

Annual Comprehensive Financial **REPORT** 2025

For the Fiscal Year ended December 31, 2025



U.S. DEPUTY MARSHAL BASS REEVES
"INTO THE TERRITORIES"
SCULPTOR
HAROLD T. HOLLEN
DEDICATED MAY 26TH, 2012
QUEST KERRICK ARCHITECTS



(This Page Intentionally Left Blank)

Annual Comprehensive Financial Report Year Ended December 31, 2025

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

City Board of Directors
George B. McGill, Mayor

Jarred Rego
Andre' Good
Lee Kemp
George Catsavis
Christina Catsavis
Kevin Settle
Neal Martin

Acting City Administrator
Jeff Dingman





(This Page Intentionally Left Blank)

INTRODUCTORY SECTION

Organizational Structure.....	16
List of Elected and Appointed Officials.....	17
Certificate of Achievement for Excellence in Financial Reporting.....	18

FINANCIAL SECTION

Independent Auditor's Report	23
Management's Discussion and Analysis	27
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	38
Statement of Activities.....	40
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	42
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	44
Statement of Revenues, Expenditures and Changes in Fund Balances.....	46
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	48
Proprietary Funds:	
Statement of Net Position.....	50
Statement of Revenues, Expenses and Changes in Fund Net Position.....	52
Statement of Cash Flows.....	54
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	56
Statement of Changes in Fiduciary Net Position.....	57
Notes to Basic Financial Statements.....	58
Required Supplementary Information	
Agent Multiple-Employer Plans	
Schedule of the City's Net Pension Liability and Related Ratios – FRPF (the Old Fire Plan).....	126
Schedule of the City's Pension Contributions – FRPF (the Old Fire Plan).....	128
Schedule of the City's Net Pension Liability and Related Ratios – PRPF (the Old Police Plan).....	129
Schedule of the City's Pension Contributions – PRPF (the Old Police Plan).....	130

Cost-Sharing Plans	
Schedule of the City's Proportionate Share of the Net Pension Liability – LOPFI (the New Plans)	131
Schedule of City's Contributions – LOPFI (the New Plans)	132
Schedule of the City's Proportionate Share of the Net Pension Liability – APERS	133
Schedule of City's Contributions – APERS	134
Fort Smith Public Library - APERS	135
Other Postemployment Benefit (OPEB) Plan	
Schedule of Changes in the City's Net OPEB Liability and Related Ratios	136
Schedule of City Contributions	138
Schedule of Investment Returns	139
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	140
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Street Maintenance Fund	141
Note to Required Supplementary Information	142
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet	145
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	146
Internal Service Funds:	
Combining Statement of Net Position	148
Combining Statement of Revenues, Expenses and Changes in Net Position	149
Combining Statement of Cash Flows	150
Discretely Presented Component Units:	
Governmental Activities:	
Combining Statement of Net Position	152
Combining Statement of Activities	153
Balance Sheet – Advertising and Promotion	154
Statement of Revenues, Expenditures and Changes in Fund Balance – Advertising and Promotion	155
Business-Type Activities:	
Statement of Net Position – Airport Commission	156
Statement of Activities – Airport Commission	157
Statement of Cash Flows – Airport Commission	158

STATISTICAL SECTION (UNAUDITED)

Net Position by Component – Table 1	161
Changes in Net Position – Table 2	162
Changes in Fund Balances of Governmental Funds – Table 3	164
Fund Balances of Governmental Funds – Table 4	165
General Fund Revenues, Expenditures and Fund Balance – Table 5	166
General Governmental Taxes by Source – Table 6	167
Local Sales and Use Tax Collections – Table 7	168
Property Tax Levies and Collections – Table 8	169
Assessed and Estimated Actual Value of Taxable Property – Table 9	170
Property Tax Rates and Tax Levies – All Direct and Overlapping Governments – Table 10	171
Principal Taxpayers – Table 11	172
Computation of Direct and Estimated Overlapping Debt – Table 12	173
Computation of Legal Debt Margin – Table 13	174
Ratios of Outstanding Debt by Type – Table 14	175
Revenue Bonds Debt Service Coverage – Table 15	176
Demographic Statistics – Table 16	177
Principal Employers – Table 17	178
Full-time Equivalent City Government Employees by Function – Table 18	179
Capital Asset Statistics by Function – Table 19	180
Operating Indicators by Function – Table 20	182
Solid Waste System Statistics – Table 21	183
Water and Sewer Statistics – Table 22	184



(This Page Intentionally Left Blank)

Introductory Section





(This Page Intentionally Left Blank)



July 24, 2026

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Fort Smith for the fiscal year ended December 31, 2025. This report has been prepared in accordance with generally accepted accounting principles (GAAP) and is intended to provide residents, elected officials, investors, creditors, and other stakeholders with transparent, reliable, and comprehensive information regarding the City's financial position and operations.

Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation rests with City management. To fulfill this responsibility, the City maintains a comprehensive framework of internal controls designed to protect assets, ensure reliable financial reporting, and promote compliance with applicable laws and regulations. Because the cost of internal controls should not exceed anticipated benefits, these controls are designed to provide reasonable rather than absolute assurance that financial statements are free from material misstatement.

The City's financial statements have been independently audited by Forvis Mazars, LLP. Based upon their examination, the auditors issued an unmodified opinion concluding that the City's financial statements present fairly, in all material respects, the financial position and results of operations of the City for the fiscal year ended December 31, 2025.

Management's Discussion and Analysis (MD&A), which follows the auditor's report, provides additional narrative discussion of the City's financial performance and should be read in conjunction with the letter and the accompanying financial statements.

Key Accomplishments During 2025

During 2025, the City continued advancing strategic priorities centered on infrastructure investment, economic development, financial sustainability, and quality public services.

- Fort Smith Voters approved long term financing strategy supporting federally mandated sewer improvements through sales tax reallocations and infrastructure financing mechanisms without increasing existing tax rates.
- The City successfully maintained strong financial controls and accountability measures, resulting in an unmodified audit opinion on the City's financial statements.

(479) 784-2201 • Fax (479) 784-2430
623 Garrison Avenue • Fort Smith, Arkansas 72901

fortsmithar.gov   

- Continued progress was made toward implementation of federally mandated sewer system improvements and other critical utility infrastructure projects.
- Dedicated sales taxes supporting transportation, public safety, parks, and utility infrastructure were renewed or extended, providing long-term resources for community investments.
- The City continued investing in capital improvements, transportation infrastructure, neighborhood development initiatives, and utility modernization projects designed to support future growth and maintain service levels.

Profile of the City

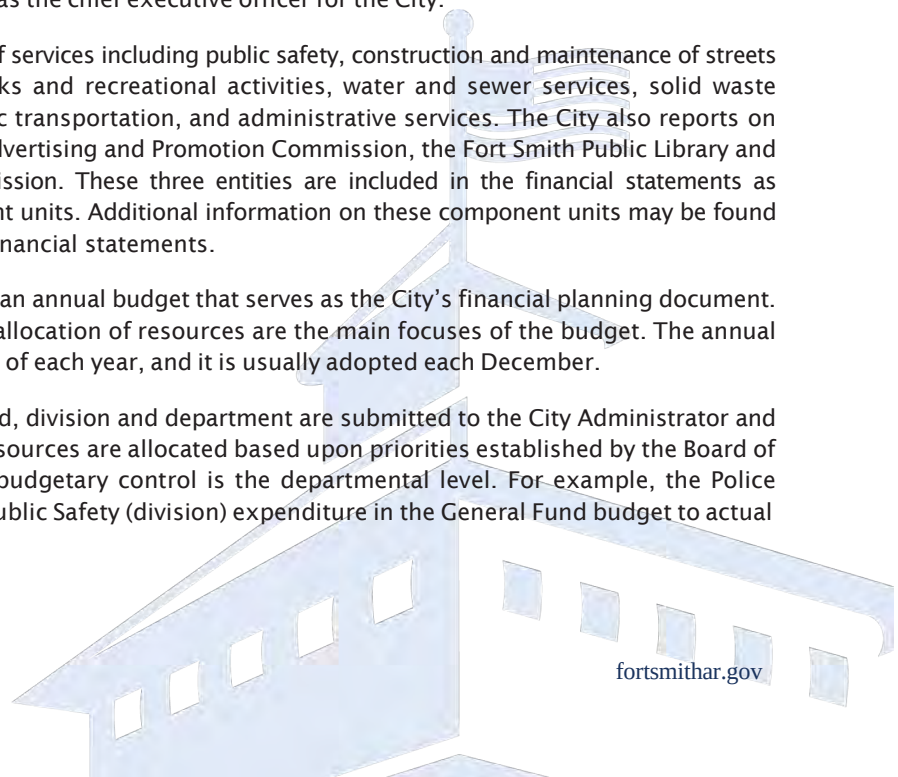
Fort Smith is located in western Arkansas on the border of Oklahoma and is the third largest city in the state. The City was incorporated in 1842 and is the county seat for Sebastian County. Fort Smith is 159 miles west of Little Rock and 145 miles southeast of Tulsa, Oklahoma. The City serves as the central focus for a six-county economic and trade region in the west central area of Arkansas and the east central area of Oklahoma. The City encompasses 68 square miles and has a population of 90,844. The City is empowered by state statutes to levy real and personal property taxes within its limits and extend the corporate limit by annexation, which occurs periodically when deemed appropriate by the Board of Directors. State statutes also allow the City to levy local sales and use taxes.

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

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

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

Appropriation requests by fund, division and department are submitted to the City Administrator and the Chief Financial Officer. Resources are allocated based upon priorities established by the Board of Directors. The legal level of budgetary control is the departmental level. For example, the Police Department is reported as a Public Safety (division) expenditure in the General Fund budget to actual



statements located in the required supplementary information in the financial section of this report. The City Administrator is authorized to transfer appropriated amounts within individual funds. However, additional appropriations during the year require approval by the Board of Directors.

Factors Affecting Financial Condition

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

Economic Conditions and Outlook

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

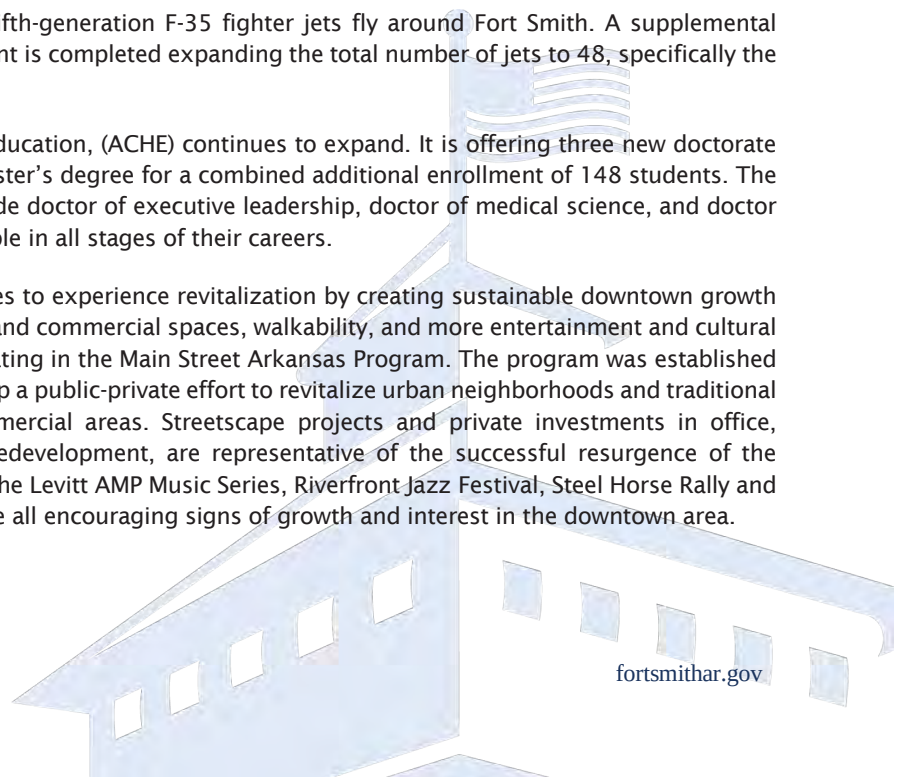
Fort Smith building permits increased by 7%. Building permits totaled \$251.1 million in 2025 compared to \$235.8 million in 2024. Five permits were issued with a building value in excess of \$10 million including a new Bass Pro Shop and Amazon Distribution Center. The Building Safety team reviewed over 800 plan sets, issued 3,100 building permits, and performed 10,000 inspections.

In March 2023, Fort Smith was officially selected to be the long-term military pilot training center for the United States Department of Defense's Foreign Military Sales program. The training center will support a Singapore F-16 squadron as well as F-35 fighter planes purchased by Poland, Singapore, Switzerland, Finland, Germany and other countries participating in the Foreign Military Sales program. The training center is predicted to have a \$1 billion economic impact on the Fort Smith metro.

As of March 2026, fourteen fifth-generation F-35 fighter jets fly around Fort Smith. A supplemental Environmental Impact Statement is completed expanding the total number of jets to 48, specifically the F-35B model.

Arkansas Colleges of Health Education, (ACHE) continues to expand. It is offering three new doctorate programs as well as a new master's degree for a combined additional enrollment of 148 students. The new doctorate programs include doctor of executive leadership, doctor of medical science, and doctor of public health targeting people in all stages of their careers.

Downtown Fort Smith continues to experience revitalization by creating sustainable downtown growth through increased residential and commercial spaces, walkability, and more entertainment and cultural amenities. The City is participating in the Main Street Arkansas Program. The program was established to help cities and towns develop a public-private effort to revitalize urban neighborhoods and traditional central business district commercial areas. Streetscape projects and private investments in office, residential, and commercial redevelopment, are representative of the successful resurgence of the downtown area. Additionally, the Levitt AMP Music Series, Riverfront Jazz Festival, Steel Horse Rally and Peacemaker Music Festivals are all encouraging signs of growth and interest in the downtown area.



The Fort Smith Regional Chamber of Commerce continues its work to extol the virtues of Fort Smith as the fourth lowest cost location in the United States for business. The top 10 employers have over 18,000 employees with Mercy Fort Smith being the number one employer in Fort Smith with over 3,900 employees. The top 10 employers are a healthy mix of private sector companies, healthcare organizations, the University of Arkansas-Fort Smith, the Fort Smith Public School District, and the City of Fort Smith. The Chamber is a regional economic development organization which includes areas of western Arkansas and eastern Oklahoma up to 30 miles from the City. The regional approach enhances relationships with the two states' economic development agencies and offers prospects more choices for potential locations.

Despite continued economic uncertainty at the national level, Fort Smith demonstrated resilience and continued investment activity throughout 2025. Commercial and residential development remained strong, with building permit valuations exceeding prior year levels and several major projects contributing to sustained growth across multiple sectors.

The City continues to benefit from a diverse economic base supported by manufacturing, healthcare, education, transportation, logistics, and defense-related industries. Major employers continue expanding their presence within the region while new investments strengthen long-term economic opportunities.

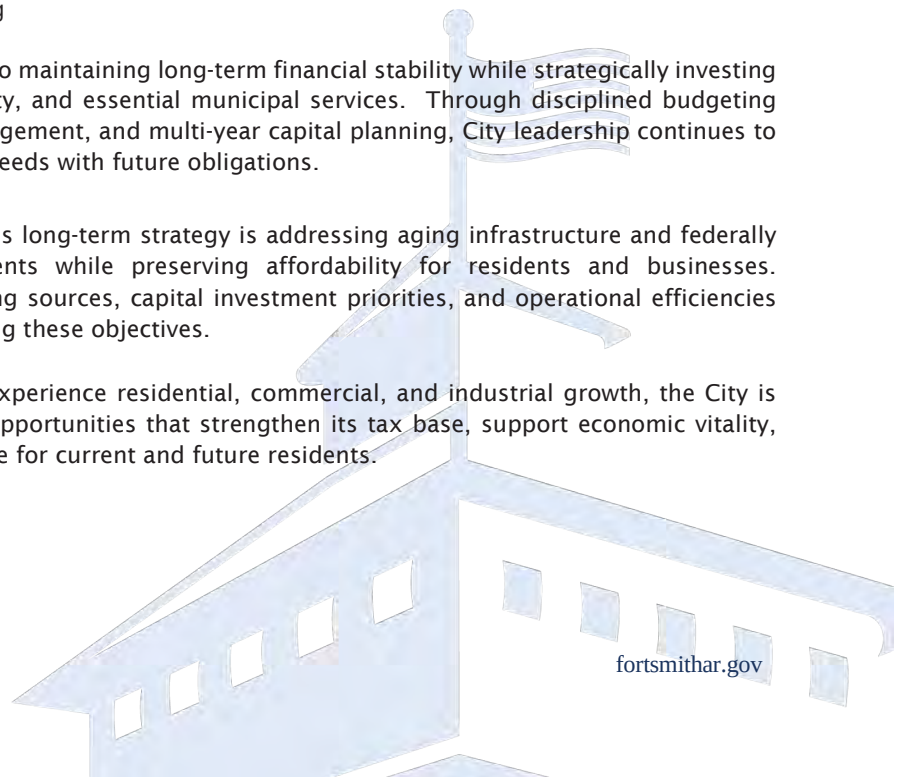
The ongoing expansion of defense-related activities associated with military pilot training operations continues to position Fort Smith as an increasingly important national defense asset with significant projected long-term economic impact.

Long-Term Financial Planning

The City remains committed to maintaining long-term financial stability while strategically investing in infrastructure, public safety, and essential municipal services. Through disciplined budgeting practices, prudent debt management, and multi-year capital planning, City leadership continues to balance current operational needs with future obligations.

A key component of the City's long-term strategy is addressing aging infrastructure and federally mandated utility improvements while preserving affordability for residents and businesses. Ongoing evaluation of funding sources, capital investment priorities, and operational efficiencies will remain critical to achieving these objectives.

As Fort Smith continues to experience residential, commercial, and industrial growth, the City is well positioned to leverage opportunities that strengthen its tax base, support economic vitality, and enhance the quality of life for current and future residents.



Other Information

Awards and Acknowledgements.

The City of Fort Smith was honored to receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2024. We believe this report continues to satisfy the program's rigorous standards and are submitting it for consideration of continued recognition.

This report would not have been possible without the commitment and professionalism of the Finance Department staff and the many employees across the organization who contributed to its preparation. We also acknowledge the valuable assistance provided by Forvis Mazars, LLP, during the audit process.

We extend our sincere appreciation to the Mayor, Board of Directors, Audit Advisory Committee, City staff, and citizens whose continued support contributes to the City's commitment to accountability, transparency, and responsible stewardship of public resources.

Respectfully submitted,



Jeff Dingman
Acting City Administrator

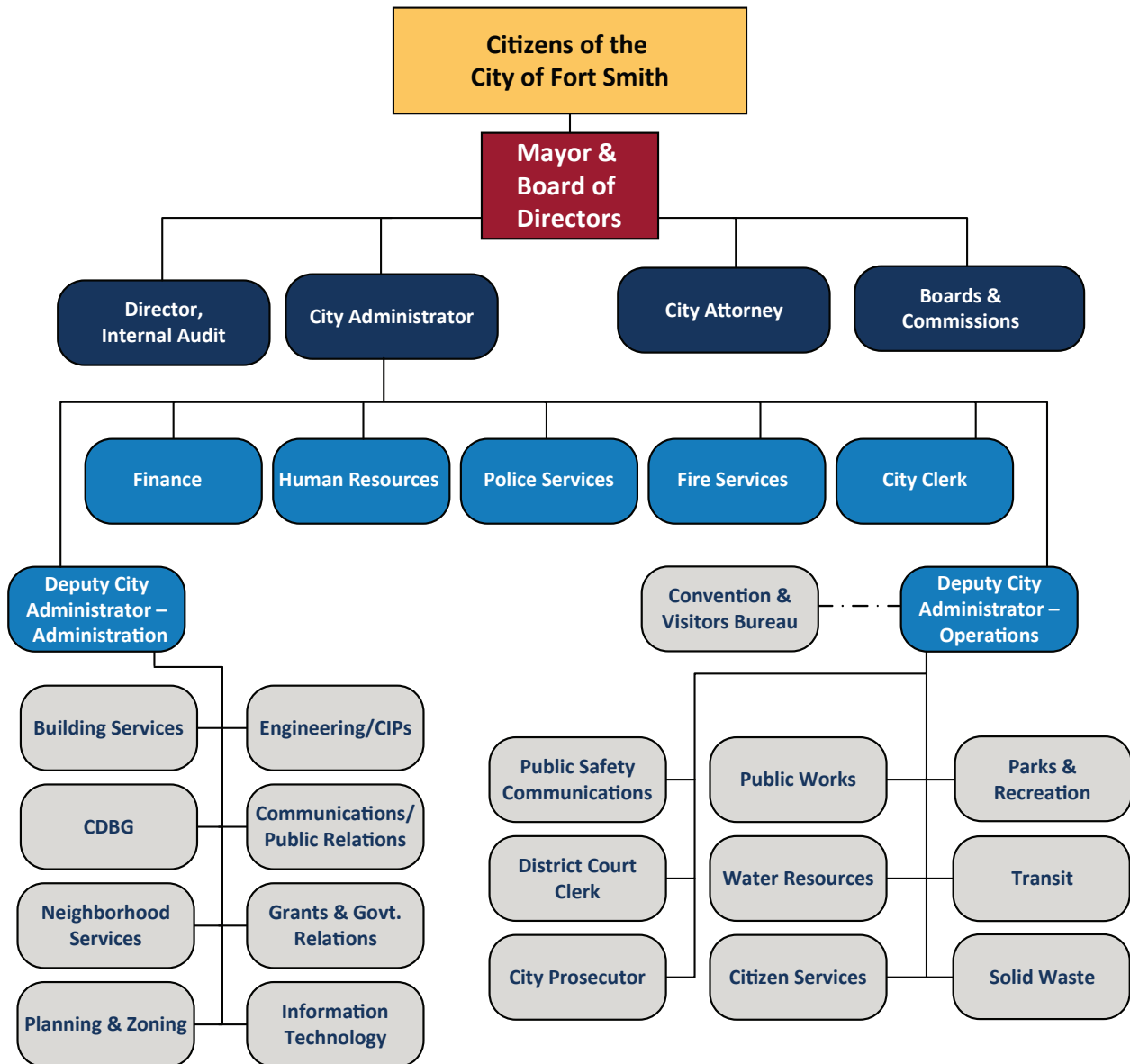


Andrew Richards
Chief Financial Officer





Organizational Structure



List of Elected and Appointed Officials December 31, 2025

Elected Officials

Mayor	George B. McGill
Director-Ward 1/Vice Mayor	Jarred Rego
Director-Ward 2	Andre' Good
Director-Ward 3	Lee Kemp
Director-Ward 4	George Catsavis
Director at Large	Christina Catsavis
Director at Large	Kevin Settle
Director at Large	Neal Martin
District Court Judge	Sam Terry
District Court Judge	Amy Grimes
District Court Judge	Wendy Sharum

Appointed Officials

Acting City Administrator	Jeff Dingman
Deputy City Administrator	Maggie Rice
Advertising and Promotion	Ashleigh Bachert
Airport	Andrew Meyer
Building Services	Jesse Bennett
Citizen Services	Joshua Robertson
City Clerk	Sherri Gard
City Prosecutor	Colton Pace
Communications	Josh Buchfink
Community Development	Candyce Gabucci
Development/Planning	Tyler Miller
District Court	Rachel Sims
Engineering	Vacant
Finance	Andrew Richards
Fire	Darrell Clark
Human Resources	Eric Garvin
Information and Technology	James Gentry
Internal Audit	Amanda Strange
Library	Jennifer Goodson
Neighborhood Services	Shawn Gard
Parks and Recreation	Sara Deuster
Police	Danny Baker
Public Safety Communications	Wes Milam
Public Works	Matt Meeker
Solid Waste	Duane McDonald
Transit	Ken Savage
Water Resources	Lance McAvoy



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fort Smith
Arkansas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrell

Executive Director/CEO



(This Page Intentionally Left Blank)



(This Page Intentionally Left Blank)



Financial Section



(This Page Intentionally Left Blank)

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Smith, Arkansas (City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Smith, Arkansas, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Fort Smith Public Library, a discretely presented component unit of the City of Fort Smith, Arkansas, which represents 12%, 12%, and 26% of the assets and deferred outflows of resources, net position, and revenues, respectively, of the aggregate discretely presented component units as of December 31, 2025. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fort Smith Public Library, is based solely on the report of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Rogers, Arkansas
July 24, 2026**



(This Page Intentionally Left Blank)

Management's Discussion and Analysis December 31, 2025

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, 2025. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 11-16 of this report.

Financial Highlights

- Primary Government total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of 2025 by \$1.1 billion (net position). Of this amount, \$949.6 million was invested in capital assets, net of related debt; \$109.4 million was restricted for debt service; police, fire and park and recreation improvements; construction projects for streets, bridges and drainage, and sewer consent decree improvements; and other purposes. The component of net position unrestricted and available for meeting the City's emergency and unexpected obligations was \$49.1 million. The City's governmental activities have an unrestricted net position (deficit) of (\$20.4) million. The unrestricted net position of the governmental activities is negative due to \$65.2 million in net pension liabilities at year-end. The City's business-type activities have an unrestricted net position of \$69.5 million.
- The City's total net position increased by \$38.4 million in 2025. Net position of the governmental activities increased by \$8.1 million in 2025 compared to a net increase of \$43.6 million in 2024. The City's net position of the business-type activities increased by \$30.3 million in 2025 compared to a net increase of \$10.9 million in 2024.
- At the end of 2025, the City's governmental funds reported combined ending fund balances of \$238.9 million, an increase of \$95.5 million from the prior year. The restricted portion of the fund balances is \$204.6 million. The remaining fund balances are classified as nonspendable of \$0.4 million; assigned of \$14.9 million; and unassigned of \$19.1 million.
- At the end of 2025, the unassigned fund balance for the General Fund was \$19.1 million or 29.1% of total General Fund expenditures and transfers out. There was a decrease of \$9.1 million in total general fund balance between years.
- The City's total bonded indebtedness increased \$82.7 million during the current year to \$254.3 million.
- The City's governmental discretely presented component units reported a net position of \$12.1 million at December 31, 2025 compared to \$12.8 million for 2024.
- The City's business-type component units reported a net position of \$78.5 million at December 31, 2025 which was a \$3.0 million increase from 2024.

Overview of the Financial Statements

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

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

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

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

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

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

- Fort Smith Public Library
- Advertising and Promotion Commission
- Airport Commission
- Central Business Improvement District

Financial information for three of these *component units* are reported separately from the financial information presented for the primary government itself. The Central Business Improvement District, although also legally separate, provides services entirely to the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 38-41 of this report.

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

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

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance Fund, Sales Tax Fund, LOPFI Contribution Fund, the Special Grants Fund and the Sales and Use Tax Bond Fund that are considered to be major funds. Data from the other four (4) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 42-48 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 50-55 of this report.

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

The fiduciary fund financial statements can be found on pages 56-57 of this report.

Notes to 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 basic financial statements can be found on pages 58-124 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's General Fund budget, the City's Street Maintenance Fund budget and pension and other postemployment benefit information as listed in the table of contents. The City adopts an annual appropriation budget for its General Fund and its Street Maintenance Fund. Budgetary comparison schedules have been provided for the General Fund and the Street Maintenance Fund to demonstrate compliance with the annual budgets. *Required supplementary information* can be found on pages 126-142 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 145-158 of this report.

Government-Wide Financial Analysis
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 270,047,051	\$ 179,784,597	\$ 122,038,679	\$ 123,745,174	\$ 392,085,730	\$ 303,529,771
Capital assets	496,618,785	488,272,655	610,388,942	595,127,359	1,107,007,727	1,083,400,014
Total assets	766,665,836	668,057,252	732,427,621	718,872,533	1,499,093,457	1,386,929,785
Total deferred outflows of resources	20,349,853	22,372,603	4,037,578	3,306,167	24,387,431	25,678,770
Long-term liabilities	193,951,095	101,288,574	192,166,190	203,375,944	386,117,285	304,664,518
Other liabilities	10,352,274	15,260,243	7,117,857	10,727,923	17,470,131	25,988,166
Total liabilities	204,303,369	116,548,817	199,284,047	214,103,867	403,587,416	330,652,684
Total deferred inflows of resources	9,918,601	9,170,576	1,790,635	3,008,845	11,709,236	12,179,421
Net position:						
Net investment in capital assets	490,243,548	476,628,420	459,383,324	433,319,456	949,626,872	909,947,876
Restricted	102,921,045	97,559,115	6,511,267	8,416,731	109,432,312	105,975,846
Unrestricted (Deficit)	(20,370,874)	(9,477,073)	69,495,926	63,329,801	49,125,052	53,852,728
Total net position	\$ 572,793,719	\$ 564,710,462	\$ 535,390,517	\$ 505,065,988	\$ 1,108,184,236	\$ 1,069,776,450

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.1 billion at the close of 2025.

The largest portion of the City's net position \$949.6 million or 85.7% reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), plus unspent bond proceeds, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9.9%) represents resources that are subject to restrictions as to how they may be used. Of the total \$109.4 million restricted net position, \$31.1 million is restricted for sewer consent decree improvements, \$9.9 million is restricted for public safety, \$9.9 million is restricted for bond retirement, \$55.2 million is restricted for construction projects, \$2.6 million is restricted for parks and recreation and \$0.7 million is restricted for other purposes. The remaining balance of net position is \$49.1 million.

The business-type activities reported a positive balance in unrestricted net position at the end of the current year, as was the case in the prior year. The governmental activities reported a deficit unrestricted net position due to net pension liabilities of \$65.2 million.

The City's net position increased by \$38.4 million during 2025. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Changes in Net Position

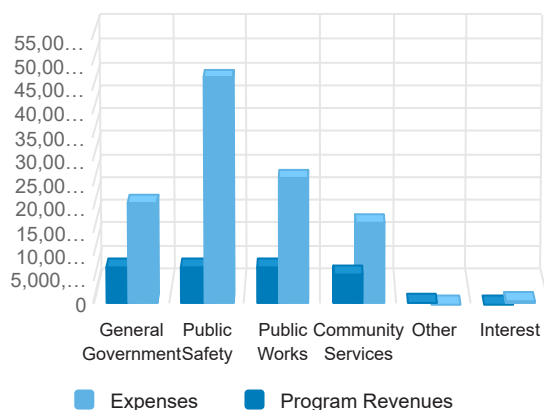
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Fees, fines, and charges for services	\$ 9,574,553	\$ 9,181,410	\$ 90,772,442	\$ 85,918,708	\$ 100,346,995	\$ 95,100,118
Operating grants and contributions	10,967,543	13,679,571	5,185	8,000	10,972,728	13,687,571
Capital grants and contributions	9,497,985	11,590,414	3,085,933	5,397,808	12,583,918	16,988,222
	30,040,081	34,451,395	93,863,560	91,324,516	123,903,641	125,775,911
General revenues						
Property taxes	16,361,841	15,169,291	-	-	16,361,841	15,169,291
Sales taxes	83,515,448	83,525,244	-	-	83,515,448	83,525,244
Utility franchise fees	8,813,972	8,063,854	-	-	8,813,972	8,063,854
Unrestricted investment earnings	6,015,959	7,492,513	4,229,929	5,575,956	10,245,888	13,068,469
Intergovernmental	-	-	-	1,266,338	-	1,266,338
Other	664,189	7,209,461	341,646	87,584	1,005,835	7,297,045
Total revenues	145,411,490	155,911,758	98,435,135	98,254,394	243,846,625	254,166,152
Expenses						
General government	21,657,341	19,186,977	-	-	21,657,341	19,186,977
Public safety	47,657,259	45,985,509	-	-	47,657,259	45,985,509
Public works	26,667,590	24,780,987	-	-	26,667,590	24,780,987
Community services	17,376,287	17,957,060	-	-	17,376,287	17,957,060
Interest on long-term debt	637,005	131,928	-	-	637,005	131,928
Water and sewer	-	-	66,337,363	69,196,012	66,337,363	69,196,012
Solid Waste	-	-	24,857,522	22,157,447	24,857,522	22,157,447
Parking	-	-	91,538	167,994	91,538	167,994
Total expenses	114,152,416	108,153,274	91,286,423	91,521,453	205,438,839	199,674,727
Change in net position before transfers	31,259,074	47,758,484	7,148,712	6,732,941	38,407,786	54,491,425
Transfers	(23,175,817)	(4,174,087)	23,175,817	4,174,087	-	-
Increase in net position	8,083,257	43,584,397	30,324,529	10,907,028	38,407,786	54,491,425
Net Position - beginning of year	564,710,462	521,126,065	505,065,988	494,158,960	1,069,776,450	1,015,285,025
Net Position – end of year	<u>\$ 572,793,719</u>	<u>\$ 564,710,462</u>	<u>\$ 535,390,517</u>	<u>\$ 505,065,988</u>	<u>\$ 1,108,184,236</u>	<u>\$ 1,069,776,450</u>

Governmental Activities. During the current year, net position for governmental activities increased \$8.1 million from the prior year for an ending balance of \$572.8 million. The increase in the overall net position of governmental activities is the primary result of \$39.7 million in capitalized construction projects primarily related to street construction. The transfers of \$23.2 million primarily reflect sewer consent decree improvements – funded by sales tax revenue – that were subsequently transferred to

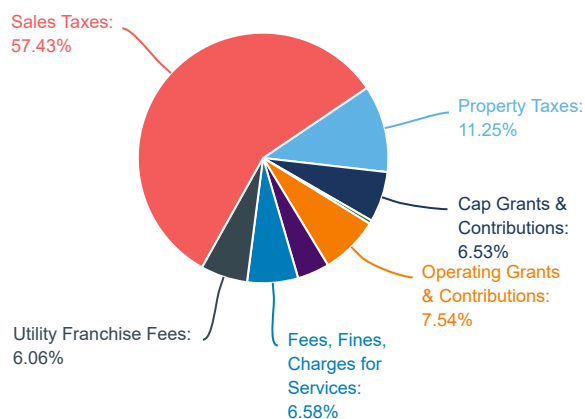
the water and sewer system. In addition, the fluctuation of revenues and expenses as compared to the prior year impacted the increase in net position as noted below.

- Revenues from sales taxes decreased \$9.8 thousand to \$83.5 million or .01%. The slight decrease in revenues is attributed to consumer cut backs on discretionary spending and a decline in industrial activities in 2025 compared to 2024.
- Revenues from property taxes of \$16.4 million increased \$1.19 million or 7.9%. The increased revenue is attributed to an increase in assessed property values of 11%.
- Unrestricted investment earnings decreased \$1.5 million from the prior year primarily due to investment interest rate decreases during 2025.
- Other general revenues declined \$6.5 million from prior year. In 2024, the City recognized \$6.8 million in insurance proceeds primarily from a hail storm event which damaged the roofs of 38 City buildings.
- Total expenses increased \$6.0 million to \$114.2 million or 5.5% from prior year. The majority of the increase is the result of operating cost inflation and cost of living increases for City personnel.

Expenses and Program Revenues -
Governmental Activities



Revenues by Source -
Governmental Activities

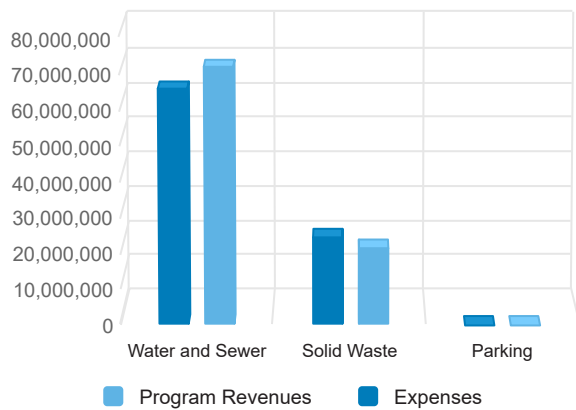


Business-Type Activities. Net position for City's business-type activities increased by \$30.3 million during the current year, reaching an ending balance of \$535.4 million. Key elements of the increase are as follows:

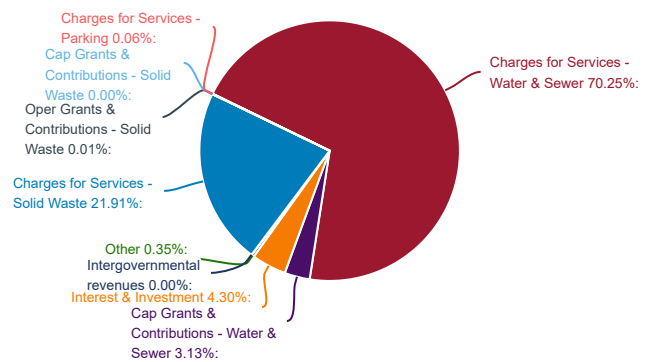
- The water and sewer system net position increased by \$32.3 million. The operating income for the system totaled \$9.9 million in 2025.
- The solid waste system net position decreased \$1.0 million. The operating loss for the system in 2025 totaled \$3.3 million.
- Water and sewer system service charges contribute 76.1% of the revenue to business-type activities and increased \$6 million compared to 2024. This is due to increased sewer rates of 3.5% in June 2025.
- The solid waste system service charges accounted for 23.8% of the revenue to business-type activities and decreased by \$632.4 thousand compared to 2024. The City received \$850 thousand in 2024 from a settlement from its recycling processor.
- Current year operating revenues for the business-type activities exceeded operating expenses by \$6.5 million. Operating expenses increased from 2024 by \$619.3 thousand or 0.7%.

- The transfers of \$23.2 million primarily reflect sewer consent decree improvements – funded by sales tax revenue – that were subsequently transferred to the water and sewer system from sales tax funds.

Program Revenue and Expenses -
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, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2025, the City's governmental funds reported combined ending fund balances of \$238.9 million, an increase of \$95.5 million in comparison with the prior year. Of this amount, \$204.6 million represents restricted fund balance for construction projects, debt service, public safety, parks and recreation, sewer consent decree improvements and other purposes. Approximately \$0.4 million of the fund balances is non-spendable. A portion of the fund balance, \$14.9 million, is assigned for specific uses by the City. The remainder of the balance, \$19.1 million, is unassigned and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At December 31, 2025, unassigned fund balance of the General Fund was \$19.1 million, while the total fund balance was \$26.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures, including transfers out. Unassigned fund balances represent 29.1% of total General Fund expenditures, including transfers out, while total fund balances represent 40.2% of that same amount. There was a decrease of \$9.1 million in total General Fund balance between years primarily due to capital outlays of \$4 million for the City administration building, \$1 million for police vehicles and equipment, \$0.7 million for a solar panel project and \$0.7 million for parks and recreation projects.

The Street Maintenance Fund, a special revenue fund, is presented as a major fund and reported \$8.4 million of total fund balance, a decrease of \$0.7 million over the prior year primarily due to capital outlay of \$1.3 million for street maintenance equipment. Fund balance consists of \$6.4 million assigned for

street maintenance and \$2.0 million assigned for asset replacement. This fund accounts for 3.5% of the total governmental fund balances.

The Sales Tax Fund, a special revenue fund, is presented as a major fund and accounts for 39.5% of the total governmental fund balances or \$94.5 million. Revenues include a one percent local sales tax dedicated to streets, bridges and associated drainage. In 2025, the tax was extended to December 31, 2059, to be used (i) 62.5% for streets, bridges and associated drainage; and (ii) 37.5% for betterments and improvements to the sewer system and consent decree sewer purposes and the pledge of such 37.5% to repay and secure bonds issued to finance capital improvements for such purposes. In addition, Three quarter percent of the one percent tax will be apportioned 83.3% for federally mandated sewer consent decree improvements and 16.7% is apportioned for police operations and capital. The remaining one quarter percent is split ⅔% for fire operations and capital and ⅓% for parks department capital improvements. Fund balance decreased \$0.6 million as sales tax revenues were used for capital projects and operations. Expenditures increased \$8.0 million over the prior year. Capital outlays include \$22.8 million for sewer consent decree improvements, \$18.3 million for streets, bridges and drainage improvements. \$3.1 million was transferred to the Sales and Use Tax Bond Fund to fund the debt service reserve for the issuance of bonds for sewer consent decree improvements.

LOPFI Contribution Fund, a special revenue fund, is presented as a major fund and accounts for 0.02% of the total government fund balances. Revenues include a dedicated Property Tax and Insurance Turnback Revenues for police and fire pension contributions. Fund balance decreased \$0.2 million during the year as the City's annual required pension contributions continued to increase at a faster rate than the increase in dedicated property tax and state insurance turnback revenues. In addition, \$1.8 million was transferred from the City's General Fund to provide additional funds to make the required pension contributions during the year.

The Special Grants Fund, a special revenue fund, is presented as a major fund and accounts for 0.7% of the total government fund balance. The fund balance is restricted for police and fire capital. Grants, fines and forfeitures were recognized and expended in the fund for projects related to police, fire, community development and City sustainability programs.

The Sales and Use Tax Bond Construction Fund, a capital projects fund, is presented as a major fund and represents 42.2% of the total government fund balance. The City issued \$94.3 million in sales and use tax bonds in 2025. On October 30, 2025, the City issued the Series 2025 Sales and Use Tax Bonds, for the par amount of \$94.3 million for betterments and improvements to the City's sewer system and consent decree sewer purposes.

The Sales and Use Tax Bond Fund, a debt service fund, is presented as a major fund and represents 2.0% of the total government fund balance. The fund services the debt on the Series 2025 Sales and Use Tax Bonds and maintains the required debt service reserve balance of \$3.1 million. The first bond interest payment is due May 1, 2026. The fund recognizes the sales and use tax revenues required to meet the annual debt service requirements from a dedicated 1% sales tax and a 37.5% sales tax. Excess sales tax revenues from the dedicated sales taxes are recognized in the Sales Tax Fund and restricted for betterments and improvements to the City's sewer system and consent decree sewer purposes.

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

Net position at the end of the year amounted to \$484.5 million and \$49.8 million for the Water and Sewer Fund and the Solid Waste Fund, respectively. The change in net position was a \$32.3 million increase for the Water and Sewer Fund and a \$1.0 million decrease for the Solid Waste Fund. Other factors

concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

General Fund. The final amended General Fund budget had total appropriations of \$72.6 million (total expenditures plus transfers out).

Final revenue estimates for the General Fund (\$57.7 million) exceeded the original budget of \$56.1 million (total revenues plus transfers in).

Total actual revenue, including transfers in, for the General Fund was \$54.7 million, \$3 million below final revenue estimates. The variance is primarily due to the timing of planned capital expenditures and the related recognition of grant reimbursements..

Total actual expenditures, including transfers out, were (\$7.1) million less than final budget primarily due to the timing of planned capital expenditures.

The budget and actual schedule for the General Fund may be found on page 140 in the required supplementary section of this document.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2025 amounts to \$1.1 billion, net of accumulated depreciation and amortization. This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, park facilities, streets, drainage systems and right-to-use leased assets. The total increase in the City's investment in capital assets was 2.2%, a 1.7% increase for governmental activities and a 2.6% increase for business-type activities.

Capital Assets, Net of Accumulated Depreciation and Amortization

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 41,433,071	\$ 41,441,635	\$ 18,069,874	\$ 17,990,816	\$ 59,502,945	\$ 59,432,451
Buildings	43,893,633	41,151,072	4,834,668	5,049,444	48,728,301	46,200,516
Water System	-	-	254,275,911	257,460,614	254,275,911	257,460,614
Sewer System	-	-	257,502,584	246,720,148	257,502,584	246,720,148
Improvement other than buildings	27,171,755	17,649,455	4,760,052	6,059,004	31,931,807	23,708,459
Infrastructure	325,292,873	313,473,044	-	-	325,292,873	313,473,044
Machinery and equipment	24,112,420	23,318,479	15,739,140	17,686,028	39,851,560	41,004,507
Right-to-use assets	3,313,317	4,978,374	249,323	430,874	3,562,640	5,409,248
Construction in progress	31,401,716	46,260,596	54,957,390	43,730,431	86,359,106	89,991,027
Total	<u>\$ 496,618,785</u>	<u>\$ 488,272,655</u>	<u>\$ 610,388,942</u>	<u>\$ 595,127,359</u>	<u>\$ 1,107,007,727</u>	<u>\$ 1,083,400,014</u>

Major capital asset events during 2025 included the following:

- Net decrease to construction in progress totaled (\$3.6) million. Of this amount, water and wastewater improvements accounted for a decrease of \$6.4 million and the general government and streets increased by \$14.4 million.
- Net additions to infrastructure totaled \$11.8 million due to completed street projects (\$26.4 million) less the amount of annual depreciation (\$14.6 million) during 2025.
- Net additions to the sewer system totaled \$10.8 million due to completed sewer consent decree projects (\$18 million) less in annual depreciation (\$7.2 million).
- Net decrease to the water system totaled (\$3.2) million in 2025 due to completed projects (\$4.5 million) less annual depreciation of the water system (\$7.7 million).
- Total Depreciation and amortization expense totaled \$46.2 million.
- The City purchased the City Administration building during 2025 for \$4 million.

Additional information on the City's capital assets can be found in *Note 4* on pages 75-82 of this report.

Long-term debt. At December 31, 2025, the City had \$254.3 million of long-term bonds outstanding. These bonds are secured solely by specified revenue sources, (i.e. sales and use tax and revenue bonds). The remainder of the City's long-term debt consists of leases payable, SBITA payable, note payable and installment loans.

City of Fort Smith's Outstanding Debt

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Sales and Use Tax Bonds	\$ 94,340,000	\$ -	\$ -	\$ -
Revenue bonds	-	-	159,960,000	171,580,000
Leases payable	1,161,437	3,594,588	-	-
SBITA payable	2,036,957	1,333,071	239,546	476,932
Note payable	79,160	128,099	-	-
Installment loan	195,950	236,124	-	-
Total	<u>\$ 97,813,504</u>	<u>\$ 5,291,882</u>	<u>\$ 160,199,546</u>	<u>\$ 172,056,932</u>

The City's total bonded debt increased by \$82.7 million or 48.2% during 2025. Key factors in this increase were the issuance of the \$94.3 million sales and use tax bonds, series 2025, and regularly scheduled water and sewer revenue bond redemptions. The City maintains "A" ratings from Standard & Poor's on its water and sewer revenue bonds series 2015, 2016 and 2018 and its sales and use tax bonds series 2025.

Per the Bond Authorizing Ordinances, the City covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce net revenues (net revenues being defined as gross revenues of the System less the amounts required to pay the costs of operation, maintenance, and repair of the System, including all expense items properly attributable to the operation and maintenance of the System in accordance with generally accepted accounting principles applicable to municipal water and sewer systems (excluding depreciation, interest and amortization expenses)) at least equal to 110% of current year's debt service on all System Bonds and the amount needed to make the deposits into the Depreciation Fund and the Debt Service Reserve and to reimburse bond insurers for any amounts owed in connection with a Qualified Surety Bond. As of December 31, 2025, the debt service coverage is 148%.

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 \$484.3 million. The City has no general obligation debt at December 31, 2025.

Additional information regarding the City's long-term debt can be found in *Note 7* on pages 85-92 of this report.

Economic Factors and the Next Year's Budget and Rates

These factors were considered when the City prepared its 2026 Budget.

- The year-end unemployment rate for the City was 3.5%, compared to 3.8% in 2024. The state unemployment rate for 2025 was 3.4% and the national rate was 4.1%.
- The City expects tax revenue for 2026 to remain consistent with 2025.
- The anticipated sewer rate increase of 3.5% effective January 1, 2026.

The Board of Directors considered these factors when making the spending priorities going into the 2026 budget year – pay increases for employees, city-wide, and the General Fund Capital Improvement Plan. The City's General Fund budget for 2026 was approved at \$56.8 million. Continued efforts are being made to control spending and reduce costs where appropriate.

Request for Information

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

Statement of Net Position December 31, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Assets					
Cash and cash equivalents	\$ 132,494,594	\$ 73,140,257	\$ 205,634,851	\$ 2,451,434	\$ 4,193,266
Investments	-	11,032,281	11,032,281	116,873	2,225,000
Receivables, net					
Property taxes and utility franchise fees	19,245,211	-	19,245,211	243,233	-
Sales taxes	7,070,853	-	7,070,853	-	-
Accounts	2,848,810	10,138,845	12,987,655	249,315	-
Interest	-	-	-	-	109,829
Due from other governments	1,977,706	145,774	2,123,480	-	1,493,800
Internal balances	422,149	(422,149)	-	-	-
Inventories	25,329	2,232,886	2,258,215	-	65,709
Prepays and deposits	525,851	242,790	768,641	98,485	155,452
Restricted assets					
Cash	39,218	250,218	289,436	-	639,786
Investments	105,397,330	25,071,275	130,468,605	-	1,100,000
Deposits	-	206,502	206,502	-	-
Lease receivables	-	-	-	-	13,897,247
Capital assets, net					
Nondepreciable	72,834,787	73,027,264	145,862,051	1,037,891	8,966,761
Depreciable	423,783,998	537,361,678	961,145,676	9,731,646	61,549,432
Total Assets	766,665,836	732,427,621	1,499,093,457	13,928,877	94,396,282
Deferred Outflows of Resources					
Deferred amounts on refunding	-	1,518,128	1,518,128	-	-
Deferred outflows-pension	6,517,326	-	6,517,326	110,079	-
Deferred outflows-pension contributions	8,744,227	-	8,744,227	119,276	-
Deferred outflows-OPEB	5,088,300	2,519,450	7,607,750	-	-
Total deferred outflows of resources	20,349,853	4,037,578	24,387,431	229,355	-

Statement of Net Position (Continued)
December 31, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
Liabilities					
Accounts payable and accrued expenses	\$ 9,042,124	\$ 4,519,514	\$ 13,561,638	\$ 141,235	\$ 992,480
Other	262,446	1,670	264,116	-	-
Accrued interest	948,703	1,886,612	2,835,315	-	-
Deposits	-	710,061	710,061	-	-
Unearned revenue	99,001	-	99,001	-	62,024
Noncurrent liabilities					
Other long-term liabilities due within one year	4,802,452	333,144	5,135,596	-	-
Current portion of long-term debt	2,695,292	12,140,100	14,835,392	69,264	37,830
Due in more than one year	186,453,351	179,692,946	366,146,297	1,682,359	1,820,407
Total liabilities	204,303,369	199,284,047	403,587,416	1,892,858	2,912,741
Deferred Inflows of Resources					
Deferred amounts on refunding	-	30,042	30,042	-	-
Deferred inflows-pension	6,362,897	-	6,362,897	157,461	-
Deferred inflows-OPEB	3,555,704	1,760,593	5,316,297	-	-
Deferred inflows-leases	-	-	-	-	12,973,878
Total deferred inflows of resources	9,918,601	1,790,635	11,709,236	157,461	12,973,878
Net Position					
Net investment in capital assets	490,243,548	459,383,324	949,626,872	10,528,342	67,929,450
Restricted for:					
Construction projects	54,665,871	500,000	55,165,871	-	674,354
Debt service	3,913,155	6,011,267	9,924,422	-	-
Public safety operations and capital	9,853,158	-	9,853,158	-	-
Courts	325,550	-	325,550	-	-
Parks & recreation operations	221,416	-	221,416	-	-
Parks & recreation capital improvements	2,408,339	-	2,408,339	-	-
Housing and rehabilitation	38,673	-	38,673	-	-
Police & fire retirement contributions	42,673	-	42,673	-	-
Sewer consent decree improvements	31,147,675	-	31,147,675	-	-
Downtown maintenance	304,535	-	304,535	-	-
Tourism & promotion	-	-	-	1,092,149	-
Unrestricted	(20,370,874)	69,495,926	49,125,052	487,422	9,905,859
Total net position	\$ 572,793,719	\$ 535,390,517	\$ 1,108,184,236	\$ 12,107,913	\$ 78,509,663

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

**Statement of Activities
For the Year Ended December 31, 2025**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-Type Activities	Total	Governmental Activities
Primary Government:								
Governmental Activities								
General Government								
Administration	\$ 11,920,447	\$ 981,385	\$ 1,830,559	\$ 57,909	\$ (9,050,594)		\$ (9,050,594)	
Legal and Courts	2,457,643	2,213,972	-	-	(243,671)		(243,671)	
Finance	7,279,251	1,282,902	1,409,868	-	(4,586,481)		(4,586,481)	
Public safety								
Police	30,711,716	2,176,196	2,368,282	74,342	(26,092,896)		(26,092,896)	
Fire	16,945,543	121,854	2,562,463	514,800	(13,746,426)		(13,746,426)	
Public works								
Operations	942,634	42,332	-	-	(900,302)		(900,302)	
Streets	22,018,452	271,564	-	7,443,365	(14,303,523)		(14,303,523)	
Traffic Control	3,706,504	-	-	-	(3,706,504)		(3,706,504)	
Community services								
Health and Social Services	188,072	-	-	-	(188,072)		(188,072)	
Parks and Recreation	6,130,955	214,664	28,706	194,411	(5,693,174)		(5,693,174)	
Convention Center	4,879,727	1,747,254	-	-	(3,132,473)		(3,132,473)	
Transit	4,467,204	196,428	1,494,150	1,213,158	(1,563,468)		(1,563,468)	
Housing and Rehabilitation	1,348,926	-	1,273,515	-	(75,411)		(75,411)	
Downtown Improvements	156,934	283,740	-	-	126,806		126,806	
Miss Laura's Musuem	361,403	42,262	-	-	(319,141)		(319,141)	
Interest	637,005	-	-	-	(637,005)		(637,005)	
Total Governmental Activities	114,152,416	9,574,553	10,967,543	9,497,985	(84,112,335)		(84,112,335)	
Business-Type Activities:								
Water and Sewer	66,337,363	69,150,685	-	3,085,933		\$ 5,899,255		
Solid Waste	24,857,522	21,567,492	5,185	-		(3,284,845)		
Parking	91,538	54,265	-	-		(37,273)		
Total Business-Type Activities	91,286,423	90,772,442	5,185	3,085,933		2,577,137		
Total Primary Government	\$ 205,438,839	\$ 100,346,995	\$ 10,972,728	\$ 12,583,918	\$ (84,112,335)	\$ 2,577,137	\$ (81,535,198)	
Component Units:								
Governmental								
Advertising & Promotion	\$ 1,482,218	\$ -	\$ -	\$ -			\$ (1,482,218)	
Public Library	4,381,369	150,225	577,880	-			(3,653,264)	
	5,863,587	150,225	577,880	-			(5,135,482)	
Business-Type								
Airport	7,289,862	2,835,512	415,186	6,331,140				\$ 2,291,976
Total Component Units	\$ 13,153,449	\$ 2,985,737	\$ 993,066	\$ 6,331,140			(5,135,482)	2,291,976

Statement of Activities (Continued)
For the Year Ended December 31, 2025

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities
General revenues					
Property taxes	\$ 16,361,841	\$ -	\$ 16,361,841	\$ 1,739,208	\$ -
Sales taxes	83,515,448	-	83,515,448	1,469,361	-
Franchise fees	8,813,972	-	8,813,972	-	-
Hospitality taxes	-	-	-	1,162,111	-
Unrestricted investment earnings	6,015,959	4,229,929	10,245,888	64,637	739,642
Other	664,189	341,646	1,005,835	44,123	-
Transfers	(23,175,817)	23,175,817	-	-	-
Total general revenues and transfers	92,195,592	27,747,392	119,942,984	4,479,440	739,642
Change in net position	8,083,257	30,324,529	38,407,786	(656,042)	3,031,618
Net position, beginning of year	564,710,462	505,065,988	1,069,776,450	12,763,955	75,478,045
Net position, end of year	<u>\$ 572,793,719</u>	<u>\$ 535,390,517</u>	<u>\$ 1,108,184,236</u>	<u>\$ 12,107,913</u>	<u>\$ 78,509,663</u>

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

**Balance Sheet – Governmental Funds
December 31, 2025**

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales and Use Tax Bond Construction	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Assets									
Cash	\$ 22,578,321	\$ 7,916,746	\$ 92,767,744	\$ 703,800	\$ 1,565,817	\$ -	\$ -	\$ 2,344,940	\$ 127,877,368
Receivables, net of allowance for uncollectibles						-			
Property taxes and utility franchise fees	12,156,092	3,037,843	-	4,050,456	196	-	-	624	19,245,211
Sales taxes	2,068,280	-	4,481,073	-	-	-	521,500	-	7,070,853
Accounts	134,717	1,222	125,000	-	-	-	-	1,337,126	1,598,065
Due from other funds	1,116,234	-	-	-	-	-	-	-	1,116,234
Due from other governments	1,136,638	514,223	-	-	284,890	-	-	41,955	1,977,706
Restricted assets:									
Cash	-	-	-	-	-	-	-	39,219	39,219
Investments	-	-	-	-	-	101,195,168	4,202,162	-	105,397,330
Inventories	-	-	-	-	-	-	-	24,204	24,204
Prepaid items	335,901	-	-	-	-	-	-	20,767	356,668
Total Assets	\$ 39,526,183	\$ 11,470,034	\$ 97,373,817	\$ 4,754,256	\$ 1,850,903	\$ 101,195,168	\$ 4,723,662	\$ 3,808,835	\$ 264,702,858
Liabilities, Deferred Inflows of Resources, and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities	\$ 3,587,626	\$ 313,913	\$ 2,205,864	\$ 971,390	\$ 241,435	\$ 347,750	\$ -	\$ 355,312	\$ 8,023,290
Retainage payable	-	-	710,618	-	-	-	-	-	710,618
Due to other funds	-	-	-	-	-	1	-	784,958	784,959
Unearned revenue	-	-	-	-	25,632	-	-	73,369	99,001
Other	262,541	-	-	-	-	-	-	-	262,541
Total Liabilities	3,850,167	313,913	2,916,482	971,390	267,067	347,751	-	1,213,639	9,880,409
Deferred Inflows of Resources									
Unavailable property taxes	9,350,482	2,805,145	-	3,740,193	-	-	-	-	15,895,820
Total deferred inflows of resources	9,350,482	2,805,145	-	3,740,193	-	-	-	-	15,895,820
Fund Balances:									
Nonspendable	335,901	-	-	-	-	-	-	44,971	380,872
Restricted:									
Streets construction	-	-	54,665,871	-	-	-	-	-	54,665,871
Debt service	-	-	-	-	-	-	4,723,662	-	4,723,662
Public safety operations and capital	-	-	6,235,450	-	1,583,836	-	-	2,033,872	9,853,158
Courts	325,550	-	-	-	-	-	-	-	325,550
Parks & recreation operations	221,416	-	-	-	-	-	-	-	221,416
Parks & recreation capital improvements	-	-	2,408,339	-	-	-	-	-	2,408,339
Housing and rehabilitation	-	-	-	-	-	-	-	38,673	38,673
Police & fire retirement contributions	-	-	-	42,673	-	-	-	-	42,673
Sewer consent decree improvements	-	-	31,147,675	-	-	100,847,417	-	-	131,995,092

Balance Sheet - Governmental Funds (Continued)
December 31, 2025

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales and Use Tax Bond Construction	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Downtown maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 304,535	\$ 304,535
Assigned:								-	-
Convention center	-	-	-	-	-	-	-	173,145	173,145
Streets maintenance	-	6,377,884	-	-	-	-	-	-	6,377,884
Asset replacement	-	1,973,092	-	-	-	-	-	-	1,973,092
Subsequent year's budget	6,371,155	-	-	-	-	-	-	-	6,371,155
Unassigned	19,071,512	-	-	-	-	-	-	-	19,071,512
Total Fund Balances	26,325,534	8,350,976	94,457,335	42,673	1,583,836	100,847,417	4,723,662	2,595,196	238,926,629
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 39,526,183	\$ 11,470,034	\$ 97,373,817	\$ 4,754,256	\$ 1,850,903	\$ 101,195,168	\$ 4,723,662	\$ 3,808,835	\$ 264,702,858

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2025

Total fund balances – governmental funds \$ 238,926,629

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

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

Land	41,433,071	
Buildings	79,392,115	
Improvements other than buildings	47,400,358	
Machinery and equipment	73,692,750	
Infrastructure	553,796,122	
Right-to-use assets	5,473,068	
Accumulated depreciation and amortization	<u>(335,970,415)</u>	
	465,217,069	
Construction in progress	<u>31,401,716</u>	
Total	<u><u>496,618,785</u></u>	496,618,785

Some revenues are not recognized in the governmental funds because they are not collected within the prescribed time period after year end and are not considered available and are deferred. On the accrual basis, however, those revenues would be recognized regardless of when they are collected. 15,895,820

Prepaid bond issuance insurance is not a current financial resource and therefore, is not reported as an asset in the funds. 169,183

Deferred inflows and outflows related to pensions and OPEB are not due and payable in the current period and, therefore, are not reported in the funds. 10,431,252

Internal service funds are used by management to charge the costs of certain activities, such as fuel and insurance, to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities. 2,820,741

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	(6,296,148)	
Claims payable	(82,500)	
Sales tax bonds payable, net	(100,574,912)	
Interest payable	(948,703)	
Leases payable	(1,161,437)	
Note payable	(79,160)	
Installment loan	(195,950)	
SBITA payable	(2,036,957)	
Net pension liability	(65,178,364)	
Net OPEB liability	<u>(15,514,560)</u>	
Total	<u><u>(192,068,691)</u></u>	<u>(192,068,691)</u>

Net position of governmental activities \$ 572,793,719

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



(This Page Intentionally Left Blank)

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2025**

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales and Use Tax Bond Construction	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Revenues									
Property taxes	\$ 8,830,726	\$ 2,622,846	\$ -	\$ 3,497,741	\$ -	\$ -	\$ -	\$ 218,686	\$ 15,169,999
Sales taxes	24,489,352	-	57,461,595	-	-	-	1,564,500	-	83,515,447
Licenses and permits	2,226,244	271,564	-	-	-	-	-	159	2,497,967
Utility franchise fees	8,813,972	-	-	-	-	-	-	-	8,813,972
Intergovernmental	6,128,201	7,394,322	243,454	2,533,260	1,909,187	-	-	3,608,362	21,816,786
Fines and forfeitures	2,183,414	-	-	155,865	246,582	-	-	-	2,585,861
Fees for services	669,467	-	-	-	-	-	-	1,812,150	2,481,617
Investment earnings	761,176	302,451	3,356,918	7,786	55,799	1,187,603	33,324	57,040	5,762,097
Contributions	92,100	-	-	577,148	-	-	-	-	669,248
Miscellaneous	404,424	99,868	5,214	-	25	-	-	168,479	678,010
Total Revenues	54,599,076	10,691,051	61,067,181	6,771,800	2,211,593	1,187,603	1,597,824	5,864,876	143,991,004
Expenditures									
Current:									
General government									
Administration	7,562,294	327,406	1,694,624	-	8,607	-	-	-	9,592,931
Legal and courts	2,274,976	110,534	-	-	-	-	-	-	2,385,510
Finance	2,927,378	1,123,571	1,016,863	-	863,115	-	-	-	5,930,927
Public safety									
Police	18,220,949	-	3,608,014	4,372,866	197,708	-	-	205,715	26,605,252
Fire	14,722,202	-	2,385,293	4,429,083	29,204	-	-	-	21,565,782
Public works									
Operations	-	787,065	-	-	43,855	-	-	-	830,920
Streets	-	4,813,097	1,097,657	-	-	-	-	-	5,910,754
Traffic Control	-	2,642,090	-	-	-	-	-	-	2,642,090
Community services									
Health and Social Services	188,072	-	-	-	-	-	-	-	188,072
Parks and Recreation	2,819,421	406,383	-	-	-	-	-	-	3,225,804
Convention Center	-	-	-	-	-	-	-	4,239,731	4,239,731
Transit	3,678,955	-	-	-	-	-	-	-	3,678,955
Housing and Rehabilitation	-	-	-	-	-	-	-	1,352,982	1,352,982
Downtown improvements	-	-	-	-	-	-	-	124,967	124,967
Miss Laura's Museum	358,779	-	-	-	-	-	-	-	358,779
Capital Outlay	8,556,550	1,212,339	48,765,531	-	708,503	347,750	-	264,852	59,855,525

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)
For the Year Ended December 31, 2025

	General	Street Maintenance	Sales Tax	LOPFI Contribution	Special Grants	Sales and Use Tax Bond Construction	Sales and Use Tax Bond	Other Governmental Funds	Total Governmental Funds
Debt Service:									
Principal	\$ 1,411,679	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,693	\$ 1,505,372
Interest	132,281	-	-	-	-	-	-	4,201	136,482
Issuance costs	-	-	-	-	-	895,501	-	-	895,501
Total Expenditures	62,853,536	11,422,485	58,567,982	8,801,949	1,850,992	1,243,251	-	6,286,141	151,026,336
Excess (deficiency) in revenues over (under) expenditures	(8,254,460)	(731,434)	2,499,199	(2,030,149)	360,601	(55,648)	1,597,824	(421,265)	(7,035,332)
Other Financing Sources (Uses)									
Transfers in	144,000	-	-	1,800,000	-	-	3,125,838	759,226	5,829,064
Transfers out	(2,684,226)	-	(3,125,838)	-	-	-	-	(44,000)	(5,854,064)
Bonds issued	-	-	-	-	-	94,340,000	-	-	94,340,000
Premium on bonds issued	-	-	-	-	-	6,563,065	-	-	6,563,065
SBITA	1,648,152	-	-	-	-	-	-	-	1,648,152
Total Other Financing Sources and Uses	(892,074)	-	(3,125,838)	1,800,000	-	100,903,065	3,125,838	715,226	102,526,217
Net Change in Fund Balances	(9,146,534)	(731,434)	(626,639)	(230,149)	360,601	100,847,417	4,723,662	293,961	95,490,885
Fund Balances, beginning of year	35,472,068	9,082,410	95,083,974	272,822	1,223,235	-	-	2,301,235	143,435,744
Fund Balances, end of year	\$ 26,325,534	\$ 8,350,976	\$ 94,457,335	\$ 42,673	\$ 1,583,836	\$ 100,847,417	\$ 4,723,662	\$ 2,595,196	\$ 238,926,629

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

**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, 2025**

Net change in fund balances – total governmental funds	\$ 95,490,885
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	59,855,525
Depreciation expense on capital assets is reported in the government- wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(24,125,905)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(27,383,489)
The repayment of debt consumes current financial resources of governmental funds, but the issuance of debt provides current financial resources. These transactions do not have any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(98,587,349)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,410,530
Some expenses, i.e., the change in compensated absences liability, interest, net pension and OPEB liabilities, reported in the statement of activities and changes in net position do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.	3,463,821
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fuel, to individual funds. A portion of the net revenues of the internal service funds is reported with governmental activities	<u>(2,070,665)</u>
Change in net position of governmental activities	<u>\$ 8,053,353</u>

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



(This Page Intentionally Left Blank)

**Statement of Net Position -
Proprietary Funds
December 31, 2025**

	Business-Type Activities			Total Enterprise Funds	Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor-Parking		Internal Service Funds
Current Assets					
Cash	\$ 42,728,018	\$ 30,412,239	\$ -	\$ 73,140,257	\$ 4,617,226
Investments	-	11,032,281	-	11,032,281	-
Receivables					
Accounts, net of uncollectibles of \$380,435; \$85,672; and \$-0-	7,782,583	2,280,000	76,263	10,138,846	1,599,260
Due from other governments	145,774	-	-	145,774	-
Restricted					
Cash	250,218	-	-	250,218	-
Investments	25,071,275	-	-	25,071,275	-
Inventories	2,113,272	119,614	-	2,232,886	1,125
Prepaid items	241,109	-	1,681	242,790	-
Total Current Assets	78,332,249	43,844,134	77,944	122,254,327	6,217,611
Noncurrent Assets					
Restricted					
Deposits	206,502	-	-	206,502	-
Capital assets					
Land	16,336,942	373,772	1,359,160	18,069,874	-
Buildings	2,913,529	5,907,874	2,490,458	11,311,861	-
Improvements other than buildings	-	29,483,548	-	29,483,548	-
Machinery and equipment	28,465,449	31,004,867	103,531	59,573,847	-
Water system	438,520,097	-	-	438,520,097	-
Sewer system	401,548,526	-	-	401,548,526	-
Construction in progress	54,588,328	252,527	116,535	54,957,390	-
Right-to-use SBITA	585,096	-	-	585,096	-
Accumulated depreciation/amortization	(354,123,080)	(46,952,980)	(2,585,237)	(403,661,297)	-
Total Noncurrent Assets	589,041,389	20,069,608	1,484,447	610,595,444	-
Total Assets	667,373,638	63,913,742	1,562,391	732,849,771	6,217,611
Deferred outflows of resources					
Deferred amount on refunding	1,518,128	-	-	1,518,128	-
Deferred outflows of resources - OPEB	1,778,435	741,015	-	2,519,450	-
Total deferred outflows of resources	3,296,563	741,015	-	4,037,578	-

**Statement of Net Position -
Proprietary Funds (Continued)
December 31, 2025**

	Business-Type Activities				Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor-Parking	Total Enterprise Funds	Internal Service Funds
Current liabilities					
Accounts payable and accrued liabilities	\$ 2,458,201	\$ 1,740,646	\$ 8,716	\$ 4,207,563	\$ 574,136
Retainage payable	311,950	-	-	311,950	-
Compensated absences	243,155	89,989	-	333,144	-
Accrued interest	1,886,612	-	-	1,886,612	-
Claims and judgments	-	-	-	-	2,913,607
Due to other funds	-	-	331,276	331,276	-
Revenue bonds payable	12,095,000	-	-	12,095,000	-
SBITA payable	45,100	-	-	45,100	-
Deposits	710,061	-	-	710,061	-
Other	1,670	-	-	1,670	-
Total Current Liabilities	17,751,749	1,830,635	339,992	19,922,376	3,487,743
Noncurrent liabilities					
Compensated absences	972,621	359,954	-	1,332,575	-
Landfill closure and postclosure care	-	9,902,181	-	9,902,181	-
Revenue bonds, net	160,581,777	-	-	160,581,777	-
SBITA payable	194,446	-	-	194,446	-
OPEB liabilities	5,422,565	2,259,402	-	7,681,967	-
Total Noncurrent Liabilities	167,171,409	12,521,537	-	179,692,946	-
Total Liabilities	184,923,158	14,352,172	339,992	199,615,322	3,487,743
Deferred inflows of resources					
Deferred amount on refunding	30,042	-	-	30,042	-
Deferred inflows of resources - OPEB	1,242,771	517,822	-	1,760,593	-
Total deferred inflows of resources	1,272,813	517,822	-	1,790,635	-
Net Position					
Net investment in capital assets	438,800,122	19,098,755	1,484,447	459,383,324	-
Restricted for bond retirement	6,011,267	-	-	6,011,267	-
Restricted for asset replacement	500,000	-	-	500,000	-
Unrestricted	39,162,839	30,686,008	(262,048)	69,586,799	2,729,868
Total Net Position	\$ 484,474,228	\$ 49,784,763	\$ 1,222,399	535,481,390	\$ 2,729,868

Reconciliation to government - wide statement of net position:

Adjustment to reflect the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time	(90,873)
Net position of business-type activities	<u>\$ 535,390,517</u>

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

**Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds
For the Year Ended December 31, 2025**

	Business-Type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor-Parking	Internal Service Funds
Operating Revenues				
Water service	\$ 40,249,141	\$ -	\$ -	\$ 40,249,141
Sewer service	26,856,180	-	-	26,856,180
Other charges for services	1,691,290	21,440,369	54,265	23,185,924
Other	135,456	127,123	-	262,579
Total Operating Revenues	68,932,067	21,567,492	54,265	90,553,824
Operating Expenses				
Personnel services	22,087,340	9,036,641	-	31,123,981
Contractual services	5,534,573	4,437,628	70,986	10,043,187
Materials and supplies	11,593,384	5,610,821	10,037	17,214,242
Heat, light, and power	3,411,689	151,342	7,514	3,570,545
Depreciation and amortization	16,437,222	5,631,467	3,001	22,071,690
Insurance claims and expenses	-	-	-	-
Total Operating Expenses	59,064,208	24,867,899	91,538	84,023,645
Operating Income (Loss)	9,867,859	(3,300,407)	(37,273)	6,530,179
Nonoperating Revenues (Expenses)				
Net investment earnings (loss)	2,639,505	1,590,424	-	4,229,929
Interest expense and fiscal charges	(6,521,550)	(4,593)	-	(6,526,143)
Intergovernmental revenue	-	5,185	-	5,185
Other nonoperating revenues	218,618	632,411	-	851,029
Other nonoperating expenses	(39,287)	(42,941)	-	(82,228)
Net Nonoperating Revenues (Expenses)	(3,702,714)	2,180,486	-	(1,522,228)
Income (Loss) Before Contributions and Transfers	6,165,145	(1,119,921)	(37,273)	5,007,951
Capital grants and contributions	26,236,750	-	-	26,236,750
Transfers in	-	125,000	-	125,000
Transfers out	(100,000)	-	-	(100,000)
Change in Net Position	32,301,895	(994,921)	(37,273)	31,269,701
Net position, beginning of year	452,172,333	50,779,684	1,259,672	504,211,689
Net position, end of year	\$ 484,474,228	\$ 49,784,763	\$ 1,222,399	\$ 535,481,390
Reconciliation to government - wide statement of activities:				
Change in fund net position-proprietary funds				\$ 31,269,701
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				(945,172)
Change in net position of business-type activities for government-wide statement of activities				\$ 30,324,529

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



(This Page Intentionally Left Blank)

**Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2025**

	Business-Type Activities			Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor-Parking	Total Enterprise Funds Internal Service Funds
Cash Flows from Operating Activities				
Cash received from customers	\$ 69,401,523	\$ 21,260,889	\$ 21,022	\$ 90,683,434
Cash received from service users	-	-	-	1,440,451
Cash received from city and employee contributions	-	-	-	11,764,646
Cash payments for goods and services	(25,459,461)	(8,751,277)	38,455	(34,172,283)
Cash paid to employees	(22,403,547)	(8,860,493)	(180)	(31,264,220)
Cash payments for premiums and other operating expenses	-	-	-	(1,846,168)
Cash payments for claims paid	-	-	-	(13,898,446)
Cash received from other operating revenues	28,743	127,124	-	155,867
Net cash provided by (used in) operating activities	21,567,258	3,776,243	59,297	25,402,798
Cash Flows from Noncapital Financing Activities				
Transfers in from other funds	-	125,000	-	125,000
Transfers out to other funds	(100,000)	-	-	(100,000)
Other noncapital financing receipts/payments	(39,287)	247,827	-	208,540
Net cash provided by (used in) noncapital financing activities	(139,287)	372,827	-	233,540
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	-	323,090	-	323,090
Acquisition and construction of capital assets	(11,468,354)	(2,613,903)	(59,297)	(14,141,554)
Proceeds from insurance recoveries	218,618	18,553	-	237,171
Intergovernmental receipts for capital projects	6,317,038	545,635	-	6,862,673
Principal paid on capital debt	(11,732,732)	(124,654)	-	(11,857,386)
Interest paid on capital debt	(8,035,033)	(4,593)	-	(8,039,626)
Net cash used in capital and related financing activities	(24,700,463)	(1,855,872)	(59,297)	(26,615,632)
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investment securities	67,802,681	5,152,212	-	72,954,893
Outlays for purchases of investment securities	(55,150,518)	(5,656,033)	-	(60,806,551)
Interest on investments	2,571,994	1,600,428	-	4,172,422
Net cash provided by (used in) investing activities	15,224,157	1,096,607	-	16,320,764
Net Increase (Decrease) in Cash	11,951,665	3,389,805	-	15,341,470
Cash, beginning of year	31,067,331	27,022,434	-	58,089,765
Cash, end of year	\$ 42,978,236	\$ 30,412,239	\$ -	\$ 73,390,475
				\$ 4,617,226

Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended December 31, 2025

	Business-Type Activities				Governmental Activities
	Water and Sewer	Solid Waste	Nonmajor-Parking	Total Enterprise Funds	Internal Service Funds
Reconciliation of cash and restricted cash at December 31 to statement of net position					
Cash	\$ 42,728,018	\$ 30,412,239	\$ -	\$ 73,140,257	\$ 4,617,226
Restricted cash	250,218	-	-	250,218	-
Total	<u>\$ 42,978,236</u>	<u>\$ 30,412,239</u>	<u>\$ -</u>	<u>\$ 73,390,475</u>	<u>\$ 4,617,226</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 9,867,859	\$ (3,300,407)	\$ (37,273)	\$ 6,530,179	\$ (3,269,699)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	16,437,222	5,631,467	3,001	22,071,690	-
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources					
Accounts receivable	316,269	(179,479)	(33,141)	103,649	(877,419)
Due to other funds	-	-	122,557	122,557	-
Inventories	(36,233)	8,127	-	(28,106)	979
Prepaid items and other assets	(24,334)	-	-	(24,334)	-
Deferred outflows of resources - OPEB	(524,029)	(277,770)	-	(801,799)	-
Accounts payable and accrued liabilities	(4,606,450)	1,016,996	4,153	(3,585,301)	(211,906)
Deposits	181,930	-	-	181,930	-
Liability for claims and judgments	-	-	-	-	999,165
OPEB liabilities	867,706	577,317	-	1,445,023	-
Deferred inflows of resources - OPEB	(912,682)	(278,176)	-	(1,190,858)	-
Other liabilities	-	578,168	-	578,168	-
Total adjustments	<u>11,699,399</u>	<u>7,076,650</u>	<u>96,570</u>	<u>18,872,619</u>	<u>(89,181)</u>
Net cash provided by (used in) operating activities	<u>\$ 21,567,258</u>	<u>\$ 3,776,243</u>	<u>\$ 59,297</u>	<u>\$ 25,402,798</u>	<u>\$ (3,358,880)</u>
Noncash investing, capital and financing activities:					
Net appreciation (depreciation) in fair value of investments	\$ -	\$ 175,404	\$ -	\$ 175,404	\$ -
Capital-related accounts payable	492,410	970,853	-	1,463,263	-
Capital asset contributions	23,150,817	-	-	23,150,817	-

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

Statement of Fiduciary Net Position
OPEB Trust Fund
December 31, 2025

Assets	
Current Assets	
Investments:	
Government money market funds	\$ 1,708,092
Total Investments	1,708,092
Total Current Assets	1,708,092
Total Assets	1,708,092
Liabilities	
Current Liabilities	
Accounts payable	4,285
Total Current Liabilities	4,285
Total Liabilities	4,285
Net Position	
Net position restricted for postemployment benefits other than pensions	1,703,807
Total Net Position	\$ 1,703,807

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

**Statement of Changes in Fiduciary Net Position
OPEB Trust Fund
For the Year Ended December 31, 2025**

Additions:

Contributions	
Employer	\$ 478,756
Total contributions	<u>478,756</u>
Investment Earnings	
Net increase in fair value of investments	90,107
Less investment expense	<u>16,748</u>
Net investment earnings	<u>73,359</u>
Total additions	<u>552,115</u>

Deductions:

Benefits paid directly to participants	<u>478,756</u>
Total deductions	<u>478,756</u>
Change in Net Position	<u>73,359</u>

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

Beginning of year	<u>1,630,448</u>
End of year	<u><u>\$ 1,703,807</u></u>

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

Notes to Basic Financial Statements
December 31, 2025

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

Nature of Operations

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

Reporting Entity

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

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

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

Blended Component Units

Central Business Improvement District (CBID) - The CBID commission consists of eight commissioners as appointed by the Board of Directors. The Board of Directors can remove any commissioner with a vote of $\frac{2}{3}$. The City levies an annual assessment upon property owners in the CBID. The assessment revenues fund “clean & green” projects to improve landscaping, maintenance, cleanliness, repairs and overall appearance of City sidewalks, streets and public spaces in the CBID area. The CBID does not issue separate financial statements.

Discretely Presented Component Units**Business-Type**

Airport Commission - The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the Board. The Airport Commission is a special purpose government engaged solely in business-type activities and is discretely presented in the City's basic financial statements. In 2024, the City contributed \$958 thousand, included in administration expenses on the governmental activities statement of activities, to the Airport Commission to assist with a runway extension project. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 6700 McKennon Boulevard, Suite 200, Fort Smith, Arkansas 72903, or from the City Clerk's office. See *Note 16* 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 16* for condensed financial statements.

Public Library - The board of trustees for the Fort Smith Public Library manages the Public Library and consists of seven members appointed by the Mayor and confirmed by the Board. Debt is issued in the name of the City and the City levies the Public Library's ad valorem tax annually. The City contributes 6% of county sales tax revenues annually to support the operations of the Library which totaled \$1.5 million. The Library participates in the City's self-funded health insurance benefit plan. The City retains the risk of financing the plan's obligations and invoices the Library monthly for its estimated share. The Library paid the City premiums totaling \$323,251 during the year ended December 31, 2025. At December 31, 2025, the Library owed the City \$0 for employee health insurance. 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 16* for condensed financial statements.

Related Organizations

The City's Mayor and Board are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations, does not extend beyond making the appointments. The Mayor and Board appoint the members of the Fort Smith Housing Authority and the Solid Waste Management District; however, the City cannot impose its will upon the Housing Authority or the Solid Waste Management District as stated in GASB Statements 14, 39, 61 and 80; therefore, the financial operations of these related organizations have not been included in the City's basic financial statements.

Notes to Basic Financial Statements December 31, 2025

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The *Sales Tax Fund* is a special revenue fund that accounts for resources from the City's one percent (1%) local sales and use tax dedicated to the major street, bridge, and associated drainage projects; and a one percent (1%) local sales and use tax allocated to the police department and the utilities department. This sales tax is dedicated ⅓% to police operations and capital improvements, ⅓% sewer consent decree improvements, ⅓% to parks and recreation capital improvements and ⅓% to fire operations and capital improvements.

The *LOPFI Contribution Fund* is a special revenue fund that accounts for the funding of contributions made to the Police and Fire Relief and Pension Plans administered by Arkansas LOPFI. Revenues

include a dedicated property tax and insurance turnback revenues for police and fire pension contributions.

The *Special Grants Fund* is a special revenue fund that accounts for federal, state, and local grants received by the City. These funds are restricted to expenditures for approved projects of the various agencies.

The *Sales and Use Tax Bond Construction Fund* is a capital projects fund that accounts for proceeds from the issuance of sales and use tax bonds to fund capital improvements.

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

The City reports the following major enterprise funds:

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

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

The City reports the following fiduciary fund type:

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

Additionally, the City reports the following fund types:

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

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

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Funds

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

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

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes, fines and forfeitures, grants, entitlements, and similar items; and

Notes to Basic Financial Statements December 31, 2025

contributions. Recognition standards are based on the characteristics and classes of nonexchange transactions. Property taxes are recognized as revenues in the year for which they are levied. Utility franchise fees, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. All of the utility franchise fees remitted to the City are based upon the gross receipts of the franchised utility. Grants, entitlements, and contributions are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unavailable revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

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

Cash and Investments

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

Inventories and Prepaids

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

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

Capital Assets

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

Notes to Basic Financial Statements
December 31, 2025

Capital assets are recorded at historical cost (except for intangible right-to-use lease and SBITA assets, the measurement of which is discussed in Note 6 below). Contributed property is recorded at acquisition value at the date of contribution. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset classes. Land and construction in progress are not depreciated. Depreciation/amortization is recorded on each class of depreciable/amortizable assets utilizing the straight-line method over the estimated useful lives of the assets, or on the units-of-production method based on filled capacity utilized for the City's landfill.

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

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

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

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

Notes to Basic Financial Statements December 31, 2025

are for infrastructure assets that are defined as having a constructed project cost greater than or equal to \$250,000.

Leases

Lessee: The City is a lessee for a noncancellable lease of equipment, office space and land. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$20,000 or more.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property Tax Revenue

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

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 2025 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 \$9.7 million of additional taxes could be raised per year based on

Notes to Basic Financial Statements December 31, 2025

the current year's assessed value of \$1,375,616,456 for real property and \$561,464,130 for personal property before the limit is reached.

Compensated Absences

The City allows nonuniformed employees to accumulate unused vacation of up to 360 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 who have been here at least one year. 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 or death to a maximum amount equal to three month's salary for police officers at the rank held upon retirement. At the end of term of service, firefighters shall be paid for any accumulated unused sick leave upon retirement or death to a maximum amount equal to three month's salary at the rank held upon retirement.

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

Risk Management

The City maintains a medical self-insurance plan funded by the City and administered by a third party. The plan provides certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's costs of providing these benefits, including premiums, totaled \$14,315,375 in 2025, and are included in operating expenses in the Employee Insurance Fund. The City contributes fully for each employee and shares in the contribution for any dependents. Retired employees may continue coverage under the City's policy but must bear the entire cost of these contributions. See *Note 11*.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$1,305,140 in 2025 to fund this program. There have been no significant reductions in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

Sales Taxes

In November 1985, the City began assessing 1% sales and use tax on retail sales in the City. Sales tax revenues were restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage. In 2025, the tax was extended to December 31, 2059, to be used (i) 62.5% for streets, bridges and associated drainage; and (ii) 37.5% for betterments and improvements to the sewer system and consent decree sewer purposes and the pledge of such 37.5% to repay and secure bonds issued to finance capital improvements for such purposes. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose totaled \$29,513,048 for fiscal year 2025, of which \$22,961,800 is included in Streets sales tax revenue, \$6,551,248 is included for Consent Decree Sewer Improvements, and are included in the Sales Tax Fund's sales tax revenues in the accompanying financial statements.

In August 1994, Sebastian County began assessing 1% sales and use tax on retail sales in the county. Each city within Sebastian County receives a portion of the tax based upon the population of the city. Currently, the City receives approximately 78% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes totaled \$24,489,352 for fiscal year 2025. These taxes are included in the General Fund's sales tax revenues. The County refers the tax to the voters every ten years for reapproval. The tax is currently in place until 2033.

In May 2022, the citizens approved to extend a 1% sales tax to 2030. Three quarter percent of the one percent tax will be apportioned 83.3% for federally mandated sewer consent decree improvements and 16.7% will be apportioned for police operations and capital. The remaining one quarter percent will be split ⅓% for fire operations and capital and ⅓% for parks department capital improvements. These taxes are collected by the state and remitted to the City net of a collection fee. The taxes for this purpose totaled \$29,513,048 for fiscal year 2025, of which \$7,378,262 is included in the Fire and Parks sales tax revenue, \$18,443,814 for Consent Decree Sewer Improvements, \$3,690,972 for Police Operations and Capital.

Statement of Cash Flows

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

Long-term Obligations

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

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

Restricted Assets

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

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

Notes to Basic Financial Statements December 31, 2025

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

Cash	\$ 39,218
Investments	<u>105,397,330</u>
Total restricted assets - governmental activities	<u>\$ 105,436,548</u>

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

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

Current Assets:	
Cash - water and sewer bond construction account	\$ 250,218
Investments - water and sewer bond account	2,980,623
Investments - water and sewer bond construction account	<u>22,090,652</u>
Total current assets - restricted	<u>25,321,493</u>
Noncurrent assets:	
Deposits	<u>206,502</u>
Total noncurrent assets	<u>206,502</u>
Total restricted assets - enterprise funds	<u>\$ 25,527,995</u>

Unearned Revenue

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

Estimates

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

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources and OPEB expense associated with the City's OPEB Plan, information about the fiduciary net position of the Plan and additions to/deletions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, the City recognizes benefit payments when due and payable with the benefit terms. Investments are reported at fair value.

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The City has four items that qualify for reporting in this category. The first item is a deferred charge on refunding reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized to interest expense over the shorter of the life

Notes to Basic Financial Statements December 31, 2025

of the refunded or refunding debt. Two of the items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other the difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce net pension liability. The remaining amounts will be amortized to pension expense over future periods as shown within *Note 10*. The fourth item relates to deferred outflows of resources for OPEB items.

In addition to liabilities, the statement of net position and balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four items that qualify as deferred inflows of resources as of December 31, 2025. The items reported in the statements are unavailable revenues in the governmental funds balance sheet, deferred inflows-pension in the government-wide statement of net position, deferred amounts on refunding and deferred inflows related to OPEB items in the government-wide statement of net position and the proprietary funds statement of net position. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows-pension consists of the difference between the expected and actual experience related to the pension plans as well as the net difference in investment experience between actual earnings and projected earnings on pension plan investments. Deferred inflows-pension are amortized over future periods as shown within *Note 10*.

Deficit Fund Equity

At December 31, 2025, the Employee Insurance Fund, an internal service fund, has a deficit net position of (\$10,287). The deficit is due to the increase in the cost of employee health insurance claims. The deficit will be eliminated as resources are obtained through employee and employer insurance contributions.

Note 2: Cash and Investments

The City maintains a cash and investment pool that is available for use by all City funds. In addition, investments are separately held by some of the City's funds.

The City follows GASB Statement 3, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement 40, *Deposit and Investment Risk Disclosure* and GASB Statement 79, *Certain External Investment Pools and Pool Participants*. The investments and deposits of the primary government are stated at quoted fair values. As a result, a net unrealized gain of \$173,596 is recorded as an increase in fair value of investments for the primary government in 2025 and is included in Unrestricted investment earnings in the government-wide statement of activities.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's custodial credit risk requires compliance with the deposit policy for state law.

Notes to Basic Financial Statements
December 31, 2025

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas. No legal opinion has been obtained regarding the enforceability of any of the collateral agreements.

At December 31, 2025, none of the City's bank balances were uninsured and uncollateralized and, therefore, not exposed to custodial credit risk. Independent third parties held securities in the City's name as collateral at December 31, 2025. The bank balances and carrying amount of the City's deposits held as of December 31, 2025 were as follows:

Pooled and Nonpooled Funds

Description	Bank Balance	Carrying Amount
Demand deposits	<u>\$ 190,550,141</u>	<u>\$ 187,930,042</u>

Component Units

At year-end, the carrying amount of the Public Library's deposits was \$1,281,566 and the bank balance was \$1,346,823. At December 31, 2025, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount and bank balance of the Advertising and Promotion Commission's deposits was \$1,169,868. At December 31, 2025, none of the balances were exposed to custodial credit risk.

At year-end, the carrying amount and bank balance of the Airport Commission's deposits was \$8,158,052. At December 31, 2025, none of the balances were exposed to custodial credit risk.

Investments

State statutes and City ordinances authorize the City to invest funds in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by an act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. Government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the City to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests

Notes to Basic Financial Statements December 31, 2025

issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state, or the District of Columbia.

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

The City's investments, including accrued interest, held as of December 31, 2025, were as follows:

Pooled and Nonpooled Funds

Description	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years
U.S. Treasury obligations	\$ 7,887,674	\$ 1,596,458	\$ 6,291,216
Money market mutual funds	151,104,864	151,104,864	-
	<u>\$ 158,992,538</u>	<u>\$ 152,701,322</u>	<u>\$ 6,291,216</u>

In compliance with GASB 72, the City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2025:

- U.S. Treasury obligations of \$7,887,674 are valued using quoted market prices in active markets (Level 1 inputs).
- Money market funds of \$151,104,864 are valued at their net asset value.

Component Units

At year-end, the Public Library held \$116,873 in certificates of deposit. The Public Library reports certificates of deposits at amortized cost.

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, 2025, are securities issued and guaranteed by the U.S. Government.

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

Notes to Basic Financial Statements
December 31, 2025

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

Primary Government:

Carrying value of deposits - Pooled and nonpooled funds	\$ 187,930,042
Investments classified as deposits	17,994,245
	<u>\$ 205,924,287</u>
Cash as reported on the government-wide statement of net position	\$ 205,634,851
Restricted cash as reported on the government-wide statement of net position	289,436
	<u>\$ 205,924,287</u>
Carrying value of investments -	
Debt securities	\$ 7,887,674
Money market mutual funds	151,104,864
Accrued income	502,593
Investments classified as deposits	(17,994,245)
	<u>\$ 141,500,886</u>
As reported on the government-wide statement of net position:	
Investments	\$ 11,032,281
Restricted investments	130,468,605
	<u>\$ 141,500,886</u>

Component Units:

Governmental Activities

Carrying value of deposits -	
Public Library	\$ 1,281,566
Advertising and Promotion Commission	1,169,868
Carrying value of investments -	
Public Library	116,873
	<u>\$ 2,568,307</u>
As reported on the government-wide statement of net position:	
Cash	\$ 2,451,434
Investments	116,873
	<u>\$ 2,568,307</u>

Business-type Activities

Carrying value of deposits -	
Airport Commission	\$ 8,158,052
	<u>\$ 8,158,052</u>
As reported on the government-wide statement of net position:	
Cash	\$ 4,193,266
Investments	2,225,000
Restricted cash	639,786
Restricted investments	1,100,000
	<u>\$ 8,158,052</u>

Notes to Basic Financial Statements December 31, 2025

Note 3: Leases Receivable

The Airport leases a portion of its property to various third parties who use the space to conduct their operations on the Airport grounds, the terms of which expire 2026 through 2049. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. A number of leases have a maximum possible term of 12 months (or less), including options to extend, regardless of their probability of being exercised. Those payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore excluded from the schedule in this section.

Revenue recognized under lease contracts during the year ended December 31, 2025 was \$1,211,133 which includes both lease revenue and interest.

The following is a schedule by year of minimum payments to be received under the Airport's leases that are included in the measurement of the lease receivable as of December 31, 2025:

Years Ending December 31,	Principal	Interest	Total
2026	\$ 796,209	\$ 375,219	\$ 1,171,428
2027	632,356	356,815	989,171
2028	652,131	339,817	991,948
2029	675,328	322,278	997,606
2030	705,334	303,985	1,009,319
2031 - 2035	3,210,258	1,237,715	4,447,973
2036 - 2040	1,717,892	926,000	2,643,892
2041 - 2045	1,833,529	700,603	2,534,132
2046 - 2050	2,035,517	439,586	2,475,103
2051 - 2055	715,513	238,670	954,183
2056 - 2060	438,159	180,960	619,119
2061 - 2065	485,021	116,442	601,463
Total	<u>\$ 13,897,247</u>	<u>\$ 5,538,090</u>	<u>\$ 19,435,337</u>

Regulated Leases

The Airport leases a portion of its property to air carriers and other aeronautical users, whose leases meet the definition of a regulated lease as defined in GASB 87, and therefore are only subject to the disclosure requirements. The terms of the regulated leases expire 2026 through 2042.

Revenue recognized for fixed payments under regulated lease contracts during the years ended December 31, 2025 was \$252,149.

Notes to Basic Financial Statements
December 31, 2025

The following is a schedule by year of expected future minimum payments to be received under the Airport's regulated leases as of December 31, 2025:

<u>Years Ending December 31,</u>	<u>Total Future</u>
2026	\$ 215,846
2027	155,916
2028	117,203
2029	64,371
2030	19,371
2031 - 2035	106,538
2036 - 2040	115,239
Total	<u>\$ 794,484</u>

Note 4: Capital Assets

Capital assets activity for the year ended December 31, 2025 was as follows:

Primary Government:

	<u>January 1, 2025</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2025</u>
Governmental activities:				
Capital assets not being depreciated/amortized				
Land	\$ 41,441,635	\$ 522,936	\$ (531,500)	\$ 41,433,071
Construction in progress	46,260,596	24,802,217	(39,661,097)	31,401,716
Total capital assets not being depreciated/ amortized	<u>\$ 87,702,231</u>	<u>\$ 25,325,153</u>	<u>\$ (40,192,597)</u>	<u>\$ 72,834,787</u>
Capital assets being depreciated/amortized				
Buildings	75,091,014	4,004,767	296,334	79,392,115
Improvements other than buildings	36,228,761	1,528,937	9,642,660	47,400,358
Infrastructure	527,335,688	87,335	26,373,099	553,796,122
Machinery and equipment	68,774,367	4,413,451	504,932	73,692,750
Right-to-use leased buildings	2,014,978	-	(2,014,978)	-
Right-to-use leased equipment	2,989,547	-	(550,432)	2,439,115
Right-to-use SBITA	2,221,697	1,648,403	(836,147)	3,033,953
Total depreciable capital assets at historical cost	<u>\$ 714,656,052</u>	<u>\$ 11,682,893</u>	<u>\$ 33,415,468</u>	<u>\$ 759,754,413</u>
Less accumulated depreciation/amortization for				
Buildings	33,939,942	1,580,952	(22,412)	35,498,482
Improvements other than buildings	18,579,306	1,649,294	-	20,228,600
Infrastructure	213,862,644	14,640,605	-	228,503,249
Machinery and equipment	45,455,888	4,900,632	(776,190)	49,580,330
Right-to-use leased buildings	337,669	65,106	(402,775)	-
Right-to-use leased equipment	1,116,207	518,073	(339,681)	1,294,599
Right-to-use SBITA	793,972	771,243	(700,060)	865,155
Total accumulated depreciation/amortization	<u>314,085,628</u>	<u>24,125,905</u>	<u>(2,241,118)</u>	<u>335,970,415</u>
Capital assets being depreciated/amortized, net	<u>400,570,424</u>	<u>(12,443,012)</u>	<u>35,656,586</u>	<u>423,783,998</u>
Governmental activities capital assets, net	<u>\$ 488,272,655</u>	<u>\$ 12,882,141</u>	<u>\$ (4,536,011)</u>	<u>\$ 496,618,785</u>

Notes to Basic Financial Statements December 31, 2025

	January 1, 2025	Additions	Deletions/ Transfers	December 31, 2025
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 17,990,816	\$ 79,058	\$ -	\$ 18,069,874
Construction in progress	43,730,431	33,256,312	(22,029,353)	54,957,390
Total capital assets not being depreciated/ amortized	61,721,247	33,335,370	(22,029,353)	73,027,264
Capital assets being depreciated/amortized:				
Water system	434,006,929	310,189	4,202,979	438,520,097
Sewer system	383,518,053	481,827	17,548,646	401,548,526
Buildings	11,290,387	21,474	-	11,311,861
Improvements other than buildings	29,483,548	-	-	29,483,548
Machinery and equipment	59,658,123	3,493,949	(3,578,226)	59,573,846
Right-to-use SBITA	990,163	-	(405,067)	585,096
Total depreciable capital assets at historical cost	918,947,203	4,307,439	17,768,332	941,022,974
Less accumulated depreciation for:				
Water system	176,546,315	7,697,871	-	184,244,186
Sewer system	136,797,905	7,248,037	-	144,045,942
Buildings	6,240,943	236,249	-	6,477,192
Improvements other than buildings	23,424,544	1,298,952	-	24,723,496
Machinery and equipment	41,972,095	5,409,030	(3,546,418)	43,834,707
Right-to-use SBITA	559,289	181,551	(405,067)	335,773
Total accumulated depreciation/amortization	385,541,091	22,071,690	(3,951,485)	403,661,296
Capital assets being depreciated/amortized, net	533,406,112	(17,764,251)	21,719,817	537,361,678
Business-type activities capital assets, net	\$ 595,127,359	\$ 15,571,119	\$ (309,536)	\$ 610,388,942

Notes to Basic Financial Statements
December 31, 2025

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

Governmental activities:		
General government -		
Administration	\$	248,931
Finance		515,833
Public safety -		
Police		2,131,392
Fire		1,171,517
Public works -		
Streets		15,211,657
Traffic Control		764,381
Community services -		
Parks and recreation		2,713,478
Convention center		635,951
Transit		727,288
Housing and rehabilitation		5,477
Total governmental activities depreciation/amortization expense		<u>24,125,905</u>
Business type activities:		
Water and Sewer		16,437,222
Solid Waste		5,631,467
Parking		3,001
Total business-type activities depreciation/amortization expense		<u>22,071,690</u>
Total depreciation/amortization expense	\$	<u><u>46,197,595</u></u>

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

Capital assets activity (on page 75):		
Additions for capital assets not being depreciated/amortized	\$	25,325,153
Additions for capital assets being depreciated/amortized		11,682,893
Capital contributions		(303,338)
Capital assets transferred to Water and Sewer Fund		23,150,817
Capital outlay reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$	<u><u>59,855,525</u></u>

Notes to Basic Financial Statements December 31, 2025

Capital assets activity for the year ended December 31, 2025, for the major enterprise funds was as follows:

Primary Government:

	January 1, 2025	Additions	Deletions/ Transfers	December 31, 2025
Water and Sewer Fund:				
Capital assets not being depreciated/amortized:				
Land	\$ 16,257,884	\$ 79,058	\$ -	\$ 16,336,942
Construction in progress	43,466,774	33,154,627	(22,033,073)	54,588,328
Total capital assets not being depreciated/ amortized:	59,724,658	33,233,685	(22,033,073)	70,925,270
Capital assets being depreciated/amortized:				
Buildings	2,892,055	21,474	-	2,913,529
Water system	434,006,929	310,189	4,202,979	438,520,097
Sewer system	383,518,053	481,827	17,548,646	401,548,526
Machinery and equipment	27,611,861	889,370	(35,782)	28,465,449
Right-to-use SBITA	585,096	-	-	585,096
Total depreciable capital assets at historical cost	848,613,994	1,702,860	21,715,843	872,032,697
Less accumulated depreciation/amortization for:				
Buildings	654,351	98,544	-	752,895
Water system	176,546,313	7,697,873	-	184,244,186
Sewer system	136,797,905	7,248,037	-	144,045,942
Machinery and equipment	23,504,097	1,280,946	(40,759)	24,744,284
Right-to-use SBITA	223,951	111,822	-	335,773
Total accumulated depreciation/amortization	337,726,617	16,437,222	(40,759)	354,123,080
Capital assets being depreciated/amortized, net	510,887,377	(14,734,362)	21,756,602	517,909,617
Total Water and Sewer Fund capital assets, net	\$ 570,612,035	\$ 18,499,323	\$ (276,471)	\$ 588,834,887

Notes to Basic Financial Statements
December 31, 2025

	<u>January 1, 2025</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>December 31, 2025</u>
Solid Waste Fund:				
Capital assets not being depreciated/amortized:				
Land	\$ 373,772	\$ -	\$ -	\$ 373,772
Construction in progress	206,418	42,389	3,720	252,527
Total capital assets not being depreciated/amortized:	<u>580,190</u>	<u>42,389</u>	<u>3,720</u>	<u>626,299</u>
Capital assets being depreciated/amortized:				
Buildings	5,907,874	-	-	5,907,874
Improvements other than buildings	29,483,548	-	-	29,483,548
Machinery and equipment	31,942,731	2,604,580	(3,542,444)	31,004,867
Right-to-use SBITA	405,067	-	(405,067)	0
Total depreciable capital assets at historical cost	<u>67,739,220</u>	<u>2,604,580</u>	<u>(3,947,511)</u>	<u>66,396,289</u>
Less accumulated depreciation/amortization for:				
Buildings	3,096,134	137,705	-	3,233,839
Improvements other than buildings	23,424,544	1,298,952	-	24,723,496
Machinery and equipment	18,376,221	4,125,081	(3,505,657)	18,995,645
Right-to-use SBITA	335,338	69,729	(405,067)	-
Total accumulated depreciation/amortization	<u>45,232,237</u>	<u>5,631,467</u>	<u>(3,910,724)</u>	<u>46,952,980</u>
Capital assets being depreciated/amortized, net	<u>22,506,983</u>	<u>(3,026,887)</u>	<u>(36,787)</u>	<u>19,443,309</u>
Total Solid Waste fund capital assets, net	<u>\$ 23,087,173</u>	<u>\$ (2,984,498)</u>	<u>\$ (33,067)</u>	<u>\$ 20,069,608</u>

Notes to Basic Financial Statements December 31, 2025

Component Units:

	January 1, 2025	Additions	Deletions/ Transfers	December 31, 2025
Governmental Activities:				
Advertising and Promotions				
Capital assets not being depreciated/amortized				
Construction in progress	\$ 72,831	\$ 64,226	\$ (137,057)	\$ -
Capital assets being depreciated/amortized				
Leasehold improvements	-	-	137,057	137,057
Right-to-use leased buildings	-	276,368	-	276,368
Total depreciable capital assets at historical cost	-	276,368	137,057	413,425
Less accumulated depreciation/amortization	-	65,217	-	65,217
Capital assets being depreciated/amortized, net	-	211,151	137,057	348,208
Governmental activities capital assets, net				
Advertising and Promotions	\$ 72,831	\$ 275,377	\$ -	\$ 348,208
Public Library				
Capital assets not being depreciated/amortized				
Land	\$ 1,032,891	\$ -	\$ -	\$ 1,032,891
Rare book collection	5,000	-	-	5,000
Total capital assets not being depreciated/amortized	1,037,891	-	-	1,037,891
Capital assets being depreciated/amortized:				
Equipment	11,796,334	-	-	11,796,334
Transportation equipment	159,864	-	-	159,864
Right-to-use leased equipment	38,581	-	-	38,581
Total depreciable capital assets at historical cost	11,994,779	-	-	11,994,779
Less accumulated depreciation/amortization	2,141,607	469,734	-	2,611,341
Capital assets being depreciated/amortized, net	9,853,172	(469,734)	-	9,383,438
Governmental activities capital assets, net				
Public Library	\$ 10,891,063	\$ (469,734)	\$ -	\$ 10,421,329

Notes to Basic Financial Statements
December 31, 2025

	January 1, 2025	Additions	Deletions/ Transfers	December 31, 2025
Business-Type Activities:				
Airport Commission:				
Capital assets not being depreciated/amortized:				
Land	\$ 6,831,680	\$ -	\$ -	\$ 6,831,680
Construction in progress	27,798,290	7,122,094	(32,785,303)	2,135,081
Total capital assets not being depreciated/amortized	<u>34,629,970</u>	<u>7,122,094</u>	<u>(32,785,303)</u>	<u>8,966,761</u>
Capital assets being depreciated/amortized:				
Buildings	25,652,857	5,867,212	-	31,520,069
Runways & other airport infrastructure	66,730,715	27,065,008	-	93,795,723
Equipment, furniture & fixtures, and other	13,533,814	124,663	(3,949)	13,654,528
Right-to-use asset-land	2,033,149	-	-	2,033,149
Total depreciable capital assets at historical cost	<u>107,950,535</u>	<u>33,056,883</u>	<u>(3,949)</u>	<u>141,003,469</u>
Less accumulated depreciation/amortization for:				
Buildings	16,202,442	573,966	-	16,776,408
Runways & other airport infrastructure	48,037,027	3,287,649	-	51,324,676
Equipment, furniture & fixtures, and other	10,705,212	324,641	(3,949)	11,025,904
Right-to-use asset-land	261,640	65,409	-	327,049
Total accumulated depreciation/amortization	<u>75,206,321</u>	<u>4,251,665</u>	<u>(3,949)</u>	<u>79,454,037</u>
Capital assets being depreciated/amortized, net	<u>32,744,214</u>	<u>28,805,218</u>	<u>-</u>	<u>61,549,432</u>
Business-type activities capital assets, net				
Airport Commission	<u>\$ 67,374,184</u>	<u>\$ 35,927,312</u>	<u>\$ (32,785,303)</u>	<u>\$ 70,516,193</u>

Construction-in-progress is composed of the following:

	Primary Appropriation	Expended to December 31, 2025	Committed
Primary government:			
Governmental activities	\$ 52,696,622	\$ 31,401,716	\$ 21,294,906
Business-type activities			
Water and sewer capital improvements	102,926,502	54,588,328	48,338,174
Solid Waste	252,527	252,527	-
Total	<u>\$ 155,875,651</u>	<u>\$ 86,242,571</u>	<u>\$ 69,633,080</u>

The City's governmental construction projects include major street and drainage improvements and additional trails and greenway. Funding is in place for these projects. Water and sewer capital improvement projects include the neighborhood waterline improvements, wet weather wastewater improvements, wastewater sewer line replacements and improvements, and plant designs that are funded by the 2025 Sales and Use Tax Bonds, 2018 Water and Sewer System Revenue Bonds and utility operating revenues.

Encumbrances and related appropriation technically lapse at the end of the year but are reappropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next year.

Encumbrances. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

Notes to Basic Financial Statements December 31, 2025

At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 3,616,226
Street Maintenance Fund	657
Sales Tax Fund	9,646
Water and Sewer Fund	500,939
Solid Waste Fund	238,376
Nonmajor Funds	3,183,966
	<u>\$ 7,549,809</u>

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

	Governmental	Business-Type			
		Water and Sewer	Solid Waste	Parking	Total
Primary Government:					
Net book value	\$ 496,618,785	\$ 588,834,887	\$ 20,069,608	\$ 1,484,447	\$ 610,388,942
Current and noncurrent debt	(104,048,416)	(172,916,323)	-	-	(172,916,323)
Deferred outflows/inflows from debt refundings	-	1,488,086	-	-	1,488,086
Capital related accounts payable	(2,811,371)	(492,410)	(970,853)	-	(1,463,263)
Retainage payable	(710,618)	(311,951)	-	-	(311,951)
Restricted assets - unspent bond/net proceeds	101,195,168	22,197,833	-	-	22,197,833
Net investment in capital assets	<u>\$ 490,243,548</u>	<u>\$ 438,800,122</u>	<u>\$ 19,098,755</u>	<u>\$ 1,484,447</u>	<u>\$ 459,383,324</u>
Component Units:					
Net book value	\$ 10,769,537	\$ 68,810,093			
Current and noncurrent debt	(241,195)	(152,137)			
Capital related accounts payable	-	(728,506)			
Retainage payable	-	-			
Net investment in capital assets	<u>\$ 10,528,342</u>	<u>\$ 67,929,450</u>			

Note 5: Lease Payable

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

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

The City has entered into various lease agreements as lessee primarily for office space and equipment. Most leases have initial terms of up to 20 years, and contain one or more renewal at our option, generally for three or five year periods. We have included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. The City's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred as variable lease payments. For the City's transportation equipment leases, variable payments include those for property taxes and mileage. For office space leases that include variable payments, those include payments for the City's proportionate share of the

Notes to Basic Financial Statements
December 31, 2025

building's property taxes, insurance, and common area maintenance. The City's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the City's leases is not readily determinable, the City utilizes its incremental borrowing rate to discount the lease payments.

Amounts recognized in the statement of net position

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

Right-of-use assets	Governmental Activities
Equipment	\$ 1,144,516
	<u>\$ 1,144,516</u>
 Lease payable	 Governmental Activities
Current	\$ 490,788
Non-current	670,649
	<u>\$ 1,161,437</u>

The future principal and interest lease payments as of December 31, 2025, were as follows:

Fiscal year	Governmental Activities	
	Principal	Interest
2026	\$ 490,788	\$ 47,568
2027	328,200	30,161
2028	342,449	15,410
2029	-	-
2030	-	-
Total	<u>\$ 1,161,437</u>	<u>\$ 93,139</u>

Lease Liability-Airport Commission

The following is a summary of the Airport's long-term lease liability for the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Lease liability	\$ 1,895,079	\$ -	\$ (36,842)	\$ 1,858,237	\$ 37,830

Notes to Basic Financial Statements December 31, 2025

The Airport has a land lease that began in 2001 with terms that expire in 2052. The future principal and interest payments for the lease liability as of December 31, 2025 are as follows:

Years Ending December 31,	Principal	Interest	Total
2026	\$ 37,830	\$ 48,786	\$ 86,616
2027	42,859	47,727	90,586
2028	44,378	46,569	90,947
2029	45,568	45,378	90,946
2030	46,791	44,156	90,947
2031 - 2035	272,214	200,330	472,544
2036 - 2040	335,956	160,215	496,171
2041 - 2045	409,980	111,000	520,980
2046 - 2050	495,802	51,227	547,029
Thereafter	126,859	2,091	128,950
Total	<u>\$ 1,858,237</u>	<u>\$ 757,479</u>	<u>\$ 2,615,716</u>

Note 6: SBITA Right-To-Use Assets and Payables

A SBITA is a contract that conveys control of the right to use another party's information technology asset such as software. The contract is for a noncancellable period of time and the arrangement is an exchange or exchange-like transaction. This type of transaction creates a subscription liability and a right-to-use asset that must be recognized at the commencement of the term.

It is the policy of the City to only capitalize the SBITA right-to-use assets that are above \$20,000 threshold and to amortize it using the straight-line method over the term of the contract. Initial software implementation cost for existing SBITAs prior to implementation date were reported as an outflow of resources in prior years and hence not included as part of the right-to-use SBITA assets. The SBITA liability has been measured in accordance to the facts and circumstances known to the City as of the date of implementation for this current fiscal year. Any subsequent changes to subscription terms and/or payments after the liability was originally recorded will cause a remeasurement of the liability and the right-to-use asset as of that date.

The City uses multiple SBITAs across all functions and City departments. The total amount of outflows of resources recognized in the reporting period for other payments not previously included in the measurement of the subscription liability were \$0. There were no variable payments during the current fiscal year.

Amounts recognized in the statement of net position

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

Right-of-use assets	Governmental Activities	Business-type Activities
SBITA	\$ 2,168,798	\$ 249,323
	<u>\$ 2,168,798</u>	<u>\$ 249,323</u>
SBITA payable	Governmental Activities	Business-type Activities
Current	\$ 708,764	\$ 45,100
Non-current	1,328,193	194,446
	<u>\$ 2,036,957</u>	<u>\$ 239,546</u>

Notes to Basic Financial Statements
December 31, 2025

The future principal and interest SBITA payments as of December 31, 2025, were as follows:

Fiscal year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 708,764	\$ 92,603	\$ 45,100	\$ 10,324
2027	748,438	59,815	47,043	8,381
2028	382,087	25,217	49,053	6,371
2029	96,925	8,325	51,185	4,239
2030	100,742	4,219	47,165	2,033
Total	<u>\$ 2,036,957</u>	<u>\$ 190,179</u>	<u>\$ 239,547</u>	<u>\$ 31,348</u>

Note 7: Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2025 were as follows:

Primary Government:

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025	Amount Due in One Year
Governmental Activities:					
Bonds Payable -					
Sales tax bonds	\$ -	\$ 94,340,000	\$ -	\$ 94,340,000	\$ 1,400,000
Add issuance premium	-	6,563,065	328,153	6,234,912	-
Sales tax bonds payable, net	-	100,903,065	328,153	100,574,912	1,400,000
Compensated Absences*	\$ 6,272,784	\$ 23,364	\$ -	\$ 6,296,148	\$ 1,888,845
Employee insurance/workers' compensation	1,914,442	999,165	-	2,913,607	2,913,607
Leases payable	3,594,588	-	2,433,151	1,161,437	490,788
SBITA payable	1,333,071	1,648,152	944,266	2,036,957	708,764
Note payable	128,099	-	48,939	79,160	55,566
Installment loan	236,124	-	40,174	195,950	40,174
Net OPEB liability	11,169,799	4,344,761	-	15,514,560	-
Net pension liability	76,639,667	-	11,461,303	65,178,364	-
Total other long-term liabilities	101,350,680	7,015,442	14,927,833	93,376,183	6,097,744
Total governmental activities long-term liabilities	<u>\$ 101,350,680</u>	<u>\$ 107,918,507</u>	<u>\$ 15,255,986</u>	<u>\$ 193,951,095</u>	<u>\$ 7,497,744</u>

Notes to Basic Financial Statements December 31, 2025

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025	Amount Due in One Year
Business-Type Activities					
Bonds Payable -					
Revenue bonds	\$ 171,580,000	\$ -	\$ 11,620,000	\$ 159,960,000	\$ 12,095,000
Add issuance premium	14,180,821	-	1,464,044	12,716,777	-
Revenue bonds payable, net	185,760,821	-	13,084,044	172,676,777	12,095,000
Compensated absences*	1,577,234	88,485	-	1,665,719	333,144
Net OPEB liability	6,236,944	1,445,023	-	7,681,967	-
SBITA payable	476,932	45,099	282,485	239,546	45,100
Closure/postclosure landfill costs	9,324,013	578,168	-	9,902,181	-
Total other long-term liabilities	17,615,123	2,156,775	282,485	19,489,413	378,244
Total business-type activities long-term liabilities	\$ 203,375,944	\$ 2,156,775	\$ 13,366,529	\$ 192,166,190	\$ 12,473,244

*-Increases and decreases in compensated absences liabilities are present as net amounts above.

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

Other long-term liabilities due within one year	\$ 4,802,452
Current portion of long-term debt	2,695,292
Due in more than one year	186,453,351
Total governmental activities long-term liabilities	\$ 193,951,095
Other long-term liabilities due within one year	\$ 333,144
Current portion of long-term debt	12,140,100
Due in more than one year	179,692,946
Total business-type activities long-term liabilities	\$ 192,166,190

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

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

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

Notes to Basic Financial Statements
December 31, 2025

Changes in long-term liabilities for the year ended December 31, 2025, for the major enterprise funds were as follows:

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025	Amount Due in One Year
Water and Sewer Fund:					
Bonds Payable -					
Revenue bonds	\$ 171,580,000	\$ -	\$ 11,620,000	\$ 159,960,000	\$ 12,095,000
Add issuance premium	14,180,821	-	1,464,044	12,716,777	-
Revenue bonds payable, net	<u>185,760,821</u>	<u>-</u>	<u>13,084,044</u>	<u>172,676,777</u>	<u>12,095,000</u>
Compensated absences	1,168,757	47,019	-	1,215,776	243,155
SBITA payable	352,278	45,100	157,832	239,546	45,100
Net OPEB liability	<u>4,554,859</u>	<u>867,706</u>	<u>-</u>	<u>5,422,565</u>	<u>-</u>
Other long-term liabilities	<u>6,075,894</u>	<u>959,825</u>	<u>157,832</u>	<u>6,877,887</u>	<u>288,255</u>
Total water and sewer fund	<u>\$ 191,836,715</u>	<u>\$ 959,825</u>	<u>\$ 13,241,876</u>	<u>\$ 179,554,664</u>	<u>\$ 12,383,255</u>

	Balance December 31, 2024	Increases	Decreases	Balance December 31, 2025	Amount Due in One Year
Solid Waste Fund:					
Compensated absences	\$ 408,477	\$ 41,465	\$ -	\$ 449,943	\$ 89,989
SBITA payable	124,654	-	124,654	-	-
Net OPEB liability	1,682,085	577,317	-	2,259,402	-
Closure/postclosure landfill costs	<u>9,324,013</u>	<u>578,168</u>	<u>-</u>	<u>9,902,181</u>	<u>-</u>
Other long-term liabilities	<u>11,539,229</u>	<u>1,196,950</u>	<u>124,654</u>	<u>12,611,526</u>	<u>89,989</u>
Total solid waste fund	<u>\$ 11,539,229</u>	<u>\$ 1,196,950</u>	<u>\$ 124,654</u>	<u>\$ 12,611,526</u>	<u>\$ 89,989</u>

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

	Water and Sewer Fund	Solid Waste Fund
Current Liabilities:		
Revenue bonds payable	\$ 12,095,000	\$ -
SBITA payable	45,100	-
Compensated absences	243,155	89,989
Noncurrent Liabilities:		
Landfill closure and postclosure care	-	9,902,181
Revenue bonds, net	160,581,777	-
SBITA payable	194,447	-
Compensated absences	972,621	359,954
Net OPEB liability	<u>5,422,565</u>	<u>2,259,402</u>
Total long-term liabilities for major enterprise funds	<u>\$ 179,554,665</u>	<u>\$ 12,611,526</u>

Notes to Basic Financial Statements December 31, 2025

Changes in long-term liabilities for the year ended December 31, 2025, for the component units were as follows:

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025	Amount Due in One Year
Component Units:					
Business-type activities					
Airport Commission					
Lease liability	\$ 1,895,079	\$ -	\$ 36,842	\$ 1,858,237	\$ 37,830
Total business-type activities	1,895,079	-	36,842	1,858,237	37,830
Governmental activities					
Advertising and Promotions Commission					
Lease liability	-	276,368	60,050	216,318	61,596
Public Library					
Lease liability	32,185	-	7,308	24,877	7,668
Net pension liability	1,749,396	-	238,968	1,510,428	-
Total governmental activities	1,781,581	276,368	306,326	1,751,623	69,264
Total Component Units	\$ 3,676,660	\$ 276,368	\$ 343,168	\$ 3,609,860	\$ 107,094

Short-Term Financing

In accordance with Amendment 78 of the Arkansas Constitution, Arkansas state statutes limit the amount of short-term financing, including leases, the City may have in any fiscal year up to five percent (5%) of the assessed valuation of property within the City. The limit applies to the reporting entity governmental activities. The governmental activities had \$1,161,437 of leases payable considered short-term financing as of December 31, 2025. The limit as of December 31, 2025 was \$484.3 million; therefore, management believes the City is in compliance with state statutes for short-term financing at December 31, 2025.

Sales and Use Tax Bonds - Governmental Activities

On May 13, 2025, citizens of the City approved a ballot issue which authorized the City to issue up to \$385 million in sales and use tax bonds for betterments and improvements to the City's sewer system and consent decree sewer purposes. \$290.7 million remained unissued at December 31, 2025.

On October 30, 2025, the City issued the Series 2025 Sales and Use Tax Bonds, for the par amount of \$94,340,000 secured by a 1% sales tax and a 37.5% sales tax. The Series 2025 Bonds are subject to optional redemption on and after May 1, 2035. The Series 2025 Bonds maturing on November 1 in each of the years 2050 and 2055 are subject to mandatory sinking fund redemption by lot as identified in the official statement for the Series 2025 Sales and Use Tax Bonds. The Series 2025 Bonds carry interest rates ranging from 5% to 5.25% with an average coupon rate of 5.171 through 2055.

Notes to Basic Financial Statements
December 31, 2025

Maturity Schedule — The debt service requirements for the Sales Tax Bonds at December 31, 2025 is as follows:

Sales Tax Bonds Maturity Schedule

	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,400,000	\$ 4,849,609
2027	1,485,000	4,766,175
2028	1,555,000	4,691,925
2029	1,635,000	4,614,175
2030	1,715,000	4,532,425
2031-2035	9,950,000	21,287,125
2036-2040	12,710,000	18,536,875
2041-2045	16,220,000	15,025,875
2046-2050	20,805,000	10,440,413
2051-2055	<u>26,865,000</u>	<u>4,375,088</u>
Total	94,340,000	\$ <u>93,119,685</u>
Add unamortized bond premium	<u>6,234,912</u>	
Net bonds outstanding at December 31, 2025	\$ <u><u>100,574,912</u></u>	

Revenue Bonds - Business-Type Activities

Revenue bonds outstanding at December 31, 2025, are comprised of the following individual issues:

Water and Sewer:

\$35,000,000 of Series 2015 Water and Sewer Refunding and Construction Revenue Bonds; due in varying amounts through October 1, 2040 with interest ranging from 2% to 4% payable semiannually	\$ 25,175,000
\$56,955,000 of Series 2016 Water and Sewer Refunding Revenue Bonds; due in varying amounts through October 1, 2032 with interest ranging from 1.7% to 4.4% payable semiannually	31,860,000
\$130,680,000 of Series 2018 Water and Sewer Refunding and Construction Revenue Bonds; due in varying amounts through October 1, 2035 with interest ranging from 2% to 5% payable semiannually	<u>102,925,000</u>
Bonds outstanding, December 31, 2025	159,960,000
Unamortized bond premium	<u>12,716,777</u>
Net bonds outstanding, December 31, 2025	\$ <u><u>172,676,777</u></u>

Water and Sewer:

On December 1, 2015, the City issued \$35,000,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2015, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current refunding of the City's Water and Sewer Revenue Bonds, Series 2005B, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2016 through 2040 with interest rates ranging from 2% to 4%, payable semiannually. The old amount of debt exceeded the reacquisition price by \$59,621. The unamortized amount is reported as a deferred inflow of resources and is being amortized over the refunded debt's

Notes to Basic Financial Statements December 31, 2025

life using the straight-line method. The deferred amount on refunding was \$1 as of December 31, 2025. The City completed the refunding to reduce its total debt service payments over the next ten (10) years by \$547,391 and to obtain an economic gain of \$493,245.

On December 1, 2016, the City issued \$56,955,000 Water and Sewer Refunding Revenue Bonds, Series 2016, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2007 and partial refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2017 through 2032 with interest rates ranging from 1.7% to 4.4%, payable semiannually. The reacquisition price exceeded the old amount of debt by \$3,092,522. The unamortized amount is reported as a deferred outflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$1,518,128 as of December 31, 2025. The City completed the refunding to reduce its total debt service payments over the next fifteen (15) years by \$4,629,701 and to obtain an economic gain of \$3,691,784.

On September 1, 2018, the City issued \$130,680,000 Water and Sewer Refunding and Construction Revenue Bonds, Series 2018, to finance the cost of acquiring, constructing, and equipping water and sewer improvements, current full refunding of the City's Water and Sewer Revenue Bonds, Series 2008, providing a debt service reserve and paying costs incidental thereto. The bonds are due in varying amounts on October 1, 2020 through 2035 with interest rates ranging from 2% to 5%, payable semiannually beginning April 1, 2019 through October 1, 2035. The reacquisition price exceeded the old amount of debt by \$29,338. The unamortized amount is reported as a deferred outflow of resources and is being amortized over the refunded debt's life using the straight-line method. The deferred amount on refunding was \$30,041 as of December 31, 2025. The City completed the refunding to reduce its total debt service payments over the next fifteen (15) years by \$14,835,319 and to obtain an economic gain of \$9,837,592.

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

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

The ordinances also contain provisions that, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 2025, the City is in compliance with all applicable requirements.

Restricted accounts required by the bond ordinances are as follows:

Notes to Basic Financial Statements
December 31, 2025

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 \$2,331,150 related to the 2015 Bonds, \$5,695,500 related to the 2016 Bonds and \$13,068,000 related to the 2018 Bonds. The City held surety bonds valued at \$2,329,768, \$5,695,500 and \$13,068,000 at December 31, 2025 for this purpose, respectively.

Asset Replacement- The City is required to deposit 3% of the gross revenues of the water and sewer system for the preceding month plus \$5,000 per month until the sum of \$500,000 has been accumulated in the Depreciation Fund. Amounts are to be used for replacements made necessary by the depreciation of the system. The City has accumulated \$500,000 for asset replacement as of December 31, 2025. Amounts are reported in restricted investments in the fund level and government-wide financial statements.

Maturity Schedule

Aggregate debt service requirements at December 31, 2025 for business-type activity related bonds were as follows:

		Total Business-Type Activities	
		Water and Sewer	
		Principal	Interest
	2026	\$ 12,095,000	\$ 7,546,450
	2027	12,675,000	6,965,700
	2028	13,310,000	6,331,950
	2029	13,385,000	5,666,450
	2030	14,485,000	5,152,300
	2031-2035	83,645,000	14,547,350
	2036-2040	10,365,000	1,276,000
	2041-2044	-	-
	Total	159,960,000	\$ 47,486,200
	Add unamortized bond premium	12,716,777	
	Net bonds outstanding as of December 31, 2025	<u>\$ 172,676,777</u>	

Notes to Basic Financial Statements December 31, 2025

Pledged Revenues for the City

The following is a summary of pledged revenues for the City for the year ended December 31, 2025.

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Pledged Revenue Stream	Percentage Portion of Pledged Revenue Stream	Remaining Principal, Interest and Fees
Sales and Use Tax Refunding and Improvement Bonds - Series 2025	3/8 and 5/8 Cent City Sales Tax	\$24,995,062	\$ -	-%	\$ 187,459,885
			\$ -	-%	\$ 187,459,885
Business-Type Activities:					
Water and Sewer Refunding and Construction Revenue Bonds, Series 2015	Revenues of the Enterprise Fund	71,571,573	\$ 2,322,313	3.2%	\$ 34,936,750
Water and Sewer Refunding Revenue Bonds, Series 2016	Revenues of the Enterprise Fund	71,571,573	2,098,700	2.9%	37,707,600
Water and Sewer Refunding and Construction Revenue Bonds, Series 2018	Revenues of the Enterprise Fund	71,571,573	11,176,488	15.6%	134,801,850
			\$ 15,597,500	21.8%	\$ 207,446,200

Applicability of Federal Arbitrage Regulations

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

At December 31, 2025, the City has no arbitrage payable.

Conduit Debt Obligations

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

As of December 31, 2025, there were thirteen series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$728,507,213.

Note 8: Risk Management

The City is exposed to various risks of loss related to the City's self-insurance of workers' compensation and health and other medical benefits provided to employees and retirees, and their dependents and beneficiaries. The City accounts for these programs through the Employee Insurance Fund and Workers' Compensation Fund. Each fund is an internal service fund. In addition, the City limits property and

Notes to Basic Financial Statements
December 31, 2025

casualty losses and manages risk through the purchase of insurance policies with several different carriers. The City has not recognized any settlements that exceeded insurance coverage during the past four years.

All funds of the City participate in the City's insurance programs and make payments to the respective self-insurance funds based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. The Airport Commission and the Fort Smith Public Library participate in the City's health plans by making contributions as required by the City. At December 31, 2025, the net position was (\$10,287) and \$2,580,239 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$1,602,220 and \$1,311,387 reported in the Employee Insurance and Workers' Compensation Funds, respectively, are based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes the effect of specific incremental claims, adjustment expenses, and if probable and material, salvages and subrogation. These liabilities include accruals for claims incurred but not reported, based upon the City's historical claims rate. These liabilities are the City's best estimate based on available information. Changes in the reported liabilities during 2025 are detailed below:

	<u>Employee Insurance</u>	<u>Workers' Compensation</u>
Self-insurance liability, December 31, 2023	\$ 1,311,229	\$ 1,104,838
Current year claims and changes in estimate	11,845,162	669,381
Claim payments	<u>(12,156,223)</u>	<u>(859,945)</u>
Self-insurance liability, December 31, 2024	1,000,168	914,274
Current year claims and changes in estimate	14,459,489	1,223,947
Claim payments	<u>(13,857,437)</u>	<u>(826,834)</u>
Self-insurance liability, December 31, 2025	<u>\$ 1,602,220</u>	<u>\$ 1,311,387</u>

Note 9: Deferred Compensation Plan

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

The Plan, which is available to all full-time City employees, permits them to defer up to \$23,500 of their compensation per year, or 100% of their total compensation, whichever is less. Under certain circumstances, this contribution limit may reach up to \$47,000. These deferred funds are not accessible to employees until termination of employment, retirement, death, or an unforeseeable financial emergency.

Notes to Basic Financial Statements
December 31, 2025

Note 10: Pension Plans

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

Aggregate amounts for the four pension plans are as follows:

	FRPF	PRPF	LOPFI	APERS	Total
Net pension liability	\$ 15,686,067	\$ 12,747,143	\$ 36,643,323	\$ 101,831	\$ 65,178,364
Deferred outflows of resources	-	-	6,510,523	6,803	6,517,326
Deferred outflows of resources - contributions	1,633,272	1,697,760	5,404,047	9,148	8,744,227
Deferred inflows of resources	260,126	257,461	5,835,456	9,854	6,362,897
Pension expense	566,147	410,917	5,982,613	12,210	6,971,887

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

Plan Description

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

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

Benefits Provided

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

Contributions

Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 7% of each covered employees' earnings. Employer contributions to the PERS plan totaled \$2,886,804 for 2025.

(b) Arkansas Public Employees' Retirement System

On January 1, 2005, the district court clerk became a member of the Arkansas Public Employees' Retirement System (APERS). APERS is administered by the state as a cost sharing, multiple-employer, defined benefit plan. The employer contribution rate was 15.32% of covered payroll for 2025. The Clerk's contribution rate was 5.75% of covered payroll for 2025. The City's contributions to the Plan for the year ended December 31, 2025 were \$18,106.

Notes to Basic Financial Statements
December 31, 2025

Benefits Provided

Benefits under APERS are calculated depending on the member's hire date, with retirees separated into two separate categories; the non-contributory plan applies to all persons hired prior to July 1, 2005, while the new contributory plan applies to all employees hired on or after July 1, 2005. Under both plans, a member may retire with full benefits at either the age of 65 with five years of service, or at any age with 28 years of service. The member may retire with reduced benefits at either the age of 55 with five years of service or at any age with 25 years of service. The reduction is equal to one-half of one percent for each month retirement precedes normal retirement age or one percent for each month below 28 years of actual service, whichever is less. Under the non-contributory plan, the benefit calculation is equal to a factor of 1.72% of the member's final average salary multiplied by the years and months of credited service. Under the new contributory plan, the benefit calculation is equal to a factor of 2.00% of the members final average salary multiplied by the years of credited service. Under each plan, an additional .5% of the member's final average salary is awarded for each year of credited service exceeding 28 years. The minimum monthly benefit is \$150, excluding any age and beneficiary option reductions.

Under both the non-contributory and contributory plan, the member's final average salary is the highest 36 calendar months of covered compensation. In addition, a cost-of-living adjustment of 3% annually is included in the current benefits. Covered payroll for the clerk was \$118,183 for the fiscal year ended December 31, 2025.

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

At December 31, 2025, the City reported a liability of \$101,831 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to total employee contributions to the Plan of the year for the measurement period. At June 30, 2025, the City's proportion was 0.00485189%, which is an increase of 0.00002966% from its proportion as of June 30, 2024, of 0.004822230%.

For the year ended December 31, 2025, the City recognized pension expense of \$12,210. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,155	\$ 3,058
Change of assumptions	1,767	-
Changes in proportion and differences between City contributions and share of contributions	1,881	41
Net difference between projected and actual earnings on pension plan investments	-	6,755
Contributions subsequent to the measurement date	9,148	-
Total	<u>\$ 15,951</u>	<u>\$ 9,854</u>

Notes to Basic Financial Statements
December 31, 2025

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$9,148 will be recognized as a reduction of the net pension liability for the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

Year Ending December 31,		
2026	\$	14,517
2027		(7,678)
2028		(6,150)
2029		(3,740)
Total	\$	<u>(3,051)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Price Inflation	2.50 percent (2.50 percent in prior year)
Wage Inflation	3.25 percent (3.25 percent in prior year)
Discount rate	7.00 percent (7.00 percent in prior year)
Salary increases	3.25 to 9.85 percent, including inflation (3.25 to 9.85 percent, including inflation, in prior year)
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation (7.00 percent, including inflation, in prior year)

The mortality tables used to measure retired life mortality were Based on the PubG-2010 Amount-Weighted Below-Median Income General Retiree mortality tables for males and females. Mortality rates are multiplied by 114% for males and 132% for females and are adjusted for fully generational mortality improvements using Scale MP-2021. The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

Notes to Basic Financial Statements
December 31, 2025

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2025 to 2034 were based upon GRS' 2025 Capital Market Assumptions Modeler. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2025, these best estimates are summarized in the following table:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.14%
International Equity	17%	5.97%
Real Estate	16%	5.00%
Private Equity	5%	8.77%
Hedge Funds	2%	3.58%
Domestic Fixed	21%	3.26%
Total	100%	

Discount Rate

In the June 30, 2025 actuarial valuation, a single discount rate of 7.00 percent (7.00 percent in prior year) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent, net of pension plan investment expense, including inflation (7.00 percent, including inflation, in prior year). The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Basic Financial Statements
December 31, 2025

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability	\$ 190,031	\$ 101,831	\$ 29,100

Fort Smith Public Library – Arkansas Public Employees’ Retirement System (Component Unit)

Plan Description

The Fort Smith Public Library (the Organization) participates in the Arkansas Public Employees Retirement Systems (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Funding Policy: The Organization contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll at December 31, 2024. Contributions made by the Organization were \$247,375 for the year ended December 31, 2024. Employees are not required to contribute to the plan.

Benefits Provided

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

Notes to Basic Financial Statements
December 31, 2025

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

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

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended December 31, 2025. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Measurement Date

The collective net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. The Library's proportion at June 30, 2025, was 0.071967% which is a increase of 0.001657% from its proportion as of June 30, 2024 of 0.070310%.

Notes to Basic Financial Statements
December 31, 2025

Actuarial Assumptions

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	4-Year smoothed fair value; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% - 9.85% including inflation
Investment Rate of Return	7.00% (7.00% in prior year)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Mortality rates were based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. The disability post-retirement mortality tables used were the RP-2006 Disabled Retiree benefit weighted generational mortality tables for males and females. The death-in-service mortality tables used were the RP-2006 Employee benefit weighted generational mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period from July 1, 2019 through June 30, 2024, and were applied to all prior periods included in the measurement.

Notes to Basic Financial Statements
December 31, 2025

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2025 to 2034 were based upon capital market assumptions provided by the plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2025, these best estimates are summarized in the following table:

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.14%
International Equity	17%	5.97%
Real Assets	16%	5.00%
Private Equity	5%	8.77%
Hedge Funds	2%	3.58%
Domestic Fixed	21%	3.38%
Total	100%	

Single Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% (7.00% in prior year). The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to Basic Financial Statements December 31, 2025

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent):

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
Library's proportionate share of the net pension liability	\$ 2,818,672	\$ 1,510,428	\$ 431,637

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

At December 31, 2025, the Library reported a liability of \$1,510,428 for its proportionate share of the net pension liability.

The Organization had a pension contribution liability of \$14,110 accrued at December 31, 2025. The Organization's proportionate share of pension expense was \$305,528 for the year ended December 31, 2025. At December 31, 2025, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,797	\$ 45,353
Change of assumptions	37,074	-
Net difference between projected and actual earnings on pension plan investments	-	100,199
Changes in proportion	26,208	11,909
Organization contributions subsequent to the measurement date	119,276	-
Total	\$ 229,355	\$ 157,461

Notes to Basic Financial Statements
December 31, 2025

\$119,276 reported as deferred outflows of resources related to pensions resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>		
2026	\$	212,997
2027		(118,536)
2028		(86,373)
2029		<u>(55,470)</u>
Total	\$	<u>(47,382)</u>

(c) Fire Relief and Pension Plan ("FRPF") (the Old Fire Plan)

Plan Description

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

Benefits

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

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

Notes to Basic Financial Statements
December 31, 2025

At the December 31, 2024 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	88
Total	88

Contributions

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Plans. The contributions for the 2025 plan year were based upon the December 31, 2023, actuarial report. Contributions to the Plan by the City were \$1,633,272 for the year ended December 31, 2025.

Net Pension Liability

The City's net pension liability of \$15,686,067 as of December 31, 2025 was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement for the Old Fire Plan:

Valuation date	December 31, 2024
Cost method	Entry Age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Closed Amortization Period based on projected future payroll
Amortization period	13 years beginning January 1, 2025

Assumptions:	
Inflation rate – price	2.25 percent (2.25 percent in prior year)
Wage inflation	3.00 percent (3.00 percent in prior year)
Discount Rate	7.25 percent (7.25 percent in prior year)
Investment rate of return	7.25 percent (7.25 percent in prior year)

The mortality tables used to measure retired life mortality were the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables set forward one year for males and two years for females, Disabled Retiree and Employee mortality tables for males and females. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

Actuarial assumptions used in the December 31, 2024, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2017 through December 31, 2020, first used in the December 31, 2021 valuation. Assumptions are reviewed annually. There were no assumption and actuarial methods changes for the December 31, 2022 actuarial valuation.

Notes to Basic Financial Statements
December 31, 2025

Long-term Expected Return on Plan Assets

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	5.05%
U.S. Stock - Small Cap	21%	5.57%
International Equity	9%	6.16%
Emerging Markets	9%	7.79%
U.S. Corporate Bonds	25%	2.67%
Real Estate	5%	4.62%
Private Equity	10%	9.11%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2025	\$ 30,363,955	\$ 12,523,562	\$ 17,840,393
Changes for the year:			
Interest	2,085,834	-	2,085,834
Differences between expected and actual experience	(528,386)	-	(528,386)
Assumption changes	-	-	-
Contributions - employer	-	1,948,405	(1,948,405)
Contributions - employee	-	-	-
Net investment income	-	1,783,435	(1,783,435)
Benefit payments, including refunds of employee contributions	(3,187,674)	(3,187,674)	-
Administrative expense	-	(20,066)	20,066
Net Changes	(1,630,226)	524,100	(2,154,326)
Balance at December 31, 2025	\$ 28,733,729	\$ 13,047,662	\$ 15,686,067

Notes to Basic Financial Statements December 31, 2025

There were no benefit changes during the year. The assumed inflation rate was 2.25% (2.25% in the prior year), the wage inflation assumption at 3.00% (3.00% in the prior year).

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the City's net pension liability using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
City's Net Pension Liability	\$ 17,904,544	\$ 15,686,067	\$ 13,740,547

Pension Plan Fiduciary Net Position

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

Pension Liabilities, Pension Expense, Deferred Inflows of Resources and Deferred Outflows of Resources

For the year ended December 31, 2025, the City recognized pension expense of \$566,147. At December 31, 2025, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 260,126
Contributions subsequent to the measurement date	1,633,272	-
Total	\$ 1,633,272	\$ 260,126

Notes to Basic Financial Statements
December 31, 2025

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,633,272 will be recognized as a reduction of the net pension liability for the year ending December 31, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2025	\$ 12,680
2026	283,360
2027	(371,942)
2028	<u>(184,224)</u>
Total	<u>\$ (260,126)</u>

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

(d) Police Relief and Pension Plan ("PRPF") (the Old Police Plan)

Plan Description

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

Benefits

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

Notes to Basic Financial Statements
December 31, 2025

participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981 and detailed later in this footnote. Therefore, the Policemen's Fund is effectively closed to new members.

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

At the December 31, 2024 valuation and measurement date, the following were covered by the benefit terms:

Retirees and beneficiaries	62
Total	62

Contributions

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Police Plan. The contributions for the 2025 plan year were based upon the December 31, 2023, actuarial report. Contributions by the City to the Plan for the year ended December 31, 2025 were \$1,697,760.

Net Pension Liability

The City's net pension liability of \$12,747,143 as of December 31, 2025 was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement for the Old Police Plan.

Valuation date	December 31, 2024
Cost method	Entry age
Asset valuation method	Smooth market over a period of 5 years
Amortization method	Closed Amortization Period based on projected future payroll
Amortization period	13 years beginning January 1, 2025

Assumptions:	
Inflation rate - price	2.25 percent (2.25 percent in prior year)
Wage inflation	3.00 percent (3.00 percent in prior year)
Discount Rate	7.25 percent (7.25 percent in prior year)
Investment rate of return	7.25 percent (7.25 percent in prior year)

Notes to Basic Financial Statements
December 31, 2025

The mortality tables used to measure retired life mortality were the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables set forward one year for males and two years for females, Disabled Retiree and Employee mortality tables for males and females. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

Actuarial assumptions used in the December 31, 2024, valuation were based on the results of actuarial experience studies. The experience study in PRPF was for the period January 1, 2017 through December 31, 2020, first used in the December 31, 2021 valuation. Assumptions are reviewed annually. No additional changes were made for the 2024 valuation.

Long-term Expected Return on Plan Assets

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	5.05%
U.S. Stock - Small Cap	21%	5.57%
International Equity	9%	6.16%
Emerging Markets	9%	7.79%
U.S Corporate Bonds	25%	2.67%
Real Estate	5%	4.62%
Private Equity	10%	9.11%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% (7.25% in the prior year). The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Notes to Basic Financial Statements December 31, 2025

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2025	\$ 25,113,607	\$ 9,358,396	\$ 15,755,211
Changes for the year:			
Interest	1,735,086	-	1,735,086
Differences between expected and actual experience	(1,389,584)	-	(1,389,584)
Assumption changes	-	-	-
Contributions - employer	-	1,994,551	(1,994,551)
Contributions - employee	-	-	-
Net investment income	-	1,374,483	(1,374,483)
Benefit payments, including refunds of employee contributions	(2,362,759)	(2,362,759)	-
Administrative expense	-	(15,464)	15,464
Net Changes	(2,017,257)	990,811	(3,008,068)
Balance at December 31, 2025	\$ 23,096,350	\$ 10,349,207	\$ 12,747,143

There were no benefit changes during the year. The assumed inflation rate was 2.25% (2.25% in the prior year), the wage inflation assumption at 3.00% (3.00% in the prior year).

Sensitivity of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the City's net pension liability using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
City's Net Pension Liability	\$ 14,787,922	\$ 12,747,143	\$ 10,993,289

Pension Plan Fiduciary Net Position

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

Notes to Basic Financial Statements
December 31, 2025

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

For the year ended December 31, 2025, the City recognized pension expense of \$410,917. At December 31, 2025, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 257,461
Contributions subsequent to the measurement date	<u>1,697,760</u>	<u>-</u>
Total	<u>\$ 1,697,760</u>	<u>\$ 257,461</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,697,760 will be recognized as a reduction of the net pension liability for the year ending December 31, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2025	\$ (7,216)
2026	169,982
2027	(278,244)
2028	<u>(141,983)</u>
Total	<u>\$ (257,461)</u>

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

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

Plan Description

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

Notes to Basic Financial Statements December 31, 2025

Benefits Provided

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

Contributions

Contributions to LOPFI are made by both the members and the employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The City contributes 24.00% of covered employee salaries to the new plan for firefighters and 23.29% of covered employee salaries to the new plan for police officers. Employees contributed \$2,131,082 to the contributory plan for the year ended December 31, 2025. City contributions to the new plans for the year ended December 31, 2025, were \$5,404,047 and were equal to 100% of the required contributions for each year.

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

At December 31, 2025, the City reported a liability of \$36,643,323 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's actual contributions to the Plan during the measurement period to the total employer contributions to the Plan of the group for the measurement period. At December 31, 2024, the City's proportion was 4.2787% which is an decrease 0.0097% from the City's proportion of 4.2884% at December 31, 2023.

For the year ended, December 31, 2025, the City recognized pension expense of \$5,982,613. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,933,721	\$ -
Changes of assumptions	-	465,097
Net difference between projected and actual earnings on pension plan investments	-	3,895,913
Changes in proportion	1,576,802	1,474,446
Contributions subsequent to the measurement date	5,404,047	-
Total	<u>\$ 11,914,570</u>	<u>\$ 5,835,456</u>

Notes to Basic Financial Statements
December 31, 2025

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$5,404,047 will be recognized as a reduction of the net pension liability for the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2025	\$ 2,584,863
2026	3,253,076
2027	(3,319,841)
2028	<u>(1,843,031)</u>
Total	<u>\$ 675,067</u>

Actuarial Assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Price Inflation	2.25 percent (2.25 percent in prior year)
Wage Inflation	3.00 percent (3.00 percent in prior year)
Salary increases	3.50 to 18.00 percent, including inflation (3.50 to 18.00 percent in prior year)
Discount Rate	7.25 percent (7.25 percent in prior year)
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation (7.25 percent, including inflation, in prior year)

The mortality tables used to measure retired life mortality were the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables, set forward one year for males, and two years for females. The disability post-retirement mortality tables used were the Pub-2010 Amount-Weighted General Disabled Retiree tables for males and females. The death-in-service mortality tables used were the Pub-2010 Amount-Weighted General Below Median Income Employee tables for males and females. Fifty percent of deaths-in-service were assumed to be duty related. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

Actuarial assumptions used in the December 31, 2024 valuation were based on the results of actuarial experience studies. The experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2017-2020. There were no benefit provision changes or method changes in the December 31, 2021 actuarial valuation. There were assumption changes for the December 31, 2021 actuarial valuation associated with the results of an experience study.

Notes to Basic Financial Statements December 31, 2025

Long-term Expected Return on Plan Assets

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

Long-term Expected Real Rate of Return		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Stock - Large Cap	21%	5.05%
U.S. Stock - Small Cap	21%	5.57%
International Equity	9%	6.16%
Emerging Markets	9%	7.79%
U.S. Corporate Bonds	25%	2.67%
Real Estate	5%	4.62%
Private Equity	10%	9.11%
Total	100%	

Discount Rate

In the December 31, 2024 actuarial valuation, a single discount rate of 7.25% (7.25% in prior year) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% (7.25% in prior year). The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to the Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption		
	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
City's proportionate share of the net pension liability	\$ 62,679,271	\$ 36,643,323	\$ 15,582,736

Pension Plan Fiduciary Net Position

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

Note 11: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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

Contributions: The contribution requirements of plan members are established by the City Board of Directors and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. Employees are required to elect coverage at the time of termination. The City is not required to make contributions to the plan on behalf of the retirees. However, benefit payments made directly by the employer are reported as employer contributions. The plan has 914 active participants and 30 retirees and beneficiaries receiving benefits who pay monthly premiums between \$520 for single coverage and \$1,326 for family coverage. Administrative costs of the plan are financed through investment earnings and employer contributions.

Summary of Significant Accounting Policies

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

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

Plan Membership

Plan membership as of December 31, 2025 is as follows:

Active members	914
Inactive members receiving benefits	30
	<u>944</u>

Notes to Basic Financial Statements
December 31, 2025

Investments

The plan’s policy in regard to the allocation of invested assets is established by the City. The long-term expected rate of return for each major asset class included in the asset allocation at the end of 2025 is as follows:

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

The long-term rate of return also included an expected 2.5% inflation for 2025. The long-term expected rate of return at December 31, 2025 was 4.0%.

Net OPEB Liability

The net OPEB liability is measured as the total OPEB liability, less the amount of the plan’s fiduciary net position. A single discount rate of 4.83% was used to measure the total OPEB liability as of December 31, 2025. The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of December 31, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5 percent per year
Payroll growth	3.25 percent
Health care cost trend rates:	8.00 percent initial, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent
Single discount rate:	4.83 percent at 12/31/25 (4.28 percent at 12/31/24)
Cost Method	Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: • Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant’s benefit at retirement; and • Annual Service Cost is a constant percentage of the participant’s salary that is assumed to increase according to the Payroll Growth,
Retirement age:	Expected retirement ages of general employees are based on information provided by the Arkansas Public Employees Retirement System (APERS)
Mortality:	General Actives and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

The actuarial assumptions used in the December 31, 2025 valuation were based on the results of an actuarial experience study for the period January 1, 2020 – December 31, 2020.

Notes to Basic Financial Statements
December 31, 2025

The Plan uses a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher to determine the bond rate. The bond index range as of December 31, 2025 was 4.83% to 4.43%. The Trust maintains a minimal fiduciary net position; therefore, the single discount rate is used that results in a total actuarial present value of all projected benefit payments equal to the sum of the actuarial present values of benefit payments determined through an iterative process as prescribed by GASB.

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

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at January 1, 2025	\$ 19,041,289	\$ 1,634,547	\$ 17,406,742
Changes for the year:			
Service cost	1,344,246	-	1,344,246
Interest	862,363	-	862,363
Contributions - employer	-	478,756	(478,756)
Differences between expected and actual experience	2,176,031	-	2,176,031
Changes of assumptions	1,959,445	-	1,959,445
Net investment income	-	90,293	(90,293)
Administrative fees	-	(16,748)	16,748
Benefit payments	(478,756)	(478,756)	-
Net Changes	<u>5,863,329</u>	<u>73,545</u>	<u>5,789,784</u>
Balance at December 31, 2025	<u>\$ 24,904,618</u>	<u>\$ 1,708,092</u>	<u>\$ 23,196,526</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%		

The schedule of investment return for the City's OPEB Plan is as follows for the years ended December 31, 2025:

Annual money-weighted rate of return, net of investment expense	4.50%
---	-------

Sensitivity of the net OPEB liability to changes in the discount rate: Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2025. In particular, the table presents the plan's net OPEB liability if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

	Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption		
	1% Decrease 3.83%	Current Single Rate Assumption 4.83%	1% Increase 5.83%
Net OPEB liability	<u>\$ 24,216,294</u>	<u>\$ 23,196,526</u>	<u>\$ 19,751,715</u>

Notes to Basic Financial Statements December 31, 2025

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rates as of December 31, 2025. In particular, the table presents the plan's net OPEB liability if it were calculated using a single health care trend rate that is one-percentage-point lower or one- percentage-point higher than the assumed rate:

	Sensitivity of the Net OPEB Liability to the Health Care Trend Rate		
	Current Single Rate		
	1% Decrease 7.00%-3.50%	Assumption 8.00%-4.50%	1% Increase 9.00%-5.50%
Net OPEB liability	\$ 18,949,436	\$ 23,196,526	\$ 25,350,730

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

For the year ended December 31, 2025, the City recognized an increase in OPEB expense of \$533,688. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 3,531,952	\$ (3,662,052)
Difference between expected and actual experience	4,075,798	(1,651,955)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,290)
	<u>\$ 7,607,750</u>	<u>\$ (5,316,297)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2025, related to OPEB will be recognized as OPEB expense as follows:

Year ending December 31,	
2026	\$ (1,641,756)
2027	397,860
2028	443,966
2029	627,370
2030	665,110
Thereafter	<u>1,798,903</u>
	<u>\$ 2,291,453</u>

The City's policy in regard to the allocation in invested assets is established and may be amended by the City's Board of Directors, which is the Plan's Board, by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk.

Note 12: Commitments and Contingencies***Litigation***

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City's financial position. The City appropriates funds necessary to meet settlements and awards. The City accrues a liability when it is incurred and when the contingency is probable and reasonably estimable. At December 31, 2025, the City has accrued a liability in the amount of \$82,500.

Contingencies

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

In 2015, the City entered into a Consent Decree with the United States Environmental Protection Agency (EPA), the United States Department of Justice (DOJ), and the Arkansas Department of Environmental Quality (ADEQ). The Consent Decree addresses the City's compliance with the Federal Clean Water Act involving dry and wet weather overflows from the sanitary sewer system and ongoing maintenance. Beginning in September 2016, the City began the process to request a modification to the consent decree. The request was initially denied in November 2019. However, in May 2020, the City was granted an additional five-years, with conditions, to complete the consent decree per section nine of the consent decree. In September 2020, the City met with the DOJ and the EPA in Washington D.C. to discuss the details of the City's request for a modification. The City has sent documentation asserting force majeure for the historic 2019 flood and the COVID pandemic, which was denied. The City has continued to work with the DOJ and EPA to modify the consent decree. In April 2022, the City and DOJ & EPA met at EPA Region 6 headquarters to continue modification discussions. Since that meeting, the technical requirements for the modification have been mostly settled. DOJ, EPA, and the City continue to discuss a revised end date. The City was assessed and paid \$800,000 and \$590,000 in stipulated penalties associated with the Consent Decree in 2023 and 2024 consecutively.

In 2025, the City followed through on components of its draft financial plan to the DOJ & EPA by approving wastewater 3.5% utility rate increases effective June 1, 2025 and then each January 1 through 2030. Fort Smith voters also approved reallocation of local sales taxes to authorize issuance of up to \$385 million in Sales and Use Tax Bonds for Consent Decree and wastewater capital projects at a special election in May. The first approximately \$100 million of such SUT Bonds were issued in October 2025 and the first round of capital projects approved in November 2025. The City met with the DOJ & EPA team several times in 2025, including another in-person meeting at EPA Region 6 headquarters in Dallas, in order to support the effort to modify the Consent Decree. All such efforts in 2025 were recognized by the DOJ & EPA, and by March 2026 the City was able to approve a modification that extends the compliance period by 11.5 years and makes other important adjustments including establishing a timeframe for DOJ responses to dispute resolution requests. The required city, state, and DOJ/EPA approvals have been obtained and the modification agreement was lodged with the federal court and published in the federal register on May 19, 2026. After a 30-day public comment period, the federal court approved the modification of the Consent Decree on July 22, 2026.

Notes to Basic Financial Statements December 31, 2025

Note 13: Individual Fund Disclosures

Interfund receivables and payables as of December 31, 2025, are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$ 1,116,234	\$ -
Nonmajor governmental funds	-	784,958
Proprietary Funds:		
Nonmajor proprietary funds	-	331,276
Total	<u>\$ 1,116,234</u>	<u>\$ 1,116,234</u>

The outstanding balances between funds result mainly from the time lag between dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system and (3) payments between the funds are made.

Interfund transfers in (out) for the year ended December 31, 2025, are as follows:

Fund	Transfers	
	In	Out
Primary Government -		
Governmental Funds:		
Major funds:		
General Fund	\$ 144,000	\$ 2,684,226
Sales Tax Fund		3,125,838
LOPFI Contribution Fund	1,800,000	-
Sales and Use Tax Bond Fund	3,125,838	
Non-major funds	759,226	44,000
Total governmental funds	<u>5,829,064</u>	<u>5,854,064</u>
Proprietary Funds:		
Water and Sewer Fund	-	100,000
Solid Waste Fund	125,000	-
Total proprietary funds	<u>125,000</u>	<u>100,000</u>
Total primary government	<u>\$ 5,954,064</u>	<u>\$ 5,954,064</u>

The transfers out from the General Fund include:

- \$1,800,000 transfer to LOPFI Contribution Fund to assist with the contribution requirements to the LOPFI pension plans
- \$759,226 to the Convention Center Fund to help support operations
- \$125,000 to the Solid Waste Fund to fund clean up and demolition operations.

The transfers out from the Sales Tax Fund include:

- \$3,125,838 to the Sales and Use Tax Bond Fund to fund the debt service reserve for bond issuance.

The transfers out from the Water and Sewer Fund include:

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

Note 14: Landfill Closure and Postclosure Care Costs

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

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

The City's permitted landfill capacity is 60,714,375 cubic yards. The life of the landfill is projected at 102 years. The landfill was opened on October 9, 1993. The City's reported landfill closure and postclosure care liability at December 31, 2025, is \$9,902,181. The remaining estimated closure and postclosure care costs of approximately \$34.7 million will be recognized as the remaining capacity is filled. The percentage of landfill capacity used to date was approximately 21.94% at December 31, 2025. 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, 2025. Actual costs may be significantly higher due to inflation, changes in technology, or changes in regulations by the Arkansas Department of Environmental Quality.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The amount of financial assurance required by the state as of December 31, 2025, is \$9,618,595. In order to comply with this requirement, Arvest Bank issued an irrevocable standby letter of credit that was pledged to the Arkansas Department of Environmental Quality in the amount of \$9,383,995 at December 31, 2025. The City has also pledged investments as collateral for the letter of credit. The City later demonstrated financial assurance for closure and postclosure care through the Environmental Protection Agency's Local Government Financial Test, 40 CFR Part 258, Subpart G, dated November 27, 1996. In this test, the City demonstrates that it is capable of meeting its financial obligations at its municipal solid waste landfill facility.

Note 15: New Applicable GASB Standards**GASB Statement No. 103 – *Financial Reporting Model Improvements***

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This statement is effective for the City in fiscal year 2026.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement is effective for the City in fiscal year 2026.

Notes to Basic Financial Statements December 31, 2025

GASB Statement No. 105 – Subsequent Events

The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for non recognized events. This statement is effective for the City in fiscal year 2027.

Note 16: Condensed Financial Statements-Discretely Presented Component Units

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

Statement of Net Position December 31, 2025

	Governmental			Business-Type
	Advertising Promotion Commission	Public Library	Total	Airport Commission
Assets				
Current assets	\$ 1,170,068	\$ 1,989,272	\$ 3,159,340	\$ 9,039,265
Capital assets, net of accumulated depreciation, as applicable	348,208	10,421,329	10,769,537	70,516,193
Noncurrent assets	-	-	-	14,840,824
Total assets	1,518,276	12,410,601	13,928,877	94,396,282
Deferred Outflows of Resources				
Deferred outflows related to pensions	-	229,355	229,355	-
Total deferred outflows of resources	-	229,355	229,355	-
Liabilities				
Current liabilities	77,919	63,316	141,235	1,092,334
Noncurrent liabilities	216,318	1,535,305	1,751,623	1,820,407
Total liabilities	294,237	1,598,621	1,892,858	2,912,741
Deferred Inflows of Resources				
Deferred inflows related to pensions	-	157,461	157,461	-
Deferred inflows related to leases	-	-	-	12,973,878
Total deferred inflows of resources	-	157,461	157,461	12,973,878
Net Position				
Net investment in capital assets	131,890	10,396,452	10,528,342	67,929,450
Restricted	1,092,149	-	1,092,149	674,354
Unrestricted (deficit)	-	487,422	487,422	9,905,859
Total net position	\$ 1,224,039	\$ 10,883,874	\$ 12,107,913	\$ 78,509,663

Notes to Basic Financial Statements
December 31, 2025

Statement of Activities
For the Year Ended December 31, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Advertising and Promotion	Public Library	Total
Advertising/ Promotion	\$ 1,482,218	\$ -	\$ -	\$ -	\$ (1,482,218)	\$ -	\$ (1,482,218)
Public Library	4,381,369	150,225	577,880	-	-	(3,653,264)	(3,653,264)
Total	<u>\$ 5,863,587</u>	<u>\$ 150,225</u>	<u>\$ 577,880</u>	<u>\$ -</u>	<u>\$ (1,482,218)</u>	<u>\$ (3,653,264)</u>	<u>\$ (5,135,482)</u>
General revenues							
Property taxes					-	1,739,208	1,739,208
Sales taxes					-	1,469,361	1,469,361
Hospitality hotel/motel taxes					1,162,111	-	1,162,111
Unrestricted investment earnings					48,024	16,613	64,637
Other					18,929	25,194	44,123
Total general revenues					<u>1,229,064</u>	<u>3,250,376</u>	<u>4,479,440</u>
Change in net position					<u>(253,154)</u>	<u>(402,888)</u>	<u>(656,042)</u>
Net position, beginning					<u>1,477,193</u>	<u>11,286,762</u>	<u>12,763,955</u>
Net position, ending					<u>\$ 1,224,039</u>	<u>\$ 10,883,874</u>	<u>\$ 12,107,913</u>

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities Airport Commission
Airport Commission	\$ 7,289,862	\$ 2,835,512	\$ 415,186	\$ 6,331,140	\$ 2,291,976
Total	<u>\$ 7,289,862</u>	<u>\$ 2,835,512</u>	<u>\$ 415,186</u>	<u>\$ 6,331,140</u>	<u>2,291,976</u>
General revenues					
Unrestricted investment earnings					<u>739,642</u>
Total general revenues					<u>739,642</u>
Change in net position					<u>3,031,618</u>
Net position, beginning					<u>75,478,045</u>
Net position, end of year					<u>\$ 78,509,663</u>

Notes to Basic Financial Statements December 31, 2025

Note 17: Change in Accounting Principle

Adoption of GASB Statement No. 102, Certain Risk Disclosures

For the fiscal year ending December 31, 2025, The City adopted GASB 102. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The adoption of GASB 102 had no impact on the City's financial reporting.

Required Supplementary Information



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

Fiscal Year Ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Interest	\$ 2,085,834	\$ 2,132,913	\$ 2,185,214	\$ 2,187,902	\$ 2,210,736	\$ 2,262,194	\$ 2,250,013	\$ 2,387,422	\$ 2,458,896	\$ 2,531,326
Difference between expected and actual experience	(528,386)	414,412	(180,475)	863,257	617,979	91,150	946,549	138,769	(151,195)	116,585
Assumption Changes	-	-	(596,845)	125,281	-	-	-	1,767,387	-	680,689
Benefit Payments, including refunds of employee contributions	(3,187,674)	(3,205,715)	(3,205,793)	(3,223,869)	(3,085,961)	(3,090,972)	(2,954,113)	(2,957,863)	(3,502,026)	(2,982,945)
Net Change in Total Pension Liability	(1,630,226)	(658,390)	(1,797,899)	(47,429)	(257,246)	(737,628)	242,449	1,335,715	(1,194,325)	345,655
Total Pension Liability - Beginning	30,363,955	31,022,345	32,820,244	32,867,673	33,124,919	33,862,547	33,620,098	32,284,383	33,478,708	33,133,053
Total Pension Liability - Ending (a)	<u>\$ 28,733,729</u>	<u>\$ 30,363,955</u>	<u>\$ 31,022,345</u>	<u>\$ 32,820,244</u>	<u>\$ 32,867,673</u>	<u>\$ 33,124,919</u>	<u>\$ 33,862,547</u>	<u>\$ 33,620,098</u>	<u>\$ 32,284,383</u>	<u>\$ 33,478,708</u>
Plan Fiduciary Net Position										
Contributions - Employer*	\$ 1,948,405	\$ 1,838,171	\$ 1,785,823	\$ 1,779,703	\$ 2,764,741	\$ 1,701,004	\$ 2,636,258	\$ 1,540,550	\$ 1,666,114	\$ 1,866,654
Contributions - Member	-	-	-	-	-	-	-	-	747	4,708
Net Investment Income	1,783,435	1,768,445	(2,221,195)	2,345,929	1,742,497	2,234,612	(377,407)	1,736,826	784,066	26,779
Benefit Payments, including refunds of employee contributions	(3,187,674)	(3,205,715)	(3,205,793)	(3,223,869)	(3,085,961)	(3,090,972)	(2,954,113)	(2,957,863)	(3,502,026)	(2,982,945)
Administrative Expense	(20,066)	(14,819)	(14,595)	(19,471)	(21,551)	(19,653)	(25,021)	(22,267)	(25,264)	(33,915)
Net Change in Plan Fiduciary Net Position	524,100	386,082	(3,655,760)	882,292	1,399,726	824,991	(720,283)	297,246	(1,076,363)	(1,118,719)
Plan Fiduciary Net Position - Beginning	12,523,562	12,137,480	15,793,240	14,910,948	13,511,222	12,686,231	13,406,514	13,109,268	14,185,631	15,304,350
Plan Fiduciary Net Position - Ending (b)	<u>\$ 13,047,662</u>	<u>\$ 12,523,562</u>	<u>\$ 12,137,480</u>	<u>\$ 15,793,240</u>	<u>\$ 14,910,948</u>	<u>\$ 13,511,222</u>	<u>\$ 12,686,231</u>	<u>\$ 13,406,514</u>	<u>\$ 13,109,268</u>	<u>\$ 14,185,631</u>
City's Net Pension Liability (a) - (b)	<u>\$ 15,686,067</u>	<u>\$ 17,840,393</u>	<u>\$ 18,884,865</u>	<u>\$ 17,027,004</u>	<u>\$ 17,956,725</u>	<u>\$ 19,613,697</u>	<u>\$ 21,176,316</u>	<u>\$ 20,213,584</u>	<u>\$ 19,175,115</u>	<u>\$ 19,293,077</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	45.41%	41.24%	39.12%	48.12%	45.37%	40.79%	37.46%	39.88%	40.61%	42.37%
Covered Payroll ^	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,646	\$ 86,750	\$ 74,302	\$ 86,657	\$ 156,943
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	73608.41%	24410.74%	27204.63%	22127.60%	12293.05%

* Includes assets reported as Premium Tax Money. The amount for 2025 was \$339,468.

^ Beginning in 2016, Covered Payroll is the amount for which contributions were based. Prior to 2016, Covered Payroll was based on active valuation payroll.

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

- ⁽¹⁾: Assumption changes for 2017 include a decrease in the price inflation from 3.75 to 3.00 percent and a salary increase from 3.75 to 4.00 percent. There was no change in investment rate of return 7.75 percent in 2017.
- ⁽²⁾: Assumption changes for 2018 include an increase in the price inflation from 3.00 to 3.75 percent and a salary decrease from 4.00 to 3.75 percent. There was no change in investment rate of return of 7.75 percent.
- ⁽³⁾: Assumption changes for 2019 include a decrease in price inflation from 3.75 to 2.75 percent, a salary decrease from 4.00 to 3.75 percent and a decrease in the investment rate of return of 7.75 to 7.00 percent.
- ⁽⁴⁾: Assumption changes for 2020 include a decrease in price inflation from 2.75 to 2.50 percent.
- ⁽⁵⁾: No assumption changes for years 2021, 2022, 2023 and 2025.
- ⁽⁶⁾: Assumption changes for 2024 include a decrease in the price inflation from 2.50 to 2.25 percent and a salary decrease from 3.25 to 3.00 percent.

Required Supplementary Information

Agent Multiple-Employer Plans Schedule of the City's Pension Contributions – FRPF (the Old Fire Plan)

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2025	1,633,272	1,633,272	-	-	-%
2024	1,633,272	1,633,272	-	-	-%
2023	1,603,368	1,603,368	-	-	-%
2022	1,534,596	1,534,596	-	-	-%
2021	1,534,596	1,534,596	-	-	-%
2020	1,490,736	2,490,736	(1,000,000)	-	-%
2019	1,440,972	1,440,972	-	26,646	5407.84%
2018	1,439,040	2,439,040	(1,000,000)	86,750	2811.58%
2017	1,318,992	1,318,992	-	74,302	1775.18%
2016	1,418,363	1,418,363	-	86,657	1636.76%

Key Assumptions for ADC:

Methods and Assumptions Used to Determine Contribution Rates:

Valuation Date	December 31, 2023
Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	13 years beginning January 1, 2025
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.25%
Salary Increases	3.00%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2017-2020.
Mortality	The mortality tables used to measure retired life mortality were the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables set forward one year for males and two years for females, Disabled Retiree and Employee mortality tables for males and females. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

Other Information:

Notes	There were no benefit changes during the year.
-------	--

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

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

Fiscal Year Ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Interest	\$ 1,735,086	\$ 1,819,886	\$ 1,801,897	\$ 1,908,541	\$ 1,892,834	\$ 1,961,197	\$ 1,917,084	\$ 1,940,131	\$ 1,962,715	\$ 1,968,295
Difference Between Actual & Expected Experience	(1,389,584)	(596,819)	594,707	(816,745)	838,445	(478,127)	1,153,626	1,495,866	385,696	652,213
Assumption Changes	-	-	(583,925)	(117,450)	-	-	-	1,627,412	-	396,928
Benefit Payments, including refunds of employee contributions	(2,362,759)	(2,422,665)	(2,481,713)	(2,513,969)	(2,499,815)	(2,419,553)	(2,461,495)	(2,959,388)	(2,320,229)	(2,271,315)
Net Change in Total Pension Liability	(2,017,257)	(1,199,598)	(669,034)	(1,539,623)	231,464	(936,483)	609,215	2,104,021	28,182	746,121
Total Pension Liability - Beginning	25,113,607	26,313,205	26,982,239	28,521,862	28,290,398	29,226,881	28,617,666	26,513,645	26,485,463	25,739,342
Total Pension Liability - Ending (a)	\$ 23,096,350	\$ 25,113,607	\$ 26,313,205	\$ 26,982,239	\$ 28,521,862	\$ 28,290,398	\$ 29,226,881	\$ 28,617,666	\$ 26,513,645	\$ 26,485,463
Plan Fiduciary Net Position										
Contributions - Employer*	\$ 1,994,551	\$ 1,965,010	\$ 1,992,459	\$ 2,013,820	\$ 2,923,608	\$ 1,892,691	\$ 2,634,491	\$ 1,429,779	\$ 1,509,135	\$ 1,596,703
Net Investment Income	1,374,483	1,283,717	(1,519,307)	1,535,755	1,078,326	1,307,687	(211,373)	996,413	463,067	15,584
Benefit Payments, including refunds of employee contributions	(2,362,759)	(2,422,665)	(2,481,713)	(2,513,969)	(2,499,815)	(2,419,553)	(2,461,495)	(2,959,388)	(2,320,229)	(2,271,315)
Administrative Expense	(15,464)	(10,757)	(9,983)	(12,746)	(13,336)	(11,501)	(14,014)	(12,774)	(15,173)	(19,925)
Net Change in Plan Fiduciary Net Position	990,811	815,305	(2,018,544)	1,022,860	1,488,783	769,324	(52,391)	(545,970)	(363,200)	(678,953)
Plan Fiduciary Net Position - Beginning	9,358,396	8,543,091	10,561,635	9,538,775	8,049,992	7,280,668	7,333,059	7,879,029	8,242,229	8,921,182
Plan Fiduciary Net Position - Ending (b)	\$ 10,349,207	\$ 9,358,396	\$ 8,543,091	\$ 10,561,635	\$ 9,538,775	\$ 8,049,992	\$ 7,280,668	\$ 7,333,059	\$ 7,879,029	\$ 8,242,229
City's Net Pension Liability (a) - (b)	\$ 12,747,143	\$ 15,755,211	\$ 17,770,114	\$ 16,420,604	\$ 18,983,087	\$ 20,240,406	\$ 21,946,213	\$ 21,284,607	\$ 18,634,616	\$ 18,243,234
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	44.81%	37.26%	32.47%	39.14%	33.44%	28.45%	24.91%	25.62%	29.72%	31.12%
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Includes assets reported as Premium Tax Money. The amount for 2025 was \$308,733.

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

⁽¹⁾: Assumption changes for 2017 include an increase in the price inflation from 3.75 to 3.00 percent and a salary increase from 3.75 to 4.00 percent. There was no change in investment rate of return 7.75 percent in 2017.

⁽²⁾: Assumption changes for 2018 include an increase in the price inflation from 3.00 to 3.75 percent and a salary decrease from 4.00 to 3.75 percent. There was no change in investment rate of return of 7.75 percent.

⁽³⁾: Assumption changes for 2019 include a decrease in price inflation from 3.75 to 2.75 percent, a salary decrease from 4.00 to 3.75 percent and a decrease in the investment rate of return of 7.75 to 7.00 percent.

⁽⁴⁾: Assumption changes for 2020 include a decrease in price inflation from 2.75 to 2.50 percent.

⁽⁵⁾: No assumption changes for 2021, 2022, 2023 and 2025.

⁽⁶⁾: Assumption changes for 2024 include a decrease in the price inflation from 2.50 to 2.25 percent and a salary decrease from 3.25 to 3.00 percent.

Required Supplementary Information

**Agent Multiple-Employer Plans
Schedule of the City's Pension
Contributions - PRPF (the Old Police Plan)**

FY Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2025	1,697,760	1,697,760	-	-	N/A
2024	1,697,760	1,697,760	-	-	N/A
2023	1,697,760	1,697,760	-	-	N/A
2022	1,697,760	1,697,760	-	-	N/A
2021	1,697,760	1,697,760	-	-	N/A
2020	1,588,560	2,588,560	(1,000,000)	-	N/A
2019	1,542,372	1,542,372	-	-	N/A
2018	1,334,976	2,334,976	(1,000,000)	-	N/A
2017	1,158,782	1,158,782	-	-	N/A
2016	1,256,207	1,256,207	-	-	N/A

Key Assumptions for ADC:**Methods and Assumptions Used to Determine Contribution Rates:**

Valuation Date	December 31, 2023
Actuarial Cost Method	Individual Entry-Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization Period	13 years beginning January 1, 2025
Asset Valuation Method	5-Year smoothed market; 20% corridor (for funding purposes)
Price Inflation	2.25%
Salary Increases	3.00%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2017-2020.
Mortality	The mortality tables used to measure retired life mortality were the Pub-2010 Amount-Weighted General Below Median Income Healthy Retiree tables set forward one year for males and two years for females, Disabled Retiree and Employee mortality tables for males and females. The tables were adjusted for fully generational mortality improvements using Scale MP-2020.

Other Information:

Notes	There were no benefit changes during the year.
-------	--

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

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

Plan Fiscal Year Ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	4.2787%	4.2884%	4.2536%	4.1300%	4.2656%	4.2426%	4.2070%	4.0601%	4.3186%	4.9028%
City's proportionate share of the net pension liability	\$ 36,643,323	\$ 42,924,080	\$ 45,414,860	\$ 20,869,577	\$ 29,325,127	\$ 32,784,534	\$ 37,963,100	\$ 28,851,157	\$ 24,639,054	\$ 25,717,186
City's covered payroll	\$ 22,432,450	\$ 22,273,579	\$ 20,852,403	\$ 18,702,920	\$ 17,367,198	\$ 17,841,388	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346
City's proportionate share of the net pension liability as a percentage of its covered payroll	163.35%	192.71%	217.79%	111.58%	168.85%	183.76%	214.70%	173.20%	158.09%	158.49%
Plan fiduciary net position as a percentage of the total pension liability	78.89%	73.50%	69.20%	84.75%	77.79%	73.21%	66.09%	71.48%	72.87%	72.92%

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

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

Plan Fiscal Year Ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially required contribution	\$ 5,404,047	\$ 5,162,792	\$ 4,692,860	\$ 4,112,902	\$ 3,771,507	\$ 3,688,419	\$ 3,540,551	\$ 3,284,942	\$ 2,904,425	\$ 2,674,571
Contributions in relation to the actuarially required contribution	(5,404,047)	(5,162,792)	(4,692,860)	(4,112,902)	(3,771,507)	(3,688,419)	(3,540,551)	(3,284,942)	(2,904,425)	(2,674,571)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 22,432,450	\$ 22,273,579	\$ 20,852,403	\$ 18,702,920	\$ 17,367,198	\$ 17,841,388	\$ 17,681,877	\$ 16,657,860	\$ 15,585,218	\$ 16,226,346
Contributions as a percentage of covered payroll	24.09%	23.18%	22.51%	21.99%	21.72%	20.67%	20.02%	19.72%	18.64%	16.48%

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

Cost-Sharing Plans
Schedule of the City's Proportionate Share of the Net
Pension Liability - APERS

Plan Fiscal Year Ended June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.0049%	0.0048%	0.0047%	0.0047%	0.0047%	0.0049%	0.0047%	0.0047%	0.0048%	0.0048%
City's proportionate share of the net pension liability	\$ 101,831	\$ 119,983	\$ 136,572	\$ 126,642	\$ 36,152	\$ 139,343	\$ 113,539	\$ 103,956	\$ 125,123	\$ 115,180
City's covered payroll	\$ 116,149	\$ 109,547	\$ 109,321	\$ 102,878	\$ 95,253	\$ 96,333	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221
City's proportionate share of the net pension liability as a percentage of its covered payroll	87.67%	105.88%	124.93%	123.10%	37.95%	144.65%	120.50%	113.40%	143.38%	124.90%
Plan fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%

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

**Cost-Sharing Plans
Schedule of City's Contributions – APERS**

Plan Fiscal Year Ended June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially required contribution	\$ 18,106	\$ 17,360	\$ 16,305	\$ 15,732	\$ 14,593	\$ 14,546	\$ 13,910	\$ 13,702	\$ 12,872	\$ 12,654
Contributions in relation to the actuarially required contribution	(18,106)	(17,360)	(16,305)	(15,732)	(14,593)	(14,546)	(13,910)	(13,702)	(12,872)	(12,654)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 118,183	\$ 113,319	\$ 106,689	\$ 102,878	\$ 95,253	\$ 96,333	\$ 94,221	\$ 91,675	\$ 87,267	\$ 92,221
Contributions as a percentage of covered payroll	15.32%	15.32%	15.28%	15.29%	15.32%	15.10%	14.76%	14.95%	14.75%	13.72%

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

Cost-Sharing Plans Fort Smith Public Library - APERS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Organization's proportion of the net pension liability(asset)	0.07196665%	0.07030991%	0.07148101%	0.06924677%	0.07244692%	0.06842373%	0.06581163%	0.07428966%	0.06648929%	0.07284649%
Organization's proportionate share of the net pension liability	\$ 1,510,428	\$ 1,749,396	\$ 2,083,090	\$ 1,867,158	\$ 556,995	\$ 1,959,371	\$ 1,587,725	\$ 1,638,782	\$ 1,718,177	\$ 1,742,013
Organization's covered payroll	\$ 1,652,075	\$ 1,667,964	\$ 1,584,315	\$ 1,769,598	\$ 1,446,684	\$ 1,335,065	\$ 1,259,399	\$ 1,286,673	\$ 1,304,997	\$ 1,319,906
Organization's proportionate share of the net pension liability as a percentage of its covered payroll	91.43%	104.88%	131.48%	105.51%	38.50%	146.76%	126.07%	127.37%	131.66%	131.98%
Plan fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	81.61%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%

Schedule of Library Contributions Last Fiscal Year

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially required contribution	\$ 247,345	\$ 259,131	\$ 244,187	\$ 221,750	\$ 221,632	\$ 204,532	\$ 192,940	\$ 189,784	\$ 189,225	\$ 191,379
Contributions in relation to the actuarially required contribution	(247,345)	(259,131)	(244,187)	(221,750)	(221,632)	(204,532)	(192,940)	(205,249)	(173,760)	(191,379)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (15,465)	\$ 15,465	\$ -
Organization's covered payroll	\$ 1,614,521	\$ 1,691,454	\$ 1,593,909	\$ 1,584,315	\$ 1,769,598	\$ 1,335,065	\$ 1,259,399	\$ 1,286,673	\$ 1,304,997	\$ 1,319,906
Contributions as a percentage of covered payroll	15.32%	15.32%	15.32%	14.00%	12.52%	15.32%	15.32%	14.75%	14.50%	14.50%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 1,344,246	\$ 1,178,721	\$ 910,463	\$ 972,744	\$ 945,457	\$ 740,528	\$ 701,561	\$ 688,122
Interest	862,363	730,713	589,572	373,856	379,078	505,240	558,604	1,219,581
Differences Between Expected and Actual Experience	2,176,031	920,175	1,850,856	345,514	(517,229)	(3,549,625)	(1,074,914)	-
Changes of Assumptions	1,959,445	(635,704)	1,363,914	(1,994,258)	223,018	1,901,027	666,698	(18,537,237)
Benefit Payments	(478,756)	(478,733)	(311,472)	(360,487)	(268,881)	(366,898)	(293,091)	(271,381)
Net Change in Total OPEB Liability	5,863,329	1,715,172	4,403,333	(662,631)	761,443	(769,728)	558,858	(16,900,915)
Total OPEB Liability - Beginning	19,041,289	17,326,117	12,922,784	13,585,415	12,823,972	13,593,700	13,034,842	29,935,757
Total OPEB Liability - Ending (a)	\$ 24,904,618	\$ 19,041,289	\$ 17,326,117	\$ 12,922,784	\$ 13,585,415	\$ 12,823,972	\$ 13,593,700	\$ 13,034,842
Plan Fiduciary Net Position								
Contributions - Employer	\$ 478,756	\$ 478,733	\$ 311,472	\$ 360,487	\$ 268,881	\$ 366,898	\$ 293,091	\$ 271,381
Net Investment Income	90,293	64,281	64,876	(37,092)	(20,826)	99,308	67,719	27,907
Benefit Payments	(478,756)	(478,733)	(311,472)	(360,487)	(268,881)	(366,898)	(293,091)	(271,381)
Administrative Expense	(16,748)	(16,091)	(15,582)	(15,578)	(15,945)	(12,063)	(15,274)	(25,666)
Net change in Fiduciary Net Position	73,545	48,190	49,294	(52,670)	(36,771)	87,245	52,445	2,241
Plan Fiduciary Net Position - Beginning	1,634,547	1,586,357	1,537,063	1,589,733	1,626,504	1,539,259	1,486,814	1,484,573
Plan Fiduciary Net Position - Ending (b)	\$ 1,708,092	\$ 1,634,547	\$ 1,586,357	\$ 1,537,063	\$ 1,589,733	\$ 1,626,504	\$ 1,539,259	\$ 1,486,814
City's Net OPEB Liability - Ending (a) - (b)	\$ 23,196,526	\$ 17,406,742	\$ 15,739,760	\$ 11,385,721	\$ 11,995,682	\$ 11,197,468	\$ 12,054,441	\$ 11,548,028
Plan fiduciary net position as a percentage of the total OPEB liability	6.90%	8.60%	9.16%	11.89%	11.70%	12.68%	11.32%	11.41%
Covered-employee payroll	\$ 65,369,307	\$ 62,825,509	\$ 56,662,290	\$ 52,964,335	\$ 47,959,015	\$ 48,622,396	\$ 46,933,607	\$ 45,273,921
City's Net OPEB Liability as a Percentage of covered-employee payroll	35.49%	27.71%	27.78%	21.50%	25.01%	23.03%	25.68%	25.51%

Notes to the Schedule

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

Changes in assumptions. In 2018, the assumed single discount rate was increased from 4.00 to 4.11 percent. The health care cost trend increased from 7.5 to 8.0 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent. In 2019, the assumed single discount rate was decreased from 4.11 to 3.57 percent. In 2020, the assumed single discount rate was decreased from 3.57 to 2.78 percent. In 2021, the assumed single discount rate was decreased from 2.78 to 2.60 percent. In 2022, the assumed single discount rate was increased from 2.60

to 4.31 percent. In 2023, the assumed single discount rate was decreased from 4.31 to 4.00 percent. In 2024, the assumed single discount rate was increased from 4.00 to 4.28 percent. In 2025, the assumed single discount rate was increased from 4.28 to 4.83 percent. The Plan experienced an actuarial asset gain. This gain was driven by the actual investment return of 4.40%, which exceeded the long-term expected rate of return of 4.00%.

**Other Postemployment Benefit (OPEB) Plan
Schedule of City Contributions**

Plan Fiscal Year Ended December 31,	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,344,833	\$ 1,966,196	\$ 1,533,942	\$ 1,274,388	\$ 1,242,720	\$ 1,311,170	\$ 1,233,440	\$ 1,923,660
Contributions in relation to the actuarially determined contribution	(478,756)	(478,733)	(311,472)	(360,487)	(268,881)	(366,898)	(293,091)	(271,381)
Contribution deficiency (excess)	\$ 1,866,077	\$ 1,487,463	\$ 1,222,470	\$ 913,901	\$ 973,839	\$ 944,272	\$ 940,349	\$ 1,652,279
City's covered-employee payroll	\$ 65,369,307	\$ 62,825,509	\$ 56,662,290	\$ 52,964,335	\$ 47,959,015	\$ 48,622,396	\$ 46,933,607	\$ 45,273,921
Contributions as a percentage of covered-employee payroll	0.70%	0.76%	0.55%	0.68%	0.56%	0.75%	0.62%	0.60%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal
 Inflation: 2.5 percent per year
 Health care cost trend rates: 8.00 percent initial, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent
 Single discount rate: 4.83 percent
 Retirement age: Expected retirement ages of general employees are based on information provided by the Arkansas Public Employees Retirement System (APERS)
 Mortality: General Actives and Retirees: SOA-Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

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

**Other Postemployment Benefit (OPEB) Plan
Schedule of Investment Returns**

	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	4.50%	3.04%	3.21%	(3.31%)	(2.26%)	5.40%	3.53%	0.15%

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

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,500,000	\$ 8,616,321	\$ 8,830,726	\$ 214,405
Sales taxes	25,100,000	24,500,000	24,489,352	(10,648)
Licenses and permits	2,528,960	2,389,195	2,226,244	(162,951)
Utility franchise fees	9,250,000	8,412,865	8,813,972	401,107
Intergovernmental	6,449,467	9,159,907	6,128,201	(3,031,706)
Fines and forfeitures	1,908,700	2,077,807	2,183,414	105,607
Fees for services	515,420	589,909	669,467	79,558
Interest	1,500,000	967,018	761,176	(205,842)
Contributions	35,000	87,049	92,100	5,051
Miscellaneous	197,600	713,002	404,424	(308,578)
Total revenues	55,985,147	57,513,073	54,599,076	(2,913,997)
Expenditures				
Current:				
General government				
Administration	6,111,551	9,140,136	7,562,294	1,577,842
Legal	2,823,670	2,479,909	2,274,976	204,933
Finance	3,137,077	3,172,479	2,927,378	245,101
Public safety				
Police	20,987,992	19,634,541	18,220,949	1,413,592
Fire	14,801,423	14,653,573	14,722,202	(68,629)
Community services				
Health and social services	244,840	244,969	188,072	56,897
Parks and recreation	3,610,297	2,968,932	2,819,421	149,511
Transit	3,361,427	3,727,267	3,678,955	48,312
Miss Laura's Museum	-	692,250	358,779	333,471
Capital outlay	1,532,008	11,650,995	8,556,550	3,094,445
Debt Service	1,543,960	1,543,960	1,543,960	-
Total expenditures	58,154,245	69,909,011	62,853,536	7,055,475
Excess (deficiency) of revenues over (under) expenditures	(2,169,098)	(12,395,938)	(8,254,460)	4,141,478
Other Financing Sources (Uses):				
Transfers in	100,000	144,000	144,000	-
Transfers out	(3,675,000)	(2,684,226)	(2,684,226)	-
SBITA	-	-	1,648,152	1,648,152
Total other financing sources and uses	(3,575,000)	(2,540,226)	(892,074)	1,648,152
Net change in fund balances	(5,744,098)	(14,936,164)	(9,146,534)	5,789,630
Fund Balances, beginning of year	29,995,346	35,472,068	35,472,068	-
Fund Balances, end of year	\$ 24,251,248	\$ 20,535,904	\$ 26,325,534	\$ 5,789,630

Required Supplementary Information

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Street Maintenance Fund
For the Year Ended December 31, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,600,000	\$ 2,489,400	\$ 2,622,846	\$ 133,446
Licenses and permits	360,000	321,023	271,564	(49,459)
Intergovernmental	8,060,000	7,508,207	7,394,322	(113,885)
Interest	200,000	329,000	302,451	(26,549)
Miscellaneous	-	109,045	99,868	(9,177)
Total revenues	<u>11,220,000</u>	<u>10,756,675</u>	<u>10,691,051</u>	<u>(65,624)</u>
Expenditures				
Current:				
General government				
Administration	421,072	339,548	327,406	12,142
Legal	102,750	103,336	110,534	(7,198)
Finance	1,439,376	1,229,145	1,123,571	105,574
Public works				
Operations	863,736	801,534	787,065	14,469
Streets	5,094,244	4,885,119	4,813,097	72,022
Traffic control	2,989,216	2,726,738	2,642,090	84,648
Community services				
Parks and recreation	415,686	412,559	406,383	6,176
Capital outlay	<u>105,000</u>	<u>1,296,127</u>	<u>1,212,339</u>	<u>83,788</u>
Total expenditures	<u>11,431,080</u>	<u>11,794,106</u>	<u>11,422,485</u>	<u>371,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(211,080)</u>	<u>(1,037,431)</u>	<u>(731,434)</u>	<u>305,997</u>
Net Change in Fund Balances	(211,080)	(1,037,431)	(731,434)	305,997
Fund Balances, beginning of year	<u>6,404,621</u>	<u>9,082,410</u>	<u>9,082,410</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 6,193,541</u>	<u>\$ 8,044,979</u>	<u>\$ 8,350,976</u>	<u>\$ 305,997</u>

Required Supplementary Information

Note to Required Supplementary Information December 31, 2025

Budgets and Budget Accounting

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

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

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

Combining and Individual Fund Financial Statements and Schedules



Nonmajor Governmental Funds For the Year Ended December 31, 2025

Special Revenue Funds:

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

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

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

Central Business Improvement District (CBID) - To account for annual assessments upon property owners in the CBID. The assessment revenues fund "clean & green" projects to improve landscaping, maintenance, cleanliness, repairs and overall appearance of City sidewalks, streets and public spaces in the CBID area. The CBID does not issue separate financial statements.

River Valley Communications Center (RVCC) - To account for the operations of the consolidated 911 dispatch center serving Fort Smith and all of Sebastian County, Arkansas, funded by state aid, telecommunications carrier surcharges and contributions from local governments in the County.

Combining Balance Sheet – Nonmajor Governmental Funds December 31, 2025

	Special Revenue						
	Community Development Block Grant	Tilles Park	HOME Investment	Convention Center	RVCC	CBID	Total Nonmajor
Assets							
Cash	\$ -	\$ -	\$ -	\$ -	\$ 2,037,233	\$ 307,707	\$ 2,344,940
Receivables, net of allowance for uncollectibles							
Taxes	-	-	-	-	-	624	624
Accounts	4	-	-	1,337,118	4	-	1,337,126
Due from other governments	39,802	-	2,153	-	-	-	41,955
Restricted assets:							
Cash	17,594	-	21,625	-	-	-	39,219
Inventories	-	-	-	24,204	-	-	24,204
Prepaid items	-	-	-	20,767	-	-	20,767
Total assets	<u>\$ 57,400</u>	<u>\$ -</u>	<u>\$ 23,778</u>	<u>\$ 1,382,089</u>	<u>\$ 2,037,237</u>	<u>\$ 308,331</u>	<u>\$ 3,808,835</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 31,350	\$ -	\$ 10,297	\$ 306,504	\$ 3,366	\$ 3,795	\$ 355,312
Due to other funds	858	-	-	784,100	-	-	784,958
Unearned revenues	-	-	-	73,369	-	-	73,369
Total liabilities	<u>32,208</u>	<u>-</u>	<u>10,297</u>	<u>1,163,973</u>	<u>3,366</u>	<u>3,795</u>	<u>1,213,639</u>
Fund Balances:							
Nonspendable	-	-	-	44,971	-	-	44,971
Restricted:							
Public safety operations and capital	-	-	-	-	2,033,871	1	2,033,872
Housing and rehabilitation	25,192	-	13,481	-	-	-	38,673
Other	-	-	-	-	-	304,535	304,535
Assigned:							
Convention center	-	-	-	173,145	-	-	173,145
Total Fund Balances	<u>25,192</u>	<u>-</u>	<u>13,481</u>	<u>218,116</u>	<u>2,033,871</u>	<u>304,536</u>	<u>2,595,196</u>
Total liabilities and fund balances	<u>\$ 57,400</u>	<u>\$ -</u>	<u>\$ 23,778</u>	<u>\$ 1,382,089</u>	<u>\$ 2,037,237</u>	<u>\$ 308,331</u>	<u>\$ 3,808,835</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
Nonmajor Governmental Funds
For the Year Ended December 31, 2025**

	Special Revenue						Total Nonmajor
	Community Development Block Grant	Tilles Park	HOME Investment Partnership Act	Convention Center	RVCC	CBID	
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,686	\$ 218,686
Licenses and permits	-	-	-	-	-	159	159
Intergovernmental	817,002	-	456,513	-	2,334,847	-	3,608,362
Fees for services	-	-	-	1,747,254	-	64,896	1,812,150
Investment earnings (loss)	-	-	-	12,909	32,240	11,891	57,040
Miscellaneous	110	-	-	138,230	30,131	8	168,479
Total revenues	817,112	-	456,513	1,898,393	2,397,218	295,640	5,864,876
Expenditures							
Current:							
Community services							
Convention Center	-	-	-	4,239,731	-	-	4,239,731
Housing and Rehabilitation	850,064	-	502,918	-	-	-	1,352,982
Downtown improvements	-	-	-	-	-	124,967	124,967
Capital Outlay	-	-	-	-	157,632	107,220	264,852
Debt Service	-	-	-	40,174	-	57,720	97,894
Total expenditures	850,064	-	502,918	4,279,905	363,347	289,907	6,286,141
Excess (deficiency) of revenues over (under) expenditures	(32,952)	-	(46,405)	(2,381,512)	2,033,871	5,733	(421,265)
Other Financing Sources (Uses)							
Transfers in	-	-	-	759,226	-	-	759,226
Transfers out	-	-	-	-	-	(44,000)	(44,000)
Total Other Financing Sources and Uses	-	-	-	759,226	-	(44,000)	715,226
Change in Fund Balances	(32,952)	-	(46,405)	(1,622,286)	2,033,871	(38,267)	293,961
Fund Balances (deficit), beginning of year	58,144	-	59,886	1,840,402	-	342,803	2,301,235
Fund Balances, end of year	\$ 25,192	\$ -	\$ 13,481	\$ 218,116	\$ 2,033,871	\$ 304,536	\$ 2,595,196

Internal Service Funds For the Fiscal Year Ended December 31, 2025

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

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

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

**Combining Statement of Net Position
Internal Service Funds
December 31, 2025**

	<u>Working Capital</u>	<u>Employee Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Assets				
Current Assets				
Cash	\$ 194,562	\$ 515,929	\$ 3,906,736	\$ 4,617,227
Receivables, net of allowance for uncollectibles				
Accounts	-	1,599,259	-	1,599,259
Inventories	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>1,125</u>
Total Current Assets	<u>195,687</u>	<u>2,115,188</u>	<u>3,906,736</u>	<u>6,217,611</u>
Total Assets	<u>195,687</u>	<u>2,115,188</u>	<u>3,906,736</u>	<u>6,217,611</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	35,771	523,255	15,110	574,136
Claims and judgments	<u>-</u>	<u>1,602,220</u>	<u>1,311,387</u>	<u>2,913,607</u>
Total Current Liabilities	<u>35,771</u>	<u>2,125,475</u>	<u>1,326,497</u>	<u>3,487,743</u>
Total Liabilities	<u>35,771</u>	<u>2,125,475</u>	<u>1,326,497</u>	<u>3,487,743</u>
Net Position (Deficit)				
Unrestricted	<u>159,916</u>	<u>(10,287)</u>	<u>2,580,239</u>	<u>2,729,868</u>
Net Position (Deficit)	<u>\$ 159,916</u>	<u>\$ (10,287)</u>	<u>\$ 2,580,239</u>	<u>\$ 2,729,868</u>

**Combining Statement of Revenues, Expenses and
Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2025**

	<u>Working Capital</u>	<u>Employee Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Operating Revenues				
Charges for services - internal	\$ 833,878	\$ 10,694,332	\$ 1,070,314	\$ 12,598,524
Charges for services - external	-	607,976	-	607,976
Total Operating Revenues	<u>833,878</u>	<u>11,302,308</u>	<u>1,070,314</u>	<u>13,206,500</u>
Operating Expenses				
Contractual services	-	457,938	478,306	936,244
Materials and supplies	855,684	-	-	855,684
Insurance claims and expenses	-	13,857,437	826,834	14,684,271
Total Operating Expenses	<u>855,684</u>	<u>14,315,375</u>	<u>1,305,140</u>	<u>16,476,199</u>
Operating Income (Loss)	(21,806)	(3,013,067)	(234,826)	(3,269,699)
Nonoperating Revenues				
Investment earnings	<u>5,057</u>	<u>97,207</u>	<u>151,598</u>	<u>253,862</u>
Change in Net Position	(16,749)	(2,915,860)	(83,228)	(3,015,837)
Net position, beginning of year	<u>176,665</u>	<u>2,905,573</u>	<u>2,663,467</u>	<u>5,745,705</u>
Net position (Deficit), ending of year	<u>\$ 159,916</u>	<u>\$ (10,287)</u>	<u>\$ 2,580,239</u>	<u>\$ 2,729,868</u>

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2025**

	Working Capital	Employee Insurance	Workers' Compensation	Total
Cash Flows from Operating Activities:				
Cash received from service users	\$ 833,879	\$ 606,572	\$ -	\$ 1,440,451
Cash received from city and employee contributions	-	10,694,332	1,070,314	11,764,646
Cash payments for goods and services	(819,363)	-	-	(819,363)
Cash payments for premiums and other operating expenses	-	(1,351,782)	(494,386)	(1,846,168)
Cash payments for claims paid	-	(13,468,725)	(429,721)	(13,898,446)
Net cash provided by (used in) operating activities	<u>14,516</u>	<u>(3,519,603)</u>	<u>146,207</u>	<u>(3,358,880)</u>
Cash Flows from Investing Activities				
Interest on investments	<u>5,057</u>	<u>97,207</u>	<u>151,598</u>	<u>253,862</u>
Net cash provided by investing activities	<u>5,057</u>	<u>97,207</u>	<u>151,598</u>	<u>253,862</u>
Net increase in cash	19,573	(3,422,396)	297,805	(3,105,018)
Cash, beginning of year	<u>174,989</u>	<u>3,938,324</u>	<u>3,608,931</u>	<u>7,722,244</u>
Cash, end of year	<u>\$ 194,562</u>	<u>\$ 515,928</u>	<u>\$ 3,906,736</u>	<u>\$ 4,617,226</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ (21,806)	\$ (3,013,067)	\$ (234,826)	\$ (3,269,699)
Change in assets and liabilities				
Accounts receivable	-	(877,420)	1	(877,419)
Inventory	979	-	-	979
Accounts payable and accrued liabilities	35,343	(231,168)	(16,081)	(211,906)
Liability for claims and judgments	-	602,052	397,113	999,165
Total adjustments	<u>36,322</u>	<u>(506,536)</u>	<u>381,033</u>	<u>(89,181)</u>
Net cash provided by (used in) operating activities	<u>\$ 14,516</u>	<u>\$ (3,519,603)</u>	<u>\$ 146,207</u>	<u>\$ (3,358,880)</u>

Discretely Presented Component Units For the Fiscal Year Ended December 31, 2025

Governmental Fund Types – Special Revenue Funds

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

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

Proprietary Fund Type – Enterprise Fund

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

Combining Statement of Net Position
Discreteley Presented Component Units: Governmental Activities
December 31, 2025

	Advertising and Promotion Commission	Public Library	Total
Assets			
Cash	\$ 1,169,868	\$ 1,281,566	\$ 2,451,434
Investments	-	116,873	116,873
Receivables, net of allowance for uncollectibles			
Taxes	-	243,233	243,233
Accounts	200	249,115	249,315
Prepaid items	-	98,485	98,485
Capital assets			
Nondepreciable	-	1,037,891	1,037,891
Depreciable	348,208	9,383,438	9,731,646
Total Assets	<u>1,518,276</u>	<u>12,410,601</u>	<u>13,928,877</u>
Deferred outflows of resources			
Deferred outflow related to pension	-	229,355	229,355
Total deferred outflows of resources	<u>-</u>	<u>229,355</u>	<u>229,355</u>
Liabilities			
Accounts payable and accrued liabilities	77,919	63,316	141,235
Long-term liabilities due in one year	61,596	7,668	69,264
Long-term liabilities due in more than one year	154,722	1,527,637	1,682,359
Total Liabilities	<u>294,237</u>	<u>1,598,621</u>	<u>1,892,858</u>
Deferred inflows of resources			
Deferred inflow related to pension	-	157,461	157,461
Total deferred inflows of resources	<u>-</u>	<u>157,461</u>	<u>157,461</u>
Net Position			
Net investment in capital assets	131,890	10,396,452	10,528,342
Restricted for:			
Tourism & promotion	1,092,149	-	1,092,149
Unrestricted			
Library	-	487,422	487,422
Total Net Position	<u>\$ 1,224,039</u>	<u>\$ 10,883,874</u>	<u>\$ 12,107,913</u>

Combining Statement of Activities
Discreteley Presented Component Units: Governmental Activities
For the Year Ended December 31, 2025

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities		
				Advertising & Promotion Commission	Public Library	Total
Advertising and Promotion Commission	\$ 1,482,218	\$ -	\$ -	\$ (1,482,218)	\$ -	\$ (1,482,218)
Public Library	4,381,369	150,225	577,880	-	(3,653,264)	(3,653,264)
Total	<u>\$ 5,863,587</u>	<u>\$ 150,225</u>	<u>\$ 577,880</u>	<u>(1,482,218)</u>	<u>(3,653,264)</u>	<u>(5,135,482)</u>
General revenues						
Property taxes				-	1,739,208	1,739,208
Sales taxes				-	1,469,361	1,469,361
Hospitality taxes				1,162,111	-	1,162,111
Unrestricted investment earnings				48,024	16,613	64,637
Other				18,929	25,194	44,123
Total general revenues				<u>1,229,064</u>	<u>3,250,376</u>	<u>4,479,440</u>
Change in net position				<u>(253,154)</u>	<u>(402,888)</u>	<u>(656,042)</u>
Net position, beginning of year				<u>1,477,193</u>	<u>11,286,762</u>	<u>12,763,955</u>
Net position, end of year				<u>\$ 1,224,039</u>	<u>\$ 10,883,874</u>	<u>\$ 12,107,913</u>

Balance Sheet – Advertising and Promotion
Discreteley Presented Component Units: Governmental Activities
December 31, 2025

Assets:	
Cash	\$ 1,169,868
Accounts Receivable	<u>200</u>
Total Assets	<u>\$ 1,170,068</u>
 Liabilities and Fund Balance:	
Current:	
Accounts payable and accrued liabilities	<u>\$ 77,919</u>
Total Liabilities	<u>77,919</u>
 Fund Balance:	
Restricted for:	
Tourism & promotion	<u>1,092,149</u>
Total Liabilities and Fund Balance	<u>\$ 1,170,068</u>

Statement of Revenues, Expenditures and Changes in Fund Balance
Advertising and Promotion
Discreteley Presented Component Units: Governmental Activities
For the Year Ended December 31, 2025

Revenues	
Taxes	\$ 1,162,111
Investment earnings (loss)	48,024
Other	<u>18,930</u>
Total revenues	<u>1,229,065</u>
Expenditures	
Other	1,471,778
Capital outlay	276,368
Debt service	<u>69,500</u>
Total Expenditures	<u>1,817,646</u>
Excess of revenues over expenditures	<u>(588,581)</u>
Leases (as lessee)	<u>276,368</u>
Total other financing uses	<u>276,368</u>
Net change in fund balance	(312,213)
Fund Balance, beginning of year	<u>1,404,362</u>
Fund Balance, end of year	<u><u>\$ 1,092,149</u></u>

Statement of Net Position
Discretely Presented Component Units:
Business-Type Activities
Airport Commission
December 31, 2025

Assets**Current Assets**

Cash	\$ 4,193,266
Accrued interest receivable	109,829
Lease receivables, current	796,209
Due from other governments	1,493,800
Prepaid items and deposits	155,452
Inventories	65,709
Total Current Assets	<u>9,039,265</u>

Noncurrent Assets

Restricted cash	639,786
Certificates of deposit	1,100,000
Lease receivables, noncurrent	13,101,038
Lease assets, net	1,706,100
Capital assets, nondepreciable	8,966,761
Capital assets, depreciable	59,843,332
Total Noncurrent Assets	<u>85,357,017</u>
Total Assets	<u>94,396,282</u>

Liabilities**Current liabilities**

Accounts payable and accrued liabilities	992,480
Lease liability, current	37,830
Unearned revenue	62,024
Total Current Liabilities	<u>1,092,334</u>

Noncurrent liabilities

Lease liability	1,820,407
Total Liabilities	<u>2,912,741</u>

Deferred Inflows of Resources

Deferred inflows of resources, leases	12,973,878
Total deferred inflows of resources	<u>12,973,878</u>

Net Position

Net investment in capital assets	67,929,450
Restricted for capital projects	674,354
Unrestricted	9,905,859
Total Net Position	<u>\$ 78,509,663</u>

Statement of Activities
Discretely Presented Component Units:
Business-Type Activities
Airport Commission
For the Year Ended December 31, 2025

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Net Position</u>
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Airport Commission	\$ 7,289,862	\$ 2,835,512	\$ 415,186	\$ 6,331,140	\$ 2,291,976
General revenues					
					739,642
					3,031,618
					75,478,045
					\$ 78,509,663

Statement of Cash Flows
Discretely Presented Component Units:
Business-Type Activities
Airport Commission
For the Year Ended December 31, 2025

Operating Activities

Cash received from customers	\$ 2,634,053
Cash payments for goods and services	(780,995)
Cash paid to employees	(1,390,548)
Net cash used in operating activities	<u>462,510</u>

Noncapital Financing Activities

Passenger facility charges received	242,978
Noncapital grants and gifts	180,416
Net cash provided by noncapital financing activities	<u>423,394</u>

Capital and Related Financing Activities

Proceeds from capital grants	5,638,396
Contribution from the City of Fort Smith	692,738
Acquisition and construction of capital assets	(8,210,296)
Principal paid on leases	(36,842)
Interest paid on leases	(49,693)
Net cash used in capital and related financing activities	<u>(1,965,697)</u>

Investing Activities

Proceeds from sales and maturities of investment securities	3,605,637
Outlays for purchases of investment securities	(2,775,000)
Income received on investments and cash equivalents	744,565
Net cash used in investing activities	<u>1,575,202</u>

Net increase in cash and restricted cash

495,409

Cash and restricted cash, January 1

4,337,643

Cash and restricted cash, December 31\$ 4,833,052**Reconciliation of cash and restricted cash at December 31 to statement of net position**

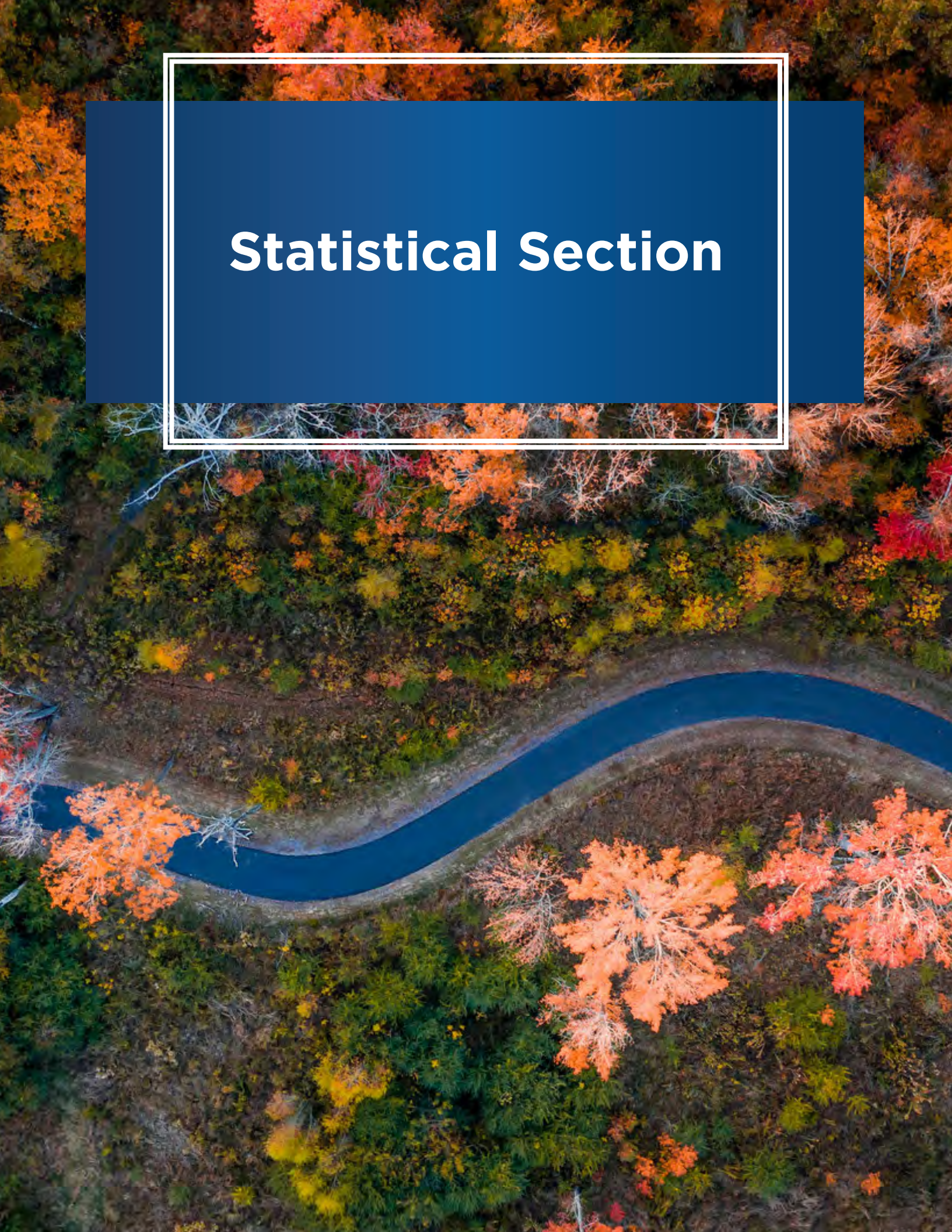
Cash	\$ 4,193,266
Restricted cash	639,786
Total	<u>\$ 4,833,052</u>

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating loss	\$ (4,404,657)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	4,251,665
Change in assets and liabilities	
Accounts receivable	927,422
Lease receivables	(1,323,416)
Inventories	9,982
Prepaid items	(6,181)
Accounts payable and accrued liabilities	(128,154)
Deferred inflows - leases	1,135,849
Total adjustments	4,867,167
Net cash provided by (used in) operating activities	<u>\$ 462,510</u>

Noncash capital and related financing activities:

Capital assets acquired through payables	\$ 728,506
--	------------

An aerial photograph of a river winding through a forest. The river is a dark blue line curving through the landscape. The surrounding forest is dense with trees showing vibrant autumn colors, including bright orange, yellow, and some red. The scene is captured from a high angle, looking down on the river and the forest canopy.

Statistical Section

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

Contents Page

Financial Trends (Tables 1-5)

These schedules contain trend information to assist the reader in understanding how the City’s financial performance and well-being have changed over time161

Revenue Capacity (Tables 6-11)

These schedules contain information to help the reader assess the City’s most significant revenue sources, local sales taxes and property taxes.167

Debt Capacity (Tables 12-15)

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future173

Demographic and Economic Information (Tables 16-17)

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the City’s financial activities take place.177

Operating Information (Tables 18-20)

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to services the City provides and the activities it performs179

Continuing Disclosure Requirement Information (Tables 21-22)

These schedules provide information required to be disseminated for investors of City debt. By including this data, this annual report may be used as the document that provides all debt covenant required reports and information 183

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Table 1

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	\$ 310,422,734	\$ 326,142,910	\$ 337,628,439	\$ 353,386,437	\$ 375,642,851	\$ 400,256,391	\$ 439,594,966	\$ 449,591,689	\$ 476,628,420	\$ 490,243,548
Restricted	49,252,066	48,938,954	58,722,663	69,471,463	61,701,488	67,339,948	57,798,315	82,379,703	97,559,115	102,921,045
Unrestricted (deficit)	(38,495,788)	(28,509,210)	(35,881,319)	(37,520,231)	(27,258,596)	(24,439,299)	2,712,207	(10,845,327)	(9,477,073)	(20,370,874)
Total governmental activities net position	<u>\$ 321,179,012</u>	<u>\$ 346,572,654</u>	<u>\$ 360,469,783</u>	<u>\$ 385,337,669</u>	<u>\$ 410,085,743</u>	<u>\$ 443,157,040</u>	<u>\$ 500,105,488</u>	<u>\$ 521,126,065</u>	<u>\$ 564,710,462</u>	<u>\$ 572,793,719</u>
Business-Type activities										
Net investment in capital assets	\$ 397,064,645	\$ 385,564,986	\$ 391,608,271	\$ 391,949,443	\$ 389,203,590	\$ 386,177,195	\$ 391,727,322	\$ 408,450,858	\$ 433,319,456	\$ 459,383,324
Restricted	23,582,119	23,581,225	8,736,608	6,319,596	6,191,083	4,746,700	7,307,845	7,696,850	8,416,731	6,511,267
Unrestricted (deficit)	12,571,307	18,695,478	43,171,676	45,204,886	50,302,949	61,258,031	63,772,686	78,011,252	63,329,801	69,495,926
Total business-type activities net position	<u>\$ 433,218,071</u>	<u>\$ 427,841,689</u>	<u>\$ 443,516,555</u>	<u>\$ 443,473,925</u>	<u>\$ 445,697,622</u>	<u>\$ 452,181,926</u>	<u>\$ 462,807,853</u>	<u>\$ 494,158,960</u>	<u>\$ 505,065,988</u>	<u>\$ 535,390,517</u>
Primary government										
Net investment in capital assets	\$ 707,487,379	\$ 711,707,896	\$ 729,236,710	\$ 745,335,880	\$ 764,846,441	\$ 786,433,586	\$ 831,322,288	\$ 858,042,548	\$ 909,947,876	\$ 949,626,872
Restricted	72,834,185	65,808,092	67,459,271	75,791,059	67,892,571	72,086,648	65,106,160	90,076,553	105,975,846	109,432,312
Unrestricted (deficit)	(25,924,481)	(9,813,732)	7,290,357	7,684,655	23,044,353	36,818,732	66,484,893	67,165,925	53,852,728	49,125,052
Total primary government net position	<u>\$ 754,397,083</u>	<u>\$ 767,702,256</u>	<u>\$ 803,986,338</u>	<u>\$ 828,811,594</u>	<u>\$ 855,783,365</u>	<u>\$ 895,338,966</u>	<u>\$ 962,913,341</u>	<u>\$ 1,015,285,025</u>	<u>\$ 1,069,776,450</u>	<u>\$ 1,108,184,236</u>

Table 2

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities:										
General government	\$ 9,334,979	\$ 9,813,976	\$ 9,487,201	\$ 10,237,381	\$ 10,208,851	\$ 15,180,500	\$ 30,213,524	\$ 22,053,261	\$ 19,186,977	\$ 21,657,341
Public safety	39,229,896	37,685,158	46,794,625	39,614,609	38,168,513	37,401,924	38,511,381	50,671,663	45,985,509	47,657,259
Public works	15,992,699	16,485,834	16,116,687	18,193,845	23,018,234	20,015,919	18,231,979	22,370,426	24,780,987	26,667,590
Community services	10,593,837	10,813,088	11,373,604	10,057,816	9,487,352	11,237,602	12,962,004	23,890,176	17,957,060	17,376,287
Downtown improvements	-	-	-	-	-	-	-	28,494	110,813	156,934
Interest	4,390,585	4,528,084	2,991,999	2,142,150	1,619,133	1,030,482	736,338	87,904	131,928	637,005
Total governmental activities expenses	79,541,996	79,326,140	86,764,116	80,245,801	82,502,083	84,866,427	100,655,226	119,101,924	108,153,274	114,152,416
Business-Type Activities:										
Water and Sewer	49,436,840	56,118,174	51,098,433	53,201,329	53,675,891	54,963,014	58,483,930	63,228,290	69,196,012	66,337,363
Solid Waste	11,623,625	14,930,172	12,462,283	13,708,100	13,699,284	12,746,048	17,046,039	19,992,762	22,157,447	24,857,522
Parking	-	-	-	308,030	176,885	224,262	216,863	236,296	167,994	91,538
Total business-type activities expenses	61,060,465	71,048,346	63,560,716	67,217,459	67,552,060	67,933,324	75,746,832	83,457,348	91,521,453	91,286,423
Total primary government expenses	<u>\$ 140,602,460</u>	<u>\$ 150,374,486</u>	<u>\$ 150,324,832</u>	<u>\$ 147,463,260</u>	<u>\$ 150,054,143</u>	<u>\$ 152,799,751</u>	<u>\$ 176,402,058</u>	<u>\$ 202,559,272</u>	<u>\$ 199,674,727</u>	<u>\$ 205,438,839</u>
Program Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 4,138,125	\$ 3,697,496	\$ 4,035,492	\$ 3,783,290	\$ 3,459,285	\$ 4,161,045	\$ 4,335,251	\$ 5,356,340	\$ 4,600,070	\$ 4,478,259
Public safety	174,925	206,292	212,218	1,093,566	1,189,180	1,060,711	1,875,351	1,875,087	2,229,054	2,298,050
Public works	335,684	346,439	389,717	198,326	305,509	253,143	365,481	383,136	287,485	313,896
Community services	1,170,521	1,322,074	1,207,071	1,392,367	526,883	682,832	1,304,823	1,817,991	1,737,134	2,200,608
Other	-	-	-	-	-	-	-	205,088	327,667	283,740
Operating grants and contributions	13,482,510	13,072,923	13,983,299	10,574,220	15,032,758	10,719,284	20,995,692	15,797,713	13,679,571	10,967,543
Capital grants and contributions	12,349,015	3,343,621	2,962,846	4,873,533	3,920,348	6,858,380	14,108,928	10,060,078	11,590,414	9,497,985
Total governmental activities program revenues	31,650,780	21,988,845	22,790,643	21,915,302	24,433,963	23,735,395	42,985,526	35,495,433	34,451,395	30,040,081
Business-Type Activities:										
Charges for services										
Water and sewer	53,271,406	54,902,198	57,858,066	52,223,647	51,363,114	55,314,031	59,362,796	56,714,103	63,642,310	69,150,685
Solid Waste	14,791,432	14,757,545	16,812,701	15,973,017	17,363,969	18,681,397	20,210,733	21,424,480	22,207,879	21,572,677
Parking	-	-	-	189,340	123,229	128,980	122,956	144,238	76,519	54,265
Capital grants and contributions	-	-	-	517,991	166,707	93,000	1,009,891	10,620,566	5,397,808	3,085,933
Total business-type activities program revenues	68,062,838	69,659,743	74,670,767	68,903,995	69,017,019	74,217,408	80,706,376	88,903,387	91,324,516	93,863,560
Total primary government program revenues	<u>\$ 99,713,618</u>	<u>\$ 91,648,588</u>	<u>\$ 97,461,410</u>	<u>\$ 90,819,297</u>	<u>\$ 93,450,982</u>	<u>\$ 97,952,803</u>	<u>\$ 123,691,902</u>	<u>\$ 124,398,820</u>	<u>\$ 125,775,911</u>	<u>\$ 123,903,641</u>

Net (expense) revenue

Table 2 (Continued)

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities	\$ (47,891,216)	\$ (57,337,295)	\$ (63,973,473)	\$ (58,330,499)	\$ (58,068,120)	\$ (61,131,032)	\$ (57,669,700)	\$ (83,606,491)	\$ (73,701,879)	\$ (84,112,335)
Business-Type activities	7,002,373	(1,388,602)	11,110,051	1,686,536	1,464,959	6,284,084	4,959,544	5,446,039	(196,937)	2,577,137
Total primary government net expense	<u>\$ (40,888,843)</u>	<u>\$ (58,725,897)</u>	<u>\$ (52,863,422)</u>	<u>\$ (56,643,963)</u>	<u>\$ (56,603,161)</u>	<u>\$ (54,846,948)</u>	<u>\$ (52,710,156)</u>	<u>\$ (78,160,452)</u>	<u>\$ (73,898,816)</u>	<u>\$ (81,535,198)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 12,255,857	\$ 12,674,326	\$ 12,929,340	\$ 13,006,891	\$ 12,986,093	\$ 13,717,431	\$ 13,892,261	\$ 14,684,563	\$ 15,169,291	\$ 16,361,841
Sales taxes	58,893,332	59,100,140	60,050,705	60,725,266	63,573,016	73,323,540	81,253,584	84,495,826	83,525,246	83,515,448
Gross receipts utility franchise fees	5,974,790	6,304,008	6,840,478	6,630,438	6,114,478	7,079,057	8,846,697	9,326,338	8,063,854	8,813,972
Intergovernmental	-	-	-	-	-	-	6,220,634	-	-	-
Unrestricted investment earnings	64,861	317,642	1,220,764	1,419,241	595,603	29,401	1,183,974	5,533,737	7,492,514	6,015,961
Other	2,043,676	1,618,293	2,158,371	396,549	(487,200)	280,427	640,948	1,547,045	7,209,464	664,192
Gain on early extinguishment of debt	-	-	-	-	-	-	2,570,050	-	-	-
Transfers	(20,323,854)	(3,995,559)	(1,255,595)	1,010,000	34,210	(227,533)	10,000	(10,960,436)	(4,174,087)	(23,175,817)
Total governmental activities	<u>58,908,662</u>	<u>76,018,850</u>	<u>81,944,063</u>	<u>83,188,385</u>	<u>82,816,200</u>	<u>94,202,323</u>	<u>114,618,148</u>	<u>104,627,073</u>	<u>117,286,282</u>	<u>92,195,597</u>
Business-type activities:										
Unrestricted investment earnings	193,749	401,542	1,219,925	1,668,005	790,607	(31,180)	1,161,172	5,298,787	5,575,956	4,229,929
Intergovernmental	-	-	-	-	-	-	4,104,948	9,628,714	1,266,338	-
Other	350,917	762,982	1,099,816	116,099	2,341	3,867	410,263	17,128	87,589	341,643
Transfers	20,323,854	3,995,559	1,255,595	(1,010,000)	(34,210)	227,533	(10,000)	10,960,435	4,174,087	23,175,817
Total business-type activities	<u>20,868,520</u>	<u>5,160,083</u>	<u>3,575,336</u>	<u>774,104</u>	<u>758,738</u>	<u>200,220</u>	<u>5,666,383</u>	<u>25,905,064</u>	<u>11,103,970</u>	<u>27,747,389</u>
Total primary government	<u>\$ 79,777,182</u>	<u>\$ 81,178,933</u>	<u>\$ 85,519,399</u>	<u>\$ 83,962,489</u>	<u>\$ 83,574,938</u>	<u>\$ 94,402,543</u>	<u>\$ 120,284,531</u>	<u>\$ 130,532,137</u>	<u>\$ 128,390,252</u>	<u>\$ 119,942,986</u>
Changes in Net Position										
Governmental activities	\$ 11,017,446	\$ 18,681,555	\$ 17,970,590	\$ 24,857,886	\$ 24,748,080	\$ 33,071,291	\$ 56,948,448	\$ 21,020,582	\$ 43,584,403	\$ 8,083,262
Business-type activities	27,870,893	3,771,481	14,685,387	2,460,640	2,223,697	6,484,304	10,625,927	31,351,103	10,907,033	30,324,526
Total primary government	<u>\$ 38,888,339</u>	<u>\$ 22,453,036</u>	<u>\$ 32,655,977</u>	<u>\$ 27,318,526</u>	<u>\$ 26,971,777</u>	<u>\$ 39,555,595</u>	<u>\$ 67,574,375</u>	<u>\$ 52,371,685</u>	<u>\$ 54,491,436</u>	<u>\$ 38,407,788</u>

Table 3

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes ⁽¹⁾	\$ 77,077,945	\$ 78,253,489	\$ 79,356,524	\$ 80,337,737	\$ 82,527,555	\$ 93,758,607	\$ 103,442,294	\$ 108,280,208	\$ 106,357,093	\$ 107,499,418
Licenses and permits	1,991,228	1,829,600	2,084,758	2,097,642	1,909,300	2,401,989	2,983,059	3,308,351	2,649,540	2,497,967
Intergovernmental	22,571,712	14,075,150	13,742,046	15,527,189	19,179,822	18,210,308	42,554,246	27,274,808	20,286,842	21,816,786
Fines and forfeitures	2,362,403	2,086,363	2,147,268	1,984,739	1,913,464	2,086,175	1,786,477	2,489,169	2,595,888	2,585,861
Charges for services	1,287,951	1,452,156	1,352,954	1,515,863	660,864	835,936	1,440,147	1,975,115	1,918,068	2,481,617
Investment earnings	168,689	442,148	1,380,801	1,455,011	579,362	29,340	1,065,091	5,038,719	6,377,917	5,762,097
Contributions	3,259,813	2,341,394	3,204,099	756,918	26,968	624,173	882,307	729,172	700,779	669,248
Miscellaneous	741,307	585,585	603,372	1,039,724	1,618,768	564,218	1,078,890	2,012,807	12,309,489	678,010
Total revenues	109,461,048	101,065,885	103,871,822	104,714,823	108,416,103	118,510,746	155,232,511	151,108,349	153,195,616	143,991,004
Expenditures										
General government	7,714,771	8,012,962	7,647,178	8,306,798	8,312,165	8,958,979	29,840,607	20,915,848	18,064,985	17,909,368
Public safety	33,527,587	32,844,745	36,906,576	33,722,154	35,241,825	35,008,367	38,205,397	42,242,331	45,248,622	48,171,034
Public works	6,291,652	5,983,213	5,751,800	7,199,550	11,509,125	8,169,891	5,520,920	8,333,380	9,694,025	9,383,764
Community services	8,155,214	7,947,477	8,901,750	7,471,640	6,610,134	8,222,820	9,554,577	9,768,643	14,445,374	13,044,323
Other	1,448,839	1,543,680	1,909,145	1,798,936	1,788,980	6,744,968	-	28,494	110,808	124,967
Capital outlay	50,789,749	30,415,836	19,644,191	20,769,689	26,985,117	23,244,244	32,458,001	40,579,489	59,346,060	59,855,525
Debt service										
Principal	11,425,000	12,320,000	12,735,000	13,610,000	14,560,001	16,970,000	27,131,577	1,183,749	1,786,484	1,505,372
Interest	3,938,833	4,138,267	2,589,697	2,710,215	2,197,400	1,625,100	874,967	69,767	93,847	136,482
Issuance costs	-	-	-	-	-	-	-	-	-	895,501
Total expenditures	123,291,645	103,206,180	96,085,337	95,588,982	107,204,747	108,944,369	143,586,046	123,121,701	148,790,205	151,026,336
Excess (deficiency) of revenues over (under) expenditures	(13,830,597)	(2,140,295)	7,786,485	9,125,841	1,211,356	9,566,377	11,646,465	27,986,648	4,405,411	(7,035,332)
Other financing sources and (uses)										
Transfers in	1,060,810	2,881,246	3,451,814	877,000	2,050,456	2,876,735	3,300,000	14,996,577	3,803,040	5,829,064
Transfers out	(962,881)	(1,959,000)	(2,963,814)	(867,000)	(3,016,246)	(3,104,268)	(3,290,000)	(25,957,013)	(3,582,434)	(5,854,064)
Loan Proceeds	-	-	-	-	-	-	353,537	-	-	-
Leases (as lessee)	-	-	-	-	-	-	797,586	545,532	3,656,508	-
SBITA	-	-	-	-	-	-	-	73,358	1,385,551	1,648,152
Bond issuance	-	-	-	-	-	-	-	-	-	94,340,000
Premiums on bond issuance	-	-	-	-	-	-	-	-	-	6,563,065
Total other financing sources (uses)	97,929	922,246	488,000	10,000	(965,790)	(227,533)	1,161,123	(10,341,546)	5,262,665	102,526,217
Net change in fund balances	<u>\$ (13,732,668)</u>	<u>\$ (1,218,049)</u>	<u>\$ 8,274,485</u>	<u>\$ 9,135,841</u>	<u>\$ 245,566</u>	<u>\$ 9,338,844</u>	<u>\$ 12,807,588</u>	<u>\$ 17,645,102</u>	<u>\$ 9,668,076</u>	<u>\$ 95,490,885</u>
Debt service as a % of noncapital expenditures	21.2%	22.6%	20.0%	21.8%	20.9%	21.7%	25.2%	1.5%	2.1%	1.8%

⁽¹⁾ See Table 6 for detail of tax revenues.

Table 4

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 190,121	\$ 190,100	\$ 312,081	\$ 336,077	\$ 350,912	\$ 1,100,913	\$ 625,526	\$ 304,244	\$ 226,255	\$ 335,901
Restricted	-	-	-	4,634,601	4,020,868	5,974,817	7,515,507	469,792	518,251	546,966
Assigned	1,319,552	1,121,752	967,846	294,076	292,245	292,245	299,651	-	22,664,615	6,371,155
Unassigned	13,383,861	15,983,316	19,462,185	19,199,681	26,800,818	26,089,153	34,124,039	41,168,880	12,062,947	19,071,512
Total general fund	14,893,534	17,295,168	20,742,112	24,464,435	31,464,843	33,457,128	42,564,723	41,942,916	35,472,068	26,325,534
All other governmental funds										
Nonspendable	194,052	641,036	641,036	650,774	50,000	7,340	169,854	37,593	40,260	44,971
Restricted	59,530,245	52,846,439	58,722,663	62,404,172	54,019,061	59,673,685	50,132,808	81,909,911	97,040,864	204,032,003
Assigned	2,923,499	5,537,590	4,795,502	6,384,643	8,442,230	10,533,826	23,255,181	9,877,248	10,882,552	8,524,121
Unassigned (deficit)	(3,048)	-	(306,595)	(173,456)	-	(357,001)	-	-	-	-
Total all other governmental funds	62,644,748	59,025,065	63,852,606	69,266,133	62,511,291	69,857,850	73,557,843	91,824,752	107,963,676	212,601,095
Total governmental fund balances	\$ 77,538,282	\$ 76,320,233	\$ 84,594,718	\$ 93,730,568	\$ 93,976,134	\$ 103,314,978	\$ 116,122,566	\$ 133,767,668	\$ 143,435,744	\$ 238,926,629

Table 5

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues	\$44,912,352	\$45,290,927	\$ 47,668,106	\$49,591,660	\$ 51,517,343	\$52,192,866	\$70,133,039	\$ 57,778,302	\$61,099,842	\$54,599,076
Expenditures	38,905,420	41,298,295	45,728,976	45,102,337	42,634,633	47,196,313	58,633,030	52,480,990	69,533,355	62,853,536
Excess (deficiency) of revenues over (under) expenditures	6,006,932	3,992,632	1,939,130	4,489,323	8,882,710	4,996,553	11,500,009	5,297,312	(8,433,513)	(8,254,460)
Other financing sources (uses)	(583,829)	(1,590,998)	1,507,814	(767,000)	(1,882,302)	(3,004,268)	(2,392,414)	(5,919,119)	1,962,665	(892,074)
Net change in fund balances	5,423,103	2,401,634	3,446,944	3,722,323	7,000,408	1,992,285	9,107,595	(621,807)	(6,470,848)	(9,146,534)
Fund balance, January 1	9,470,431	14,893,534	17,295,168	20,742,112	24,464,435	31,464,843	33,457,128	42,564,723	41,942,916	35,472,068
Fund balance, December 31	<u>\$14,893,534</u>	<u>\$ 17,295,168</u>	<u>\$ 20,742,112</u>	<u>\$24,464,435</u>	<u>\$31,464,843</u>	<u>\$ 33,457,128</u>	<u>\$42,564,723</u>	<u>\$41,942,916</u>	<u>\$35,472,068</u>	<u>\$26,325,534</u>

Table 6

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

Fiscal Year	Ad Valorem Taxes	Sales Taxes ⁽¹⁾	Utility Franchise Fees	Total
2016	\$ 12,209,823	\$ 58,893,332	\$ 5,974,790	\$ 77,077,945
2017	12,849,341	59,100,140	6,304,008	78,253,489
2018	12,465,341	60,050,705	6,840,478	79,356,524
2019	12,982,033	60,725,266	6,630,438	80,337,737
2020	12,840,061	63,573,016	6,114,478	82,527,555
2021	13,356,010	73,323,540	7,079,057	93,758,607
2022	13,342,013	81,253,584	8,846,697	103,442,294
2023	14,252,956	84,495,826	9,326,338	108,075,120
2024	14,551,337	83,525,244	8,063,854	106,140,435
2025	14,951,312	81,950,948	8,813,972	105,716,232

Table 7

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

Fiscal Year	1%; 5/8% City Sales & Use Tax Allocated for Street ⁽¹⁾	3/8% City Sales & Use Tax Allocated for Sewer Consent Decree ⁽¹⁾	City Share 1% County Sales & Use Tax ⁽²⁾	3/4% City Sales & Use Tax Allocated for Bonds ⁽³⁾	1/4% City Sales & Use Tax Allocated Fire & Parks ⁽³⁾	1/8% City Sales & Use Tax Allocated for Police ⁽³⁾	5/8% City Sales & Use Tax Allocated for Sewer Consent Decree ⁽³⁾	Total	Direct City Tax Rate	Overlapping Sebastian County Tax Rate
2016	\$ 21,156,154	\$ -	\$ 16,580,569	\$ 15,867,457	\$ 5,289,152	\$ -	\$ -	\$ 58,893,332	2.00%	1.00%
2017	21,204,143	-	16,691,854	15,903,107	5,301,036	-	-	59,100,140	2.00%	1.00%
2018	21,503,354	-	17,043,995	16,127,517	5,375,839	-	-	60,050,705	2.00%	1.00%
2019	21,730,261	-	17,264,744	16,297,696	5,432,565	-	-	60,725,266	2.00%	1.00%
2020	22,663,476	-	18,246,064	16,997,607	5,665,869	-	-	63,573,016	2.00%	1.00%
2021	26,134,495	-	21,054,550	19,600,871	6,533,624	-	-	73,323,540	2.00%	1.00%
2022	28,849,850	-	23,553,884	21,637,388	7,212,463	-	-	81,253,585	2.00%	1.00%
2023	29,923,833	-	24,648,161	2,110,192	7,480,958	3,388,780	16,943,902	84,495,826	2.00%	1.00%
2024	29,516,302	-	24,492,641	-	7,379,075	3,689,538	18,447,689	83,525,245	2.00%	1.00%
2025	22,961,800	6,551,248	24,489,352	-	7,378,262	3,690,972	18,443,814	83,515,448	2.00%	1.00%
Total	<u>\$ 245,643,668</u>	<u>\$ 6,551,248</u>	<u>\$ 204,065,814</u>	<u>\$ 124,541,835</u>	<u>\$ 63,048,843</u>	<u>\$ 10,769,290</u>	<u>\$ 53,835,405</u>	<u>\$ 708,456,103</u>		

⁽¹⁾ The City Sales and Use Tax allocated for construction, repair and maintenance of street, bridge and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax has been reauthorized through 2025. The tax is accounted for in the Sales Tax Fund, a special revenue fund. Ordinance No. 20-25 amended Ordinance No. 72-85 levying a 1% sales and use tax expiring December 31, 2059, to be used as follows: (i) 62.5% for streets, bridges and associated drainage; and (ii) 37.5% for betterments and improvements to the sewer system and consent decree sewer purposes and the pledge of such 37.5% to repay and secure bonds issued to finance capital improvements for such purposes.

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

⁽³⁾ In May 2012, the City issued sales and use tax bonds to provide for water improvements, wastewater improvements, fire facilities and apparatus, and for an aquatics park in conjunction with Sebastian County. Beginning October 1, 2012, the 1% sales tax is split with 3/4% allocated to the redemption of the 2012 bonds and 1/4% allocated to operations in the fire and parks departments. The 2012 Sales and Use Tax bonds were redeemed in September 2022. Voters approved to extend the 3/4% sales tax in a May 2022 election. The tax is to commence January 1, 2023 and be allocated 5/8% for Consent Decree and 1/8% for Police. Voters also approved to extend the 1/4% sales tax in the May 2022 election. The tax is to commence January 1, 2023 and be allocated 1/8% to Fire and 1/8% to Parks. Ordinance No. 19-25 amended Ordinance No. 20-22 levying 3/4% sales and use tax to extend the expiration date from December 31, 2030 to December 31, 2059, and to authorize (i) 5/8% to be used for betterments and improvements to the sewer system in addition to consent decree sewer purposes and to repay and secure bonds issued to finance improvements for such purposes and (ii) 1/8% to be used for police department purposes and to repay and secure bonds issued to finance improvements for such purposes.

Table 8

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

Fiscal Year	Total Tax Levy ⁽¹⁾	Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Collection Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2016	\$ 11,638,707	\$ 10,869,598	93.39%	\$ 349,161	\$ 11,218,759	96.39%	\$ 419,948	3.61%
2017	12,098,453	10,807,866	89.33%	362,954	11,170,820	92.33%	927,633	7.67%
2018	12,634,135	10,584,574	83.78%	410,578	10,995,152	87.03%	640,218	5.07%
2019	12,626,404	11,223,820	88.89%	471,394	11,695,214	92.63%	931,190	7.37%
2020	12,683,867	10,490,424	82.71%	512,519	11,002,943	86.75%	1,680,924	13.25%
2021	12,911,401	10,891,542	84.36%	548,014	11,439,556	88.60%	1,471,845	11.40%
2022	13,284,001	11,181,888	84.18%	561,470	11,003,350	82.83%	1,540,643	11.60%
2023	13,851,420	12,333,290	89.04%	574,936	12,908,226	93.19%	943,194	6.81%
2024	14,292,643	12,655,673	88.55%	612,923	13,230,609	92.57%	1,062,034	7.43%
2025	14,899,569	12,829,674	86.11%	655,385	13,485,059	90.51%	1,414,510	9.49%

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

Table 9

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

Fiscal Year ⁽¹⁾	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual	Direct Tax Rate (per \$100 assessed value)
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2016	\$ 1,048,822,152	\$ 5,244,110,760	\$ 374,525,310	\$ 1,872,626,550	\$ 1,423,347,462	\$ 7,116,737,310	20.00%	0.70
2017	1,067,629,242	5,338,146,210	374,356,480	1,871,782,400	1,441,985,722	7,209,928,610	20.00%	0.70
2018	1,085,359,343	5,426,796,715	394,705,520	1,973,527,600	1,480,064,863	7,400,324,315	20.00%	0.70
2019	1,087,909,815	5,439,549,075	404,309,870	2,021,549,350	1,492,219,685	7,461,098,425	20.00%	0.70
2020	1,109,800,557	5,549,002,785	409,188,080	2,045,940,400	1,518,988,637	7,594,943,185	20.00%	0.70
2021	1,137,668,170	5,688,340,850	425,155,480	2,125,777,400	1,562,823,650	7,814,118,250	20.00%	0.70
2022	1,172,842,928	5,864,214,640	456,735,930	2,283,679,650	1,629,578,858	8,147,894,290	20.00%	0.70
2023	1,193,037,498	5,965,187,490	488,449,940	2,442,249,700	1,681,487,438	8,407,437,190	20.00%	0.70
2024	1,217,702,240	6,088,511,200	535,188,180	2,675,940,900	1,752,890,420	8,764,452,100	20.00%	0.70
2025	1,375,616,456	6,878,082,280	561,464,130	2,807,320,650	1,937,080,586	9,685,402,930	20.00%	0.70

9685402.93

⁽¹⁾ Fiscal year is year of valuation.

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

Table 10

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

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

Fiscal Year ⁽¹⁾	City of Fort Smith		Sebastian County		Overlapping Rates FS School District		FS Public Library		Total Direct & Overlapping Rates	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2016	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2017	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2018	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2019	0.70	0.70	0.80	0.80	3.65	3.65	0.10	0.10	5.25	5.25
2020	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81
2021	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81
2022	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81
2023	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81
2024	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81
2025	0.70	0.70	0.80	0.80	4.21	4.21	0.10	0.10	5.81	5.81

⁽¹⁾ Fiscal year is year of levy.

Table 11

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

Name of Taxpayer ⁽¹⁾	2025			2016		
	Taxable Assessed Valuation ⁽²⁾	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation ⁽²⁾	Rank	Percentage of Total Assessed Valuation
Oklahoma Gas & Electric Co.	\$ 44,627,900	1	2.30%	\$ 26,345,615	1	1.85%
Mercy Medical Center	19,759,433	2	1.02%	16,840,250	7	1.18%
Gerber Products Company	16,824,755	3	0.87%	18,921,427	5	1.33%
Wal-Mart/Sam's Club	16,471,067	4	0.85%	18,167,730	9	1.28%
Arkansas Oklahoma Gas Corp	15,794,830	5	0.82%			
ABB (formerly Baldor Electric Company)	14,876,029	9	0.77%	17,221,735	6	1.21%
Hiram Walker & Sons Inc	14,368,000	10	0.74%		2	
Dixie Consumer Products	14,320,045	6	0.74%			
Ok Foods, Inc. formerly OK Farms, Inc.	12,726,345	8	0.66%	15,279,400	8	1.07%
Carco Carriage Corp	11,313,565	7	0.58%			
Fort Smith Health Management Assoc., LLC				23,927,385	2	1.68%
Verizon Wireless				19,402,835	3	1.36%
AT&T Mobility				18,973,935	4	1.33%
Fort Smith Mall LLC				12,417,649	10	0.87%
	\$ 181,081,969		9.35%	\$ 187,497,961		13.17%

⁽¹⁾ Sebastian County Assessor's Office.

⁽²⁾ Property taxes collected in 2025 are based upon 2024 assessed valuation of \$1,937,080,586. Property taxes collected in 2016 were based upon the 2015 assessed valuation of \$1,423,347,462

Table 12

**Computation of Direct and Estimated Overlapping Debt
December 31, 2025
(Unaudited)**

Taxing Jurisdiction	Total Direct Debt ⁽¹⁾	Estimated Percent Applicable ⁽²⁾	Direct and Estimated Overlapping Debt
Direct:			
City of Fort Smith	\$ 104,048,416	100.00%	\$ 104,048,416
Overlapping:			
Fort Smith Special School District	137,070,000	100.00%	137,070,000
Greenwood School District	28,790,000	5.00%	1,439,500
Sebastian County	-	76.00%	-
Total Overlapping	165,860,000		138,509,500
Total direct and estimated overlapping bonded debt	\$ 269,908,416		\$ 242,557,916
Ratio, direct and estimated overlapping debt to fiscal 2025 assessed valuation ⁽³⁾			12.52%
Per capita direct and estimated overlapping bonded debt ⁽⁴⁾			\$ 2,670

⁽¹⁾ Excluding self-supporting debt.

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

⁽³⁾ From Table 9, \$1,937,080,586

⁽⁴⁾ Based on the estimated population for 2025 in Table 16.

Table 13

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net assessed value ⁽¹⁾	\$ 1,423,347,462	\$ 1,441,985,722	\$ 1,480,064,863	\$ 1,492,219,685	\$ 1,518,988,637	\$ 1,562,823,650	\$ 1,629,578,858	\$ 1,681,487,438	\$ 1,752,890,420	\$ 1,937,080,586
Plus exempt property ⁽²⁾	-	-	-	-	-	-	-	-	-	-
Total assessed value	<u>\$ 1,423,347,462</u>	<u>\$ 1,441,985,722</u>	<u>\$ 1,480,064,863</u>	<u>\$ 1,492,219,685</u>	<u>\$ 1,518,988,637</u>	<u>\$ 1,562,823,650</u>	<u>\$ 1,629,578,858</u>	<u>\$ 1,681,487,438</u>	<u>\$ 1,752,890,420</u>	<u>\$ 1,937,080,586</u>
Debt limit - 25% of total assessed value ⁽³⁾	\$ 355,836,866	\$ 360,496,431	\$ 370,016,216	\$ 373,054,921	\$ 379,747,159	\$ 390,705,913	\$ 407,394,715	\$ 420,371,860	\$ 438,222,605	\$ 484,270,147
Amount of debt applicable to limit ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-
Debt Margin	<u>\$ 355,836,866</u>	<u>\$ 360,496,431</u>	<u>\$ 370,016,216</u>	<u>\$ 373,054,921</u>	<u>\$ 379,747,159</u>	<u>\$ 390,705,913</u>	<u>\$ 407,394,715</u>	<u>\$ 420,371,860</u>	<u>\$ 438,222,605</u>	<u>\$ 484,270,147</u>

⁽¹⁾ From Table 9.

⁽²⁾ Not available

⁽³⁾ Limitation is established by state statute.

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

Source: Final property tax abstract-Sebastian County

Table 14

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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	Sales Tax Bonds	Installment Loan and Notes Payable	Leases Payable	SBITA Payable	Revenue Bonds	Sales Tax Bonds	SBITA Payable			
2016	\$ 101,722,935	\$ -	\$ 88,100	\$ -	\$ 184,391,017	\$ -	\$ -	\$ 286,202,052	9.2%	3,269
2017	88,916,358	-	-	-	177,146,166	-	-	266,062,524	8.3%	3,029
2018	75,694,781	-	-	-	250,475,721	-	-	326,170,502	9.8%	3,718
2019	61,598,204	-	-	-	242,455,231	-	-	304,053,435	9.0%	3,459
2020	46,551,626	-	-	-	233,008,123	-	-	279,559,749	6.9%	3,136
2021	29,095,050	-	-	-	222,421,015	-	-	251,516,065	5.8%	2,810
2022	-	316,472	1,428,496	-	210,528,908	-	-	210,528,908	4.8%	2,337
2023	-	276,298	1,215,056	638,608	182,740,000	-	731,510	185,601,471	4.3%	2,068
2024	-	364,223	3,659,857	1,268,072	171,580,000	-	476,932	191,585,638	4.4%	2,117
2025	94,340,000	275,110	1,161,437	2,036,957	159,960,000	-	-	257,773,504	5.9%	2,837

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

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

Table 15

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

	Fiscal Year	Revenue ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Services	Debt Service Requirements			Coverage
					Principal	Interest ⁽³⁾	Total	
Water and Sewer System	2016	\$ 53,684,097	\$ 26,705,909	\$ 26,978,188	\$ 6,675,000	\$ 7,836,058	\$ 14,511,058	186%
	2017	55,851,653	27,161,854	28,689,799	6,275,000	7,374,703	13,649,703	210%
	2018	59,882,546	29,019,604	30,862,942	6,170,000	7,720,005	13,890,005	222%
	2019	53,398,509	28,328,815	25,069,694	6,360,000	10,468,211	16,828,211	149%
	2020	51,943,983	28,852,095	23,091,888	7,930,000	9,958,090	17,888,090	129%
	2021	55,445,129	30,676,930	24,768,199	9,070,000	9,680,213	18,750,213	132%
	2022	65,532,045	34,305,504	31,226,541	10,375,000	9,263,263	19,638,263	159%
	2023	60,392,843	39,242,603	21,150,240	10,680,000	8,927,250	19,607,250	108%
	2024	67,375,113	45,063,260	22,311,853	11,160,000	8,477,300	19,637,300	114%
	2025	71,790,191	42,626,986	29,163,205	11,620,000	8,019,850	19,639,850	148%

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

⁽²⁾ Excludes depreciation expense and amortization expense.

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

2025 reconciliation of interest paid reported on this schedule to the statement of revenues,
expenses, and changes in fund net position for the proprietary funds:

	Water & Sewer
Interest paid - this schedule	\$ 8,019,850
Bond discount amortization	(1,395,133)
Accrued interest - 12/31/24	(2,004,962)
Accrued interest - 12/31/25	1,886,612
SBITA interest	19,776
Interest expense and fiscal charges - statement of revenues, expenses, and changes in fund net position	<u>\$ 6,526,143</u>

Table 16

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

Fiscal Year	City Population ⁽¹⁾	County Population ⁽¹⁾	MSA Personal Income ⁽²⁾ (in thousands)	City Personal Income ⁽²⁾ (in thousands)	Per Capita Income-City ⁽²⁾	Median Age ⁽³⁾	Education Level in Years of Schooling ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽²⁾
2016	87,561	127,793	\$ 8,884,864	\$ 3,125,577	\$ 35,696	37.8	12	14,341	3.3%
2017	87,834	127,786	9,111,482	3,201,725	36,452	38.1	12	14,407	3.5%
2018	87,720	127,570	9,455,644	3,315,816	37,800	35.0	12	14,181	3.4%
2019	87,891	127,827	9,612,004	3,373,432	38,382	35.0	12	14,788	3.2%
2020	89,142	127,799	10,217,998	4,063,627	45,586	36.5	12	14,839	4.5%
2021	89,500	127,827	11,078,663	4,345,762	48,556	38.0	12	14,361	2.2%
2022	90,080	128,400	11,252,518	4,356,128	48,358	36.7	12	14,365	2.7%
2023	89,770	129,059	11,742,415	4,289,232	47,780	36.4	12	14,291	3.8%
2024	90,507	130,035	11,932,757	4,325,099	47,787	36.5	12	14,060	3.5%
2025	90,855	130,867	12,126,185	4,395,208	48,376	36.6	12	14,045	4.4%

Data Sources:

⁽¹⁾ Sourced from the U.S. Census Bureau official population metrics.

⁽²⁾ Sourced from the U.S. Department of Commerce, Bureau of Economic Analysis through 2023. Data for fiscal years 2024-2025 reflect management-formulated projections utilizing a baseline annual growth rate of 1.2%. City Per Capita Income represents a calculated economic metric derived via the application of personal income values divided by city population figures.

⁽³⁾ Compiled from public state and federal databases, including the U.S. Census Bureau (American Community Survey) and the U.S. Bureau of Labor Statistics standard municipal data sets.

⁽⁴⁾ Sourced from the Fort Smith School District and the Arkansas Department of Education administrative databases.

Table 17

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

Employer	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mercy-Fort Smith (formerly St Edward Mercy Medical Center)	3,128	1	3.2%	2,300	2	2.0%
Fort Smith Public Schools	2,542	2	2.6%	1,773	4	1.5%
ArcBest	1,978	3	2.0%	1,520	6	1.3%
O. K. Foods, Inc. dba Bachoco USA	1,940	4	2.0%	3,235	1	2.8%
Baptist Health (formerly Sparks Health Systems)	1,475	7	1.5%	1,578	5	1.4%
ABB (formerly Baldor Electric Company)	1,567	5	1.6%	1,942	3	1.7%
Walmart	1,498	6	1.5%			
Rheem Mfg.	1,021	9	1.0%	900	8	0.8%
City of Fort Smith	1,265	8	1.3%	936	7	0.8%
University of Arkansas at Fort Smith	964	10	1.0%			
Golden Living/Beverly Enterprises				850	9	0.7%
Bost, Inc.				800	10	0.7%
Total	17,378		17.7%	15,834		13.9%

Data Sources:

Chamber of Commerce

U.S. Department of Labor, employment totals:

Table 18

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	132	134	138	137	138	141	159	168	174	174
Public safety:										
Police										
Officers	164	163	163	163	163	164	164	164	167	167
Civilians	55	55	52	54	52	55	56	56	57	57
Fire										
Firefighters and officers	149	149	149	149	149	149	149	150	150	150
Civilians	3	3	4	4	4	4	5	4	4	4
Public works:										
Operations	5	5	5	5	5	6	6	5	5	5
Streets	53	54	52	54	52	57	58	64	67	67
Traffic control	14	13	14	14	14	14	16	16	16	16
Parks and recreation	61	64	58	57	57	52	41	41	42	42
Transit	33	33	34	34	34	34	35	35	35	35
Water and sewer	264	270	302	303	302	308	300	300	305	305
Solid Waste	88	86	91	91	92	93	96	96	107	107
Total	<u>1,021</u>	<u>1,029</u>	<u>1,062</u>	<u>1,065</u>	<u>1,062</u>	<u>1,077</u>	<u>1,084</u>	<u>1,098</u>	<u>1,128</u>	<u>1,128</u>

Table 19

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Stations	1	1	1	1	1	1	1	1	2	3
Sub-stations	8	8	8	8	8	8	8	8	-	-
Patrol units	12	12	36	32	41	43	53	61	72	73
Fire										
Stations	11	11	11	11	11	11	11	11	11	11
Apparatus	30	27	27	27	29	29	31	31	34	34
Training facility	-	-	-	-	-	-	-	1	1	1
Maintenance building	-	-	-	-	-	-	-	1	1	1
Streets										
Streets (miles)	503	505	505	505	505	505	505	510	513	513
Streetlights	6,778	6,053	6,200	6,700	6,700	6,700	6,700	6,700	6,700	6,700
Traffic signals	151	149	154	154	154	155	155	155	155	156
Parks and recreation										
Parks acreage (square feet)	325	325	536	690	686	686	686	686	659	659
Parks	28	28	28	29	33	33	33	33	34	34
Trails and greenways	-	-	-	4	5	5	5	5	5	5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water splashpad	2	2	4	4	4	4	4	4	4	4
Tennis courts	12	12	12	12	12	12	12	12	10	10
Pickleball courts	-	-	-	-	-	8	8	8	8	8
Skatepark	1	1	2	2	2	2	2	2	2	2
Community centers	5	5	5	5	5	5	5	5	5	5
Convention center										
Theater -seats	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331	1,331
Theater -area (square feet)	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Exhibit Hall -area (square feet)	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Transit buses	16	16	16	16	14	14	15	16	16	16

Table 19 (Continued)

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water and sewer										
Water mains (miles)	702	720	721	725	718	719	729	731	734	735
Average daily production capacity (thousands of gallons)	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,400	63,000
Average daily consumption (thousands of gallons)	20,878	20,878	20,434	20,199	21,070	21,339	22,852	22,058	22,783	21,896
Sanitary sewers (miles)	522	500	562	543	644	627	628	555	554	563
Solid waste										
Collection trucks	44	44	44	43	46	55	48	48	53	54
Landfill capacity (in cubic yards)	61,612,281	50,314,801	49,952,321	49,581,307	48,989,307	49,217,063	48,749,223	48,313,723	47,857,715	47,393,515

Table 20

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

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Physical arrest	9,854	9,521	8,621	7,485	5,212	5,192	4,706	5,203	4,758	4,201
Parking violations	4,904	1,991	1,723	2,254	238	690	539	558	558	74
Traffic violations	11,657	18,389	16,777	13,121	15,410	8,990	9,573	17,405	22,242	16,613
Fire										
Number of calls answered	10,223	10,763	11,337	11,873	9,931	14,884	15,227	15,296	15,993	16,000
Transit										
Passenger trips	190,418	191,124	204,695	207,629	139,421	187,673	205,460	242,176	254,611	252,586
Water and sewer										
New connections	325	283	305	311	333	328	338	496	392	383
Average daily production (thousands of gallons)	28,767	26,859	29,182	29,065	30,358	31,895	33,180	35,095	36,750	36,792
Average daily sewage flow (thousands of gallons)	15,030	15,010	16,660	20,530	20,023	18,836	19,527	16,989	19,788	20,781
Solid Waste										
Waste disposal (cubic yards/day)	1,533	2,368	1,169	1,197	1,061	1,065	1,509	1,041	1,471	1,215

Table 21

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

Fiscal Year	Annual # Solid Waste System Customers	Cubic Yardage of Waste at Landfill	Useful Life of Landfill Remaining ⁽¹⁾	Remaining Storage Capacity at Landfill
2016	357,036	1,765,715	10 yrs	61,612,281 cubic yards
2017	418,938	2,497,533	4 yrs	50,314,801 cubic yards
2018	436,439	2,860,013	3 yrs	49,952,321 cubic yards
2019	411,997	3,231,027	2 yrs	49,581,307 cubic yards
2020	544,245	3,189,013	2 yrs	48,989,307 cubic yards
2021	503,882	3,519,013	4 yrs	49,217,063 cubic yards
2022	552,452	3,986,853	6 yrs	48,749,223 cubic yards
2023	509,115	4,422,353	6 yrs	48,313,723 cubic yards
2024	528,650	4,878,361	4.5 yrs	47,857,715 cubic yards
2025	517,057	5,342,561	2 yrs	47,393,515 cubic yards

⁽¹⁾ This is the remaining life of the current cell being filled at the landfill. The entire landfill has a remaining life of 102 years.

Table 22

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

Fiscal Year	Average Daily Water Use in Gallons	Maximum Daily Water Use in Gallons	Total Water Use for Year in Gallons	Average Daily Sewage Flow in Gallons
2021	21,339,122	44,455,000	7,788,238,084	18,835,833
2022	22,852,193	46,737,000	8,340,470,776	19,527,333
2023	22,058,035	44,345,000	8,050,623,020	16,988,667
2024	22,783,477	47,655,000	8,315,391,084	19,787,667
2025	21,895,628	45,445,000	7,991,904,272	20,780,959

Water Customers Fiscal Year	Residential	Commercial	Wholesale	Other	Total
2021	30,752	4,460	20	224	35,456
2022	30,997	4,515	27	232	35,771
2023	30,968	4,459	27	230	35,684
2024	30,754	4,343	27	230	35,354
2025	31,276	4,452	27	237	35,992

Sewer Customers Fiscal Year	Residential	Commercial	Government	Other	Total
2021	28,517	3,691	91	49	32,348
2022	28,684	3,718	91	49	32,542
2023	28,684	3,718	91	49	32,542
2024	28,496	3,503	91	48	32,138
2025	28,954	3,593	91	49	32,687

For 2025:	Entity	Water	Sewer	Total	% of Gross Revenues
	Van Buren Water Dept	\$ 5,931,422	\$ -	\$ 5,931,422	8.58%
	OK Foods Inc	3,692,300	749,879	4,442,179	6.42%
	Cedarville Water Users	2,001,734	-	2,001,734	2.89%
	Gerdau Macsteel Div	526,276	561,278	1,087,553	1.57%
	Arkoma Water Co	418,307	542,254	960,561	1.39%
	Barling Water Dept	946,299	-	946,299	1.37%
	Franklin Sebastian Public Water Authority	925,254	-	925,254	1.34%
	Hwy 71 Water Dist No 1	888,451	-	888,451	1.28%
	Mercy Medical Center	343,462	430,733	774,196	1.12%
	Owens-Corning Fiberglass	184,608	498,767	683,374	0.99%
	Top Ten Users	<u>\$ 15,858,114</u>	<u>\$ 2,782,911</u>	<u>\$ 18,641,025</u>	<u>26.96%</u>



(This Page Intentionally Left Blank)



623 Garrison Avenue, Fort Smith,
AR 72901



jdingman@fortsmithar.gov
fortsmithar.gov



+(479) 784-2201
+(479) 561-1510

For the Fiscal Year ended December 31, 2025





City of Fort Smith, Arkansas

Single Audit Reports

December 31, 2025



City of Fort Smith, Arkansas
Contents
December 31, 2025

Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	3
Notes to Schedules of Expenditures of Federal and State Awards	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – Independent Auditor’s Report	5
Report on Compliance for the Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance – Independent Auditor’s Report	7
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings	12

City of Fort Smith, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Defense</u>					
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003	None	HQ00052410033	\$ -	514,551
Total U.S. Department of Defense				-	514,551
<u>U.S. Department of Housing & Urban Development</u>					
<u>CDBG Entitlement Grants Cluster</u>					
Community Development Block Grants / Entitlement Grants	14.218	None	B23MC050003	-	96,008
	14.218	None	B24MC050003	-	465,059
	14.218	None	B25MC050003	-	249,685
	14.218	None	B20MW050003	-	39,202
Total CDBG Entitlement Grants Cluster				-	849,954
HOME Investment Partnership Program	14.239	None	M23MC050202	-	15,445
	14.239	None	M24MC050202	-	315,602
	14.239	None	M21MP050202	-	163,728
Total HOME Investment Partnership Program				-	494,775
Total U.S. Department of Housing and Urban Development				-	1,344,729
<u>U.S. Department of the Interior</u>					
Arkansas Department of Parks, Heritage and Tourism Historic Preservation Fund Grants-In-Aid	15.904	25-CLG-04	P25AF01199-00	-	8,607
Total U.S. Department of the Interior				-	8,607
<u>U.S. Department of Justice</u>					
Bulletproof Vest Partnership Program	16.607	None	BU-BX-1206-4657	-	22,809
Edward Byrne Memorial Justice Assistance Grant Program	16.738	None	15PBJA-22-GG-02328-JAGX	-	82
	16.738	None	15PBJA-24-GG-05152-JAGX	-	66,355
Sebastian County Prosecuting Attorney Edward Byrne Memorial Justice Assistance Grant Program	16.738	255121-22JL	15PBJA-22-GG-00664-JAGX	-	7,175
	16.738	265121-24JL	15PBJA-24-GG-04308-JAGX	-	6,655
Total Edward Byrne Memorial Justice Assistance Grant Program				-	103,076
Total U.S. Department of Justice				-	103,076
<u>U.S. Department of Transportation</u>					
<u>Federal Transit Cluster</u>					
Federal Transit Formula Grants	20.507	None	AR-2019-014	-	10,766
	20.507	None	AR-2021-001	-	276,616
	20.507	None	AR-2022-003	-	435,677
	20.507	None	AR-2023-013	-	35,587
	20.507	None	AR-2025-020	-	1,765,140
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	None	AR-2019-011	-	3,642
Total Federal Transit Cluster				-	2,527,428
<u>Highway Safety Cluster</u>					
Arkansas State Police State and Community Highway Safety	20.600	69A37525300004020AR0	FY25 STEP - 402	-	77,211
	20.600	69A37526300004020AR0	FY26 STEP - 402	-	13,663
Arkansas State Police National Priority Safety Programs	20.616	69A3752530000405EARL	FY25 STEP - 405	-	1,107
	20.616	69A3752630000405EARA	FY26 STEP - 405	-	1,663
Total Highway Safety Cluster				-	93,644
Total U.S. Department of Transportation				-	2,621,072

City of Fort Smith, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>National Science Foundation</u>					
<u>Research and Development Cluster</u>					
University of Arkansas, Fayetteville Civil Engineering Department Engineering	47.041	44080101-521300	None	\$ -	57,909
Total National Science Foundation				-	57,909
<u>U.S. Environmental Protection Agency</u>					
Arkansas Department of Energy and Environment Climate Pollution Reduction Planning Grant	66.046	02F35201	None	-	127,500
Metroplan Climate Pollution Reduction Planning Grant	66.046	02F75801	None	-	531,971
Total Climate Pollution Reduction Planning Grant				-	659,471
Total U.S. Environmental Protection Agency				-	659,471
<u>Department of Homeland Security</u>					
Arkansas Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4441DR-AR	None	-	471,742
	97.036	4441DR-AR	None	-	318,286
	97.036	4441DR-AR	None	-	145,774
	97.036	4518DR-AR	None	-	1,114
Total Disaster Grants – Public Assistance (Presidentially Declared Disasters)				-	936,916
Hazard Mitigation Grant	97.039	DR-4518-0012-AR	None	-	49,043
Assistance to Firefighters Grant	97.044	EMW-2023-FG-01131	None	-	29,204
Total Department of Homeland Security				-	1,015,163
Total Expenditures of Federal Awards				\$ -	6,324,578

City of Fort Smith, Arkansas
Schedule of Expenditures of State Awards
Year Ended December 31, 2025

Granting Agency/Grant Program	Grant Number	Expenditures
Arkansas Department of Public Safety		
2025 DPS Public Safety Equipment Grant Program	N/A	\$ 74,473
Total Arkansas Department of Public Safety		<u>74,473</u>
Arkansas Economic Development Commission		
Military Affairs Grant Program	MAGP-FSM02-2026	50,000
Total Arkansas Economic Development Commission		<u>50,000</u>
Arkansas State Drug Crime Enforcement and Prosecution Grant Fund		
12th Judicial Drug Task Force 2024–2025 Award Period (DCF)	255121-23JL	10,599
12th Judicial Drug Task Force 2025–2026 Award Period (DCF)	265121-26DF	9,831
12th Judicial Drug Task Force 2024–2025 Award Period (PCO)	N/A	24,051
12th Judicial Drug Task Force 2025–2026 Award Period (PCO)	N/A	22,499
Total Arkansas State Drug Crime Enforcement and Prosecution Grant Fund		<u>66,980</u>
Arkansas State Police		
National Highway Traffic Safety Administration – FY25 STEP Child Seats	N/A	6,998
Total Arkansas State Police		<u>6,998</u>
State of Arkansas – Asset Forfeiture		
State Asset Forfeiture	N/A	5,080
Total Expenditures of State Awards		<u>\$ 203,531</u>
Total Expenditures of Federal and State Awards		<u>\$ 6,528,109</u>

City of Fort Smith, Arkansas
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended December 31, 2025

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (Schedules) include the federal and state award activity of the City of Fort Smith, Arkansas (City) under programs of the federal and state government for the year ended December 31, 2025. The City presents the information in these Schedules in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Arkansas. Because the Schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position, or cash flows of the City.

The Schedules do not include the Fort Smith Regional Airport's federal and state financial award programs.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual (governmental funds) and accrual (enterprise funds) basis of accounting. The City recognizes such expenditures following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

When applicable, the City has elected to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Emergency Management Agency (FEMA) Expenditures

The City has reported \$936,916 of expenditures on the 2025 Schedule of Expenditures of Federal Awards for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program that were incurred in a prior year but not approved until 2025.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Smith, Arkansas (City) as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 24, 2026. Our report includes a reference to other auditors who audited the financial statements of the Fort Smith Public Library (Library), as described in our report on the City's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

**Rogers, Arkansas
July 24, 2026**

**Report on Compliance for the Major Federal Program, Report on Internal Control
Over Compliance, and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Fort Smith, Arkansas' (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2025. The summary of auditor's results identifies the City's major federal program.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the Fort Smith Regional Airport (Airport), a discretely presented component unit, which expended \$5,742,043 in federal awards that is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2025. Our compliance audit, described in the "Opinion on the Major Federal Program" section above, does not include the operations of the Airport because an audit in accordance with the Uniform Guidance was issued separately by the Airport.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We have issued our report thereon dated July 24, 2026 which contained unmodified opinions on those financial statements and contained a reference to the report of other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Management is responsible for such information and derives it from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

**Rogers, Arkansas
July 24, 2026**

City of Fort Smith, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. Internal control over financial reporting:
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Material weakness(es) identified? ☐ Yes ☒ No
3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over the major federal program:
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Material weakness(es) identified? ☐ Yes ☒ No
5. Type of auditor’s report issued on compliance for the major federal award program:
- ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No
7. Identification of the major federal program:

Assistance Listing Number

Name of Federal Program or Cluster

20.507, 20.526

Federal Transit Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs was \$1,000,000.
9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

City of Fort Smith, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

Reference Number	Summary of Finding	Status
	No matters are reportable.	