,478,698	43,236,877	(26,585,911)	114,129,664
Total capital assets not being depreciated:	<u>106,518,941</u>	<u>44,036,932</u>	<u>(26,585,911)</u>	<u>123,969,962</u>
Capital assets being depreciated:				
Water system	110,270,927	321,532	6,462,615	117,055,074
Sewer system	96,403,434	876,215	20,123,296	117,402,945
Buildings	1,334,375	-	-	1,334,375
Improvements other than buildings	14,513,671	5,239	-	14,518,910
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	19,456,662	1,048,208	(356,681)	20,148,189
Total capital assets at historical cost	<u>242,689,021</u>	<u>2,251,194</u>	<u>26,229,230</u>	<u>271,169,445</u>
Less accumulated depreciation for:				
Water system	40,379,475	3,781,903	-	44,161,378
Sewer system	36,564,781	3,035,546	-	39,600,327
Buildings	375,965	46,709	-	422,674
Improvements other than buildings	9,556,493	73,506	-	9,629,999
Leasehold improvements	590,268	32,532	-	622,800
Machinery and equipment	11,888,123	1,144,662	(326,317)	12,706,468
Total accumulated depreciation	<u>99,355,105</u>	<u>8,114,858</u>	<u>(326,317)</u>	<u>107,143,646</u>
Capital assets being depreciated, net	<u>143,333,916</u>	<u>(5,863,664)</u>	<u>26,555,548</u>	<u>164,025,799</u>
Business-type activities capital assets, net	<u>\$ 249,852,857</u>	<u>\$ 38,173,268</u>	<u>\$ (30,364)</u>	<u>\$ 287,995,761</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government-	
Administration	\$ 55,400
Legal	6,571
Finance	68,975
Public safety-	
Police	452,088
Fire	467,149
Public Works-	
Operations	16,608
Streets	3,935,374
Traffic Control	19,972
Community services-	
Health and social services	4,074
Parks and recreation	1,139,718
Convention center	781,244
Transit	130,814
Housing and rehabilitation	<u>12,951</u>
 Total governmental activities	
depreciation expense	<u>7,099,938</u>
 Business type activities:	
Water and Sewer	7,246,312
Sanitation	<u>868,546</u>
 Total business-type	
activities depreciation expense	<u>8,114,858</u>
 Total depreciation expense	<u><u>\$ 15,214,796</u></u>

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

Capital asset activity (on the preceding page):	
Additions for capital assets not being depreciated	\$ 1,581,501
Additions for capital assets being depreciated	<u>16,408,657</u>
	<u>\$ 17,990,158</u>
 Capital outlay reported on the statement of revenues, expenditures and changes in fund balances- governmental funds	 \$17,639,634
Contributed capital assets	<u>350,524</u>
	<u>\$ 17,990,158</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Capital asset activity for the year ended December 31, 2004 for the major enterprise funds was as follows:

Primary Government-	December 31, 2003 Restated Note (12)	Additions	Deletions/ Transfers	December 31, 2004
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 8,666,471	\$ 800,055	\$ -	\$ 9,466,526
Construction in Progress	96,716,207	43,179,839	(26,585,911)	113,310,135
Total capital assets not being depreciated:	<u>105,382,678</u>	<u>43,979,894</u>	<u>(26,585,911)</u>	<u>122,776,661</u>
Capital assets being depreciated:				
Water system	110,270,927	321,532	6,462,615	117,055,074
Sewer system	96,403,434	876,215	20,123,296	117,402,945
Machinery and equipment	6,954,566	294,519	-	7,249,085
Total depreciable capital assets at historical cost	<u>213,628,927</u>	<u>1,492,266</u>	<u>26,585,911</u>	<u>241,707,104</u>
Less accumulated depreciation for:				
Water system	40,379,475	3,781,903	-	44,161,378
Sewer system	36,564,781	3,035,546	-	39,600,327
Machinery and equipment	4,519,055	428,863	-	4,947,918
Total accumulated depreciation	<u>81,463,311</u>	<u>7,246,312</u>	<u>-</u>	<u>88,709,623</u>
Capital assets being depreciated, net	<u>132,165,616</u>	<u>(5,754,046)</u>	<u>26,585,911</u>	<u>152,997,481</u>
Total water and sewer fund capital assets, net	<u>\$ 237,548,294</u>	<u>\$ 38,225,848</u>	<u>\$ -</u>	<u>\$ 275,774,142</u>
Sanitation Fund:				
Capital assets not being depreciated:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in Progress	762,491	57,038	-	819,529
Total capital assets not being depreciated:	<u>1,136,263</u>	<u>57,038</u>	<u>-</u>	<u>1,193,301</u>
Capital assets being depreciated:				
Buildings	1,334,375	-	-	1,334,375
Improvements other than buildings	14,513,671	5,239	-	14,518,910
Leasehold improvements	709,952	-	-	709,952
Machinery and equipment	12,502,096	753,689	(356,681)	12,899,104
Total depreciable capital assets at historical cost	<u>29,060,094</u>	<u>758,928</u>	<u>(356,681)</u>	<u>29,462,341</u>
Less accumulated depreciation for:				
Buildings	375,965	46,709	-	422,674
Improvements other than buildings	9,556,493	73,506	-	9,629,999
Leasehold improvements	590,268	32,532	-	622,800
Machinery and equipment	7,369,068	715,799	(326,317)	7,758,550
Total accumulated depreciation	<u>17,891,794</u>	<u>868,546</u>	<u>(326,317)</u>	<u>18,434,023</u>
Capital assets being depreciated, net	<u>11,168,300</u>	<u>(109,618)</u>	<u>(30,364)</u>	<u>11,028,318</u>
Total sanitation fund capital assets, net	<u>\$ 12,304,563</u>	<u>\$ (52,580)</u>	<u>\$ (30,364)</u>	<u>\$ 12,221,619</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Component Units-

	December 31, 2003	Additions	Deletions/ Transfers	December 31, 2004
Governmental Activities:				
Public Library-				
Capital assets not being depreciated:				
Land	\$ 422,132	\$ -	\$ -	\$ 422,132
Capital assets being depreciated:				
Equipment	449,173	30,825	-	479,998
Transportation equipment	135,952	-	-	135,952
Total depreciable capital assets at historical cost	585,125	30,825	-	615,950
Less accumulated depreciation	565,940	3,290	-	569,230
Capital assets being depreciated, net	19,185	27,535	-	46,720
Governmental activities capital assets, net-Public Library	<u>\$ 441,317</u>	<u>\$ 27,535</u>	<u>\$ -</u>	<u>\$ 468,852</u>
Business-type activities:				
Parking Authority-				
Capital assets not being depreciated:				
Land	\$ 1,654,161	\$ -	\$ -	\$ 1,654,161
Capital assets being depreciated:				
Buildings	1,728,966	177,909	-	1,906,875
Machinery and equipment	97,307	-	(23,782)	73,525
Total depreciable capital assets at historical cost	1,826,273	177,909	-	1,980,400
Less accumulated depreciation for:				
Buildings	911,058	80,327	-	991,385
Machinery and equipment	59,766	10,167	(23,782)	46,151
Total accumulated depreciation	970,824	90,494	(23,782)	1,037,536
Capital assets being depreciated, net	855,449	87,415	-	942,864
Business-type activities capital assets, net-Parking Authority	<u>\$ 2,509,610</u>	<u>\$ 87,415</u>	<u>\$ -</u>	<u>\$ 2,597,025</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

	December 31, 2003	Additions	Deletions/ Transfers	December 31, 2004
Airport Commission:				
Capital assets not being depreciated:				
Land	\$ 6,010,552	\$ -	\$ -	\$ 6,010,552
Construction in progress	21,814	310,156	-	331,970
Total capital assets not being depreciated	<u>6,032,366</u>	<u>310,156</u>	<u>-</u>	<u>6,342,522</u>
Capital assets being depreciated:				
Buildings and improvements	16,120,626	-	-	16,120,626
Machinery and equipment	1,078,840	2,790	-	1,081,630
Improvements other than buildings	5,967,971	-	-	5,967,971
Furniture and fixtures	835,534	6,377	-	841,911
Ramps, runways & taxiways	34,089,247	-	-	34,089,247
Total depreciable capital assets at historical cost	<u>58,092,218</u>	<u>9,167</u>	<u>-</u>	<u>58,101,385</u>
Less accumulated depreciation for:				
Buildings and improvements	4,922,353	398,485	-	5,320,838
Machinery and equipment	878,641	51,828	-	930,469
Improvements other than buildings	1,275,598	400,844	-	1,676,442
Furniture and fixtures	273,269	68,804	-	342,073
Ramps, runways & taxiways	18,141,453	1,592,705	-	19,734,158
Total accumulated depreciation	<u>25,491,314</u>	<u>2,512,666</u>	<u>-</u>	<u>28,003,980</u>
Capital assets being depreciated, net	<u>32,600,904</u>	<u>(2,503,499)</u>	<u>-</u>	<u>30,097,405</u>
Business-type activities capital assets, net- Airport Commission	<u>\$ 38,633,270</u>	<u>\$ (2,193,343)</u>	<u>\$ -</u>	<u>\$ 36,439,927</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Construction-in-progress is composed of the following:

	<u>Primary Appropriation</u>	<u>Expended to December 31, 2004</u>	<u>Committed</u>
Primary government:			
Governmental activities	\$ 2,362,068	\$ 123,433	\$ 2,238,635
Business-type activities:			
Water and sewer capital improvements	165,334,562	113,310,135	52,024,427
Solid waste capital improvements	<u>3,882,558</u>	<u>819,529</u>	<u>3,063,029</u>
Total	<u>\$ 171,579,188</u>	<u>\$ 114,253,097</u>	<u>\$ 57,326,091</u>
Component unit:			
Airport Commission	<u>\$ 759,616</u>	<u>\$ 331,970</u>	<u>\$ 427,646</u>

The City's governmental construction projects include Carol Ann Cross (CAC) Parks dam improvements, Creekmore maintenance shop, and Spradling Park Phase I improvements. Funding is in place for these three projects. The City does not anticipate 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. The City anticipates additional financing for the sewer rehabilitation through the issuance of revenue bonds during 2006. Funding is available to complete phase 4 construction for the sanitary landfill. Additionally, the Airport Commission does not anticipate additional financing associated with capital improvements other than through grant funding.

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

	<u>Governmental</u>	<u>Business-Type</u>		<u>Total</u>
		<u>Water and Sewer</u>	<u>Sanitation</u>	
Primary Government:				
Net book value	\$ 218,603,100	\$ 275,774,142	\$ 12,221,619	\$ 287,995,761
Current and non-current debt	-	(198,625,148)	(6,072,771)	(204,697,919)
Restricted assets-				
unspent bond proceeds	-	69,320,602	-	69,320,602
Invested in capital assets, net of related debt	<u>\$ 218,603,100</u>	<u>\$ 146,469,596</u>	<u>\$ 6,148,848</u>	<u>\$ 152,618,444</u>
Component Units:				
Net book value	\$ 468,852	\$ 39,036,953		
Current and non-current debt	-	5,875,675		
Invested in capital assets, net of related debt	<u>\$ 468,852</u>	<u>\$ 33,161,278</u>		

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(4) Long-Term Liabilities

(a) Changes in long-term liabilities for the year ended December 31, 2004 were as follows:

Primary Government-

	Balance December 31, 2003	Increases	Decreases	Balance December 31, 2004	Amounts Due in One year
Governmental Activities:					
Bonds payable-					
1997 Sales and & Use Tax Bonds	\$ 6,540,000	\$ -	\$ 6,540,000	\$ -	\$ -
Capital leases payable	667,331	603,751	379,347	891,735	420,916
Compensated Absences	1,499,627	107,638	28,571	1,578,694	90,728
Claims Payable- General Fund					
Legal	152,500	-	70,000	82,500	82,500
Employee insurance/workers' compensation	639,364	59,192	-	698,556	698,556
Other	346,359	72,052	222,700	195,711	-
Total governmental activities long-term liabilities	<u>\$ 9,845,181</u>	<u>\$ 842,633</u>	<u>\$ 7,240,618</u>	<u>\$ 3,447,196</u>	<u>\$ 1,292,700</u>
Business-Type Activities:					
Bonds payable-					
Revenue Bonds	\$ 151,045,000	\$ 8,700,000	\$ 14,990,000	\$ 144,755,000	\$ 6,520,000
Less issuance discounts	(544,032)	-	(212,937)	(331,095)	-
Add issuance premiums	3,253,368	444,924	257,917	3,440,375	-
Less deferrals on refunded issues	(1,061,633)	(828,717)	(468,781)	(1,421,569)	-
Revenue bonds payable, net	<u>152,692,703</u>	<u>8,316,207</u>	<u>14,566,199</u>	<u>146,442,711</u>	<u>6,520,000</u>
Sales tax bonds	68,415,000	-	10,145,000	58,270,000	5,145,000
Less issuance discounts	(270,414)	-	(63,195)	(207,219)	-
Add issuance premium	255,569	-	63,142	192,427	-
Sales tax bonds payable, net	<u>68,400,155</u>	<u>-</u>	<u>10,144,947</u>	<u>58,255,208</u>	<u>5,145,000</u>
Capital leases payable	440,757	-	142,442	298,315	146,584
Compensated absences	1,082,112	41,484	25,618	1,097,978	7,302
Claims Payable-Employee insurance and workers' comp.	311,540	72,964	-	384,504	384,504
Closure/postclosure landfill costs	2,151,125	244,144	-	2,395,269	-
Total other long-term liabilities	<u>3,985,534</u>	<u>358,592</u>	<u>168,060</u>	<u>4,176,066</u>	<u>538,390</u>
Total business-type activities long-term liabilities	<u>\$ 225,078,392</u>	<u>\$ 8,674,799</u>	<u>\$ 24,879,206</u>	<u>\$ 208,873,985</u>	<u>\$ 12,203,390</u>

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

Liabilities payable from restricted assets:	
Current portion of long-term debt	\$ 11,665,000
Noncurrent liabilities:	
Due within one year	538,390
Due in more than one year	<u>196,670,595</u>
Total business-type activities long term liabilities	<u>\$ 208,873,985</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Changes in long-term liabilities for the year ended December 31, 2004 for the major enterprise funds were as follows:

	Balance December 31, 2003	Increases	Decreases	Balance December 31, 2004	Amounts Due in One year
Water and Sewer Fund:					
Bonds payable-					
Revenue Bonds	\$ 143,760,000	\$ 8,700,000	\$ 14,185,000	\$ 138,275,000	\$ 5,700,000
Less issuance discounts	(523,644)	-	(209,539)	(314,105)	-
Add issuance premiums	3,253,368	444,924	257,917	3,440,375	-
Less deferrals on refunded issues	(608,427)	(828,717)	(405,814)	(1,031,330)	-
Revenue bonds payable, net	<u>145,881,297</u>	<u>8,316,207</u>	<u>13,827,564</u>	<u>140,369,940</u>	<u>5,700,000</u>
Sales tax bonds-	68,415,000	-	10,145,000	58,270,000	5,145,000
Less issuance discounts	(270,414)	-	(63,195)	(207,219)	-
Add issuance premium	255,569	-	63,142	192,427	-
Sales tax bonds payable, net	<u>68,400,155</u>	<u>-</u>	<u>10,144,947</u>	<u>58,255,208</u>	<u>5,145,000</u>
Compensated absences	820,100	24,922	14,701	830,321	5,118
Total water and sewer fund	<u>\$ 215,101,552</u>	<u>\$ 8,341,129</u>	<u>\$ 23,987,212</u>	<u>\$ 199,455,469</u>	<u>\$ 10,850,118</u>
Sanitation Fund:					
Bonds payable-					
Revenue Bonds	\$ 7,285,000	\$ -	\$ 805,000	\$ 6,480,000	\$ 820,000
Less issuance discounts	(20,388)	-	(3,398)	(16,990)	-
Less deferrals on refunded issues	(453,206)	-	(62,967)	(390,239)	-
Revenue bonds payable, net	<u>6,811,406</u>	<u>-</u>	<u>738,635</u>	<u>6,072,771</u>	<u>820,000</u>
Capital leases payable	440,757	-	142,442	298,315	146,584
Compensated Absences	262,012	16,562	10,917	267,657	2,184
Closure/postclosure landfill costs	2,151,125	244,144	-	2,395,269	-
Other long-term liabilities	<u>2,853,894</u>	<u>260,706</u>	<u>153,359</u>	<u>2,961,241</u>	<u>148,768</u>
Total sanitation fund	<u>\$ 9,665,300</u>	<u>\$ 260,706</u>	<u>\$ 891,994</u>	<u>\$ 9,034,012</u>	<u>\$ 968,768</u>

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

	Water and Sewer Fund	Sanitation Fund
Liabilities payable from restricted assets:		
Revenue bonds payable	\$ 5,700,000	\$ 820,000
Sales tax bonds payable	5,145,000	-
Capital leases payable	-	146,584
Accrued vacation and sick leave	830,321	267,657
Landfill closure and postclosure care	-	2,395,269
Revenue bonds, net	134,669,940	5,252,771
Sales and use tax bonds, net	53,110,208	-
Capital lease payable	-	151,731
Total long-term liabilities for major enterprise funds	<u>\$ 199,455,469</u>	<u>\$ 9,034,012</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Component Units:	Balance December 31, 2003	Increases	Decreases	Balance December 31, 2004	Amounts Due in One year
Business-type activities-					
Parking Authority:					
Bonds payable-					
Revenue Bonds	\$ 1,745,000	\$ -	\$ 75,000	\$ 1,670,000	\$ 80,000
Less issuance discounts	(26,426)	-	(1,888)	(24,538)	-
Bonds payable, net	1,718,574	-	73,112	1,645,462	80,000
Capital leases payable	38,718	-	9,738	28,980	10,334
Compensated absences	996	1,307	-	2,303	-
Total	1,758,288	1,307	82,850	1,676,745	90,334
Airport Commission:					
Bonds payable-					
Revenue Bonds	4,055,000	-	90,000	3,965,000	95,000
Less issuance discounts	(42,676)	-	(1,656)	(41,020)	-
Bonds payable, net	4,012,324	-	88,344	3,923,980	95,000
Notes payable	401,615	-	95,382	306,233	100,165
Unearned rent	809,422	-	90,117	719,305	90,117
Total	5,223,361	-	273,843	4,949,518	285,282
Total Component Units	\$ 6,981,649	\$ 1,307	\$ 356,693	\$ 6,626,263	\$ 375,616

(b) Operating Leases

The City leases office space under a noncancelable operating lease. Total costs for the lease to the General Fund was \$172,400 for the year ended December 31, 2004. The future minimum lease payments for the lease are as follows:

2005	\$ 172,400
2006	<u>28,800</u>
Total	<u>\$ 201,200</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(c) Capital Leases

The City and the Parking Authority, a component unit, have entered into lease agreements for the acquisition of capital assets in 2002, 2003 and 2004. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the statement of net assets.

The assets acquired through capital lease are as follows:

	Primary Government		Component
	Governmental	Business-Type	Unit
	Activities	Activities- Sanitation	Business-Type Activities
Machinery and Equipment	\$ 1,480,468	\$ 534,757	\$ 50,835
Less accumulated depreciation	185,752	78,863	23,723
Total	<u>\$ 1,294,716</u>	<u>\$ 455,894</u>	<u>\$ 27,112</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004 were as follows:

	Primary Government		Component
	Governmental	Business-Type	Unit
	Activities	Activities- Sanitation	Business-Type Activities
2005	\$ 458,564	\$ 157,058	\$ 11,779
2006	264,499	157,058	11,779
2007	51,284	-	7,853
2008	51,284	-	-
2009	51,284	-	-
2010	51,284	-	-
2011	51,284	-	-
Total future minimum lease payments	979,483	314,116	31,411
Less interest	(87,748)	(15,801)	(2,431)
Present value of future minimum lease payments	<u>\$ 891,735</u>	<u>\$ 298,315</u>	<u>\$ 28,980</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(d) *Notes Payable*
Component Unit-Business-Type
Airport Commission

In November 2002, the Airport Commission executed a promissory note with the City for financing the construction costs and the operations of the passenger car parking lot facility at the airport terminal. The promissory note is held by BancorpSouth Bank. Under the agreement with the City, the Airport Commission will make monthly payments on the note directly to the bank.

The note payable to the City is payable in monthly installments of \$9,398 including interest at the current rate of 4.84%. The current portion of the note is \$100,165 and the long-term portion is \$206,068 for a total notes payable due of \$306,233 at December 31, 2004.

Maturities of the notes payable for succeeding years are as follows:

2005	\$ 100,165
2006	105,122
2007	<u>100,946</u>
Total	\$ 306,233
Interest	<u>22,735</u>
Total principal & interest	<u>\$ 328,968</u>

In accordance with Amendment 78 of the Arkansas Constitution, Arkansas state statutes limit the amount of short-term financing, including capital leases, the City may have in any fiscal year to five percent (5%) of the assessed valuation of property within the City. The limit applies to the reporting entity. The total short-term financing as of December 31, 2004 was \$1,525,263. The limit as of December 31, 2004 was \$51.7 million, therefore management believes the City is in compliance with state statutes for short-term financing at December 31, 2004.

(e) **Sales and Use Tax Bonds- Governmental Activities**

On November 1, 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 convention center, library, and park improvements. The principal amount of the Bonds was allocated among the three projects at \$20,405,000 for convention 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 cent (½%) 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 Series 1997 bonds were redeemed in full on June 1, 2004. The one-half cent (½%) sales and use tax levied by the City is now pledged to the 2001 Sales and Use Tax Bonds.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(f) Revenue Bonds and Sales and Use Tax Bonds- Business-Type Activities

Revenue bonds and sales and use tax bonds outstanding at December 31, 2004, are comprised of the following individual issues:

Water and Sewer:

\$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	\$21,945,000
\$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	58,270,000
\$82,590,000 of Series 2002A Water and Sewer Refunding and Construction Revenue Bonds; \$69,350,000 of which are serial bonds due in annual installments at varying amounts through October 1, 2019 with interest ranging from 5% to 5.25% payable semi-annually; \$13,240,000 of which are term bonds due October 1, 2021 with an interest rate of 5% payable semiannually	79,675,000
\$7,835,000 of Series 2002B Water and Sewer Refunding and Construction Revenue Bonds; due in annual installments at varying amounts through October 1, 2012 with interest ranging from 2.25% to 5.25% payable semiannually	7,785,000
\$21,330,000 of Series 2002C Water and Sewer Refunding Revenue Bonds due in annual installments at varying amounts through October 1, 2023 with interest ranging from 3% to 5.25% payable semiannually	21,330,000
\$8,700,000 of Series 2004 Water and Sewer Revenue Refunding Bonds; due in annual installments at varying amounts through October 1, 2009; interest ranging from 2% to 4% payable semiannually	7,540,000

Sanitation:

\$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	1,525,000
\$6,305,000 of Series 2002 Solid Waste Revenue Refunding Bonds due in annual installments at varying amounts through December 1, 2011, with interest ranging 1.4% to 4.05% payable semiannually	<u>4,955,000</u>

Bonds Outstanding, December 31, 2004	203,025,000
--------------------------------------	-------------

Less:

Unamortized bond premium, net	3,094,488
Deferred amount on refunding	<u>(1,421,569)</u>

Net bonds outstanding, December 31, 2004	<u>\$ 204,697,919</u>
--	-----------------------

Revenue bonds, net	\$ 146,442,711
Sales and use tax bonds, net	<u>58,255,208</u>
	<u>\$ 204,697,919</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Water and Sewer-

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 Water and Sewer Refunding and Construction Revenue Bonds, 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.

On February 5, 2002 and October 15, 2002, the City issued \$111,755,000 Water and Sewer Refunding and Construction Revenue Bonds. The bonds were issued in three series. The 2002A Bonds were issued in the amount of \$82,590,000 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 with \$74.4 million of the issue allocated to finance a portion of the Lake Fort Smith water supply expansion project. The 2002B Bonds were issued in the amount of \$7,835,000 to advance refund \$1.1 million in principal amount of the 1994 Bonds to be refunded maturing October 1, 2009 and \$6.54 million in principal amount of the 1994 Bonds to be refunded maturing October 1, 2012. The refunded debt has been defeased and the related liabilities have been removed from the Water and Sewer Fund statement of net assets. The reacquisition price exceeded the carrying amount of the old debt by \$589,000. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method. The remaining unamortized deferred amount on refunding was \$353,289 as of December 31, 2004. The City completed the advance refunding to reduce its total debt service payments over the next ten and one-half (10 ½) years by \$378,570 and to obtain an economic gain of \$298,355. The 2002C Bonds were issued in the amount of \$21,330,000 to provide financing for a portion of the Lake Fort Smith water supply expansion project.

On January 8, 2004, the City issued \$8,700,000 Water and Sewer Revenue Refunding Bonds, Series 2004. The 2004 Bonds were issued to refund the remaining Series 1994 Water and Sewer Refunding and Construction Revenue Bonds which were redeemed at 101% on April 1, 2004. The reacquisition prices exceeded the carrying amounts of the old debt by \$828,717. The unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method. The remaining unamortized deferred amount on refunding was \$678,041 as of December 31, 2004. The City completed the refunding to reduce its total debt service payments over the next six (6) years by \$585,727 and to obtain an economic gain of \$529,462.

The Series 1999, 2002 and 2004 Revenue Bonds are collateralized by revenue of the water and sewer system and the various special funds established by the authorizing bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the revenue bond funds and third to pay the cost of replacements made necessary by the depreciation of the system. Any remaining revenues may then be used for redemption of the bonds prior to maturity, as discussed previously, for the purchase of bonds at a price not to exceed par and accrued interest, for construction, extension, betterments and improvements to the system, or for any other lawful purpose.

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, 2004, management believes the City is in compliance with all applicable requirements.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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 \$2,179,462 related to the Series 1999 Bonds, \$11,156,226 related to the Series 2002 Bonds, and \$870,000 related to the Series 2004 Bonds. The City held surety bonds valued at \$2,179,462, \$11,156,226 and \$870,000 at December 31, 2004 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, 2004.

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 (½%) local sales and use tax levied by the City beginning May 1, 2001. With the redemption of the 1997 Sales and Use Tax Bonds on June 1, 2004, the repayment of the bonds is being paid by collections of the one-half percent (½%) local sale and use tax levied by the City on January 1, 1998 for the Series 1997 Bonds. Beginning in March 2004, the sales tax collections from the one-half percent tax originally pledged to the 1997 Bonds were deposited into the Series 2001 bond account. The issuance of the bonds and the pledging of the taxes to the payment of and interest on the Bonds were 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. During 2004 the City paid principal due of \$3,085,000 and called \$7,060,000 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. The City held investments equal to this amount in the Water and Sewer Fund at December 31, 2004.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Sanitation-

In November 1994, the City issued \$4,560,000 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 issued 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 debt is defeased and the related liabilities have been removed from the Sanitation Fund statement of net assets. 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 \$126,345 as of December 31, 2004.

On September 3, 2002, the City issued \$6,305,000 Solid Waste Refunding Revenue Bonds. The Series 2002 Bonds were issued to refund the outstanding Series 1995 Bonds. The 1995 Bonds were redeemed at 101% on December 1, 2002. The refunded debt is considered defeased and the related liabilities have been removed from the Sanitation Fund statement of net assets. The reacquisition price exceeded the carrying amount of the old debt by \$376,991. 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 \$263,894 as of December 31, 2004. The City completed the current refunding to reduce its total debt service payments over the next ten (10) years by \$1,020,312 and to obtain an economic gain of \$467,675.

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

The Series 1998 and 2002 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 previously, 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 use.

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, 2004, the City is in compliance with all applicable requirements. Restricted accounts required by the bond ordinance are as follows:

Bond Retirement- The City is required to restrict funds for the payment of principal, interest and trustee and paying agents' fees of \$726,731 as of December 31, 2004. Of this amount, \$175,121 is related to the Series 1998 Bonds and \$551,610 is related to the Series 2002 Bonds. The City held investments equal to these amounts in the Sanitation Fund at December 31, 2004.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Maturity Schedule

Aggregate debt service requirements at December 31, 2004 for business-type activity related bonds were as follows:

	<u>Water and Sewer</u>		<u>Sanitation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$10,845,000	\$ 9,287,735	\$ 820,000	\$ 241,942
2006	16,190,000	8,834,039	850,000	216,403
2007	16,865,000	8,155,183	875,000	187,828
2008	17,610,000	7,438,381	910,000	156,227
2009	18,345,000	6,689,817	945,000	121,337
2010-2014	53,465,000	23,202,640	2,080,000	126,150
2015-2019	43,560,000	11,986,063	-	-
2020-2023	<u>19,665,000</u>	<u>1,827,475</u>	-	-
TOTAL	<u>\$196,545,000</u>	<u>\$ 77,421,333</u>	<u>\$ 6,480,000</u>	<u>\$ 1,049,887</u>

	<u>Total Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 11,665,000	\$ 9,529,677
2006	17,040,000	9,050,442
2007	17,740,000	8,343,011
2008	18,520,000	7,594,608
2009	19,290,000	6,811,154
2010-2014	55,545,000	23,328,790
2015-2019	43,560,000	11,986,063
2020-2023	<u>19,665,000</u>	<u>1,827,475</u>
	<u>\$203,025,000</u>	<u>\$ 78,471,220</u>

(g) Component Units Revenue Bonds-Business-Type Activities

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. At December 31, 2004, bonds payable were \$3,965,000. 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 amortized discount at December 31, 2004, were \$3,923,980.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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

	<u>Principal</u>	<u>Interest</u>
2005	\$ 95,000	\$ 239,538
2006	100,000	234,550
2007	105,000	229,250
2008	110,000	223,580
2009	115,000	217,530
2010-2014	695,000	980,248
2015-2019	930,000	745,850
2020-2024	1,250,000	419,967
2025-2026	<u>565,000</u>	<u>51,876</u>
Total payments	3,965,000	<u>\$ 3,342,389</u>
Less unamortized bond discount	<u>(41,020)</u>	
Net bonds outstanding, December 31, 2004	<u>\$ 3,923,980</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 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. On October 1, 2003, the Airport Commission redeemed \$1,125,000 of the Series 1999 Bonds. This resulted in the Airport Commission paying the final three years of bond payments early which reduced the maturity date from October 1, 2029 to October 1, 2026. To the extent not previously redeemed, the Series 1999 Bonds maturing on October 1, 2021, are subject to mandatory sinking fund redemption. The bond covenants require the maintenance of the following restricted account:

Bond Retirement- The Airport Commission is required to maintain funds for the payment of principal interest, and trustee and paying agents' fees of \$406,930 as of December 31, 2004. The Airport Commission held investments equal to this amount at December 31, 2004.

Parking Authority-

On November, 1998, the Parking Authority issued \$2,025,000 of Parking Facilities and Refunding and Improvement Revenue Bonds, Series 1998. Together with \$675,000 of existing funds, approximately \$2,072,000 of the net proceeds were being used to acquire and improve off-street parking facilities, including necessary demolition, and \$849,000 was used to redeem \$825,000 of Series 1999 Bonds on January 1, 1999. The Parking Facilities Refunding and Improvement Revenue Bonds are collateralized by the revenues derived from the operations of parking facilities and by the revenues derived from parking meters located in the City. The restricted account required by the bond ordinance is as follows:

Bond Retirement- The Parking Authority is required to maintain funds for the payment of principal, interest, and trustee and paying agents' fees of \$79,476. As of December 31, 2004, the Parking Authority held investments equal to this amount.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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

At December 31, 2004, Parking Authority Revenue Bonds payable was \$1,670,000. 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 at December 31, 2004, was \$1,645,462.

Debt service requirements for the bonds at December 31, 2004 were as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$ 80,000	\$ 75,843
2006	85,000	72,522
2007	90,000	68,953
2008	90,000	65,128
2009	95,000	61,257
2010-2014	550,000	238,759
2015-2019	<u>680,000</u>	<u>99,625</u>
Total payments	\$1,670,000	<u>\$ 682,087</u>
Less unamortized bond discount	<u>24,538</u>	
Net bond outstanding, December 31, 2004	<u>\$ 1,645,462</u>	

(h) Conduit Debt Obligations

From time to time, the City has issued various bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the state, the City, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

As of December 31, 2004, there were two series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$3,750,000, one series of Fair and Exhibition Facilities Bonds outstanding with an aggregate principal amount payable of \$2,200,000, and one series of Tourism Bonds outstanding with an aggregate principal payable of \$2,200,000.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(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 dependants 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 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, 2004 the net assets were \$980,948 and \$136,145 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$817,930 and \$265,130 reported in the Employee Insurance and Workers' Compensation Funds, respectively, are based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes the effect of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. These liabilities include accruals for claims incurred but not reported, based upon the City's historical claims rate. These liabilities are the City's best estimate based on available information. Changes in the reported liabilities during 2004 are detailed below:

	<u>Employee Insurance</u>	<u>Workers' Compensation</u>
Self-insurance liability, December 31, 2002	\$ 831,767	\$ 209,345
Current year claims and changes in estimate	6,424,036	235,611
Claim payments	<u>(6,543,192)</u>	<u>(206,663)</u>
Self-insurance liability, December 31, 2003	712,611	238,293
Current year claims and changes in estimate	4,902,601	401,035
Claim payments	<u>(4,797,282)</u>	<u>(374,198)</u>
Self-insurance liability, December 31, 2004	<u>\$ 817,930</u>	<u>\$ 265,130</u>

(6) Deferred Compensation Plan

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

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

The Plan, available to all permanent City employees, permits them to defer until future years up to 25% of annual gross earnings not to exceed \$13,000. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

(7) Pension Plans

(a) *Public Employees Retirement System*

Plan Description

Effective April 1, 1997, the Public Employees' Retirement System (PERS) was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the 401(a) Plan). The International City Management Association Retirement Corporation (ICMARC) serves as administrator of the 401(a) Plan. All full-time, non-uniformed employees with the exception of the two district judges and the District Court Clerk are covered by the 401(a) Plan. Each participant has a plan account to which the contributions are made and each participant manages their account by selecting various investments options offered by ICMARC. Plan benefits are base upon the total amount of money in an individual's account at retirement. Plan provisions and contribution rates are established by the 401(a) Plan agreement between the Board and ICMARC. Approval from both the Board and ICMARC is required for 401(a) Plan amendments. Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 10% of each covered employees' earnings. Employer contributions to the PERS plan totaled approximately \$1,930,000 for 2004.

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 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 district court judges and the District Court Clerk. The Plan was established by the City in accordance with Arkansas statutes and is included in the City's primary government as a separate pension trust fund. Benefits of one-half of the highest annual salary for 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 fiscal year ended December 31 2004 was \$228,813.

At December 31, 2004, 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 violation and \$0.20 for each summons in a civil action. Total contributions from fines and forfeitures in 2004 amounted to \$54,870. 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 the 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.

As of December 31, 2004, the Plan was closed in accordance with state statutes. The Plan members and the retiree will be covered by the Arkansas District Judges Retirement System (ADJRS) beginning January 1, 2005. The City is required to transfer assets in the amount of \$587,687 to ADJRS based upon an actuarial study performed for the state.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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 made. 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.

(b) 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 multi-employer defined benefit pension plans for employees of the Fire and Police Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with the Arkansas local police and fire (LOPFI) retirement system whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Plan's net pension obligation over a 40-year period. The Old Plan's benefit structure remains unchanged under the administration by LOPFI. The Old Plans do not issue separate stand-alone financial statements.

Members and participants of the old plans at December 31, 2004 are:

	<u>Fire</u>	<u>Police</u>
Active Members:		
Vested	13	7
Nonvested	-	-
Retirees and beneficiaries	<u>134</u>	<u>108</u>
Total	<u>147</u>	<u>115</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 date of employment. Members of the Old Plans who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participants's annual salary. Employees become vested after 20 years of service.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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 2004 plan year were based upon the December 31, 2002, actuary report.

The actuarially required contributions rate as of December 31, 2004, 2003, and 2002, and amounts required by the City and active participants of the Old Plans for 2004, 2003, and 2002 were as follows:

	Fire Plan			Police Plan		
	2004	2003	2002	2004	2003	2002
Employer actuarially required contribution rates	22.70%	25.24%	25.58%	15.98%	18.00%	18.11%
Employer contributions as a percentage of annual covered payroll	22.70%	25.24%	25.58%	15.98%	18.00%	18.11%
Employer contributions to LOPFI \$	195,264	\$ 251,082	\$ 348,890	\$ 63,901	\$ 102,164	\$ 152,889
Annual Pension Cost (APC) \$	195,264	\$ 251,082	\$ 348,890	\$ 63,901	\$ 102,164	\$ 152,889
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 2004, for the Old Plans:

<u>Old Fire and Police Plans</u>	
Valuation date	December 31, 2002
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	4.0%
Investment rate of return	8.0%
Projected salary increases	4.0%
Post-retirement benefit increases	3.0%

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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

Employees of the City's Fire and Police Department hired subsequent to December 31, 1983, 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 as 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, 2004 are:

	<u>Fire</u>	<u>Police</u>
Active Members:		
Vested	-	-
Nonvested	111	154
Retirees and beneficiaries	<u>-</u>	<u>6</u>
Total	<u>111</u>	<u>160</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 2.5% of final average pay for each year of credited service prior to January 1 2004. The City adopted Benefit Program 2 for members of the new plans effective January 1, 2004. Benefit Program 2 provides retirement benefits payable annually for life equal to 3% of final average pay for each year of credited service that began January 1, 2004 and after. The total benefit cannot exceed 80% of final average pay. Benefits are fully vested after ten years.

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.

The actuarially computed contribution rates as of December 31, 2004, 2003, and 2002, and amounts required by the City and active participants of the New Plans for 2004, 2003, and 2002 were as shown on the following page:

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

	Fire Plan			Police Plan		
	2004	2003	2002	2004	2003	2002
Employer actuarially required contribution rates	25.49%	25.24%	25.58%	18.93%	18.00%	18.11%
Employer contributions as a percentage of annual covered payroll	25.49%	25.24%	25.58%	18.93%	18.00%	18.11%
Employer contributions to LOPFI \$	1,154,287	\$ 1,072,040	\$ 975,057	\$ 1,090,826	\$ 983,112	\$ 863,494
Annual Pension Cost (APC) \$	1,154,287	\$ 1,072,040	\$ 975,057	\$ 1,090,826	\$ 983,112	\$ 863,494
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 2004, for the New Plans:

New Fire and Police Plans

Valuation date	December 31, 2002
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	4.0%
Investment rate of return	8.0%
Projected salary increases	4.0%
Post-retirement benefit increases	3.0% every other year

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(8) Commitments and Contingencies

(a) 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 necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable.

(b) 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.

(9) Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2004 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General Fund	\$ 13,993	\$ 408
Special Revenue Funds	613	14,569
Internal Service Funds	371	-
Sub-Total	<u>14,977</u>	<u>14,977</u>
Proprietary Funds:		
Water and Sewer Fund	344,218	-
Sanitation Fund	-	344,218
Sub-Total	<u>344,218</u>	<u>344,218</u>
Total	<u>\$ 359,195</u>	<u>\$ 359,195</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Interfund transfers in (out) for the year ended December 31, 2004, are as follows:

Fund	Transfers	
	In	Out
Governmental Funds:		
Major funds:		
General Fund	\$ 2,443,521	\$ 600,000
Special revenue-		
Street Maintenance Fund	-	59,170
Sales Tax Fund	-	1,770,700
Debit Service-		
1997 Sales and Use Tax Fund	-	107,634
Nonmajor funds	-	31,210
	<hr/>	<hr/>
Total governmental funds	<u>2,443,521</u>	<u>2,568,714</u>
Proprietary Funds:		
Water and Sewer Fund	357,634	59,170
Sanitation Fund	350,000	59,170
Court Retirement Fund	-	464,101
	<hr/>	<hr/>
Total proprietary funds	<u>707,634</u>	<u>582,441</u>
Total	<u>\$ 3,151,155</u>	<u>\$ 3,151,155</u>

The transfer out of \$1,770,700 from the Sales Tax Fund to the General Fund represents the allocation of overhead costs provided by General Fund programs during 2004.

10) Landfill Closure and Post Closure Care Costs

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

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

The City's permitted landfill capacity was increased from a total of 13,507,000 cubic yards to 72,607,000 cubic yards in 2003. The life of the landfill is now projected to last through 2045 rather than 2013. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2004, is \$2,395,269. The remaining estimated closure and postclosure care costs of approximately \$33.6 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 6.7% at December 31, 2004. These amounts are based upon annual engineering estimates of what it would cost to perform all closure and postclosure costs, based on the City's approved closure plan, through December 31, 2004. Actual costs may be significantly higher due to inflation, changes in technology, or changes in regulations by the Arkansas Department of Environmental Quality.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

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, 2004, is \$4,545,348. In order to comply with this requirement, the City held an irrevocable standby letter of credit with BancorpSouth which is pledged to the Arkansas Department of Environmental Quality in the amount of \$4,660,000 at December 31, 2004.

(11) New Applicable GASB Standards

GASB has issued statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These statements establish uniform financial reporting standards for other postemployment benefits (OPEB) plans, improve the relevance and usefulness of financial reporting, and supersede statements No. 12, No. 26 and No. 27. The City will be required to implement these statements in its financial statements for periods beginning after December 15, 2006. Management has not determined the impact these statements will have on its financial statements.

GASB has also issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which amends Statement No. 34. This statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. This statement becomes effective for financial statements for period beginning after June 15, 2005. City management has not determined the impact of this statement.

(12) Prior-Period Adjustment

During 2004, the City determined that an error had been made in the computation of the amounts of accrued interest receivable and interest capitalized on capital assets (construction in progress) at December 31, 2003 in the Water and Sewer Fund. This error resulted in an overstatement of \$1,107,556 in accrued interest receivable and an understatement of \$830,580 in capital assets (construction in progress) at December 31, 2003. The previously reported balances as of the beginning of 2004 for capital assets (construction in progress as reflected in Note 3) and net assets of the Business-Type Activities of the Primary Government in the government-wide financial statements and of the Water and Sewer Fund in the fund financial statements have been restated to reflect correction of this error in an increase in capital assets of \$830,580 and a decrease in net assets of \$276,976. This restatement reduced the previously reported amounts of the 2003 change in net assets of the Business-Type Activities of the Primary Government in the government-wide financial statements and of the Water and Sewer Fund in the fund financial statements by \$276,976.

(13) Subsequent Events

On April 26, 2005, the Board of Directors authorized the issuance of \$17,605,000 Water and Sewer Refunding Revenue Bonds, Series 2005. The Bonds will be issued to finance a portion of the cost of advance refunding of the City's Water and Sewer Revenue Bonds, Series 1999 maturing in 2010 through 2019. The 2005 Bonds have interest rates ranging from 3.25% to 4.10%. The 2005 Bonds were issued on a parity security with the City's outstanding Water and Sewer Refunding and Construction Revenue Bonds, Series 2002A and B, Water and Sewer Revenue Bonds, Series 2002C, Water and Sewer Refunding Revenue Bonds Series 2004, and the City's Water and Sewer Revenue Bonds, Series 1999 that are not being refunded by the 2005 Bonds.

On April 19, 2005, the City authorized the call of \$415,000 Parking Facilities Refunding and Improvement Revenues Bonds, Series 1998, to allow for the sale of property purchased with the Bonds for the construction of a hotel near the convention center.

On May 10, 2005, a referendum to continue the assessment of the 1% local sales and use tax that is restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage was approved by voters. This sales tax was reauthorized for a period of ten more years.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(14) **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, 2004. 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 principal and interest due on the bonds. Expenses were decreased significantly between 2003 and 2004. However, the revenue generated from the parking deck in 2004 was approximately 13% less than in 2003 due to the closure of the deck for structural repairs for two and one-half months during 2004. The Parking Authority Commission plans to monitor revenue requirements during 2005 and authorize adjustments to fees or expenses as necessary to meet debt service requirements. The Parking Authority is current on its payments of debt service requirements. The 2005 partial call of these bonds will reduce the debt service requirement for these bonds.

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

(15) Condensed Financial Statements-Discretely Presented Component Units

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

Statement of Net Assets

	Governmental		Business-Type		Total
	Advertising and Promotion	Public Library	Parking Authority	Airport Commission	
Assets:					
Current assets	\$ 208,493	\$ 924,356	\$ 4,464	\$ 3,451,030	\$ 4,588,343
Sales taxes receivable from the City	-	131,021	-	-	131,021
Capital Assets, net of accumulated depreciation, as applicable	-	468,852	2,597,026	36,439,927	39,505,805
Noncurrent assets	-	-	130,014	758,732	888,746
Total Assets	<u>208,493</u>	<u>1,524,229</u>	<u>2,731,504</u>	<u>40,649,689</u>	<u>45,113,915</u>
Liabilities:					
Current liabilities	17,311	36,613	142,981	228,541	425,446
Noncurrent liabilities	-	-	1,596,745	4,854,518	6,451,263
Total liabilities	<u>17,311</u>	<u>36,613</u>	<u>1,739,726</u>	<u>5,083,059</u>	<u>6,876,709</u>
Net Assets:					
Investment in capital assets, net of related debt	-	468,852	951,564	32,209,714	33,630,130
Restricted	-	-	79,476	1,496,249	1,575,725
Unrestricted	191,182	1,018,764	(39,262)	1,860,667	3,031,351
Total net assets	<u>\$ 191,182</u>	<u>\$ 1,487,616</u>	<u>\$ 991,778</u>	<u>\$ 35,566,630</u>	<u>\$ 38,237,206</u>

CITY OF FORT SMITH, ARKANSAS

Notes to Basic Financial Statements

December 31, 2004

Statement of Activities

For the Year Ended December 31, 2004

	Program Revenues			Net (Expense) Revenue and Changes in net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
				Advertising and Promotion	Public Library	Total
Advertising/Promotion	\$ 556,758	\$ -	\$ 3,589	\$ (553,169)	\$ -	\$ (553,169)
Public Library	2,075,717	103,692	352,585		(1,619,440)	(1,619,440)
Total	<u>\$ 2,632,475</u>	<u>\$ 103,692</u>	<u>\$ 356,174</u>	(553,169)	(1,619,440)	(2,172,609)

General revenues:

Property taxes	-	949,628	949,628
Sales taxes	-	781,942	781,942
Hospitality hotel/motel taxes	542,922	-	542,922
Unrestricted investments earnings	2,369	3,016	5,385
Other	-	17,851	17,851

Total general revenues

545,291 1,752,437 2,297,728

Change in net assets

(7,878) 132,997 125,119

Net assets, beginning

199,060 1,354,619 1,553,679

Net assets, ending

\$ 191,182 \$ 1,487,616 \$ 1,678,798

	Program Revenues			Net (Expense) Revenue and Changes in net Assets		
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Business-Type Activities		
				Parking Authority	Airport Commission	Total
Parking Authority	\$ 319,671	\$ 205,594	\$ -	\$ (114,077)	\$ -	\$ (114,077)
Airport Commission	4,361,439	2,010,143	345,250	-	(2,006,046)	(2,006,046)
Total	<u>\$ 4,681,110</u>	<u>\$ 2,215,737</u>	<u>\$ 345,250</u>	(114,077)	(2,006,046)	(2,120,123)

General revenues:

Unrestricted investment earnings	1,229	57,682	58,911
Payment from City of Fort Smith	230,000	-	230,000
Other	-	367,427	367,427

Total general revenues

231,229 425,109 656,338

Change in net assets

117,152 (1,580,937) (1,463,785)

Net assets, beginning

874,626 37,147,567 38,022,193

Net assets, ending

\$ 991,778 \$ 35,566,630 \$ 36,558,408

City of Fort Smith, Arkansas
Required Supplementary Information
Analysis of Funding Progress-Pension Plans
Combined Fire and Police Plans
(Unaudited)

Actuarial Valuation Date	(1)	(2)	(3)	(4)	(5)	(6)
	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:						
2001	\$ 5,956,693	\$ 12,682,497	\$ 47%	\$ (6,725,804) **	\$ 5,175,709	(130)%
2002	6,776,797	16,975,413	40%	(10,198,616) **	5,242,165	(195)%
2003	1,427,239	14,459,324	10%	(13,032,085) **	5,388,588	(242)%
Police Plan:						
2001	\$ 11,142,238	\$ 13,901,920	\$ 80%	\$ (2,759,682) **	\$ 5,612,278	(49)%
2002	10,890,093	16,132,666	68%	(5,242,573) **	6,029,314	(87)%
2003	6,716,152	14,952,904	45%	(8,236,752) **	6,162,300	(134)%

* 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 the percentage, the stronger the plan.

** 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.

City of Fort Smith, Arkansas
 Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended December 31, 2004

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 4,989,300	\$ 4,989,300	\$ 4,756,226	\$ -	\$ 4,756,226	\$ (233,074)
Sales taxes	12,395,276	12,907,214	13,032,372	-	13,032,372	125,158
Licenses and permits	1,192,000	1,135,832	1,151,427	-	1,151,427	15,595
Utility franchise fees	5,428,750	5,874,559	5,986,546	-	5,986,546	111,987
Intergovernmental	4,269,535	5,080,682	4,849,390	-	4,849,390	(231,292)
Fines and forfeitures	1,650,700	1,715,099	1,769,320	-	1,769,320	54,221
Fees for services	970,900	933,344	941,582	-	941,582	8,238
Interest	60,000	54,912	64,877	-	64,877	9,965
Miscellaneous	919,616	227,018	228,340	-	228,340	1,322
Total Revenues	31,876,077	32,917,960	32,780,080	-	32,780,080	(137,880)
Expenditures						
Current:						
General government						
Administration	3,066,319	3,107,492	2,854,697	16,385	2,871,082	236,410
Legal	1,737,110	1,723,110	1,377,456	25,110	1,402,566	320,544
Finance	1,048,685	866,108	872,504	9,367	881,871	(15,763)
Public safety						
Police	11,918,579	11,761,849	11,205,034	7,868	11,212,902	548,947
Fire	7,936,066	7,944,801	7,810,733	72,362	7,883,095	61,706
Community services						
Health and Social Services	103,026	141,976	85,912	600	86,512	55,464
Parks and Recreation	2,035,964	1,343,442	1,560,932	10,424	1,571,356	(227,914)
Transit	1,981,778	1,916,080	1,900,705	-	1,900,705	15,375
Other	2,137,282	2,734,306	2,062,949	439,504	2,502,453	231,853
Capital Outlay	3,405,861	5,584,138	3,301,936	2,234,631	5,536,567	47,571
Total Expenditures	35,370,670	37,123,302	33,032,858	2,816,251	35,849,109	1,274,193
Excess (Deficiency) of revenues over (under) expenditures	(3,494,593)	(4,205,342)	(252,778)	(2,816,251)	(3,069,029)	1,136,313
Other Financing Sources (Uses):						
Transfers in	1,998,210	1,948,210	2,443,521	-	2,443,521	495,311
Transfers out	(600,000)	(600,000)	(600,000)	-	(600,000)	0
Capital lease financing	-	-	613,023	-	613,023	613,023
Total Other Financing Sources and Uses	1,398,210	1,348,210	2,456,544	-	2,456,544	1,108,334
Net Change in Fund Balances	(2,096,383)	(2,857,132)	2,203,766	(2,816,251)	(612,485)	2,244,647
Fund Balances, January 1	5,734,087	5,734,087	6,557,982	-	6,557,982	-
Fund Balances, December 31	\$ 3,637,704	\$ 2,876,955	\$ 8,761,748	\$ (2,816,251)	\$ 5,945,497	\$ 2,244,647

City of Fort Smith, Arkansas
 Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - Street Maintenance Fund
 For the Year Ended December 31, 2004

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Revenues						
Taxes	\$ 1,483,500	\$ 1,483,500	\$ 1,426,836	\$ -	\$ 1,426,836	\$ (56,664)
Intergovernmental	3,772,500	3,772,500	3,854,769	-	3,854,769	82,269
Interest	170,000	77,904	88,075	-	88,075	10,171
Miscellaneous	18,000	5,600	5,900	-	5,900	300
Total Revenues	5,444,000	5,339,504	5,375,580	-	5,375,580	36,076
Expenditures						
Current:						
General government						
Administration	365,334	368,521	340,794	9,529	350,323	18,198
Legal	61,050	61,050	40,999	-	40,999	20,051
Finance	454,048	457,768	422,468	7,330	429,798	27,970
Public works						
Operations	349,510	349,500	318,546	-	318,546	30,954
Streets	2,492,857	2,450,757	2,165,879	995	2,166,874	283,883
Traffic Control	1,626,274	1,707,234	1,566,839	6,028	1,572,867	134,367
Community services						
Parks and Recreation	249,312	659,865	236,089	934	237,023	422,842
Other	65,000	1,399,000	35,651	950,000	985,651	413,349
Capital Outlay	641,257	73,814	74,604	414,681	489,285	(415,471)
Total Expenditures	6,304,642	7,527,509	5,201,869	1,389,497	6,591,366	936,143
Excess (Deficiency) of revenues over (under) expenditures	(860,642)	(2,188,005)	173,711	(1,389,497)	(1,215,786)	972,219
Other Financing Uses:						
Transfers out	(59,170)	(59,170)	(59,170)	-	(59,170)	-
Total Other Financing Uses	(59,170)	(59,170)	(59,170)	-	(59,170)	-
Net Change in Fund Balances	(919,812)	(2,247,175)	114,541	(1,389,497)	(1,274,956)	972,219
Fund Balances, January 1	5,305,377	5,305,377	5,600,085	-	5,600,085	-
Fund Balances, December 31	4,385,565	3,058,202	5,714,626	(1,389,497)	4,325,129	972,219

City of Fort Smith, Arkansas

Notes to Required Supplementary Information
December 31, 2004

Budgets and Budget Accounting

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

Annual budgets are legally adopted for the General Fund and the Street Maintenance Fund, a special revenue fund.

The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any department must be approved by the Board. During 2004, supplemental appropriations (expenditures and transfers out) were adopted by the Board for the General Fund totaling \$1,752,632 to provide funds for economic development at Chaffee Crossing and reconstruction of the Carol Ann Cross Park dam. During 2004, supplemental appropriations were adopted by the Board for the Street Maintenance Fund totaling \$1,222,867 for the Rogers Avenue signal improvements, sidewalk program, and the Massard bikeway. For budgetary purposes, unencumbered appropriations lapse at yearend.

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

CITY OF FORT SMITH, ARKANSAS

Nonmajor Governmental Funds

For the Fiscal Year Ended December 31, 2004

Special Revenue Funds:

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

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

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

Special Grants- To account for federal, state, and local grants received by the City. Current grants include: Economic Development Administration (EDA) for infrastructure projects, 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.

Convention Center- To account for the state tourism turnback received by the City to be used for operations and capital asset acquisition for the convention center. The turnback is restricted for tourism related uses.

Capital Projects Funds:

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 Board. 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 sale and use tax bonds fund the three projects.

City of Fort Smith, Arkansas
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2004

	Special Revenue					Capital Projects			Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Convention Center	Sidewalk Construction	1997 Sales & Use Tax Construction	
Assets									
Cash	\$ 5,780	\$ -	\$ 114,821	\$ 3,201	\$ 248,464	\$ 117,053	\$ 4,682	\$ -	\$ 494,001
Investments	19,003	4,636	-	837,736	12,472,650	525,057	414,866	-	14,273,948
Receivables, net of allowance for uncollectibles	-	-	-	-	2,128,283	-	-	-	2,128,283
Taxes	-	-	-	-	-	-	-	-	800
Accounts	800	-	-	-	-	-	-	-	800
Accrued interest	27	8	-	1,430	21,726	1,238	709	-	25,138
Due from other funds	613	-	-	-	-	-	-	-	613
Due from other governments	60,714	-	26,371	12,930	-	-	-	-	100,015
Prepaid items	408	-	-	-	-	-	-	-	408
Deposits	-	-	-	-	-	-	2,582	-	2,582
Total Assets	\$ 87,345	\$ 4,644	\$ 141,192	\$ 855,297	\$ 14,871,123	\$ 643,348	\$ 422,839	\$ -	\$ 17,025,788
Liabilities and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities	\$ 69,763	\$ -	\$ 37,953	\$ 28,467	\$ 249,806	\$ 58,107	\$ 43,511	\$ -	\$ 487,607
Retainage payable	-	-	-	-	-	-	12,261	-	12,261
Due to other funds	12,814	-	1,755	-	-	-	-	-	14,569
Unearned revenues	1,803	-	101,484	714,938	2,113,147	-	-	-	2,931,372
Other	2,323	-	-	-	-	-	-	-	2,323
Total Liabilities	86,703	-	141,192	743,405	2,362,953	58,107	55,772	-	3,448,132
Fund Balances:									
Reserved for:									
Encumbrances	-	-	-	-	-	229,849	-	-	229,849
Prepaid items	408	-	-	-	-	-	-	-	408
Other purposes	234	4,644	-	-	-	355,392	-	-	360,270
Unreserved, reported in nonmajor:									
Special revenue funds	-	-	-	111,892	12,508,170	-	-	-	12,620,062
Capital projects funds	-	-	-	-	-	-	367,067	-	367,067
Total Fund Balances	642	4,644	-	111,892	12,508,170	585,241	367,067	-	13,577,656
Total Liabilities and Fund Balances	\$ 87,345	\$ 4,644	\$ 141,192	\$ 855,297	\$ 14,871,123	\$ 643,348	\$ 422,839	\$ -	\$ 17,025,788

City of Fort Smith, Arkansas
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2004

	Special Revenue					Capital Projects			Total Nonmajor Governmental Funds
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Convention Center	Sidewalk Construction	1997 Sales & Use Tax Construction	
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,902,588	\$ -	\$ -	\$ -	\$ 1,902,588
Licenses and permits	-	-	-	-	-	-	119,984	-	119,984
Intergovernmental	967,955	-	504,519	379,697	902,101	1,738,065	-	-	4,512,337
Fines and forfeitures	-	-	-	-	119,348	-	-	-	119,348
Interest	-	69	-	3,478	180,885	9,154	7,096	1,058	201,740
Contributions	-	400	-	-	773,610	-	-	-	774,010
Miscellaneous	-	-	-	3,212	3,118	-	-	-	6,330
Total Revenues	967,955	469	504,519	386,387	3,881,650	1,767,219	127,080	1,058	7,636,337
Expenditures									
Current:									
Public safety	-	-	-	-	2,043,950	-	-	-	2,099,812
Police	-	-	-	55,862	1,191,062	-	-	-	1,191,062
Fire	-	-	-	-	-	-	-	-	-
Public works	-	-	-	91,099	-	-	309,301	-	400,400
Streets	-	-	-	-	-	-	-	-	-
Community services	-	-	-	33,996	-	-	-	19,353	53,349
Parks and Recreation	-	-	-	-	-	1,113,264	-	-	1,113,264
Convention Center	949,979	-	504,519	145,336	-	-	-	-	1,599,834
Housing and Rehabilitation	-	-	-	8,211	-	-	-	-	10,959
Other	-	-	-	49,834	2,748	-	-	-	919,829
Capital Outlay	17,976	-	-	-	-	836,960	-	15,059	919,829
Total Expenditures	967,955	-	504,519	384,338	3,237,760	1,950,224	309,301	34,412	7,388,509
Excess (Deficiency) of revenues over (under) expenditures	-	469	-	2,049	643,890	(183,005)	(182,221)	(33,354)	247,828
Other Financing Uses:									
Transfers out	-	-	-	-	-	-	-	(31,210)	(31,210)
Total Other Financing Sources and Uses	-	-	-	-	-	0	-	(31,210)	(31,210)
Net Change in Fund Balances	-	469	-	2,049	643,890	(183,005)	(182,221)	(64,564)	216,618
Fund Balances, January 1	642	4,175	-	109,843	11,864,280	768,246	549,288	64,564	13,361,038
Fund Balances, December 31	642	\$ 4,644	\$ -	\$ 111,892	\$ 12,508,170	\$ 585,241	\$ 367,067	\$ -	\$ 13,577,656

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FORT SMITH, ARKANSAS

Internal Service Funds

For the Fiscal Year Ended December 31, 2004

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

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

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

City of Fort Smith, Arkansas
Combining Statement of Net Assets
Internal Service Funds
December 31, 2004

	Working Capital	Employee Insurance	Workers' Compensation	Total
Assets				
Current Assets:				
Cash	\$ 21,519	\$ 333,986	\$ 111,419	\$ 466,924
Investments	-	1,494,483	328,973	1,823,456
Receivables, net of allowance for uncollectibles				
Accounts	-	22,829	1,529	24,358
Accrued interest	-	2,946	754	3,700
Inventory	26,254	-	-	26,254
Due from other funds	371	-	-	371
Total Current Assets	<u>48,144</u>	<u>1,854,244</u>	<u>442,675</u>	<u>2,345,063</u>
Total Assets	<u>48,144</u>	<u>1,854,244</u>	<u>442,675</u>	<u>2,345,063</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	20,460	55,366	41,400	117,226
Claims and judgments	-	817,930	265,130	1,083,060
Total Current Liabilities	<u>20,460</u>	<u>873,296</u>	<u>306,530</u>	<u>1,200,286</u>
Total Liabilities	<u>20,460</u>	<u>873,296</u>	<u>306,530</u>	<u>1,200,286</u>
Net Assets				
Unrestricted	<u>27,684</u>	<u>980,948</u>	<u>136,145</u>	<u>1,144,777</u>
Total Net Assets	<u>\$ 27,684</u>	<u>\$ 980,948</u>	<u>\$ 136,145</u>	<u>\$ 1,144,777</u>

City of Fort Smith, Arkansas
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2004

	Working Capital	Employee Insurance	Workers' Compensation	Total
Operating Revenues				
Charges for services - internal	\$ 424,339	\$ 5,538,299	\$ 249,670	\$ 6,212,308
Charges for services - external	-	317,389	-	317,389
Total Operating Revenues	<u>424,339</u>	<u>5,855,688</u>	<u>249,670</u>	<u>6,529,697</u>
Operating Expenses				
Contractual services	-	611,829	113,984	725,813
Materials and supplies	428,628	-	-	428,628
Insurance claims and expenses	-	4,797,282	374,198	5,171,480
Total Operating Expenses	<u>428,628</u>	<u>5,409,111</u>	<u>488,182</u>	<u>6,325,921</u>
Operating Income (Loss)	<u>(4,289)</u>	<u>446,577</u>	<u>(238,512)</u>	<u>203,776</u>
Nonoperating Revenues				
Investment earnings	-	20,450	8,511	28,961
Total Nonoperating Revenues	<u>-</u>	<u>20,450</u>	<u>8,511</u>	<u>28,961</u>
Change in Net Assets	(4,289)	467,027	(230,001)	232,737
Total net assets, beginning	<u>31,973</u>	<u>513,921</u>	<u>366,146</u>	<u>912,040</u>
Total net assets, ending	<u>\$ 27,684</u>	<u>\$ 980,948</u>	<u>\$ 136,145</u>	<u>\$ 1,144,777</u>

City of Fort Smith, Arkansas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2004

	Working Capital	Employee Insurance	Workers' Compensation	Total
Cash Flows from Operating Activities:				
Cash received from service users	\$ 424,541	\$ 333,997	\$ -	\$ 758,538
Cash received from city and employee contributions	-	5,513,622	249,104	5,762,726
Cash payments for goods and services	(420,125)	-	-	(420,125)
Cash payments for premiums and other operating expenses	-	(611,829)	(95,035)	(706,864)
Cash payments for claims paid	-	(4,682,255)	(347,361)	(5,029,616)
Net cash provided by (used for) operating activities	<u>4,416</u>	<u>553,535</u>	<u>(193,292)</u>	<u>364,659</u>
Cash Flows from Investing Activities:				
Proceeds from sales and maturities of investment securities	-	546,302	411,490	957,792
Outlays for purchases of investment securities	-	(1,293,614)	(132,468)	(1,426,082)
Interest on investments	-	18,406	9,046	27,452
Net cash provided by (used for) investing activities	<u>-</u>	<u>(728,906)</u>	<u>288,068</u>	<u>(440,838)</u>
Net increase (decrease) in cash	4,416	(175,371)	94,776	(76,179)
Cash, January 1	17,103	509,357	16,643	543,103
Cash, December 31	<u>\$ 21,519</u>	<u>\$ 333,986</u>	<u>\$ 111,419</u>	<u>\$ 466,924</u>
Reconciliation of operating income (loss) to net cash used for operating activities:				
Operating income (loss)	\$ (4,289)	\$ 446,577	\$ (238,512)	\$ 203,776
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Change in assets and liabilities:				
Accounts receivable	-	(8,069)	(566)	(8,635)
Due from other funds	202	-	-	202
Inventory	4,292	-	-	4,292
Accounts payable and accrued liabilities	4,211	9,708	18,949	32,868
Liability for claims and judgments	-	105,319	26,837	132,156
Total adjustments	<u>8,705</u>	<u>106,958</u>	<u>45,220</u>	<u>160,883</u>
Net cash provided by (used for) operating activities	<u>\$ 4,416</u>	<u>\$ 553,535</u>	<u>\$ (193,292)</u>	<u>\$ 364,659</u>

CITY OF FORT SMITH, ARKANSAS

Fiduciary Fund

For the Fiscal Year Ended December 31, 2004

(1) **Agency Fund**

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

City of Fort Smith, Arkansas
Combining Statement of Changes in Assets and Liabilities - Payroll Fund
For the Fiscal Year Ended December 31, 2004

	<u>Payroll</u>
Assets:	
Cash balance, January 1	\$ -
Additions	34,227,251
Deductions	<u>(34,227,251)</u>
Cash balance, December 31	-
Accounts receivable, January 1	-
Additions	32,599,764
Deductions	<u>(32,599,765)</u>
Accounts receivable, December 31	-
Total assets	<u>\$ -</u>
Liabilities:	
Account payable balance, January 1	\$ -
Additions	19,007,859
Deductions	<u>(19,007,859)</u>
Account payable balance, December 31	-
Total liabilities	<u>\$ -</u>

CITY OF FORT SMITH, ARKANSAS

Discretely Presented Component Units

For the Fiscal Year Ended December 31, 2004

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.

Proprietary Fund Types- Enterprise Funds

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

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

City of Fort Smith, Arkansas
Combining Statement of Net Assets
Governmental Component Units
December 31, 2004

	Advertising and Promotion	Public Library	Total
Assets:			
Cash	\$ 1,509	\$ 501,783	\$ 503,292
Investments	166,061	251,501	417,562
Receivables, net of allowance for uncollectibles			
Taxes	40,633	65,200	105,833
Sales taxes	-	131,021	131,021
Accounts	-	53,865	53,865
Accrued interest	290	-	290
Prepaid items	-	47,007	47,007
Inventory, at cost	-	5,000	5,000
Capital assets:			
Nondepreciable	-	422,132	422,132
Depreciable	-	46,720	46,720
Total Assets	<u>208,493</u>	<u>1,524,229</u>	<u>1,732,722</u>
Liabilities:			
Current:			
Accounts payable and accrued liabilities	<u>17,311</u>	<u>36,613</u>	<u>53,924</u>
Total Liabilities	<u>17,311</u>	<u>36,613</u>	<u>53,924</u>
Net Assets:			
Invested in capital assets	-	468,852	468,852
Unrestricted	<u>191,182</u>	<u>1,018,764</u>	<u>1,209,946</u>
Total Net Assets	<u>\$ 191,182</u>	<u>\$ 1,487,616</u>	<u>\$ 1,678,798</u>

City of Fort Smith, Arkansas
Combining Statement of Activities - Governmental Component Units
For the Year Ended December 31, 2004

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities	
				Advertising & Promotion	Public Library
Advertising & Promotion	\$ 556,758	\$ -	\$ 3,589	\$ (553,169)	\$ (553,169)
Public Library	2,075,717	103,692	352,585	(1,619,440)	(1,619,440)
Total	\$ 2,632,475	\$ 103,692	\$ 356,174	(553,169)	(2,172,609)
General revenues:					
Property taxes				949,628	949,628
Sales taxes				781,942	781,942
Hospitality taxes			542,922		542,922
Unrestricted investment earnings			2,369	3,016	5,385
Other				17,851	17,851
Total general revenues			545,291	1,752,437	2,297,728
Change in net assets			(7,878)	132,997	125,119
Net assets, beginning			199,060	1,354,619	1,553,679
Net assets, ending			\$ 191,182	\$ 1,487,616	\$ 1,678,798

City of Fort Smith, Arkansas
Balance Sheet - Advertising and Promotion
Governmental Component Unit
December 31, 2004

Assets:

Cash	\$	1,509
Investments		166,061
Receivables, net of allowance for uncollectibles		
Taxes		40,633
Accrued interest		290
		<hr/>
Total Assets	\$	<u>208,493</u>

Liabilities and Fund Balance:

Current:

Accounts payable and accrued liabilities	\$	17,311
		<hr/>
Total Liabilities		17,311

Fund Balance:

Unrestricted		191,182
		<hr/>
Total Liabilities and Fund Balance	\$	<u>208,493</u>

City of Fort Smith, Arkansas
Statement of Revenues, Expenditures and Change in Fund Balance
Advertising and Promotion - Governmental Component Unit
For the Year Ended December 31, 2004

Revenues	
Taxes	\$ 542,922
Interest	2,369
Contributions	<u>3,589</u>
Total Revenues	<u>548,880</u>
Expenditures	
Current:	
Other	532,470
Capital Outlay	<u>8,000</u>
Total Expenditures	<u>540,470</u>
Deficiency of revenues under expenditures	<u>8,410</u>
Other Financing Uses:	
Transfers out to primary government	<u>(16,288)</u>
Total Other Financing Uses	<u>(16,288)</u>
Net Change in Fund Balance	(7,878)
Fund Balance, January 1	<u>199,060</u>
Fund Balance, December 31	<u>\$ 191,182</u>

City of Fort Smith, Arkansas
Combining Statement of Net Assets
Business-Type Component Units
December 31, 2004

	Parking Authority	Airport	Total
Assets			
Current Assets:			
Cash	\$ -	\$ 1,091,540	\$ 1,091,540
Investments	918	1,263,638	1,264,556
Receivables, net of allowance for uncollectibles			
Accounts	1,833	38,196	40,029
Accrued interest	32	6,763	6,795
Restricted:			
Cash	-	325,771	325,771
Investments	26,759	634,767	661,526
Accounts receivable, net of allowances for uncollectibles	-	38,210	38,210
Interest receivable	100	2,825	2,925
Prepaid items and deposits	1,681	47,373	49,054
Inventory	-	1,947	1,947
Total Current Assets	<u>31,323</u>	<u>3,451,030</u>	<u>3,482,353</u>
Noncurrent Assets:			
Restricted:			
Cash	-	86,613	86,613
Investments	79,593	406,930	486,523
Interest receivable	-	1,133	1,133
Deferred charges	23,562	144,104	167,666
Other	-	119,952	119,952
Capital assets:			
Nondepreciable	1,654,160	6,342,522	7,996,682
Depreciable	942,866	30,097,405	31,040,271
Total Noncurrent Assets	<u>2,700,181</u>	<u>37,198,659</u>	<u>39,898,840</u>
Total Assets	<u>2,731,504</u>	<u>40,649,689</u>	<u>43,381,193</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	56,661	73,657	130,318
Payable from restricted assets:			
Accrued interest	6,320	59,884	66,204
Revenue bonds payable, current	80,000	95,000	175,000
Total Current Liabilities	<u>142,981</u>	<u>228,541</u>	<u>371,522</u>
Noncurrent liabilities:			
Due in one year	10,334	190,282	200,616
Due in more than one year	1,586,411	4,664,236	6,250,647
Total Noncurrent Liabilities	<u>1,596,745</u>	<u>4,854,518</u>	<u>6,451,263</u>
Total Liabilities	<u>1,739,726</u>	<u>5,083,059</u>	<u>6,822,785</u>
Net Assets			
Invested in capital assets, net of related debt	951,564	32,209,714	33,161,278
Restricted for bond retirement	79,476	494,676	574,152
Restricted for Federal Aviation Administration (Escrow)	-	637,374	637,374
Restricted for capital projects	-	364,199	364,199
Unrestricted	(39,262)	1,860,667	1,821,405
Total Net Assets	<u>\$ 991,778</u>	<u>\$ 35,566,630</u>	<u>\$ 36,558,408</u>

City of Fort Smith, Arkansas
Combining Statement of Activities - Business-Type Component Units
For the Year Ended December 31, 2004

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Business-Type Activities	
				Parking Authority	Airport Commission
Parking Authority	\$ 319,671	\$ 205,594	\$ -	\$ (114,077)	\$ (114,077)
Airport	4,361,439	2,010,143	345,250	(2,006,046)	(2,006,046)
Total	\$ 4,681,110	\$ 2,215,737	\$ 345,250	(114,077)	(2,120,123)
General revenues:					
Unrestricted investment earnings				1,229	58,911
Payment from City of Fort Smith				230,000	230,000
Other				367,427	367,427
Total general revenues				231,229	656,338
Change in net assets				117,152	(1,463,785)
Net assets, beginning				874,626	38,022,193
Net assets, ending				\$ 991,778	\$ 36,558,408

City of Fort Smith, Arkansas
Combining Statement of Cash Flows
Business-Type Component Units
For the Year Ended December 31, 2004

	Parking Authority	Airport	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 208,030	\$ 1,633,353	\$ 1,841,383
Cash payments for goods and services	19,572	(815,339)	(795,767)
Cash paid to employees	(116,561)	(770,188)	(886,749)
Cash payments for premiums and other operating expenses	-	(97,640)	(97,640)
Cash received from other operating revenues	-	290,540	290,540
Net cash provided by operating activities	<u>111,041</u>	<u>240,726</u>	<u>351,767</u>
Cash Flows from Noncapital Financing Activities:			
Operating transfers in from primary government	230,000	-	230,000
Net cash provided by noncapital financing activities	<u>230,000</u>	<u>-</u>	<u>230,000</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from grants	-	307,040	307,040
Acquisition and construction of capital assets	(177,910)	(73,496)	(251,406)
Principal paid on bonds and notes	(75,000)	(183,726)	(258,726)
Interest paid on bonds and notes	(88,655)	(265,606)	(354,261)
Net cash used for capital and related financing activities	<u>(341,565)</u>	<u>(215,788)</u>	<u>(557,353)</u>
Cash Flows from Investing Activities:			
Proceeds from sales and maturities of investment securities	389,481	1,396,764	1,786,245
Outlays for purchases of investment securities	(391,223)	(2,305,335)	(2,696,558)
Interest on investments	2,266	170,028	172,294
Net cash provided by (used for) investing activities	<u>524</u>	<u>(738,543)</u>	<u>(738,019)</u>
Net decrease in cash and restricted cash	-	(713,605)	(713,605)
Cash and restricted cash, January 1	-	2,217,529	2,217,529
Cash and restricted cash, December 31	<u>\$ -</u>	<u>\$ 1,503,924</u>	<u>\$ 1,503,924</u>

City of Fort Smith, Arkansas
Combining Statement of Cash Flows
Business-Type Component Units
For the Year Ended December 31, 2004
(Continued)

	Parking Authority	Airport	Total
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (34,538)	\$ (2,078,466)	\$ (2,113,004)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	90,494	2,512,666	2,603,160
Miscellaneous revenue	2,822	-	2,822
Change in assets and liabilities:			
Accounts receivable	(386)	4,557	4,171
Inventory	-	1,555	1,555
Prepaid items		1,460	1,460
Accounts payable and accrued liabilities	51,342	(110,239)	(58,897)
Liabilities for accrued vacation and sick leave	1,307	-	1,307
Other liabilities	-	(90,807)	(90,807)
Total adjustments	145,579	2,319,192	2,464,771
Net cash provided by operating activities	<u>\$ 111,041</u>	<u>\$ 240,726</u>	<u>\$ 351,767</u>

**Capital Assets
Used in the Operation
of Governmental Funds**

The following three schedules present the capital asset balances related to governmental funds.

City of Fort Smith, Arkansas
Schedule of Capital Assets Used in the Operation of
Governmental Funds by Source
December 31, 2004

Capital Assets:

Land	\$	18,831,043
Buildings		68,570,112
Improvements other than buildings		7,118,901
Machinery and equipment		20,807,700
Infrastructure		159,942,884
Accumulated depreciation		<u>(56,790,973)</u>
		218,479,667
Construction In Progress		<u>123,433</u>
Total Capital Assets - Governmental Funds	\$	<u>218,603,100</u>

City of Fort Smith, Arkansas
Schedule of Capital Assets Used in the Operation of Governmental Funds
By Function and Activity Net of Accumulated Depreciation
December 31, 2004

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
General Government							
Administration	\$ 81,050	\$ 121,980	\$ 27,757	\$ 524,412	\$ -	\$ -	\$ 755,199
Legal	-	-	24,005	216,370	-	-	240,375
Finance	-	45,375	61,794	835,853	-	-	943,022
Public Safety							
Police	1,150,000	5,253,068	309,543	4,133,193	-	-	10,845,804
Fire	313,241	3,030,046	6,350	5,368,168	-	-	8,717,805
Public Works							
Operations	60,933	-	54,689	185,653	-	-	301,275
Streets	6,151,565	-	-	3,348,588	159,942,884	-	169,443,037
Traffic control	-	-	-	354,995	-	-	354,995
Community Services							
Health and social services	-	-	20,002	20,742	-	-	40,744
Parks and recreation	1,915,366	8,104,644	6,301,734	985,601	-	123,433	17,430,778
Convention center	7,583,649	30,367,794	149,896	1,723,421	-	-	39,824,760
Transit	427,974	1,117,907	60,638	1,219,747	-	-	2,826,266
Housing and rehabilitation	0	188,071	102,493	36,931	-	-	327,495
Other	1,147,265	20,341,227	-	1,854,026	-	-	23,342,518
Accumulated depreciation	-	(7,381,015)	(4,495,532)	(12,758,748)	(32,155,678)	-	(56,790,973)
Total	\$ 18,831,043	\$ 61,189,097	\$ 2,623,369	\$ 8,048,952	\$ 127,787,206	\$ 123,433	\$ 218,603,100

City of Fort Smith, Arkansas
 Schedule of Changes in Capital Assets Used in the Operation
 of Governmental Funds By Function and Activity
 For the Fiscal Year Ended December 31, 2004

Function and Activity	Capital Assets 12/31/03	Additions	Deletions	Transfers	Capital Assets 12/31/04
General Government					
Administration	\$ 784,612	\$ 44,748	\$ 74,161	\$ -	\$ 755,199
Legal	234,194	6,181	-	-	240,375
Finance	833,513	117,622	8,113	-	943,022
Public Safety					
Police	10,552,814	454,635	161,645	-	10,845,804
Fire	8,103,020	729,114	114,329	-	8,717,805
Public Works					
Operations	295,703	5,572	-	-	301,275
Streets	156,109,928	13,401,756	68,647	-	169,443,037
Traffic Control	344,454	10,541	-	-	354,995
Community Services					
Health and social services	40,744	-	-	-	40,744
Parks and recreation	17,101,749	339,205	10,176	-	17,430,778
Convention center	38,640,493	1,184,267	-	-	39,824,760
Transit	1,223,006	1,603,260	-	-	2,826,266
Housing and rehabilitation	309,519	17,976	-	-	327,495
Other	23,267,237	75,281	-	-	23,342,518
Accumulated Depreciation	(50,083,573)	(7,099,938)	(392,538)	-	(56,790,973)
Total	\$ 207,757,413	\$ 10,890,220	\$ 44,533	\$ -	\$ 218,603,100

THIS PAGE INTENTIONALLY LEFT BLANK

Table 1

City of Fort Smith, Arkansas

Net Assets by Component
Last Two Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year	
	2003	2004
Governmental activities		
Invested in capital assets, net of related debt	\$ 200,550,082	\$ 218,603,100
Restricted	6,135,903	4,470,232
Unrestricted	55,062,995	55,390,169
Total governmental activities net assets	<u>\$ 261,748,980</u>	<u>\$ 278,463,501</u>
Business-Type activities		
Invested in capital assets, net of related debt	135,907,557	152,618,444
Restricted	25,199,051	24,005,631
Unrestricted (deficit)	(9,043,315)	(5,371,394)
Total business-type activities	<u>\$ 152,063,293</u>	<u>\$ 171,252,681</u>
Primary government		
Invested in capital assets, net of related debt	336,457,639	371,221,544
Restricted	31,334,954	28,475,863
Unrestricted	46,019,680	50,018,775
Total primary government activities	<u>\$ 413,812,273</u>	<u>\$ 449,716,182</u>

Note: This is the second year of implementation for GASB Statement 34, therefore, additional years will be presented in the future for comparison purposes.

City of Fort Smith, Arkansas

Changes in Net Assets
Last Two Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year	
	2003	2004
Expenses		
Governmental Activities:		
General government	\$ 6,285,719	\$ 6,291,295
Public safety	22,479,701	22,814,182
Public works	14,767,856	12,061,258
Community services	9,881,779	10,319,043
Interest on long-term debt	519,078	128,042
Total governmental activities expenses	<u>53,934,133</u>	<u>51,613,820</u>
Business-Type Activities:		
Water and sewer	30,895,507	29,270,855
Sanitation	8,466,593	9,300,590
Total business-type activities expenses	<u>39,362,100</u>	<u>38,571,445</u>
Total primary government expenses	<u>\$ 93,296,233</u>	<u>\$ 90,185,265</u>
Program Revenues		
Governmental Activities:		
Charges for services		
General government	\$ 2,933,495	\$ 3,141,036
Public safety	233,786	223,224
Public works	-	466,849
Community services	754,306	849,429
Operating grants and contributions	9,786,072	9,837,419
Capital grants and contributions	6,650,958	6,600,991
Total governmental activities program revenues	<u>20,358,617</u>	<u>21,118,948</u>
Business-Type Activities:		
Charges for services		
Water and sewer	28,306,482	28,995,627
Sanitation	9,393,659	10,474,818
Operating grants and contributions	596,100	343,786
Capital grants and contributions	259,167	980,093
Total business-type activities program revenues	<u>38,555,408</u>	<u>40,794,324</u>
Total primary government program revenues	<u>\$ 58,914,025</u>	<u>\$ 61,913,272</u>
Net (expense) revenue		
Governmental activities	\$ (33,575,516)	\$ (30,494,872)
Business-type activities	(806,692)	2,222,879
Total primary government net expense	<u>\$ (34,382,208)</u>	<u>\$ (28,271,993)</u>

City of Fort Smith, Arkansas

Table 2
(continued)

**Changes in Net Assets
Last Two Fiscal Years**
(Accrual Basis of Accounting)

	Fiscal Year	
	2003	2004
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes		
Property taxes	\$ 16,117,664	\$ 8,812,154
Sales taxes	35,748,841	30,940,060
Utility franchise fees	5,530,957	5,986,546
Alcoholic beverage taxes and miscellaneous taxes	463,596	-
Unrestricted grants and contributions	1,411,739	1,280,450
Unrestricted investment earnings	813,104	740,108
Gain on sale of capital assets	4,174	24,462
Other	100,331	14,907
Transfers	(579,200)	(589,294)
Total governmental activities	<u>59,611,206</u>	<u>47,209,393</u>
Business-type activities:		
Sales taxes	7,817,663	15,024,256
Unrestricted investment earnings	2,360,225	1,417,046
Other	283,977	212,889
Transfers	579,200	589,294
Total business-type activities	<u>11,041,065</u>	<u>17,243,485</u>
Total primary government	<u>\$ 70,652,271</u>	<u>\$ 64,452,878</u>
Change in Net Assets		
Governmental activities	\$ 26,035,690	\$ 16,714,521
Business-type activities	10,234,373	19,466,364
Total primary government	<u>\$ 36,270,063</u>	<u>\$ 36,180,885</u>

Note: This is the second year of implementation for GASB Statement 34, therefore, additional years will be presented in the future for comparison purposes.

City of Fort Smith, Arkansas

General Governmental Taxes by Source
Last Ten Fiscal Years

Fiscal Year	Ad Valorem Taxes	Sales Taxes (1)	Utility Franchise Fees	Total
1995	\$ 5,647,772	\$ 18,481,174	\$ 3,814,500	\$ 27,943,446
1996	5,526,875	19,451,766	3,960,504	28,939,145
1997	5,917,006	19,732,421	4,055,915	29,705,342
1998	6,031,319	26,599,219	4,237,391	36,867,929
1999	6,242,972	29,121,222	4,224,932	39,589,126
2000	6,591,586	35,805,269	4,708,407	47,105,262
2001	7,079,863	35,872,020	5,199,799	48,151,682
2002	7,681,552	35,167,253	4,846,025	47,694,830
2003	7,909,748	35,748,841	5,530,957	49,189,546
2004	8,085,650	30,940,060	5,986,546	45,012,256

(1) The City began collecting the 1% street sales tax in November 1985, the 1/2% sales tax for bond retirement in January 1998, and the City share of the county 1% sales tax in August 1994.

Table 4

City of Fort Smith, Arkansas

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

	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Fund										
Reserved	\$ 2,159,245	\$ 1,837,778	\$ 2,733,524	\$ 300,758	\$ 1,541,830	\$ 1,184,473	\$ 563,055	\$ 1,101,074	\$ 1,297,557	\$ 2,850,478
Unreserved	\$ 1,901,104	\$ 1,199,441	\$ (1,951,205)	\$ (306,529)	\$ 1,121,448	\$ 2,836,710	\$ 3,630,696	\$ 4,431,214	\$ 5,260,425	\$ 5,911,270
Total general fund	\$ 4,060,349	\$ 3,037,219	\$ 782,319	\$ (5,771)	\$ 2,663,278	\$ 4,021,183	\$ 4,193,751	\$ 5,532,288	\$ 6,557,982	\$ 8,761,748
All other governmental funds										
Reserved	\$ 9,458,279	\$ 11,305,205	\$ 14,372,806	\$ 21,561,008	\$ 24,909,521	\$ 33,158,304	\$ 36,524,914	\$ 32,259,904	\$ 29,997,170	\$ 27,560,991
Unreserved, reported in:										
Special revenue funds	\$ 7,123,535	\$ 7,703,607	\$ 8,848,857	\$ 9,502,349	\$ 13,050,044	\$ 14,280,491	\$ 13,988,578	\$ 15,563,250	\$ 16,934,572	\$ 16,062,417
Capital projects funds	\$ 423,188	\$ 422,482	\$ 42,714,496	\$ 43,543,539	\$ 34,482,847	\$ 4,872,479	\$ 1,816,158	\$ 966,281	\$ 549,288	\$ 367,067
Total all other governmental funds	\$ 17,005,002	\$ 19,431,294	\$ 65,936,159	\$ 74,606,896	\$ 72,442,412	\$ 52,311,274	\$ 52,329,650	\$ 48,789,435	\$ 47,481,030	\$ 43,990,475
Total governmental fund balances	\$ 21,065,351	\$ 22,468,513	\$ 66,718,478	\$ 74,601,125	\$ 75,105,690	\$ 56,332,457	\$ 56,523,401	\$ 54,321,723	\$ 54,039,012	\$ 52,752,223

Table 5

City of Fort Smith, Arkansas

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

	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Revenues										
Taxes (1)	\$ 27,943,446	\$ 28,939,145	\$ 29,705,342	\$ 36,867,929	\$ 39,589,126	\$ 47,105,262	\$ 48,151,682	\$ 47,694,830	\$ 49,189,546	\$ 45,012,256
Licenses and permits	764,602	886,378	845,841	964,319	1,188,651	1,374,696	1,462,282	1,343,203	1,338,949	1,271,411
Intergovernmental	7,614,332	8,341,274	7,757,251	14,578,023	15,727,224	10,513,059	13,943,553	11,900,040	16,638,318	16,120,435
Fines and forfeitures	1,585,493	1,758,333	1,835,552	1,757,023	1,694,367	1,720,211	1,615,757	1,744,309	2,081,628	1,888,668
Charges for services	255,280	262,531	286,489	384,289	329,352	340,266	720,524	786,492	881,942	941,582
Interest	1,046,327	1,119,307	1,302,501	4,174,469	2,980,151	3,921,011	2,864,102	1,515,915	846,138	755,355
Contributions	588,413	618,622	639,134	695,080	1,014,852	1,032,084	930,455	831,586	785,030	774,010
Miscellaneous	221,228	191,580	136,934	944,074	195,964	166,504	360,903	590,805	858,521	696,478
Total revenues	40,019,121	42,117,170	42,509,044	60,365,206	62,719,687	66,173,093	70,049,258	66,407,180	72,620,072	67,460,195
Expenditures										
General government	2,726,919	2,861,021	3,016,803	3,091,735	3,542,767	4,105,006	4,791,577	5,215,541	5,741,344	5,908,918
Public safety	11,773,614	13,334,796	14,298,925	15,235,568	16,893,976	19,895,794	19,956,251	19,892,329	21,064,548	22,076,641
Public works	18,816,851	16,508,759	16,945,529	15,452,436	15,346,680	13,514,651	18,805,624	23,702,402	10,892,564	8,064,373
Community services	921,353	1,637,082	1,390,933	1,981,055	2,105,136	2,411,123	4,997,754	5,536,507	6,105,744	6,550,085
Other	1,117,311	1,524,650	1,707,646	1,242,962	1,749,246	1,332,628	2,004,322	1,739,626	1,763,635	2,113,409
Capital outlay	3,352,061	4,386,642	5,322,896	11,577,002	17,572,527	34,461,654	7,133,868	3,415,681	18,729,660	17,639,634
Debt service	-	-	-	2,100,000	5,520,000	6,325,000	9,220,000	8,178,002	7,785,000	6,540,000
Principal	-	-	252,333	2,140,216	1,965,305	1,673,421	1,391,728	937,122	519,078	128,042
Interest	38,708,109	40,252,950	42,935,065	52,820,974	64,695,637	83,719,277	68,301,124	68,617,210	72,601,573	69,021,102
Total expenditures	1,311,012	1,864,220	(426,021)	7,544,232	(1,975,950)	(17,546,184)	1,748,134	(2,210,030)	18,499	(1,560,907)
Excess (deficiency) of revenues over (under) expenditures	38,708,109	40,252,950	42,935,065	52,820,974	64,695,637	83,719,277	68,301,124	68,617,210	72,601,573	69,021,102
Other financing sources and (uses)										
Transfers in	646,115	663,612	729,881	2,080,305	4,162,258	2,449,777	3,296,518	2,263,625	1,939,996	2,459,809
Transfers out	(851,115)	(1,031,500)	(1,477,311)	(1,741,890)	(1,681,743)	(3,676,826)	(4,853,708)	(2,844,728)	(2,519,196)	(2,798,714)
Proceeds from bond issuance	-	-	45,423,416	-	-	-	-	589,455	277,990	613,023
Capital leases	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(205,000)	(367,888)	44,675,986	338,415	2,480,515	(1,227,049)	(1,557,190)	8,352	(301,210)	274,118
Net change in fund balances	\$ 1,106,012	\$ 1,496,332	\$ 44,249,965	\$ 7,882,647	\$ 504,565	\$ (18,773,233)	\$ 190,944	\$ (2,201,678)	\$ (282,711)	\$ (1,286,789)
Debt service as a % of noncapital expenditures	-	-	0.7%	10.3%	15.9%	16.2%	17.3%	14.0%	15.4%	13.0%

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

Table 6

City of Fort Smith, Arkansas

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)		Current Tax Collections		Percent of Levy Collections		Delinquent Tax Collections		Total Tax Collections		Collection Percent of Current Levy		Outstanding Delinquent Taxes		Outstanding Delinquent Taxes as a Percent of Current Levy	
	\$		\$		%		\$		\$		%		\$		%	
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	6,348,763		6,004,289		94.57%		121,353		6,125,642		96.49%		56,473		0.89%	
2002	6,858,241		6,403,187		93.36%		208,685		6,611,872		96.41%		269,196		3.93%	
2003	7,668,913		6,593,969		85.98%		286,387		6,880,356		89.72%		298,067		3.89%	
2004	7,805,688		6,839,388		87.62%		268,913		7,108,301		91.07%		306,752		3.93%	

(1) Total tax levy is based upon valuation of previous year and has been adjusted for the homestead tax relief for property owners which became effective for the 2001 fiscal year. The tax levy for this schedule represents the City's levy for its General Fund, police pension plan, and fire pension plan. The levy does not include the road millage assessed by Sebastian County of which the City receives one-half the collections from the county levy in its Street Maintenance Fund, a special revenue fund.

Table 7

City of Fort Smith, Arkansas

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

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	
1995	\$ 467,705,956	\$ 2,338,529,780	\$ 207,064,714	\$ 1,035,323,570	\$ 674,770,670	\$ 3,373,853,350	20.00%
1996	500,702,647	2,503,513,235	220,326,778	1,101,633,890	721,029,425	3,605,147,125	20.00%
1997	506,720,849	2,533,604,245	225,555,162	1,127,775,810	732,276,011	3,661,380,055	20.00%
1998	522,018,450	2,610,092,250	239,096,910	1,195,484,550	761,115,360	3,805,576,800	20.00%
1999	535,068,911	2,675,344,555	245,708,442	1,228,542,210	780,777,553	3,903,886,765	20.00%
2000	607,508,450	3,037,542,250	262,110,959	1,310,554,795	869,619,409	4,348,097,045	20.00%
2001	636,575,485	3,182,877,425	293,983,422	1,469,917,110	930,558,907	4,652,794,535	20.00%
2002	643,415,789	3,217,078,945	295,817,178	1,479,085,890	939,232,967	4,696,164,835	20.00%
2003	674,592,414	3,372,962,070	301,118,605	1,505,593,025	975,711,019	4,878,555,095	20.00%
2004	725,381,058	3,626,905,290	307,760,220	1,538,801,100	1,033,141,278	5,165,706,390	20.00%

(1) Fiscal year is year of valuation.

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

Fiscal Year (1)	Overlapping Rates												Total Direct & Overlapping Rates				
	City of Fort Smith			Sebastian County			Fort Smith School District			FS Public Library			U of A Fort Smith			Real Property	Personal Property
	Real Property	Personal Property	Property	Real Property	Personal Property	Property	Real Property	Personal Property	Property	Real Property	Personal Property	Property	Real Property	Personal Property			
1995	\$ 0.70	\$ 0.70	\$ 0.80	\$ 0.80	\$ 3.65	\$ 3.65	\$ 0.10	\$ 0.10	\$ 0.53	\$ 0.53	\$ 5.78	\$ 5.78	\$ 5.78	\$ 5.78			
1996	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.53	0.53	5.78	5.78	5.78	5.78			
1997	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.53	0.53	5.78	5.78	5.78	5.78			
1998	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.53	0.53	5.78	5.78	5.78	5.78			
1999	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.53	0.53	5.78	5.78	5.78	5.78			
2000	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.53	0.53	5.78	5.78	5.78	5.78			
2001	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.53	0.53	5.78	5.78	5.78	5.78			
2002	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.00	0.00	5.25	5.25	5.25	5.25			
2003	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.00	0.00	5.25	5.25	5.25	5.25			
2004	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	0.00	0.00	5.25	5.25	5.25	5.25			

Tax levies (millages):

Fiscal Year (1)	Overlapping Rates												Total				
	City of Fort Smith			Sebastian County			Fort Smith School District			FS Public Library			U of A Fort Smith			Real Property	Personal Property
	Real Property	Personal Property	Property	Real Property	Personal Property	Property	Real Property	Personal Property	Property	Real Property	Personal Property	Property	Real Property	Personal Property			
1995	\$ 7.00	\$ 7.00	\$ 8.00	\$ 8.00	\$ 36.50	\$ 36.50	\$ 1.00	\$ 1.00	\$ 5.25	\$ 5.25	\$ 57.75	\$ 57.75	\$ 57.75	\$ 57.75			
1996	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	5.25	5.25	57.75	57.75	57.75	57.75			
1997	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	5.25	5.25	57.75	57.75	57.75	57.75			
1998	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	5.25	5.25	57.75	57.75	57.75	57.75			
1999	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	5.25	5.25	57.75	57.75	57.75	57.75			
2000	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	5.25	5.25	57.75	57.75	57.75	57.75			
2001	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	0.00	0.00	52.50	52.50	52.50	52.50			
2002	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	0.00	0.00	52.50	52.50	52.50	52.50			
2003	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	0.00	0.00	52.50	52.50	52.50	52.50			
2004	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00	0.00	0.00	52.50	52.50	52.50	52.50			

(1) Fiscal year is year of levy.

Table 9

City of Fort Smith, Arkansas

Principal Taxpayers

Current Year and Nine Years Ago
(Unaudited)

Name of Taxpayer (1)	2004			1995		
	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation (2)	Rank	Percentage of Total Assessed Valuation
Quanex Corp. (Mac Steel)	\$ 3,308,820	1	0.35%	\$ 7,215,495	3	0.77%
CMFS Limited Partnership (Central Mall)	6,961,500	2	0.74%			
Beverly Corp.	6,330,490	3	0.67%			
Whirlpool Corporation	5,800,000	4	0.62%	12,090,300	2	1.29%
Arkansas Best Corporation	3,831,000	5	0.41%			
Medical Office Buildings of Arkansas, LLC	3,549,750	6	0.38%			
Gerber Products Company	3,308,820	7	0.35%	7,209,810	4	0.77%
St. Edward Mercy Medical Center	3,141,690	8	0.33%			
Westphal Properties	2,799,790	9	0.30%			
The Park Apartments of Fort Smith	2,792,810	10	0.30%			
Hiram Walker & Sons, Inc.	2,664,120	11	0.28%	5,721,115	7	0.61%
OK Foods, Inc.	2,585,330	12	0.28%			
Rheem Mfg. Company	2,365,420	13	0.25%			
Oklahoma Gas & Electric Co.				15,402,099	1	1.64%
Arkansas Oklahoma Gas Corp.				6,423,524	5	0.68%
Planters Lifesavers				6,251,205	6	0.67%
James River (Dixie)				4,367,300	8	0.46%
Saint-Gobain Corporation/Norton				3,830,810	9	0.41%
Baldor Electric Company				3,123,270	10	0.33%
	\$ 49,439,540		5.26%	\$ 71,634,928		7.63%

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2004 are based upon 2003 assessed valuation.

Table 10

City of Fort Smith, Arkansas

Computation of Direct and Estimated Overlapping Debt
December 31, 2004
(Unaudited)

<u>Taxing 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	\$ 58,270,000	100%	\$ 58,270,000
Overlapping:			
Fort Smith Special School District	12,490,000	100%	12,490,000
Greenwood School District	32,000,000	5%	1,600,000
Sebastian County	3,000,000	76%	2,280,000
Total Overlapping	47,490,000		16,370,000
Total direct and estimated overlapping bonded debt	\$ 105,760,000		\$ 74,640,000
Ratio, direct and estimated overlapping debt to fiscal 2003 assessed valuation (3)			8%
Per capita direct and estimated overlapping bonded debt (4)			\$ 930

(1) Excluding self-supporting debt.

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

(3) From Table 7, \$975,711,019

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

Table 11

City of Fort Smith, Arkansas

Computation of Legal Debt Margin
Last Ten Fiscal Years

	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net assessed value (1)	\$ 674,770,670	\$ 721,029,425	\$ 731,776,011	\$ 761,115,360	\$ 780,777,353	\$ 869,619,409	\$ 930,558,907	\$ 939,232,967	\$ 975,711,019	\$ 1,033,141,278
Plus exempt property (2)	-	-	-	-	-	-	-	-	-	-
Total assessed value	\$ 674,770,670	\$ 721,029,425	\$ 731,776,011	\$ 761,115,360	\$ 780,777,353	\$ 869,619,409	\$ 930,558,907	\$ 939,232,967	\$ 975,711,019	\$ 1,033,141,278
Debt limit - 25% of total assessed value (3)	\$ 168,692,668	\$ 180,257,356	\$ 182,944,003	\$ 190,278,840	\$ 195,194,338	\$ 217,404,852	\$ 232,639,727	\$ 234,808,242	\$ 243,927,755	\$ 258,285,320
Amount of debt applicable to limit (4)	-	-	-	-	-	-	-	-	-	-
Debt Margin	\$ 168,692,668	\$ 180,257,356	\$ 182,944,003	\$ 190,278,840	\$ 195,194,338	\$ 217,404,852	\$ 232,639,727	\$ 234,808,242	\$ 243,927,755	\$ 258,285,320

(1) From Table 7.

(2) Not available.

(3) Limitation is established by state statute.

(4) Includes general obligation debt net of assets available for bond retirement.

Table 12

City of Fort Smith, Arkansas

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Bonds	Capital Leases	Revenue Bonds	Sales Tax Bonds	Capital Leases	Revenue Bonds				
1995	\$ -	\$ -	\$ 38,710,000	\$ -	\$ -	\$ -	\$ 38,710,000	2.6%	\$ 532	
1996	-	-	37,165,000	-	-	-	37,165,000	2.4%	511	
1997	45,655,000	-	35,560,000	-	-	-	81,215,000	5.1%	1,116	
1998	43,555,000	-	33,965,000	-	-	-	77,520,000	4.5%	1,065	
1999	38,035,000	-	58,600,000	-	-	-	96,635,000	6.3%	1,327	
2000	31,710,000	-	55,910,000	-	-	-	87,620,000	4.9%	1,092	
2001	22,490,000	-	51,170,000	-	-	80,000,000	153,660,000	8.4%	1,914	
2002	14,325,000	576,453	154,200,000	73,680,000	-	-	242,781,453	13.1%	3,025	
2003	6,540,000	667,331	151,045,000	68,415,000	440,757	-	227,108,088	10.6%	2,829	
2004	-	891,735	144,755,000	58,270,000	298,315	-	204,215,050	9.1%	2,544	

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

(1) See Table 14 for the personal income and population data.

Table 13

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

Fiscal Year	Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (3)	Total	
1995	\$13,916,768	\$9,614,955	\$4,301,813	\$765,000	\$1,740,437	\$2,505,437	172%
1996	14,233,369	10,395,390	3,837,979	1,040,000	1,417,850	2,457,850	156%
1997	14,109,692	10,787,499	3,322,193	1,080,000	1,373,600	2,453,600	135%
1998	14,595,971	11,178,704	3,417,267	1,125,000	1,325,023	2,450,023	139%
1999	17,666,495	11,906,342	5,760,153	1,170,000	1,610,697	2,780,697	207%
2000	23,046,282	12,557,120	10,489,162	2,050,000	2,561,255	4,611,255	227%
2001	23,167,106	13,753,378	9,413,728	2,140,000	2,908,039	5,048,039	186%
2002	28,693,062	14,727,485	13,965,577	2,240,000	5,793,778	8,033,778	174%
2003	30,461,180	15,104,962	15,356,218	2,370,000	6,914,364	9,284,364	165%
2004	30,676,280	16,339,330	14,336,950	5,070,000	5,626,178	10,696,178	134%
Solid Waste System							
1995	\$7,161,396	\$5,244,807	\$1,916,589	\$485,000	\$613,738	\$1,098,738	174%
1996	7,253,381	5,305,828	1,947,553	505,000	698,718	1,203,718	162%
1997	7,305,144	5,819,320	1,485,824	525,000	674,991	1,199,991	124%
1998	7,489,476	5,967,537	1,521,939	450,000	617,605	1,067,605	143%
1999	8,220,315	6,533,853	1,686,462	610,000	555,378	1,165,378	145%
2000	10,155,226	7,134,530	3,020,696	635,000	528,529	1,163,529	260%
2001	9,591,135	7,345,440	2,245,695	665,000	499,594	1,164,594	193%
2002	9,803,303	7,054,152	2,749,151	975,000	302,660	1,277,660	215%
2003	9,511,187	7,003,747	2,507,440	785,000	277,400	1,062,400	236%
2004	10,622,944	8,069,676	2,553,268	805,000	260,782	1,065,782	240%

(1) For purposes of this schedule, revenue includes operating revenue, interest revenue, and other nonoperating revenue, net.

(2) Excludes depreciation expense and amortization expense.

(3) Total interest paid for the fiscal year is presented in this schedule including capitalized interest.

Table 14

City of Fort Smith, Arkansas

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population (1)	Personal Income (in thousands)	Per Capita Income (2)	Median Age	Education Level in Years of Schooling (3)	School Enrollment (4)	Unemployment Rate (2)
1995	72,798	\$1,512,815	\$20,781	34.0	12	12,570	5.4%
1996	72,798	1,553,073	21,334	34.0	12	12,763	5.3%
1997	72,798	1,607,962	22,088	34.0	12	12,741	5.2%
1998	72,798	1,704,056	23,408	34.0	12	12,496	5.3%
1999	72,798	1,530,869	21,029	34.0	12	12,430	4.0%
2000	80,268	1,787,568	22,270	34.0	12	12,637	3.6%
2001	80,268	1,820,157	22,676	34.0	12	12,596	4.2%
2002	80,268	1,847,850	23,021	35.0	12	12,844	4.9%
2003	80,268	2,137,055	26,624	35.2	12	12,871	5.4%
2004	80,268	2,248,307	28,010	35.3	12	12,921	5.0%

Data sources:

- (1) Bureau of the Census
- (2) U. S. Department of Labor
- (3) Community Development Department's estimate.
- (4) Fort Smith School District

Table 15

City of Fort Smith, Arkansas

Principal Employers
Continuing Disclosure Requirement
Current Year and Nine Years Ago

Employer	2004			1995		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Whirlpool Corporation	4,300	1	3.5%	3,900	1	3.3%
O K Foods	3,064	2	2.5%	2,600	2	2.2%
Sparks Regional Medical Center	2,369	3	1.9%	1,900	3	1.6%
St. Edward Mercy Medical Center	1,876	4	1.5%	1,452	6	1.2%
Baldor Electric	1,780	5	1.4%	1,366	8	1.2%
Fort Smith Public Schools	1,645	6	1.3%	1,456	5	1.2%
Rheem-Ruud	1,612	7	1.3%	1,590	4	1.4%
Arkansas Best Corp.	865	8	0.7%	733	9	0.6%
City of Fort Smith	865	9	0.7%	628	10	0.5%
Cooper Clinic	822	10	0.7%			
University of Arkansas at Fort Smith	702	11	0.6%			
Riverside Furniture Corp.	649	12	0.5%	1,450	7	1.2%
Holt Krock Clinic	-			790	9	0.7%
Total	<u>20,549</u>		<u>16.7%</u>	<u>17,865</u>		<u>15.2%</u>

Data sources:

Chamber of Commerce

U. S. Department of Labor, employment totals:

2004 122,907

1995 117,244

City of Fort Smith, Arkansas

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of December 31									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General government	94	97	93	101	102	109	113	118	122	123
Public safety										
Police										
Officers	142	144	144	148	148	152	150	150	154	160
Civilians	39	40	40	43	43	43	45	47	46	47
Fire										
Firefighters and officers	109	119	119	119	122	125	125	125	125	125
Civilians	3	3	3	3	3	3	3	3	3	3
Public Works										
Operations	5	5	4	5	5	5	5	5	5	5
Streets	44	44	44	44	44	44	46	46	46	46
Traffic control	10	10	11	12	12	12	13	13	13	12
Parks and recreation	22	23	24	28	29	36	45	44	45	47
Transit	-	-	22	24	30	28	34	35	35	35
Water and sewer	147	148	156	162	169	181	181	181	182	183
Sanitation	77	77	79	80	80	85	84	83	79	75
Total	692	710	739	769	787	823	844	850	855	861

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

Function	Fiscal Year																																																																																																																																																																																																																																																																																																																																																														
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004																																																																																																																																																																																																																																																																																																																																																					
Police:											Stations	1	1	1	1	1	1	1	1	1	1	Patrol units	12	12	12	12	12	16	20	20	20	20	Fire:											Stations	9	10	10	10	10	10	10	10	10	10	Apparatus	19	19	19	19	20	20	21	21	22	22	Streets											Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000
Stations	1	1	1	1	1	1	1	1	1	1	Patrol units	12	12	12	12	12	16	20	20	20	20	Fire:											Stations	9	10	10	10	10	10	10	10	10	10	Apparatus	19	19	19	19	20	20	21	21	22	22	Streets											Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000											
Patrol units	12	12	12	12	12	16	20	20	20	20	Fire:											Stations	9	10	10	10	10	10	10	10	10	10	Apparatus	19	19	19	19	20	20	21	21	22	22	Streets											Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																						
Fire:											Stations	9	10	10	10	10	10	10	10	10	10	Apparatus	19	19	19	19	20	20	21	21	22	22	Streets											Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																	
Stations	9	10	10	10	10	10	10	10	10	10	Apparatus	19	19	19	19	20	20	21	21	22	22	Streets											Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																												
Apparatus	19	19	19	19	20	20	21	21	22	22	Streets											Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																							
Streets											Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																		
Streets (miles)	493	493	497	497	497	532	541	603	582	590	Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																													
Streetlights	4,938	4,938	5,011	5,011	5,011	5,350	5,383	5,383	5,589	5,285	Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																								
Traffic signals	106	106	106	106	106	122	122	123	123	133	Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																			
Parks and recreation											Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																														
Parks acreage	111	128	128	128	128	287	292	295	295	315	Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																									
Parks	9	9	9	9	9	11	18	20	20	26	Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																				
Swimming pools	2	2	2	2	2	2	2	1	1	2	Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																															
Water splashpad	-	-	-	-	-	-	-	-	-	1	Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																										
Tennis courts	12	12	14	14	14	14	14	14	14	14	Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																					
Skatepark	-	-	-	-	-	-	-	-	-	-	Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																
Community centers	2	2	2	2	2	2	1	1	1	1	Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																											
Convention center -											Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																						
Theater - seats	1,557	1,557	1,513	1,513	1,513	1,375	1,375	1,375	1,375	1,375	Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																	
Theater - area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																												
Exhibit Hall - area (square feet)	13,200	13,200	13,200	13,200	13,200	40,000	40,000	40,000	40,000	40,000	Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																							
Transit buses	-	-	-	-	-	-	-	-	-	-	Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																		
Water and sewer											Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																													
Water mains (miles)	565	565	565	565	570	570	576	576	584	584	Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																								
Average daily production capacity (thousands of gallons)	42,000	42,000	42,000	42,000	45,000	45,000	45,000	55,000	55,000	55,000	Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																																			
Average daily consumption (thousands of gallons)	22,278	22,278	22,278	22,278	41,395	47,297	48,686	30,656	45,379	45,379	Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																																														
Sanitary sewers (miles)	470	470	470	470	470	470	481	481	488	503	Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																																																									
Storm sewers	NA	NA	NA	NA	NA	NA	NA	NA	NA	7,900	Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																																																																				
Sanitation											Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																																																																															
Collection trucks	58	58	58	58	59	58	56	52	52	52	Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																																																																																										
Landfill capacity (in cubic yards) (1)	12,417,000	11,857,000	11,357,000	10,907,000	10,550,000	9,790,000	9,506,000	9,230,000	68,100,000	67,007,000																																																																																																																																																																																																																																																																																																																																																					

NA - not available
 (1) During 2003, the City acquired an additional 400 acres of land for the landfill. The landfill permit was expanded from a storage capacity of 13,507,000 cubic yards to 72,607,000 cubic yards.

Table 18

City of Fort Smith, Arkansas

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Police:										
Physical arrests	12,983	12,135	11,148	9,512	8,537	8,204	6,877	7,865	8,113	9,362
Parking violations	28,313	19,939	22,538	22,538	21,111	14,819	15,424	12,308	11,722	10,905
Traffic violations										
Fire										
Number of calls answered	1,712	1,638	1,589	4,535	4,751	5,988	5,953	6,517	7,022	6,699
Transit										
Passenger trips	N/A	N/A	29,593	71,023	93,791	111,459	149,341	147,620	158,652	163,503
Water and sewer										
New connections	371	427	370	389	506	506	456	529	529	438
Average daily production (thousands of gallons)	22,278	22,278	22,278	26,629	26,629	27,821	29,511	29,511	29,782	29,782
Average daily sewage flow (thousands of gallons)	13,800	13,800	13,800	13,800	13,800	13,800	16,900	15,130	15,500	15,500
Sanitation										
Waste disposal (cubic yards/day)	2,698	2,965	3,239	3,196	3,772	3,049	3,020	2,586	2,401	3,011

Note: Transit operations began in August 1997.

City of Fort Smith, Arkansas

**Local Sales and Use Tax Collections
Continuing Disclosure Requirement
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>1% City Sales & Use Tax Allocated for Streets (1)</u>	<u>City Share 1% County Sales & Use Tax (2)</u>	<u>1% City Sales & Use Tax Allocated for Bonds (3)</u>	<u>Total</u>
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	15,728,836	12,278,766	12,387,128	40,394,730
2002	15,502,200	11,913,953	15,502,200	42,918,353
2003	15,635,325	12,295,853	15,635,326	43,566,504
2004	16,465,972	13,032,372	16,465,972	45,964,316
Total	<u>\$ 146,768,841</u>	<u>\$ 116,853,431</u>	<u>\$ 81,315,642</u>	<u>\$ 344,937,914</u>

(1) The 1% City Sales and Use Tax allocated for construction, repair and maintenance of street, bridge and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax was reaffirmed by the citizens in 1995 for an additional 10 years. The tax is accounted for in the Sales Tax Fund, a special revenue fund.

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

(3) The City currently assesses two 1/2 % City sales and use taxes to total 1% for bond redemption. The first 1/2% is allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 1997. The 1997 Bonds were issued to fund the construction for the convention center, public library facilities, and riverfront park projects. The tax became effective January 1, 1998. The second 1/2% is allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 2001. The 2001 Bonds were issued to fund a portion of the Lake Fort Smith water supply expansion project and to fund wastewater improvements. The tax for the 2001 Bonds became effective May 1, 2001. Once the 1997 Bonds are redeemed, the entire 1% tax will be allocated to the repayment of the 2001 Bonds.

Table 20

City of Fort Smith, Arkansas

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

<u>Fiscal Year</u>	<u>Annual # 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>
1995	219,075	979,533	18 yrs	12,417,000 cubic yards
1996	220,150	1,076,172	17 yrs	11,857,000 cubic yards
1997	221,300	1,175,821	16 yrs	11,357,000 cubic yards
1998	223,480	1,160,034	15 yrs	10,907,000 cubic yards
1999	272,616	1,369,106	14 yrs	10,550,000 cubic yards
2000	236,376	1,106,718	13 yrs	9,790,000 cubic yards
2001	276,564	1,096,082	12 yrs	9,506,000 cubic yards
2002	277,896	938,670	11 yrs	9,230,000 cubic yards
2003	290,532	871,647	42 yrs	68,100,000 cubic yards (1)
2004	299,412	1,092,855	41 yrs	67,007,000 cubic yards

(1) During 2003, the City's landfill permit was expanded to allow for a total storage capacity of approximately 72,607,000 cubic yards. The total capacity prior to this was 13,507,000 cubic yards.

City of Fort Smith, Arkansas

Water and Sewer Statistics
Continuing Disclosure Requirement

Water Use and Sewage Flow
Last Five Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Average Daily Water Use in Gallons</u>	<u>Maximum Daily Water Use in Gallons</u>	<u>Total Water Use for Year in Gallons</u>	<u>Average Daily Sewage Flow in Gallons</u>
2000	29,063,000	48,686,000	10,612,052,000	15,800,000
2001	29,782,000	45,379,000	10,870,292,000	15,500,000
2002	28,240,000	43,503,000	9,584,920,620	14,250,000
2003	27,384,000	41,247,000	9,995,291,000	15,400,000
2004	26,986,000	37,617,000	9,856,258,000	19,800,888

Water Users by Category
Last Five Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Wholesale</u>	<u>Other</u>	<u>Total</u>
2000	25,393	3,993	12	10	29,408
2001	25,667	4,021	12	10	29,710
2002	25,877	4,022	12	10	29,921
2003	25,933	3,931	12	10	29,886
2004	26,043	3,989	12	10	30,054

Sewer Users by Category
Last Five Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Government</u>	<u>Total</u>
2000	26,971	3,722	10	30,703
2001	27,075	3,733	10	30,818
2002	27,129	3,711	10	30,850
2003	25,732	3,747	10	29,489
2004	25,149	3,869	10	29,028

10 Largest Users of the System
For the Fiscal Year Ended December 31, 2003 (1)
(Unaudited)

<u>Entity</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>% of Gross Revenues</u>
City of Van Buren	\$ 2,625,592	\$ 0	\$ 2,625,592	9.7%
Gerber Products	985,426	585,656	1,571,082	5.8%
OK Foods	1,568,805	80,984	1,649,789	6.1%
St. Edwards Med Center	219,018	238,503	457,521	1.7%
Sparks Medical Center	167,771	121,854	289,625	1.1%
Quanex Macsteel	219,670	2,884	222,554	0.8%
Whirlpool	113,288	92,449	205,737	0.8%
Southern Steel & Wire	46,082	54,625	100,707	0.4%
James River Dixie	39,902	46,979	86,881	0.3%
Highland Dairy	50,864	9,258	60,122	0.2%
Top Ten Users	\$ 6,036,418	\$ 1,233,192	\$ 7,269,610	26.8%

(1) The water and sewer revenue bond covenants require the 10 largest users of the system be presented for the preceding fiscal year.



Independent Accountants' Report on Compliance With Certain State Acts

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

We have examined management's assertions that the City of Fort Smith, Arkansas complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2004.

- (a) Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1977
(Arkansas Statutes 19-5301 – 19-5317);
- (b) Municipal Courts, Police Courts, City Courts and Justice of the Peace Courts Accounting Law of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1996.
(Arkansas Statutes 22-1101 – 22-1108);
- (c) Municipal Court and Police Department Uniform Filing Fees and Court Cost, Act 1341 of 1997;
- (d) Bonding of Municipal Officers and Employees, Act 338 of 1955, Act 677 of 1975, Act 940 of 1977 and Act 1014 of 1987
(Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
- (e) Improvement Contracts over \$10,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995
(Arkansas Statutes 14-611 – 14-614);
- (f) Budgets, Purchases over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995
(Arkansas Statutes 19-4421 – 19-4430);
- (g) Investment of Public Funds, Act 273 of 1943, Act 106 of 1973, Act 402 of 1995, Act 800 of 1997 and Act 1341 of 2000
(Arkansas Statutes 13-901 – 13-904); and

The Honorable Mayor and Board of Directors
City of Fort Smith, Arkansas
Page 2

- (h) Deposit of Public Funds, Act 21 of 1935, Acts 57 and 62 of 1945, Act 122 of 1947, Act 18 of 1964, Acts 89 and 107 of 1973, Act 250 of 1987, Act 459 of 1991 and Acts 232 and 700 of 1995
(Arkansas Statutes 13-801 – 13-805).

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

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

In our opinion, the City of Fort Smith, Arkansas complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2004.

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

BKD, LLP

March 25, 2005



Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fort Smith, Arkansas as of and for the year ended December 31, 2004, which collectively comprise its basic financial statements and have issued our report thereon dated March 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Mayor and Board of Directors
City of Fort Smith, Arkansas
Page 2

We noted certain matters that we reported to the City's management in a separate letter dated March 25, 2005.

This report is intended solely for the information and use of the Mayor, Board of Directors, 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.

BKD, LLP

March 25, 2005



Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

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

Compliance

We have audited the compliance of 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 programs for the year ended December 31, 2004. The City's major federal 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 each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of City of Fort Smith, Arkansas based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 a major federal program 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, City of Fort Smith, Arkansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of City of Fort Smith, Arkansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal 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 a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

The Honorable Mayor and Board of Directors
City of Fort Smith, Arkansas
Page 2

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program 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.

This report is intended solely for the information and use of the Mayor, Board of Directors, 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.

BKID, LLP

March 25, 2005

City of Fort Smith, Arkansas
 Schedule of Expenditures of Federal and State Awards
 Year Ended December 31, 2004

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 Eighth Entitlement	14.218	B02MC050003	\$ 732,518
Twenty Ninth Entitlement	14.218	B03MC050003	180,213
Home Investment Partnership Act	14.239	M01MC050202	17,684
Home Investment Partnership Act	14.239	M02MC050202	199,298
Home Investment Partnership Act	14.239	M03MC050202	178,950
Total Department of Housing and Urban Development			<u>1,308,663</u>
Department of Justice:			
BJA/LLEBG	16.592	2004LB-BX0155	44,851
BJA/Bullet Proof Vest Program	16.607	BVP02011932	14,986
Total Department of Justice			<u>59,837</u>
U. S. Department of Transportation:			
Passed through the Arkansas Highway Transportation Department:			
Federal Transit Administration Grant:			
Facility Grant	20.500	AR030026	1,142,279
Operating and Capital	20.507	AR090X051	12,800
Operating and Capital	20.507	AR090X056	1,082,189
Job Access/Reverse Commute	20.516	AR37X006	144,281
Total U. S. Department of Transportation			<u>2,381,549</u>
U. S. Department of Homeland Security:			
FEMA - Federal Emergency Management Agency:			
Assistance to Firefighters Grant	97.044	EMW-2003-FG-01580	230,895
Transportation Security Administration:			
Law Enforcement Officer - Airport Security	N/A	HSTS01-04-A-LEF-033	158,395
Total Federal U. S. Department of Homeland Security			<u>389,290</u>
Total Federal Awards			<u>4,139,339</u>

City of Fort Smith, Arkansas
 Schedule of Expenditures of Federal and State Awards
 Year Ended December 31, 2004
 (Continued)

Granting Agency / Grant Program	Grant Number	Expenditures
State Awards:		
Arkansas Department of Pollution Control and Ecology - Solid Waste Management and Recycling Grant Fund Program:		
Equipment, Education, Market Development, and Administration	S0-99	\$ 784
Equipment, Education, Market Development, and Administration	S1-00	161
Equipment, Education, Market Development, and Administration	S01-01	12,442
Equipment, Education, Market Development, and Administration	S01-02, 2-02, 50-02, 51-02, 52-02	26,045
Equipment, Education, Market Development, and Administration	S00-03, Adm, 02-03	62,211
Equipment, Education, Market Development, and Administration	S01-04, 02-04, 04-04	43,695
Total Arkansas Department of Pollution Control and Ecology		145,338
Department of Arkansas Heritage:		
CLG Grant - Historic Preservation Program	CLG00-02	87
CLG Grant - Historic Preservation Program	CLG03-02	1,547
CLG Grant - Historic Preservation Program	CLG04-02	1,586
Total Department of Arkansas Heritage		3,220
Arkansas Department of Economic Development:		
FCRA Graphics Packaging	EIF-2003-05	550,000
Total Arkansas Department of Economic Development		550,000
Arkansas State Highway and Transportation Department:		
Phoenix Avenue	50B 040223	2,806,396
Massard Road	BRN-5746-040044	77,443
Alcohol/Other Drug Countermeasures Program	J8-0408-1200	78,210
General Services Fund	N/A	4,731
Public Transit Trust Fund	N/A	104,656
Total Arkansas State Highway and Transportation Department		3,071,436
Arkansas Department of Emergency Management:		
Severe Storm Damage 08-11-03	GOV EP-08-11-03	115,316
Public Assistance Storms 1996	FEMA 1111-DR-AR	343,786
Total Department of Parks & Tourism-		459,102
Total State Awards		4,229,096
Total Federal and State Awards		\$ 8,368,435

City of Fort Smith, Arkansas
Notes to Schedule of Expenditures of Federal and State Awards
December 31, 2004

(1) **Scope of Audit Pursuant to OMB Circular A-133**

All federal 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 agency. The Schedule of Expenditures of Federal and State Awards does not include the Airport Commission's federal and state financial award programs.

(2) **Organization and Accounting Policies**

The City is recipient of certain federal and state grant funds. The grant programs are administered by various departments within the City. The activities of these departments are monitored by the 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) **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 eligibility requirements are met.

(4) **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.

(5) **Relationship to Basic Financial Statements**

The following is a reconciliation of federal financial assistance revenue as reported in the City's basic financial statements to the Schedule of Expenditures of Federal and State Awards:

Total intergovernmental revenue	\$	16,120,435
State turnback revenue		(5,135,219)
Local match		(13,584)
State/Federal reimbursements		<u>(2,603,197)</u>
Federal and state financial assistance per accompanying schedule	\$	<u>8,368,435</u>

(6) **Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 468,435
HOME Investment Partnership	14.239	425,139

City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2004

Summary of Auditor's Results

1. The opinion(s) expressed in the independent accountants' report was (were):
 (Check each description that applies)
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Reportable condition(s) noted considered material weakness(es)? Yes No
 Reportable condition(s) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Reportable condition(s) noted considered material weakness(es)? Yes No
 Reportable condition(s) noted that are not considered to be a material weakness? Yes No

5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was (were):
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The City's major programs were:

Cluster/Program	CFDA Number
Federal Transit Cluster	
Capital Investment Grants	20.500
Formula Grants (Urbanized Area Formula Program)	20.507

City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2004

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2004

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
-------------------------	----------------	-----------------------------

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
-------------------------	----------------	-----------------------------

No matters are reportable.

City of Fort Smith, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2004

Reference Number	Summary of Finding	Status
------------------	--------------------	--------

No matters are reportable.

THIS PAGE INTENTIONALLY LEFT BLANK